

**TOWN OF AMHERST,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplemental and Federal Financial
Assistance Schedules for the Year Ended
December 31, 2012 and Independent Auditors' Reports*

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FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Town Board
Town of Amherst, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Amherst, New York (the "Town"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Highway, Sewer and Drainage Funds

for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2013 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* in considering Town's internal control over financial reporting and compliance.



June 6, 2013

TOWN OF AMHERST, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2012

As management of the Town of Amherst, New York (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2012. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative. Certain data from the prior year has been reclassified to conform with the current year presentation.

Financial Highlights

- ◆ The Town's governmental activities net assets decreased \$14,390,331 while its business-type activities net assets increased \$498,871 as a result of this year's activity.
- ◆ The assets of the primary government of the Town exceeded its liabilities at the close of the fiscal year by \$160,126,189, net assets. Of this amount, \$52,774,748 is considered to be an unrestricted net deficit.
- ◆ At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,535,378, a reduction of \$6,549,186 in comparison with the prior year. Contributing to the reduction was a significant decrease in the Capital Projects Fund from ongoing projects financed by bond anticipation notes.
- ◆ The General Fund reported a net decrease in fund balance this year of \$1,384,341. At December 31, 2012, unassigned fund balance for the General Fund was \$834,094, or 1.4 percent of 2013 budgeted General Fund appropriations.
- ◆ The Town's governmental activities made \$3,965,000 of principal payments of its previously outstanding bonded indebtedness during the current year. The business-type activities paid \$845,000 of its bonded indebtedness during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements include two kinds of statements that present different views of the Town:

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the Town include the Amherst Ice Facility

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has three kinds of funds:

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Highway, Sewer, Drainage, Special Grant and Capital Projects funds, all of which are considered to be major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town adopts an annual appropriated budget for General, Highway, Sewer, Town Outside Village, Lighting District, Community Environment, Fire Protection, Water District, and Drainage funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 14-21 of this report.

Proprietary funds. The Town maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for the Amherst Ice Facility. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its insurance program. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statement, only in more detail. The proprietary fund financial statements provide separate information for the Amherst Ice Facility and for the insurance program.

The proprietary fund financial statements can be found on pages 22-25.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found on page 26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-60 of this report.

Other information. As stated earlier, the financial statements include a section with combining statements that provide details about our nonmajor governmental funds, which are added together and presented in a single column in the basic financial statements.

The supplemental financial statements can be found following the notes to the financial statements on pages 61-69 of this report. The Federal Awards information can be found at pages 70-82 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as useful indicator of a government's financial position. In the case of the Town's governmental activities, assets exceeded liabilities by \$160,126,189 at the close of the 2012 fiscal year, as compared to \$174,017,649 at the close of the 2011 fiscal year.

Table 1 – Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	December 31,		December 31,		December 31,	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 60,214,381	\$ 76,307,855	\$ 227,673	\$ 1,004,051	\$ 60,442,054	\$ 77,311,906
Capital assets	249,669,571	251,733,082	13,278,790	13,624,919	262,948,361	265,358,001
Total assets	<u>309,883,952</u>	<u>328,040,937</u>	<u>13,506,463</u>	<u>14,628,970</u>	<u>323,390,415</u>	<u>342,669,907</u>
Deferred outflows	-	-	132,031	-	132,031	-
Current liabilities	46,570,649	64,098,356	209,408	815,890	46,780,057	64,914,246
Long-term liabilities	94,693,912	92,214,851	10,640,296	11,523,161	105,334,208	103,738,012
Total liabilities	<u>141,264,561</u>	<u>156,313,207</u>	<u>10,849,704</u>	<u>12,339,051</u>	<u>152,114,265</u>	<u>168,652,258</u>
Deferred inflows	11,281,992	-	-	-	11,281,992	-
Net investment in capital assets	207,747,499	208,367,250	2,788,790	2,289,919	210,536,289	210,657,169
Restricted	2,364,648	2,621,530	-	-	2,364,648	2,621,530
Unrestricted	(52,774,748)	(39,261,050)	-	-	(52,774,748)	(39,261,050)
Total net position	<u>\$ 157,337,399</u>	<u>\$ 171,727,730</u>	<u>\$ 2,788,790</u>	<u>\$ 2,289,919</u>	<u>\$ 160,126,189</u>	<u>\$ 174,017,649</u>

By far the largest portion of the Town's net position, \$210,536,289, reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$2,364,648, represents resources that are subject to external restrictions on how they may be used. While another portion of net position is considered to be an unrestricted net deficit of \$52,774,748.

Total governmental activities net assets decreased \$14,112,613 over the prior year. The decrease in net assets can be largely attributed to the addition of \$7,438,825 of other postemployment liabilities and significant self-insurance expenses.

Table 2, as presented below, shows the changes in net assets for the years ended December 31, 2012 and December 31, 2011:

Table 2 – Condensed Statement of Revenues, Expenses and Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	Year Ended December 31, 2012	2011	Year Ended December 31, 2012	2011	Year Ended December 31, 2012	2011
Revenues:						
Charges for services	\$ 10,336,660	\$ 10,193,930	\$ 2,741,473	\$ 2,703,134	\$ 13,078,133	\$ 12,897,064
Operating grants and contributions	29,262,323	27,790,135	-	-	29,262,323	27,790,135
Capital grants and contributions	557,145	1,937,354	-	-	557,145	1,937,354
General revenues	99,351,753	98,290,988	35,480	5,771	99,387,233	98,296,759
Total revenues	<u>139,507,881</u>	<u>138,212,407</u>	<u>2,776,953</u>	<u>2,708,905</u>	<u>142,284,834</u>	<u>140,921,312</u>
Program expenses	153,450,563	148,609,631	2,725,731	2,863,165	156,176,294	151,472,796
Transfers (out) in	(447,649)	(589,756)	447,649	589,756	-	-
Change in net assets	(14,390,331)	(10,986,980)	498,871	435,496	(13,891,460)	(10,551,484)
Net position—beginning	171,727,730	182,714,710	2,289,919	1,854,423	174,017,649	184,569,133
Net position—ending	<u>\$ 157,337,399</u>	<u>\$ 171,727,730</u>	<u>\$ 2,788,790</u>	<u>\$ 2,289,919</u>	<u>\$ 160,126,189</u>	<u>\$ 174,017,649</u>

Overall revenues in the year ended December 31, 2012 increased by 1.0 percent as compared to the year ended December 31, 2011 due primarily to a \$1,665,867 and \$1,472,188 increase in miscellaneous revenue and operating grants and contributions, respectively, offset by unfavorable variances in capital grants and contributions and property and other taxes.

Total primary government expenses for the year ended December 31, 2012 increased 3.1 percent from the year ended December 31, 2011 due primarily to a \$2,836,398 and \$2,215,431 increase in public safety and general government support expenses, respectively, offset by decreases in transportation and culture and recreation expenses.

A summary of sources of revenues of the primary government for the years ended December 31, 2012 and December 31, 2011 is presented on the following page in Table 3.

Table 3 – Summary of Sources of Revenues

	Year Ended December 31,		Increase/(decrease)	
	2012	2011	Dollars	Percent
Charges for services	\$ 13,078,133	\$ 12,897,064	\$ 181,069	1.4
Operating grants and contributions	29,262,323	27,790,135	1,472,188	5.3
Capital grants and contributions	557,145	1,937,354	(1,380,209)	(71.2)
Property and other taxes	91,182,684	92,405,919	(1,223,235)	(1.3)
Use of money and property	394,045	468,756	(74,711)	(15.9)
Miscellaneous	4,200,389	2,534,522	1,665,867	65.7
Sale of property and compensation for loss	370,673	-	370,673	n/a
State aid	3,239,442	2,887,562	351,880	12.2
Total revenues, net	<u>\$ 142,284,834</u>	<u>\$ 140,921,312</u>	<u>\$ 1,363,522</u>	1.0

The most significant source of revenues is property and other taxes, which accounts for \$91,182,684, or 64.1 percent of total revenues, for the year ended December 31, 2012, and \$92,405,919, or 65.6 percent of total revenues, for the year ended December 31, 2011. The next largest source of revenue is operating grants and contributions, which comprises \$29,262,323, or 20.6 percent of total revenues and \$27,790,135, or 19.7 percent of total revenues for the years ended December 31, 2012 and 2011, respectively. Another significant source of revenue for the Town is charges for services, which provided \$13,078,133, or 9.3 percent of total revenues, and \$12,897,064, or 9.2 percent of total revenues, for the years ended December 31, 2012 and 2011, respectively.

The Town's significant expense items for the year ended December 31, 2012 were home and community services of \$63,219,160 (primarily sewer, water, and sanitation services), public safety of \$45,173,014 (primarily police services), transportation of \$17,648,033 (primarily highway and road services) and general government support of \$15,263,341. Similarly, for the year ended December 31, 2011 significant expense items were home and community services of \$61,409,975 (primarily sewer, water, and sanitation services), public safety of \$42,336,616 (primarily police services), transportation of \$18,807,624 (primarily highway and road services) and general government support of \$13,047,910.

A summary of program expenses for the years ended December 31, 2012 and December 31, 2011 is presented below in Table 4:

Table 4 – Summary of Program Expenses

	Year Ended December 31,		Increase/(decrease)	
	2012	2011	Dollars	Percent
General government support	\$ 15,263,341	\$ 13,047,910	\$ 2,215,431	17.0
Public safety	45,173,014	42,336,616	2,836,398	6.7
Transportation	17,648,033	18,807,624	(1,159,591)	(6.2)
Economic assistance and opportunity	3,149,029	3,028,156	120,873	4.0
Culture and recreation	7,178,152	8,286,238	(1,108,086)	(13.4)
Home and community services	63,219,160	61,409,975	1,809,185	2.9
Interest and other fiscal charges	1,819,834	1,693,112	126,722	7.5
Amherst Ice Facility expenses	2,725,731	2,863,165	(137,434)	(4.8)
	<u>\$ 156,176,294</u>	<u>\$ 151,472,796</u>	<u>\$ 4,703,498</u>	3.1

Financial Analysis of the Town's Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,535,378, a decrease of \$6,549,186 in comparison with the prior year.

A discussion of the Town's major operating funds follows:

The Town's General Fund had an ending fund balance of \$11,673,856, a decrease of \$1,384,341 in comparison with the prior year. Approximately 7.1 percent of this amount, \$834,094 constitutes unassigned fund balance.

During the year ended December 31, 2012, the Town's Highway Fund fund balance increased by \$1,608,641 from the prior year, resulting in an ending fund balance of \$2,419,255. Approximately 78.3 percent of this amount, \$1,893,632 is reported as fund balance assigned for specific use.

At December 31, 2012, the Town's Sewer Fund reported fund balance of \$9,025,956 an increase of \$721,221 in comparison with the prior year. Approximately 60.2 percent of this amount, \$5,430,982 is fund balance assigned for specific use.

For the year ended December 31, 2012, the Town's Drainage Fund fund balance decreased by \$334,119 from the prior year, resulting in an ending fund balance of \$4,521,706. Approximately 21.8 percent of this amount, \$986,931 constitutes fund balance assigned for specific use.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of December 31, 2012, amounted to \$249,669,571 and \$13,278,789, respectively. This investment in capital assets includes land and land improvements, infrastructure, buildings and improvements, vehicles and equipment.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the Town's capital asset policy.

Capital assets net of depreciation for the governmental and business-type activities at the years ended December 31, 2012 and 2011 are presented on the following page:

Table 5 – Summary of Capital Assets (Net of Depreciation)

	December 31,	
	2012	2011
Governmental activities:		
Land	\$ 10,566,985	\$ 10,566,985
Construction in progress	15,664,194	30,451,115
Infrastructure	97,835,794	88,248,172
Land improvements	7,472,035	4,099,400
Buildings	85,130,079	90,388,571
Building improvements	4,040,282	3,468,716
Machinery and equipment	28,960,202	24,510,123
Total governmental activities	<u>\$ 249,669,571</u>	<u>\$ 251,733,082</u>
Business-type activities:		
Buildings, machinery and equipment	<u>\$ 13,278,789</u>	<u>\$ 13,624,920</u>
Total business-type activities	<u>\$ 13,278,789</u>	<u>\$ 13,624,920</u>

Additional information on the Town’s capital assets can be found in Note 4 of this report.

Debt. At December 31, 2012, the Town’s governmental activities had bonded debt outstanding of \$26,850,000, as compared to \$30,815,000 in the prior year, and its business-type activities had bonded debt outstanding of \$10,490,000, as compared to \$11,335,000, in the prior year

The Town has a bond rating from Moody’s Investor Service of Aa2. Additional information on the Town’s long-term debt can be found in Note 10 of this report.

Economic Factors and Next Year’s Budgets and Rates

The Town’s comprehensive plan highlights that the Town is renowned for an exceptional quality of life that is based on three fundamental attributes: livability, community character and a shared direction with the Buffalo-Niagara region. While, key initiatives of the Town include: to become a renowned area for beauty, character and environmental quality; capitalize on the presence of institutions of higher education and outstanding public school districts; to become a model for effective reinvestment and revitalization of older neighborhoods; and to exercise leadership by providing excellent services and facilities, ensuring fiscal balance, and managing development to promote predictability, fairness and quality.

The comprehensive plan focuses on the follow elements:

- ◆ **Land use and development**—the Town strives to promote compact, pedestrian-friendly development that emphasizes community appearance and sense of place. It hopes to spur reinvestment and redevelopment in its older neighborhoods and its commercial corridors. A town-wide open space system linked by trails, greenways, steam corridors, and bicycle/pedestrian facilities is a part of its comprehensive plan.

- ◆ **Natural and cultural resources**—the Town is focused on the preserving and enhancing its rich natural and cultural resources for the future. The open space policy identified in land use and development is a key to this objective, as well as the new initiative of a community-wide “Greening Amherst” program of tree planting and re-vegetation.
- ◆ **Economic development**—the Town anticipates the promotion of a healthy tax and employment base, the increasing of economic development partnerships governmental agencies and private businesses and institutions, preventing adverse commercial development that would negatively affect community character and quality of life, and working to promote regional economic development.
- ◆ **Transportation**—the Town intends to encourage a more balanced, multi-modal transportation system that emphasizes alternative means of travel, to include walking, biking, and public transportation. To achieve these goals there are targeted capital and operational improvements to the road network, investments in the creating a bicycle/pedestrian network, and improved transit services.
- ◆ **Infrastructure**—the Town will work to ensure that its residents are provided with well-maintained and cost-effective public water, sewer, stormwater, and other utility infrastructure systems. The key issues are related stormwater management and sanitary sewer improvements.
- ◆ **Housing and neighborhoods**—the Town is determined to maintain quality affordable housing and healthy and diverse neighborhoods are available to all residents. Affordable housing policies focus on continuing existing housing programs that promote home ownership and affordability, while policies for housing diversity are designed to encourage a variety of housing types. Finally, neighborhood conservation policies propose initiation of a program to promote revitalization of older neighborhoods through measures such as code enforcement, capital improvements and design standards.
- ◆ **Community facilities**—the Town anticipates the establishment of an on-going system to objectively identify community facility and service needs for use in planning and programming. Such a system will aid to identify opportunities for community facilities and ensure cost effective strategies.

Economic Factors—The unemployment rate for the Town at December 2012 was 6.5 percent, which compares favorably to 6.2 percent at December 2011. The current rate compares favorably to New York State’s average unemployment rate of 8.2 percent.

The Town’s 2013 budget includes an appropriation of fund balance of \$1,366,616 in the General Fund. The General Fund tax rate remained the same from 2012.

Contacting the Town’s Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Town’s finances and to show the Town’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Supervisor’s Office, Town of Amherst, 5583 Main St., Williamsville, NY 14221.

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BASIC FINANCIAL STATEMENTS

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TOWN OF AMHERST, NEW YORK
Statement of Net Position
December 31, 2012

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
ASSETS			
Cash and cash equivalents	\$ 20,480,277	\$ 183,861	\$ 20,664,138
Restricted cash and cash equivalents	13,652,831	-	13,652,831
Accounts receivable	3,635,577	356,319	3,991,896
Prepays	3,428,288	33,325	3,461,613
Loans receivable	6,680,635	-	6,680,635
Internal balances	345,832	(345,832)	-
Due from Agency Fund	158,884	-	158,884
Due from other governments	11,832,057	-	11,832,057
Capital assets not being depreciated	26,231,179	-	26,231,179
Capital assets, net of accumulated depreciation	<u>223,438,392</u>	<u>13,278,790</u>	<u>236,717,182</u>
Total assets	<u>309,883,952</u>	<u>13,506,463</u>	<u>323,390,415</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	132,031	132,031
Total deferred inflows of resources	<u>-</u>	<u>132,031</u>	<u>132,031</u>
LIABILITIES			
Accounts payable	5,675,733	140,818	5,816,551
Retainages payable	264,586	-	264,586
BAN's payable	32,287,970	-	32,287,970
Accrued liabilities	7,703,787	64,567	7,768,354
Due to other governments	55,310	-	55,310
Unearned revenue	583,263	4,023	587,286
Noncurrent liabilities:			
Due within one year	5,730,284	888,244	6,618,528
Due in more than one year	<u>88,963,628</u>	<u>9,752,052</u>	<u>98,715,680</u>
Total liabilities	<u>141,264,561</u>	<u>10,849,704</u>	<u>152,114,265</u>
DEFERRED INFLOWS OF RESOURCES			
Grant and loans receivable	9,875,830	-	9,875,830
Mortgage and lease receivable	<u>1,406,162</u>	<u>-</u>	<u>1,406,162</u>
Total deferred inflows of resources	<u>11,281,992</u>	<u>-</u>	<u>11,281,992</u>
NET POSITION			
Net investment in capital assets	207,747,499	2,788,790	210,536,289
Restricted	2,364,648	-	2,364,648
Unrestricted	<u>(52,774,748)</u>	<u>-</u>	<u>(52,774,748)</u>
Total net position	<u>\$ 157,337,399</u>	<u>\$ 2,788,790</u>	<u>\$ 160,126,189</u>

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

TOWN OF AMHERST, NEW YORK
Statement of Activities
Year Ended December 31, 2012

<u>Functions/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government:							
Governmental activities:							
General government support	\$ 15,263,341	\$ 2,292,727	-	\$ 219,544	\$ (12,751,070)	\$ -	\$ (12,751,070)
Public safety	45,173,014	2,596,692	381,238	-	(42,195,084)	-	(42,195,084)
Transportation	17,648,033	376,030	461,179	40,509	(16,770,315)	-	(16,770,315)
Economic assistance and opportunity	3,149,029	441,750	182,850	-	(2,524,429)	-	(2,524,429)
Culture and recreation	7,178,152	1,947,269	38,028	7,515	(5,185,340)	-	(5,185,340)
Home and community services	63,219,160	2,682,192	28,199,028	289,577	(32,048,363)	-	(32,048,363)
Interest and other fiscal charges	1,819,834	-	-	-	(1,819,834)	-	(1,819,834)
Total primary government	<u>\$ 153,450,563</u>	<u>\$ 10,336,660</u>	<u>\$ 29,262,323</u>	<u>\$ 557,145</u>	<u>(113,294,435)</u>	<u>-</u>	<u>(113,294,435)</u>
Business-type activities:							
Amherst Ice Facility	<u>\$ 2,725,731</u>	<u>\$ 2,741,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>15,742</u>	<u>15,742</u>
General revenues:							
Property taxes					73,327,873	-	73,327,873
Other non-property taxes					17,854,811	-	17,854,811
Use of money and property					372,404	21,641	394,045
Miscellaneous					4,186,550	13,839	4,200,389
Sale of property and compensation for loss					370,673	-	370,673
Unrestricted State aid					3,239,442	-	3,239,442
Total general revenues					<u>99,351,753</u>	<u>35,480</u>	<u>99,387,233</u>
Transfers (out) in					<u>(447,649)</u>	<u>447,649</u>	<u>-</u>
Change in net assets					(14,390,331)	498,871	(13,891,460)
Net position—beginning					<u>171,727,730</u>	<u>2,289,919</u>	<u>174,017,649</u>
Net position—ending					<u>\$ 157,337,399</u>	<u>\$ 2,788,790</u>	<u>\$ 160,126,189</u>

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

TOWN OF AMHERST, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2012

	<u>Special Revenue</u>					<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Highway</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Special Grant</u>			
ASSETS								
Cash	\$ 3,600	\$ 1,451,536	\$ 4,169,149	\$ 1,596,449	\$ 2,521,486	\$ -	\$ 7,697,562	\$ 17,439,782
Restricted cash	395,696	-	1,260,441	2,461,308	-	7,351,119	2,184,267	13,652,831
Accounts receivable	1,889,286	113,049	11,567	360	-	-	1,617,176	3,631,438
Prepaid items	2,361,128	301,021	355,766	133,226	9,441	-	267,706	3,428,288
Loans receivable	-	-	-	-	6,680,635	-	-	6,680,635
Due from other funds	7,580,106	552,137	2,534,504	479,835	878	68,135	375,995	11,591,590
Due from other governments	<u>6,328,290</u>	<u>513,071</u>	<u>2,009,864</u>	<u>-</u>	<u>1,638,920</u>	<u>608,641</u>	<u>733,271</u>	<u>11,832,057</u>
Total assets	<u>\$ 18,558,106</u>	<u>\$ 2,930,814</u>	<u>\$ 10,341,291</u>	<u>\$ 4,671,178</u>	<u>\$ 10,851,360</u>	<u>\$ 8,027,895</u>	<u>\$ 12,875,977</u>	<u>\$ 68,256,621</u>
LIABILITIES								
Accounts payable	\$ 766,067	\$ 192,340	\$ 630,969	\$ 17,604	\$ 1,161,508	\$ 1,422,931	\$ 1,253,896	\$ 5,445,315
Retainages payable	-	-	-	-	-	264,586	-	264,586
BAN's payable	-	-	-	-	-	25,262,970	-	25,262,970
Accrued liabilities	3,435,750	307,026	499,330	10,767	1,117	-	442,442	4,696,432
Due to other funds	2,598,714	12,193	185,036	121,101	20,550	1,703,726	52,554	4,693,874
Due to other governments	55,140	-	-	-	170	-	-	55,310
Unearned revenue	<u>20,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,764</u>
Total liabilities	<u>6,876,435</u>	<u>511,559</u>	<u>1,315,335</u>	<u>149,472</u>	<u>1,183,345</u>	<u>28,654,213</u>	<u>1,748,892</u>	<u>40,439,251</u>
DEFERRED INFLOWS OF RESOURCES								
Grant funding and loans receivable	7,815	-	-	-	9,668,015	200,000	-	9,875,830
Mortgage and lease receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,406,162</u>	<u>1,406,162</u>
Total deferred inflows of resources	<u>7,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,668,015</u>	<u>200,000</u>	<u>1,406,162</u>	<u>11,281,992</u>
FUND BALANCES								
Nonspendable:								
Prepaid items	2,361,128	301,021	355,766	133,226	9,441	-	267,706	3,428,288
Long-term receivable	6,393,000	-	-	-	-	-	-	6,393,000

(continued)

(concluded)

	Special Revenue				Special Grant	Capital Projects	Other Governmental Funds	Total Governmental Funds
	General	Highway	Sewer	Drainage				
Restricted :								
Debt	617,237	199,148	1,114,836	2,832,184	-	208,674	173,105	5,145,184
Retirement contributions	-	-	150,000	-	-	-	50,000	200,000
Special purpose	-	-	-	-	-	-	1,955,974	1,955,974
Capital projects	-	-	-	-	-	237,500	-	237,500
Assigned:								
Subsequent year's expenditures	1,366,616	-	1,549,803	549,170	-	-	1,503,375	4,968,964
Encumbrances	101,781	25,454	424,569	20,195	-	-	203,869	775,868
Specific use	-	1,893,632	5,430,982	986,931	-	-	5,566,894	13,878,439
Unassigned	834,094	-	-	-	(9,441)	(21,272,492)	-	(20,447,839)
Total fund balances	<u>11,673,856</u>	<u>2,419,255</u>	<u>9,025,956</u>	<u>4,521,706</u>	<u>-</u>	<u>(20,826,318)</u>	<u>9,720,923</u>	<u>16,535,378</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,558,106</u>	<u>\$ 2,930,814</u>	<u>\$ 10,341,291</u>	<u>\$ 4,671,178</u>	<u>\$ 10,851,360</u>	<u>\$ 8,027,895</u>	<u>\$ 12,875,977</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$462,865,571 and the accumulated depreciation is \$213,196,000.	249,669,571
To recognize interest accrual on long term debt.	(306,609)
Long-term liabilities, including serial bonds payable, installment purchase debt, NYS retirement liability, other postemployment benefits obligation, compensated absences and amounts due to museum are not due and payable in the current period and therefore are not reported in the funds.	(94,693,912)
Bond issue premiums are reported as revenues in the governmental funds. The revenue is \$709,452 and accumulated amortization is \$146,953.	(562,499)
Internal service fund deficit which is due to governmental activities and related charges for services provided.	<u>(13,304,530)</u>
Total net assets—governmental activities	<u>\$ 157,337,399</u>

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

TOWN OF AMHERST, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2012

	<u>Special Revenue</u>				<u>Special Grant</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Highway</u>	<u>Sewer</u>	<u>Drainage</u>				
REVENUES								
Real property taxes	\$ 24,533,385	\$ 8,863,059	\$ 15,089,115	\$ 4,436,739	\$ -	\$ -	\$ 18,628,422	\$ 71,550,720
Real property tax items	1,777,153	-	-	-	-	-	-	1,777,153
Non-property tax items	17,854,811	-	-	-	-	-	-	17,854,811
Departmental income	2,942,160	373,130	261,315	-	-	-	396,249	3,972,854
Intergovernmental charges	-	-	2,150,730	-	-	-	-	2,150,730
Use of money and property	194,761	12,694	41,804	15,918	-	50,613	124,541	440,331
Licenses and permits	4,240	-	-	-	-	-	2,257,582	2,261,822
Fines and forfeitures	1,951,254	-	-	-	-	-	-	1,951,254
Miscellaneous	697,859	1,009,377	1,108,647	89,261	-	154,144	760,544	3,819,832
Sale of property and compensation for loss	49,953	66,988	36,454	-	-	-	217,278	370,673
State aid	3,377,535	461,179	-	-	-	279,427	720,492	4,838,633
Federal aid	464,023	-	-	-	27,478,536	277,718	-	28,220,277
Total revenues	<u>53,847,134</u>	<u>10,786,427</u>	<u>18,688,065</u>	<u>4,541,918</u>	<u>27,478,536</u>	<u>761,902</u>	<u>23,105,108</u>	<u>139,209,090</u>
EXPENDITURES								
Current:								
General government support	9,577,754	64,524	-	-	-	1,497,114	728	11,140,120
Public safety	33,592,074	-	-	-	-	-	8,697,632	42,289,706
Transportation	2,026,503	8,749,501	-	-	-	1,356,218	3,177,721	15,309,943
Economic assistance and opportunity	2,731,804	-	-	-	-	-	-	2,731,804
Culture and recreation	8,048,514	-	-	-	-	190,977	193,472	8,432,963
Home and community services	-	-	12,945,613	3,585,909	27,478,536	5,471,597	9,551,912	59,033,567
Debt service:								
Principal	870,266	510,131	2,155,803	545,896	-	-	385,950	4,468,046
Interest	392,432	125,326	642,686	162,008	-	-	243,807	1,566,259
Total expenditures	<u>57,239,347</u>	<u>9,449,482</u>	<u>15,744,102</u>	<u>4,293,813</u>	<u>27,478,536</u>	<u>8,515,906</u>	<u>22,251,222</u>	<u>144,972,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,392,213)</u>	<u>1,336,945</u>	<u>2,943,963</u>	<u>248,105</u>	<u>-</u>	<u>(7,754,004)</u>	<u>853,886</u>	<u>(5,763,318)</u>

(continued)

(concluded)

	Special Revenue				Special Grant	Capital Projects	Other Governmental Funds	Total Governmental Funds
	General	Highway	Sewer	Drainage				
OTHER FINANCING SOURCES (USES)								
Transfers in	3,153,523	560,037	123,102	538,770	-	2,173,718	444,229	6,993,379
Transfers out	(1,145,651)	(288,341)	(2,345,844)	(1,120,994)	-	(2,145,168)	(895,030)	(7,941,028)
Installment purchase debt	-	-	-	-	-	-	161,781	161,781
Total other financing sources (uses)	<u>2,007,872</u>	<u>271,696</u>	<u>(2,222,742)</u>	<u>(582,224)</u>	-	<u>28,550</u>	<u>(289,020)</u>	<u>(785,868)</u>
Net change in fund balances	(1,384,341)	1,608,641	721,221	(334,119)	-	(7,725,454)	564,866	(6,549,186)
Fund balances—beginning	<u>13,058,197</u>	<u>810,614</u>	<u>8,304,735</u>	<u>4,855,825</u>	-	<u>(13,100,864)</u>	<u>9,156,057</u>	<u>23,084,564</u>
Fund balances—ending	<u>\$ 11,673,856</u>	<u>\$ 2,419,255</u>	<u>\$ 9,025,956</u>	<u>\$ 4,521,706</u>	<u>\$ -</u>	<u>\$ (20,826,318)</u>	<u>\$ 9,720,923</u>	<u>\$ 16,535,378</u>

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

Net change in fund balances—total governmental funds (6,549,186)

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period. Capital asset additions amounted to \$12,807,794 depreciation expense was \$(12,571,896), and losses on capital asset disposals amounted to \$(2,299,409). (2,063,511)

The governmental funds report the repayment of bond principal and installment purchase debt as an expenditure and the issuance of bonds and installment purchase debt as a revenue. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows: the issuance of installment debt amounted to \$161,781; the payment of serial bonds and installment debt amounted to \$3,965,000 and \$503,046, respectively; and, the net change in accrued interest expense was \$36,978. 4,269,287

In the statement of activities, certain operating expenses—other post employment benefits, compensated absences (vacation & sick leave), NYS retirement liability, amounts due to museum and voluntary separation incentive—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows: the increase in other post employment benefits and compensated absences amounted to \$7,438,825 and \$613,159, respectively; and decreases in the NYS retirement liability, amounts due to museum and voluntary separation incentive amounted to \$791,658, \$475,000 and \$51,672, respectively. (6,733,654)

Premiums and other debt related items that are recorded on the statement for government funds but not in the statement of activities. (154,791)

Internal service funds are used by management to charge the cost of insurance, judgments, claims and related administrative expenses to individual funds. The net excess of charges for such services is reported within governmental activities. (3,158,476)

Change in net assets of governmental activities \$ (14,390,331)

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

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TOWN OF AMHERST, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUE				
Real property taxes	\$ 24,529,914	\$ 24,529,914	\$ 24,533,385	\$ 3,471
Real property tax items	1,720,000	1,720,000	1,777,153	57,153
Non-property tax items	17,390,000	17,390,000	17,854,811	464,811
Departmental income	3,357,845	3,357,845	2,942,160	(415,685)
Use of money and property	234,380	234,380	194,761	(39,619)
Licenses and permits	4,300	4,300	4,240	(60)
Fines and forfeitures	1,912,000	1,912,000	1,951,254	39,254
Miscellaneous	1,065,737	1,077,213	697,859	(379,354)
Sale of property and compensation for loss	-	30,643	49,953	19,310
State aid	3,355,743	3,366,957	3,377,535	10,578
Federal aid	90,000	104,314	464,023	359,709
Total revenues	<u>53,659,919</u>	<u>53,727,566</u>	<u>53,847,134</u>	<u>119,568</u>
EXPENDITURES				
Current:				
General government support	10,541,802	10,225,528	9,577,754	647,774
Public safety	31,536,600	31,933,926	33,592,074	(1,658,148)
Transportation	1,995,171	2,001,371	2,026,503	(25,132)
Economic assistance and opportunity	2,579,430	2,586,135	2,731,804	(145,669)
Culture and recreation	7,814,313	7,834,020	8,048,514	(214,494)
Debt service:				
Principal	2,465,240	1,954,846	870,266	1,084,580
Interest	1,300,961	1,285,878	392,432	893,446
Total expenditures	<u>58,233,517</u>	<u>57,821,704</u>	<u>57,239,347</u>	<u>582,357</u>
Excess (deficiency) of revenues over expenditures	<u>(4,573,598)</u>	<u>(4,094,138)</u>	<u>(3,392,213)</u>	<u>701,925</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,669,000	2,669,000	3,153,523	484,523
Transfers out	<u>(26,000)</u>	<u>(505,369)</u>	<u>(1,145,651)</u>	<u>(640,282)</u>
Total other financing sources (uses)	<u>2,643,000</u>	<u>2,163,631</u>	<u>2,007,872</u>	<u>(155,759)</u>
Net change in fund balances*	(1,930,598)	(1,930,507)	(1,384,341)	546,166
Fund balances—beginning	<u>13,058,197</u>	<u>13,058,197</u>	<u>13,058,197</u>	<u>-</u>
Fund balances—ending	<u>\$ 11,127,599</u>	<u>\$ 11,127,690</u>	<u>\$ 11,673,856</u>	<u>\$ 546,166</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

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

TOWN OF AMHERST, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Highway Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUE				
Real property taxes	\$ 8,863,059	\$ 8,863,059	\$ 8,863,059	\$ -
Departmental income	301,000	326,000	373,130	47,130
Use of money and property	30,000	30,000	12,694	(17,306)
Miscellaneous	795,218	795,218	1,009,377	214,159
Sale of property and compensation for loss	90,000	93,387	66,988	(26,399)
State aid	460,893	460,893	461,179	286
Total revenues	<u>10,540,170</u>	<u>10,568,557</u>	<u>10,786,427</u>	<u>217,870</u>
EXPENDITURES				
Current:				
General government support	64,524	64,524	64,524	-
Transportation	9,637,146	9,653,033	8,749,501	903,532
Employee benefits	159,000	159,000	-	159,000
Debt service:				
Principal	540,515	526,505	510,131	16,374
Interest	123,485	135,985	125,326	10,659
Total expenditures	<u>10,524,670</u>	<u>10,539,047</u>	<u>9,449,482</u>	<u>1,089,565</u>
Excess (deficiency) of revenues over expenditures	<u>15,500</u>	<u>29,510</u>	<u>1,336,945</u>	<u>1,307,435</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	560,037	560,037
Transfers out	<u>(26,000)</u>	<u>(40,010)</u>	<u>(288,341)</u>	<u>(248,331)</u>
Total other financing sources (uses)	<u>(26,000)</u>	<u>(40,010)</u>	<u>271,696</u>	<u>311,706</u>
Net change in fund balances*	(10,500)	(10,500)	1,608,641	1,619,141
Fund balances—beginning	<u>810,614</u>	<u>810,614</u>	<u>810,614</u>	<u>-</u>
Fund balances—ending	<u>\$ 800,114</u>	<u>\$ 800,114</u>	<u>\$ 2,419,255</u>	<u>\$ 1,619,141</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

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

TOWN OF AMHERST, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Sewer Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUE				
Real property taxes	\$ 15,411,480	\$ 15,411,480	\$ 15,089,115	\$ (322,365)
Departmental income	286,800	286,800	261,315	(25,485)
Intergovernmental revenues	2,310,000	2,310,000	2,150,730	(159,270)
Use of money and property	60,000	60,000	41,804	(18,196)
Miscellaneous	425,820	425,820	1,108,647	682,827
Sale of property and compensation for loss	<u>12,500</u>	<u>45,683</u>	<u>36,454</u>	<u>(9,229)</u>
Total revenues	<u>18,506,600</u>	<u>18,539,783</u>	<u>18,688,065</u>	<u>148,282</u>
EXPENDITURES				
Current:				
Home and community services	13,861,892	14,072,279	12,945,613	1,126,666
Debt service:				
Principal	2,781,969	2,307,041	2,155,803	151,238
Interest	<u>1,063,383</u>	<u>1,063,383</u>	<u>642,686</u>	<u>420,697</u>
Total expenditures	<u>17,707,244</u>	<u>17,442,703</u>	<u>15,744,102</u>	<u>1,698,601</u>
Excess (deficiency) of revenues over expenditures	<u>799,356</u>	<u>1,097,080</u>	<u>2,943,963</u>	<u>1,846,883</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	123,102	123,102
Transfers out	<u>(1,732,500)</u>	<u>(2,250,428)</u>	<u>(2,345,844)</u>	<u>(95,416)</u>
Total other financing sources (uses)	<u>(1,732,500)</u>	<u>(2,250,428)</u>	<u>(2,222,742)</u>	<u>27,686</u>
Net change in fund balance*	(933,144)	(1,153,348)	721,221	1,874,569
Fund balances—beginning	<u>8,304,735</u>	<u>8,304,735</u>	<u>8,304,735</u>	<u>-</u>
Fund balances—ending	<u>\$ 7,371,591</u>	<u>\$ 7,151,387</u>	<u>\$ 9,025,956</u>	<u>\$ 1,874,569</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

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

TOWN OF AMHERST, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Drainage Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUE				
Real property taxes	\$ 4,436,739	\$ 4,436,739	\$ 4,436,739	\$ -
Use of money and property	35,000	35,000	15,918	(19,082)
Miscellaneous	<u>508,554</u>	<u>508,554</u>	<u>89,261</u>	<u>(419,293)</u>
Total revenues	<u>4,980,293</u>	<u>4,980,293</u>	<u>4,541,918</u>	<u>(438,375)</u>
EXPENDITURES				
Current:				
Home and community services	3,561,829	3,561,829	3,585,909	(24,080)
Debt service:				
Principal	844,450	550,607	545,896	4,711
Interest	<u>273,644</u>	<u>273,644</u>	<u>162,008</u>	<u>111,636</u>
Total expenditures	<u>4,679,923</u>	<u>4,386,080</u>	<u>4,293,813</u>	<u>92,267</u>
Excess (deficiency) of revenues over expenditures	<u>300,370</u>	<u>594,213</u>	<u>248,105</u>	<u>(346,108)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	538,770	538,770
Transfers out	<u>(834,000)</u>	<u>(1,127,843)</u>	<u>(1,120,994)</u>	<u>6,849</u>
Total other financing sources (uses)	<u>(834,000)</u>	<u>(1,127,843)</u>	<u>(582,224)</u>	<u>545,619</u>
Net change in fund balances*	(533,630)	(533,630)	(334,119)	199,511
Fund balances—beginning	<u>4,855,825</u>	<u>4,855,825</u>	<u>4,855,825</u>	<u>-</u>
Fund balances—ending	<u>\$ 4,322,195</u>	<u>\$ 4,322,195</u>	<u>\$ 4,521,706</u>	<u>\$ 199,511</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

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

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TOWN OF AMHERST, NEW YORK
Statement of Net Position (Deficit)—Proprietary Funds
December 31, 2012

	Governmental Activities— Internal Service Funds		Business-type Activity
	Self Insurance Fund	Workers Compensation Fund	Amherst Ice Facility
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,530,966	\$ 509,529	\$ 183,861
Accounts receivable	-	4,139	356,319
Due from other funds	-	-	1,469
Prepaid items	-	-	33,325
Total current assets	<u>2,530,966</u>	<u>513,668</u>	<u>574,974</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)	-	-	13,278,790
Total noncurrent assets	-	-	<u>13,278,790</u>
Total assets	<u>2,530,966</u>	<u>513,668</u>	<u>13,853,764</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	-	-	132,031
Total deferred outflows of resources	-	-	<u>132,031</u>
LIABILITIES			
Current liabilities:			
Accounts payable	52,028	178,390	140,818
Accrued liabilities	856,000	1,844,746	64,567
Due to other funds	6,393,000	-	347,301
Unearned revenue	-	-	4,023
Bond anticipation notes payable	7,025,000	-	-
Bonds payable	-	-	880,000
Compensated absences	-	-	8,244
Total current liabilities	<u>14,326,028</u>	<u>2,023,136</u>	<u>1,444,953</u>
Non current liabilities:			
Bonds payable	-	-	9,610,000
Compensated absences	-	-	142,052
Total noncurrent liabilities	-	-	<u>9,752,052</u>
Total liabilities	<u>14,326,028</u>	<u>2,023,136</u>	<u>11,197,005</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	-	-	2,788,790
Unrestricted	<u>(11,795,062)</u>	<u>(1,509,468)</u>	<u>-</u>
Total net position (deficit)	<u>\$ (11,795,062)</u>	<u>\$ (1,509,468)</u>	<u>\$ 2,788,790</u>

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

TOWN OF AMHERST, NEW YORK
Statement of Revenues, Expenses and Changes in Net Position (Deficit)—Proprietary Funds
Year Ended December 31, 2012

	Governmental Activities— Internal Service Funds		Business-type Activity
	Self Insurance Fund	Workers Compensation Fund	Amherst Ice Facility
Operating revenues:			
Departmental income	\$ -	\$ -	\$ 2,741,473
Miscellaneous	-	102,653	13,839
Total operating revenues	<u>-</u>	<u>102,653</u>	<u>2,755,312</u>
Operating expenses:			
Culture and recreation	-	-	1,567,609
Administrative expenses	318,289	47,266	-
Judgments and claim expenses	1,206,906	2,120,741	-
Depreciation	-	-	398,944
Employee benefits	-	-	217,584
Total operating expenses	<u>1,525,195</u>	<u>2,168,007</u>	<u>2,184,137</u>
Operating (loss) income	<u>(1,525,195)</u>	<u>(2,065,354)</u>	<u>571,175</u>
Nonoperating revenues (expenses):			
Miscellaneous	48,262	-	-
Donation of capital assets	-	-	21,000
Interest expense	(128,268)	-	(541,594)
Interest income	5,235	6,844	641
Total nonoperating revenues (expenses)	<u>(74,771)</u>	<u>6,844</u>	<u>(519,953)</u>
Loss before transfers	<u>(1,599,966)</u>	<u>(2,058,510)</u>	<u>51,222</u>
Transfers in	-	500,000	475,783
Transfers (out)	-	-	(28,134)
Total transfers in (out)	<u>-</u>	<u>500,000</u>	<u>447,649</u>
Change in net assets	(1,599,966)	(1,558,510)	498,871
Total net position (deficit)—beginning	<u>(10,195,096)</u>	<u>49,042</u>	<u>2,289,919</u>
Total net position (deficit)—ending	<u><u>\$ (11,795,062)</u></u>	<u><u>\$ (1,509,468)</u></u>	<u><u>\$ 2,788,790</u></u>

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

TOWN OF AMHERST, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2012

	<u>Governmental Activities— Internal Service Funds</u>		<u>Business-type Activity</u>
	<u>Self Insurance Fund</u>	<u>Workers Compensation Fund</u>	<u>Amherst Ice Facility</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from participating funds	\$ -	\$ 98,514	\$ -
Receipts from operations	-	-	2,565,575
Payments to employees and suppliers	-	-	(1,785,968)
Payments for administrative and judgments and claims	(850,550)	(1,218,819)	-
Net cash provided (used) by operating activities	<u>(850,550)</u>	<u>(1,120,305)</u>	<u>779,607</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances/payments from other funds	3,393,000	-	(215,205)
Transfers in	-	500,000	475,783
Transfers out	-	-	(28,134)
Net cash provided by noncapital financing activities	<u>3,393,000</u>	<u>500,000</u>	<u>232,444</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Interest paid on long-term debt	-	-	(541,594)
Principal redeemed on long-term debt	-	-	(845,000)
Purchases of capital assets	-	-	(31,815)
Payment of bond anticipation notes	(3,265,000)	-	-
Interest on bond anticipation notes	(128,268)	-	-
Premium on bond anticipation notes	48,262	-	-
Deferred bond issuance costs	-	-	13,203
Net cash (used) by capital financing activities	<u>(3,345,006)</u>	<u>-</u>	<u>(1,405,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	5,235	6,844	641
Net cash provided by investing activities	<u>5,235</u>	<u>6,844</u>	<u>641</u>
Net increase (decrease) in cash and cash equivalents	(797,321)	(613,461)	(392,514)
Cash and cash equivalents—beginning	3,328,287	1,122,990	576,375
Cash and cash equivalents—ending	<u>\$ 2,530,966</u>	<u>\$ 509,529</u>	<u>\$ 183,861</u>

(continued)

(concluded)

**Reconciliaton of operating income to net cash
provided in operating activities:**

Operating income	\$ (1,525,195)	\$ (2,065,354)	\$ 571,175
Adjustments to reconcile operating income to net cash used in operations:			
Depreciation	-	-	398,944
Increase in accounts receivable	-	(4,139)	(191,240)
Decrease in prepaid expenses	2,402	-	4,712
Increase (decrease) in accounts payable	(3,757)	18,873	30,437
Increase in accrued liabilities	676,000	930,315	1,941
Increase in unearned revenue	-	-	1,503
Decrease in compensated absences	-	-	(37,865)
	<u>-</u>	<u>-</u>	<u>(37,865)</u>
Net cash provided (used) by operating activities	<u>\$ (850,550)</u>	<u>\$ (1,120,305)</u>	<u>\$ 779,607</u>

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

TOWN OF AMHERST, NEW YORK
Statement of Fiduciary Net Position—Fiduciary Fund
December 31, 2012

ASSETS

Cash	\$ 1,172,057
LOSAP assets	<u>8,477,943</u>
Total assets	<u>\$ 9,650,000</u>

LIABILITIES

Due to other funds	\$ 158,884
Amounts due to other parties	1,013,173
Amounts held for LOSAP	<u>8,477,943</u>
Total liabilities	<u>\$ 9,650,000</u>

NET POSITION	<u>\$ -</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF AMHERST, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- a. Reporting Entity*—The Town is a unit of local government created by the State of New York. The Town operates under provisions of New York State law and various local laws. The six-member Town Board is the legislative body responsible for overall operations. The Supervisor serves as both Chief Executive Officer and Chief Fiscal Officer.

Independently elected officials of the Town include:

Supervisor	Town Clerk
Councilmembers (5)	Superintendent of Highways
Town Justices (2)	

Units of local government which operate within the boundaries of the Town are the County of Erie and the Village of Williamsville. Public education is provided by four independent school districts within the Town.

The Town participates in a cooperative organization known as Amherst Utility Cooperative (the “Cooperative”) which was formed pursuant to the General Municipal Laws of the State of New York. Any municipal corporation or school district duly incorporated under applicable State Law is eligible for membership in this organization. The Cooperative was formed for the purpose of helping its members by performing services connected with the purchase of various types of energy for their use. Management does not believe that the Town has an ongoing financial responsibility for this joint venture.

Participants share, proportionately to their usage, in all expenses. The joint venture has not accumulated significant surpluses or deficits. The Comptroller of the Town of Amherst has custody of all monies transferred from participants and is responsible for the books and records of the Cooperative. The Cooperative’s financial information can be obtained from the Town Comptroller’s office at 5583 Main Street, Williamsville, New York 14221.

The Amherst Museum (the “Museum”) is an educational institution, chartered by the State of New York, whose purpose is to instill, educate and cultivate in a public audience an informed appreciation of the American past and its impact on current lifestyles, culture and historical development of the Town of Amherst. The chartered organization is legally responsible for the collections and is the fund-raising arm of the Museum. The artifacts and historical collections are property of the New York State Department of Education and are not included within the Town’s financial statements. In 2010, the Town granted a revocable license to the Museum to use the Town property at 3755 Tonawanda Creek Road beginning January 1, 2011 until December 31,

2035. Additionally, the Town has agreed to pay to the Museum an annual subsidy of \$475,000 for each of the calendar years 2011, 2012, 2013 and 2014. The Museum financial statements can be obtained from the Museum's Executive Director at Amherst Museum, 3755 Tonawanda Creek Road, Amherst, New York 14228-1599.

The Village of Williamsville and the Town of Amherst jointly own the Glen Park. The Boards of each municipality jointly act as the governing body for the joint venture. The Village and Town have created a Glen Park Joint Board to make studies and advise the Village and Town on the development and maintenance of the Park. Neither the Village nor the Town shall take any action with respect to Glen Park without submitting the matter to the Glen Park Joint Board for recommendation.

The Village and Town share equally in all expenses of development and maintenance of Glen Park. Such contribution is determined on an annual basis. The joint venture has not accumulated significant surpluses or deficits. The Treasurer of the Village of Williamsville has custody of all monies appropriated by the Town as its share of park maintenance on or about the 1st of June each year. The joint venture's financial statements can be obtained from the Village Administrator's office at 5565 Main Street, Williamsville, New York 14221.

- d. *Description of Government-wide Financial Statements***—The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable. The Town reports no component units.
- b. *Basis of Presentation – Government-Wide Financial Statements***—While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

- e. ***Basis of Presentation – Fund Financial Statements***—The fund financial statements provide information about the government’s funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town considers the following governmental funds as major funds:

- *General Fund*—This is the principal operating fund of the Town and includes all operations not required to be recorded in other funds.
- *Highway Fund*—This is used to record all revenues and expenditures related to road maintenance and construction throughout the Town.
- *Sewer Fund*—This is used to record all revenues and expenditures related to operation and maintenance of the sewer districts.
- *Drainage Fund*—This is used to account for the maintenance of the Town’s street drainage system.
- *Special Grant Fund*—This is used to record all activity related to the Federal Housing and Urban Development Community Development program.
- *Capital Projects Fund*—This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds are used to account for the internal service and business-type activities of the Town.

- *Internal Service Funds*—The Internal Service Funds are used to account for the Town’s insurance program. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town’s various functions.
- *Amherst Ice Facility*—The Amherst Ice Facility Fund is used to account for the business-type activities that occur at the Amherst Ice Facility.

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

- *Agency Fund*—The agency fund is used to account for assets held by the Town as an agent for individuals, other governments, or other funds. The agency fund is custodial in nature and does not involve measurement of results of operations. The agency fund accounts, such as payroll withholdings, are reported as liabilities.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

- e. ***Measurement Focus and Basis of Accounting***—The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

f. Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Special Grant Fund and the Capital Projects Fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The Special Grant Fund and the Capital Projects Fund appropriations are not included in the Town’s annual budget. Instead appropriations are approved through a Town Board resolution at the grant/project’s inception and lapse upon completion/termination of the grant/project.

The appropriated budget is prepared by fund, function, and department. The Town’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

The Town considers encumbrances to be significant for amounts that are encumbered in excess of \$50,000. Significant encumbrances as of December 31, 2012, are as listed below:

Fund	Purpose	Amount Encumbered
Town Outside Village	Computer equipment	\$ 84,500
Sewer	Building improvements and equipment	89,647
Sewer	Infrastructure and engineering services	98,806

g. Excess of Expenditures over Appropriations—The Town’s major funds’ appropriations for the year ended December 31, 2012 exceeded the adjusted budget as follows:

- ◆ General Fund public safety, transportation, economic assistance and opportunity, culture and recreation and transfers out exceeded the adjusted budget primarily due to unanticipated payroll costs, increased retirement costs including retirement system payments and retiree health and the General Fund’s contribution to subsidize the Amherst Ice Center that was not accounted for in the budget.
- ◆ Drainage Fund home and community services exceeded the adjusted budget due to increased retirement costs including retiree health.
- ◆ Highway and Sewer transfers out exceeded the adjusted budget due to cost allocations that were not foreseen with the budget.

h. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days of the Town’s original purchase. The Town had no investments at December 31, 2012. However, when the Town does have investments it is Town policy to record them at fair value based on quoted market value.

Restricted Cash and Cash Equivalents— Restricted cash and cash equivalents represents restricted fund balance and unspent proceeds of bond anticipations notes. As of December 31, 2012, the Capital Projects fund maintained certain restricted cash which was owed to the General, Highway, Sewer, Drainage and Water funds.

Prepaid Items—Certain payments reflect costs applicable to future periods and are recorded as prepaid items.

Capital Assets—Capital assets, which include property, buildings, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are incurred.

The Town does not depreciate an asset until it is placed in service. The asset is accounted for as a construction in progress until it is placed in service.

Capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20
Land improvements	10-25
Infrastructure:	
Water and sewer systems	50
Traffic control systems	30
Bridges and culverts	30-40
Roads	10-30
Street lighting	25
Machinery and equipment:	
Office equipment and furniture	10
Heavy equipment	15
Vehicles	5-10
Computers	5
Furniture	10
Other	10

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town reports a deferred loss on refunding within its business-type activities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify for reporting in this category. The governmental funds report unavailable revenues from two sources: grants and loans receivable and a mortgage and lease receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption—Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town’s highest level of decision-making authority. The Town Board is the highest level of decision-making authority for the government that can, by Town Board resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Town Board has authorized the Comptroller to assign fund balance. The Town Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

i. Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—The Erie County Legislature prepares the levy in late December of each year and jointly bills the Town levy and Erie County real property taxes. Property taxes are levied and become a lien as of January 1 based on assessed property values as of that date.

Tax payments are due January 1 to February 15 without penalty; February 16 to 28 a 1.5% penalty; March 1 to 15 a 3% penalty; March 16 to 31 a 4.5% penalty; April 1 to 17 a 6% penalty; April 18 to May 1 a 7.5% penalty; and 1.5% added each month thereafter.

The tax roll is returned to the Erie County Commissioner of Finance after May 1 at which time all unpaid taxes and penalties are payable to that office. The Town retains their full tax levies for all unpaid items that are returned to the County. Thus, the Town is assured of receiving 100% of its tax levy. The County enforces all liens.

The Town also bills and collects taxes for various school districts within Town limits. Collections of the school district taxes and remittances of them are accounted for by the Tax Receiver, independent of Town operations.

Compensated Absences—The Town labor agreements and Town Board rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Estimated sick leave and compensatory time accumulated by governmental fund type employees has been recorded. Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payments become due.

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pensions—Nearly all Town employees are members of various New York State retirement systems. The Town is invoiced annually by the systems for its share of the cost.

Post Retirement Benefits—In addition to providing pension benefits, the Town provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in an ensuing note.

Service Awards—The Town has adopted a Service Award Program for firefighters that serve on a volunteer basis. The Program is administered by an outside agency, with the Town as trustee.

j. Other

Estimates—The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2012, the Town adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Town also elected to early implement the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement Nos. 63 and 65 did not have a material impact on the Town’s financial position or results from operations.

Additionally, during the year ended December 31, 2012, the Town completed the process of evaluating the impact that will result from adopting GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. GASB Statement Nos. 57, 60, 62 and 64 did not have a material impact on the Town’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The Town has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 66, *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, effective for the year ending December 31, 2013; GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending December 31, 2014; and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*, effective for the year ending December 31, 2015. The Town is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 61, 66, 67, 68, 69 and 70 will have on its financial position and results of operations.

k. Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ Prior to September 30, the Town Supervisor files a “tentative” budget with the Town Clerk for the following fiscal year to commence on January 1. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5th.

- ◆ The full Town Board reviews the tentative budget and may adjust same before approving a “preliminary” budget and calling for a public hearing, which is generally held in October.
- ◆ Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Erie County by November 20th.
- ◆ Formal annual budgetary accounts are employed as a management control device for the General and all Special Revenue Funds, except the Special Grants Funds.
- ◆ During the fiscal year, the Town Board can legally amend the operating budgets and is empowered to implement supplemental appropriations. Budget amendments are required for the departmental budgetary control. All budget amendments and budget transfers require Town Board approval.
- ◆ Annual budgets for governmental funds, except the Special Grants Fund and Capital Projects Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A form of encumbrance accounting is employed as an extension of budgetary control in all governmental funds, under which certain contracts and other commitments outstanding at year-end for the expenditure of monies (encumbrances) are recorded as an assignment of fund balance. All unencumbered appropriations lapse at the end of the fiscal year. On January 1st, encumbrance assignments outstanding at year-end are reappropriated to the ensuing year’s original budget.
- ◆ The Special Grant Fund and the Capital Projects Fund appropriations are not included in the Town’s annual budget. Instead appropriations are approved through a Town Board resolution at the grant/project’s inception and lapse upon completion/termination of the grant/project.
- ◆ Total expenditures for each object classification within a department may not legally exceed the total appropriations for that object classification.

Deficit Fund Balances—Certain capital projects have deficit fund balances at December 31, 2012. These deficits will be remedied by future tax revenues, anticipated grants and proceeds from future bond issuances.

Additionally, the Town’s Internal Service Funds, the Self Insurance Fund and Workers Compensation Fund, had a net deficit at December 31, 2012. The Town anticipates this deficit to be remedied through a potential claim against a third party and transfers from other funds.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Town’s investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Supervisor 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. The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government.

Cash at year-end consisted of:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Fund</u>	<u>Total Balance</u>
Petty cash (uncollateralized)	\$ 4,600	\$ 21,320	\$ -	\$ 25,920
Deposits	<u>34,128,508</u>	<u>162,541</u>	<u>1,172,057</u>	<u>35,463,106</u>
Total	<u>\$ 34,133,108</u>	<u>\$ 183,861</u>	<u>\$ 1,172,057</u>	<u>\$ 35,489,026</u>

Deposits and Cash with Fiscal Agent—All deposits and cash with fiscal agent are carried at fair value.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 1,000,000	\$ 1,000,000
Uninsured:		
Collateral held by bank's agent in the Town's name	<u>35,062,583</u>	<u>34,463,106</u>
Total	<u>\$ 36,062,583</u>	<u>\$ 35,463,106</u>

Custodial Credit Risk—In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. For investments, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2012, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

At December 31, 2012, the Town had no investments.

Restricted Cash and Cash Equivalents—The Town reports amounts to support restricted fund balance and unspent proceeds of bond anticipations notes as restricted cash and cash equivalents. At December 31, 2012, the Town reported \$13,652,831 of restricted cash and cash equivalents within its governmental activities. The Capital Projects fund maintained certain restricted cash which was owed to the General, Highway, Sewer, Drainage and Water funds.

3. RECEIVABLES

Major revenues accrued by the Town at December 31, 2012:

Accounts Receivable—represents franchise fees receivable and amounts due from other Town departments (e.g. Town Justice, Town Clerk and Receiver of Taxes, etc.) who are acting as intermediary collecting agents, collecting various fines, fees and other charges which are remitted to the Town in accordance with State statute. Other miscellaneous items are also included. Amounts due to the Town at December 31, 2012 are:

General Fund:		
Franchise fees	\$ 1,320,102	
Town Clerk/Tax Receiver	205,937	
Town Justice	192,724	
Meals on Wheels	38,945	
Recreation fees	4,654	
Judgments	8,968	
Senior Center	39,142	
Museum	11,892	
Nutrition	23,549	
Other	43,373	\$ 1,889,286
		<u> </u>
Highway Fund:		
Miscellaneous		\$ 113,049
		<u> </u>
Sewer Fund:		
Insurance reimbursement		
Miscellaneous		\$ 11,567
		<u> </u>
Drainage Fund:		
Town Clerk		\$ 360
		<u> </u>
Other Nonmajor Funds:		
Mortgage and note	\$ 1,406,162	
Town Clerk	150,047	
Recycling/waste management	53,941	
Miscellaneous	7,026	\$ 1,617,176
		<u> </u>
Proprietary Funds:		
Workers Compensation		\$ 4,139
Amherst Ice Facility		\$ 356,319
		<u> </u>

Mortgage and Note Receivable – Within the Community Environment Fund accounts receivable are a mortgage and a note receivable totaling of \$752,984 and \$653,178, respectively, related to the sale of the compost facility and related equipment. The mortgage receivable carries 5.84% interest rate. The note receivable carries 4.25% interest rate and payments from the borrowers are due monthly from the months of March through November for both. During the year ended December 31, 2012, the Town received \$60,874 of mortgage payments, consisting of \$31,016 and \$29,858 of principal and interest, respectively. Payments on the note receivable begin March 1, 2013. Under GASB Statement No. 65, these receivables are offset by deferred inflows since the revenue recognition

criteria has not been met. On October 29, 2012, the Town sold the equipment, which was previously accounted for as a lease.

Due from Other Governments—represents amounts due from other units of government, such as Federal, New York State, County of Erie or other local governments. Amounts due the Town at December 31, 2012 are:

General Fund:

Erie County - sales tax	\$ 5,833,125	
Federal Government	460,473	
New York State	17,641	
Erie County	<u>17,051</u>	<u>\$ 6,328,290</u>

Highway Fund:

Fuel reimbursement	\$ 51,892	
New York State	<u>461,179</u>	<u>\$ 513,071</u>

Sewer Fund:

Sewer fees		<u>\$ 2,009,864</u>
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Special Grant Fund:

Community Development Block Grant		<u>\$ 1,638,920</u>
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Capital Projects Fund:

Grants		<u>\$ 608,641</u>
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Other Nonmajor Funds:

New York State	27,521	
Grants - New York State (garbage totes)	<u>705,750</u>	<u>\$ 733,271</u>

Loans Receivable – Loans receivable within the Community Development Fund consist of loans which were made by the Community Development Office of the Town through implementation of the Community Development Block Grant program. The funds received from repayments of such loans will be used towards future Community Development Block Grant expenditures and the related programs implemented through such grant. Under GASB Statement No. 65, these receivables are offset by deferred inflows since the revenue recognition criteria has not been met. The balance at December 31, 2012 was \$6,680,635.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning 1/1/2012	Additions and Reclassifications	Deletions and Reclassifications	Ending 12/31/2012
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 10,566,985	\$ -	\$ -	\$ 10,566,985
Construction in progress	<u>30,451,115</u>	<u>8,590,624</u>	<u>(23,377,545)</u>	<u>15,664,194</u>
Total capital assets, not being depreciated	<u>41,018,100</u>	<u>8,590,624</u>	<u>(23,377,545)</u>	<u>26,231,179</u>
<i>Capital assets, being depreciated:</i>				
Infrastructure	157,369,660	13,989,394	-	171,359,054
Land improvements	5,898,984	4,312,809	-	10,211,793
Buildings	205,526,857	-	(1,991,140)	203,535,717
Building improvements	7,991,211	839,076	-	8,830,287
Machinery and equipment	<u>36,383,707</u>	<u>8,453,436</u>	<u>(2,139,602)</u>	<u>42,697,541</u>
Total capital assets, being depreciated	<u>413,170,419</u>	<u>27,594,715</u>	<u>(4,130,742)</u>	<u>436,634,392</u>
Less accumulated depreciation for:				
Infrastructure	(69,121,488)	(4,401,772)	-	(73,523,260)
Land improvements	(1,799,584)	(940,174)	-	(2,739,758)
Buildings	(115,138,286)	(3,976,877)	709,525	(118,405,638)
Building improvements	(4,522,495)	(267,510)	-	(4,790,005)
Machinery and equipment	<u>(11,873,584)</u>	<u>(2,985,563)</u>	<u>1,121,808</u>	<u>(13,737,339)</u>
Total accumulated depreciation	<u>(202,455,437)</u>	<u>(12,571,896)</u>	<u>1,831,333</u>	<u>(213,196,000)</u>
Total capital assets, being depreciated, net	<u>210,714,982</u>	<u>15,022,819</u>	<u>(2,299,409)</u>	<u>223,438,392</u>
Governmental activities capital assets, net	<u>\$251,733,082</u>	<u>\$ 23,613,443</u>	<u>\$(25,676,954)</u>	<u>\$249,669,571</u>
Business Activities				
<i>Capital assets, being depreciated:</i>				
Buildings, machinery and equipment	\$ 19,093,489	\$ 52,815	\$ -	\$ 19,146,304
Total capital assets, being depreciated	<u>19,093,489</u>	<u>52,815</u>	<u>-</u>	<u>19,146,304</u>
Less accumulated depreciation for:				
Buildings, machinery and equipment	<u>(5,468,570)</u>	<u>(398,944)</u>	<u>-</u>	<u>(5,867,514)</u>
Total accumulated depreciation	<u>(5,468,570)</u>	<u>(398,944)</u>	<u>-</u>	<u>(5,867,514)</u>
Business activities capital assets, net	<u>\$ 13,624,919</u>	<u>\$ (346,129)</u>	<u>\$ -</u>	<u>\$ 13,278,790</u>

Depreciation expense was charged to functions of the governmental activities for the year ended December 31, 2012 as follows:

General government support	\$ 338,617
Public safety	367,914
Transportation	3,227,381
Economic assistance and opportunity	173,334
Culture and recreation	1,066,683
Home and community services	<u>7,397,967</u>
	<u>\$ 12,571,896</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at Town as of December 31, 2012, were as follows:

	General Fund	Highway Fund	Sewer Fund	Drainage Fund	Special Grant Fund	Other Governmental Funds	Total Governmental Funds
Salary and other related liabilities	\$ 3,434,957	\$ 307,026	\$ 324,330	\$ 10,767	\$ 1,117	\$ 440,152	\$ 4,518,349
Judgements and claims	-	-	175,000	-	-	-	175,000
Other	793	-	-	-	-	2,290	3,083
Total accrued liabilities	<u>\$ 3,435,750</u>	<u>\$ 307,026</u>	<u>\$ 499,330</u>	<u>\$ 10,767</u>	<u>\$ 1,117</u>	<u>\$ 442,442</u>	<u>\$ 4,696,432</u>

6. PENSION PLANS

Plan Description—The Town participates in the New York 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 (the “Systems”). These are cost-sharing multiple-employer 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 (the “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 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.

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 for the first ten years of membership, and employees who joined on or after January 10, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute 3.5% of their annual salary until March 31, 2013, after which the contribution percentage will be based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the New York State Local Retirement Systems fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

	<u>ERS</u>	<u>PFRS</u>
2012	\$ 5,150,100	\$ 4,823,903
2011	4,525,154	3,954,152
2010	3,221,327	3,447,843

7. OTHER POST EMPLOYMENT BENEFITS

Plan Description—The Town provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Town provides two experience rated PPO plans and one experience rates traditional indemnity plan for its retirees and their dependents. In addition, the Town provides a Medicare Supplemental plan option for Medicare eligible retirees and dependents. There were 375 retirees receiving health care benefits at December 31, 2012.

Funding Policy—Authorization for the Town to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the Town Board or through union contracts, which are ratified by the Town Board. For an employee to be eligible for the Town’s postemployment health plan they must qualify for retirement as a member of the New York State retirement system. All current retirees, future eligible police retirees as well as future eligible non-police retirees (hired prior to January 1, 1977) receive full health care coverage with no contribution requirements for themselves, dependents, and surviving spouses. Eligible non-police retirees that were hired after January 1, 1977 will be required to pay 10% of the additional premium for spousal coverage, with surviving spouse being required to contribute 15% of the individual premium.

The Town’s annual postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The table on the following page shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town’s net OPEB obligation.

	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 12,569,128	\$ 12,569,128
Interest on net OPEB obligation	1,646,552	1,346,060
Adjustment to annual required contribution	<u>(2,068,223)</u>	<u>(2,024,505)</u>
Annual OPEB costs (expense)	12,147,457	11,890,683
Contributions made	<u>(4,708,632)</u>	<u>(4,378,368)</u>
Increase in net OPEB obligation	7,438,825	7,512,315
Net OPEB obligation - beginning of year	<u>41,163,806</u>	<u>33,651,491</u>
Net OPEB obligation - end of year	<u>\$ 48,602,631</u>	<u>\$ 41,163,806</u>

Funding Status and Funding Progress—As of January 1, 2011, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$145,068,638.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

As of December 31, 2012, the Town’s most recent valuation date is January 1, 2011. Accordingly, information from the study is presented in the Town’s Schedule of Funding Progress and the Schedule of the Town’s Contributions below.

The Town’s schedule of funding progress is presented below:

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
December 31, 2012	\$ -	\$ 145,068,638	\$ 145,068,638	0.0%	n/a	n/a
December 31, 2011	-	145,068,638	145,068,638	0.0%	n/a	n/a
December 31, 2010	-	175,673,873	175,673,873	0.0%	47,258,997	371.7%

The Schedule of the Town’s Contributions is shown below:

Year Ended December 31,	Annual Required Contribution	Annual OPEB Cost	Contributions Made	Percentage Contributed
2012	\$ 12,569,128	\$ 12,147,457	\$ 4,708,632	38.8%
2011	12,569,128	11,890,683	4,378,368	36.8%
2010	14,326,716	14,326,716	5,646,610	39.4%

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members, at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation and measurement date of January 1, 2011. The discount rate used is 4%. The RP-2000 Mortality Table, with generational mortality using scale AA, for males and females is used for mortality rates. The rates of decrement due to turnover and retirement are based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service’s actuarial consultant report entitled “Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation.” Upon retirement it is assumed that 100% of eligible employees and their spouses will elect for post-employment health care benefits, while it is assumed that 70% of retirees will be married at the time of their retirement.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar closed basis, therefore the remaining amortization period at December 31, 2012 was twenty-four years.

8. RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of damage to, and destruction of assets; injuries to employees; and natural disasters. The Town purchases insurance for: property (fire, flood, earthquake and boiler); computer equipment; and, employee fidelity. The Town purchases excess coverage for workers' compensation for claims in excess of \$400,000. Workers' compensation insurance coverage is limited to \$2 million per accident. The Town also purchases excess liability coverage for claims in excess of \$2 million limited to \$20 million per occurrence or wrongful act or employee benefit wrongful act. There is an aggregate \$20 million limit for products-completed operations hazards, errors and omissions liability and employee benefit liability aggregate.

There have been no significant reductions in the levels of commercial insurance from the prior year.

Judgments and Claims—The Town is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Town reports all of its risk management activities in its Internal Service Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At December 31, 2012, the judgments and claims liability and the workers' compensation liability are recorded within the Town's Internal Service Fund. This liability is the Town's best estimate based on available information. Changes in the reported liabilities since January 1, 2011 resulted from the following:

	Liability, 1/1/2012	Claims	Payments	Liability, 12/31/2012
Judgments & claims	\$ 180,000	\$ 1,032,906	\$ 356,906	\$ 856,000
Workers' compensation	914,431	1,770,288	839,973	1,844,746

	Liability, 1/1/2011	Claims	Payments	Liability, 12/31/2011
Judgments & claims	\$ 200,000	\$ 536,940	\$ 556,940	\$ 180,000
Workers' compensation	901,745	413,197	400,511	914,431

The Town has claims in the range of \$856,000 to \$2,186,000 which are probable of a future loss. There are claims in the range of \$10,000 to \$5,239,400 which are classified as reasonably possible.

9. SHORT-TERM DEBT

Short-term debt of the Town represents bond anticipation notes. These notes are reported as a fund liability in the fund receiving the proceeds in accordance with the criteria set forth in Financial Accounting Standards Board Accounting Standards Codification 470, *Debt*, because legal steps have not been taken to refinance the notes on a long-term basis.

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

	Issued	Maturity	Interest Rate	Balance 1/1/2012	Additions	Payments	Balance 12/31/2012
Bond anticipation notes:							
Payment of judgement	7/20/11	7/19/12	1.25%	\$ 10,290,000	\$ -	\$ 10,290,000	\$ -
Payment of judgement	7/18/12	7/18/13	1.00%	-	7,025,000	-	7,025,000
Various purposes	11/15/11	11/15/12	1.25%	28,247,489	-	28,247,489	-
Various purposes	11/14/12	11/14/13	1.25%	-	25,262,970	-	25,262,970
				<u>\$ 38,537,489</u>	<u>\$ 32,287,970</u>	<u>\$ 38,537,489</u>	<u>\$ 32,287,970</u>

10. LONG-TERM DEBT

Summary of Changes in Long-Term Debt—The following is a summary of changes in long-term debt for the year ended December 31, 2012:

	Balance 1/1/2012	Additions	Payments	Balance 12/31/2012
Governmental activities:				
Serial bonds	\$ 30,815,000	\$ -	\$ 3,965,000	\$ 26,850,000
Installment purchase debt	1,429,868	161,781	503,046	1,088,603
NYS retirement liability	1,968,516	-	791,658	1,176,858
Compensated absences	15,412,661	844,505	231,346	16,025,820
OPEB liability	41,163,806	12,147,457	4,708,632	48,602,631
Amounts due to Museum	1,425,000	-	475,000	950,000
Total	<u>92,214,851</u>	<u>13,153,743</u>	<u>10,674,682</u>	<u>94,693,912</u>
Business-type activities:				
Serial bonds	11,335,000	-	845,000	10,490,000
Compensated absences	188,161	-	37,865	150,296
Total government-wide	<u>\$ 103,738,012</u>	<u>\$ 13,153,743</u>	<u>\$ 11,557,547</u>	<u>\$ 105,334,208</u>

Prior Year's Advanced Refunding—During prior years, the Town issued \$7,695,000 in Refunding Serial Bonds, which collectively refund the previously issued 1999 and 2001 (partial refunding) bonds, originally issued for various purposes. The interest on the 2009 bonds ranges from 2.5% to 3.5%. The total net proceeds of the bonds (after deductions for net issuance costs, including underwriters discount) were used to purchase non-callable, direct obligations of the United States of America, with the remaining cash proceeds from the sale of the bonds, and placed in an irrevocable trust fund to pay for all future debt service payments of the original bonds. As a result, the original 1999 bonds are considered fully refunded and the 2001 bonds are considered partially refunded and the liability of those bonds, now \$575,000 and \$3,600,000, respectively, has been removed from the financial statements.

Also during prior years, the Town issued \$14,230,000 in Refunding Serial Bonds—2007 Series A and \$1,155,000 in callable Refunding Bonds—2007 Series B, which collectively refund the previously issued 1999A bonds, originally issued to finance the acquisition of a parcel of real property and the existing building thereon. The interest on the Series A bonds ranges from 4.000% to 5.000%, while the Series B bonds yield 5.630%. The total net proceeds of \$15,712,576 (after deductions for net issuance costs, including underwriters discount) were used to purchase non-callable, direct obligations of the United States of America and placed in an irrevocable trust fund to pay for all future debt service payments of the original bonds. As a result, the original bonds are considered refunded and the liability of those bonds, \$10,695,000, has been removed from the financial statements.

Additionally, in prior years, the Town issued \$9,050,000 in Refunding Serial Bonds, 2004 Series A, with an interest range of 3.325% to 4.000%, to refund the previously issued Series 1999B Various Purpose Bonds. The net proceeds of \$8,980,589 (after deductions for net issuances costs, including underwriters discount) were used to purchase non-callable, direct obligations of the United States of America and were placed in an irrevocable trust fund to pay for all future debt service payments of the original bonds. As a result, the original bonds are considered refunded and the liability for those bonds, \$4,775,000, has been removed from the financial statements. The Town also advance refunded \$17,980,000 of Tax-Exempt Lease Revenue Bonds 1997A of the Amherst Industrial Development Agency (the “AIDA Bonds”) that were used to finance the construction of the Amherst Multi-Surface Ice Rink complex. The bond proceeds were placed into an irrevocable trust fund with an escrow agent to provide for all future debt service payments on the AIDA Bonds. As a result, the AIDA Bonds were considered to be defeased, and the December 31, 2011 financial statements do not reflect the obligation, now equal to \$10,500,000.

Also during prior years, the Town issued \$3,430,000 in Refunding Serial Bonds, to refund the previously issued 2002 (partial refunding) bonds, originally issued for various purposes. The interest on the bonds ranges from 4.125% to 4.375%. The net proceeds of \$3,686,991 (after deductions for net issuance costs, including underwriters discount) were used to purchase non-callable, direct obligations of the United States of America and placed in an irrevocable trust fund to pay for all future debt service payments of the original bonds. As a result, the original bonds are considered partially refunded and the liability for those bonds, now equal to \$3,315,000, has been removed from the financial statements.

EFC Refinancing—On November 30, 2005, the New York State Environmental Facilities (EFC) announced a refinancing of \$57.9 million in previous State Revolving Fund loans. The refinancing will provide a present value savings of approximately \$1.9 million on debt service. The Town’s 1994-BEFC outstanding debt is affected by the refinancing. The Town currently reports \$990,000 outstanding on its 1994-BEFC issue.

A summary of bonded indebtedness transactions for the year ended December 31, 2012 follows:

Description	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2012	Issued	Redeemed	Principal Outstanding 12/31/2012
General fund:						
2004 Series A - Senior Center	2004/2020	3.250-4.000%	\$ 4,820,000	\$ -	\$ 455,000	\$ 4,365,000
Lehigh Valley Trailway Plans & Specs.	2004/2019	3.125-4.000%	46,000	-	5,000	41,000
Lehigh Valley Trailway Const. Specs.	2004/2019	3.125-4.000%	81,000	-	9,000	72,000
Court Parking Lot Improvements	2005/2015	3.625-3.750%	85,000	-	20,000	65,000
Radio Repeater	2005/2015	3.625-3.750%	60,000	-	15,000	45,000
Acquisition - Eggertsville Community Center	2007/2022	3.800-4.000%	393,434	-	29,184	364,250
Eggertsville Community Center	2007/2022	3.800-4.000%	393,434	-	29,184	364,250
Ellicott Creek Trailway	2009/2013	2.500%	140,000	-	70,000	70,000
Clearfield Rec Center	2009/2013	2.500%	90,000	-	45,000	45,000
Museum Storage Collection Facility	2009/2013	2.500%	55,000	-	30,000	25,000
Mill Street Land & Building	2009/2019	2.500-5.000%	1,140,000	-	135,000	1,005,000
Central Alarm Voice Recording Equipment	2011/2022	2.500-5.000%	172,529	-	13,078	159,451
Traffic Signals	2011/2022	2.500-5.000%	40,131	-	3,042	37,089
Amherst Park Master Plan	2011/2022	2.500-5.000%	117,306	-	8,892	108,414
Local Waterfront Rev Plan	2011/2022	2.500-5.000%	38,073	-	2,886	35,187
Total general fund			<u>7,671,907</u>	<u>-</u>	<u>870,266</u>	<u>6,801,641</u>
Part town fund:						
Highway Equipment - part town	2011-2022	2.000-5.000%	7,889	-	598	7,291
			<u>7,889</u>	<u>-</u>	<u>598</u>	<u>7,291</u>
Highway fund:						
Various Snow Plowing Equipment	2004/2019	3.125-4.000%	598,000	-	65,000	533,000
Ayer Road Water District Improvements	2005/2020	3.625-3.750%	1,060,000	-	250,000	810,000
Highway Equipment - Highway	2011/2022	2.000-5.000%	123,480	-	9,360	114,120
Total highway fund			<u>1,781,480</u>	<u>-</u>	<u>324,360</u>	<u>1,457,120</u>
Water districts fund:						
Hopkins Rd water system improve	2004/2019	3.125-4.000%	598,000	-	65,000	533,000
Ayer Road Water District Improvements	2005/2020	3.625-3.750%	230,000	-	20,000	210,000
Willowridge Road	2007/2022	3.800-4.000%	464,850	-	34,481	430,369
Haussauer Road	2007/2022	3.800-4.000%	413,105	-	30,643	382,462
Greengage Circle Phase II	2007/2022	3.800-4.000%	118,030	-	8,755	109,275
Waterline Country Pkwy	2011/2022	2.000-5.000%	316,932	-	24,024	292,908
Total water district fund			<u>2,140,917</u>	<u>-</u>	<u>182,903</u>	<u>1,958,014</u>

(continued)

Description	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2012	Issued	Redeemed	Principal Outstanding 12/31/2012
Sewer district fund:						
1993-BEFC	1993/2013	2.650-5.200%	400,000	-	200,000	200,000
2000 A	2000/2019	3.800-5.960%	425,000	-	50,000	375,000
Maple Rd, Hopkins, N. French Upgrades	2004/2019	3.250-4.000%	505,000	-	55,000	450,000
WWTP Main Transformer Replacement	2004/2019	3.125-4.000%	298,000	-	32,000	266,000
Increase and Improvement - SSD#1, 16	2004/2019	3.125-4.000%	405,000	-	44,000	361,000
Increase and Improvement - SSD# 16	2004/2019	3.125-4.000%	72,000	-	8,000	64,000
Roof System Replacements	2005/2020	3.625-3.750%	522,000	-	50,000	472,000
Lift Station Equipment Replacement	2005/2020	3.625-3.750%	96,000	-	10,000	86,000
Various Sanitary Sewer	2005/2020	3.625-3.750%	70,000	-	5,000	65,000
Various Sanitary Sewer	2005/2020	3.625-3.750%	60,000	-	15,000	45,000
NYS EFC Series 2005D	2005/2014	3.6859%	1,470,000	-	480,000	990,000
Sewer District #1 Harlem and Kensington	2007/2022	3.800-4.000%	196,717	-	14,592	182,125
Sand Filtration System Plant 16	2007/2022	3.800-4.000%	3,776,970	-	280,166	3,496,804
Various Impr	2007/2022	3.800-4.000%	1,300,300	-	96,453	1,203,847
LeBrun Storm Sewer SS#1	2007/2022	3.800-4.000%	177,048	-	13,133	163,915
Sanitary Sewer #16	2009/2012	2.500%	25,000	-	25,000	-
Sanitary #16 Rensch Road	2009/2013	2.500%	55,000	-	25,000	30,000
Sanitary #1 Niagara Falls Blvd	2009/2013	2.500%	100,000	-	50,000	50,000
Sanitary #1 & #16 Declorination Impr	2009/2013	2.500%	75,000	-	50,000	25,000
SSD#1 & SSD#16	2009/2018	2.500-5.000%	355,000	-	55,000	300,000
WWPC SSD#1 & SSD#16 Bar Screens	2009/2021	2.500-5.000%	1,445,000	-	130,000	1,315,000
Lehn Springs SSD#16 - Ext. 23 -SF	2009/2021	2.500-5.000%	605,000	-	60,000	545,000
WWTP Improvements	2009/2017	2.500-5.000%	150,000	-	25,000	125,000
SSD #1 & 16 WWTP Roofs (Phase II)	2011/2022	2.500-5.000%	231,182	-	17,524	213,658
SSD #1 Lafayette Blvd.	2011/2022	2.500-5.000%	77,175	-	5,850.0	71,325
SSD #1 16 N. French	2011/2022	2.500-5.000%	524,104	-	39,728.0	484,376
SSD #1 & 16 Transformer Rehab Study	2011/2022	2.500-5.000%	61,740	-	4,680	57,060
SSD #1 & 16 Pelletiz Bagging Facility	2011/2022	2.500-5.000%	160,181	-	12,142	148,039
SSD #1 & 16 Centrifuge #5 Replacement	2011/2022	2.500-5.000%	154,007	-	11,674	142,333
SSD #1 & 16 Scum System Replacement	2011/2022	2.500-5.000%	98,784	-	7,488	91,296
SSD #1 & 16 Elect System Load Curtail	2011/2022	2.500-5.000%	160,181	-	12,142	148,039
SSD #1 & 16 Sand Filter Replacement	2011/2022	2.500-5.000%	367,010	-	27,820	339,190
Total sewer district fund			<u>14,418,399</u>	<u>-</u>	<u>1,912,392</u>	<u>12,506,007</u>

(continued)

(concluded)

Description	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2012	Issued	Redeemed	Principal Outstanding 12/31/2012
Drainage district fund:						
Young's Rd. Storm Drainage	2004/2014	3.250-3.750%	130,000	-	40,000	90,000
Improvement Storm Water Drainage	2004/2019	3.125-4.000%	51,000	-	6,000	45,000
Storm Water Improv.- SWD #4 Carmen Rd	2004/2019	3.125-4.000%	142,000	-	16,000	126,000
Increase & Improvement SWD#4, 16, 26	2004/2019	3.125-4.000%	89,000	-	10,000	79,000
Storm Water Drainage Delta Rd.	2005/2020	3.625-3.750%	305,000	-	30,000	275,000
Improvement of Storm Water Drainage	2005/2020	3.625-3.750%	455,000	-	45,000	410,000
Various Drainage Improvements	2007/2022	3.800-4.000%	393,435	-	29,184	364,251
Storm Water #4 Sheridan Drive	2009/2014	2.500-5.000%	355,000	-	150,000	205,000
Storm Water#4 Woodbury Drive (\$266,500)	2009/2012	2.500%	15,000	-	15,000	-
Storm Water#4 Woodbury Drive (\$138,500)	2009/2012	2.500%	5,000	-	5,000	-
Storm Water#16 Transit Valley / Hunt Club	2009/2014	2.500-5.000%	170,000	-	60,000	110,000
Lakewood / Smallwood #4	2009/2015	2.500-5.000%	245,000	-	65,000	180,000
Allenhurst Road Storm Sewers	2009/2016	2.500-5.000%	125,000	-	25,000	100,000
Highway Equipment - Drainage	2011/2022	2.500-5.000%	215,747	-	16,354	199,393
Storm Drain #16 McKinley/Harding	2011/2022	2.500-5.000%	286,062	-	21,684	264,378
Storm Drain #16 Eggerts/Bailey	2011/2022	2.500-5.000%	154,007	-	11,674	142,333
Total drainage district fund			<u>3,136,251</u>	<u>-</u>	<u>545,896</u>	<u>2,590,355</u>
Community environment fund:						
Various District Improvements	2005/2020	3.625-3.750%	197,000	-	20,000	177,000
Residential Refuse Containers	2007/2022	3.800-4.000%	1,337,677	-	99,225	1,238,452
Highway Equipment - Comm.Environment	2011/2022	2.000-5.000%	123,480	-	9,360	114,120
Total community environment fund			<u>1,658,157</u>	<u>-</u>	<u>128,585</u>	<u>1,529,572</u>
Total governmental activities			<u>30,815,000</u>	<u>-</u>	<u>3,965,000</u>	<u>26,850,000</u>
Business-type activities:						
Ice Rink Acquisition, G.O. Series A	2007/2022	4.00-5.00%	10,480,000	-	785,000	9,695,000
Ice Rink Acquisition, G.O. Series B (taxable)	2007/2022	5.630%	855,000	-	60,000	795,000
Total business-type activities			<u>11,335,000</u>	<u>-</u>	<u>845,000</u>	<u>10,490,000</u>
Total primary government			<u>\$ 42,150,000</u>	<u>\$ -</u>	<u>\$ 4,810,000</u>	<u>\$ 37,340,000</u>

Installment Purchase Debt—The Town has entered into Energy Performance Contracts for modifications to various facilities. The modifications were made to improve energy efficiency. Principal and interest payments are made quarterly. During the year ended December 31, 2012, the Town made final principal and interest payments in the amounts of \$243,411 and \$6,169, respectively. The interest rate approximated 4.69%.

During the year ended December 31, 2012, the Town entered into two lease agreements as lessee for financing the acquisitions of certain golf equipment. The lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The interest rate approximates 4.33%. Additionally, the lease agreements the Town entered into in 2010 and 2009, as lessee, for financing the acquisition of certain highway equipment also qualified as capital leases. The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Assets:	
Highway equipment	\$ 1,632,685
Special purpose equipment	161,781
Less: Accumulated depreciation	<u>(426,179)</u>
Total	<u>\$ 1,368,287</u>

The following summarizes the requirements of the Town's capital lease agreements:

<u>Year ended December 31,</u>	<u>Governmental Activities</u>		
	<u>Golf Equipment</u>	<u>Highway Equipment</u>	<u>Total</u>
2013	\$ 35,158	\$ 273,629	\$ 308,787
2014	35,158	273,629	308,787
2015	35,158	248,028	283,186
2016	35,158	248,028	283,186
2017	<u>-</u>	<u>19,400</u>	<u>19,400</u>
Total minimum lease payments	140,632	1,062,714	1,203,346
Less: Amount representing imputed interest costs	<u>(14,010)</u>	<u>(100,733)</u>	<u>(114,743)</u>
Present value of minimum lease payment	<u>\$ 126,622</u>	<u>\$ 961,981</u>	<u>\$ 1,088,603</u>

NYS Retirement Liability—As explained in Note 6, the Town participates in the New York and Local Employees' Retirement System ("ERS"), the New York State and Local Police and Fire Retirement System ("PFRS"). The Town elected to amortize certain payments relating to ERS and PFRS during 2005 and 2006 over ten years in accordance with Chapter 260 of the Laws of 2004 of the State of New York. Additionally, the Town provided an ERS retirement incentive during 2011 that is paid over five years. Accordingly, at December 31, 2012, the Town has recorded a liability in amount of \$1,176,858, with a current portion of \$471,996.

Compensated Absences—As explained in Note 1, the Town records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at December 31, 2012, for governmental activities is \$16,025,820. Management estimates that \$554,784 is due within one year. A non-current liability totaling \$15,471,036 has also been recorded. Additionally, the Town records compensated absences in its business-type activity. The value recorded in the government-wide financial statements at December 31, 2012, for business-type activities is \$150,296. Management estimates that \$8,244 is due within one year. A non-current liability totaling \$142,052 has also been recorded. Since payments of compensated absences are dependent upon many factors, the timing of future payments is not readily determinable.

OPEB Obligation—As explained in Note 7, the Town provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee’s total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The Town’s annual postemployment benefit (“OPEB”) cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The estimated OPEB liability is estimated to be \$48,602,631 at December 31, 2012.

Amounts Due to Museum—On December 6, 2010, the Town entered into a license agreement (the “Agreement”) with the Amherst Museum (the “Museum”). The Agreement granted to the Museum, and the Museum accepted from the Town, a revocable license to use the Town property at 3755 Tonawanda Creek Road, Amherst, New York for the period commencing on January 1, 2011 and ending on December 31, 2035. The Museum is responsible for maintaining public liability and property damage insurance to protect the Town from claims for damages. The Museum is also required to take good care of the licensed property and at its sole cost and expense make all repairs. As part of the Agreement the Town agrees to pay the Museum an annual subsidy of \$475,000 for each of the calendar years of 2011, 2012, 2013 and 2014. Accordingly, at December 31, 2012, the Town has recorded a liability in amount of \$950,000, with a current portion of \$475,000.

The following is a maturity schedule of the Town’s governmental activities indebtedness:

	Serial Bonds	Installment Purchase Debt	NYS Retirement Liability	Compensated Absences	OPEB Liability	Amounts Due to Museum	Total
2013	\$ 3,965,000	\$ 263,504	\$ 471,996	\$ 554,784	\$ -	\$ 475,000	\$ 5,730,284
2014	3,529,999	274,539	479,024	-	-	475,000	4,758,562
2015	2,955,001	260,437	225,838	-	-	-	3,441,276
2016	2,685,000	271,297	-	-	-	-	2,956,297
2017	2,770,000	18,826	-	-	-	-	2,788,826
2018-2022	10,945,000	-	-	-	-	-	10,945,000
Various	-	-	-	15,471,036	48,602,631	-	64,073,667
	<u>\$ 26,850,000</u>	<u>\$ 1,088,603</u>	<u>\$ 1,176,858</u>	<u>\$ 16,025,820</u>	<u>\$ 48,602,631</u>	<u>\$ 950,000</u>	<u>\$ 94,693,912</u>

The following is a maturity schedule of the Town's business-type activity indebtedness:

	<u>Serial Bonds</u>	<u>Compensated Absences</u>	<u>Total</u>
2013	\$ 880,000	\$ 8,244	\$ 888,244
2014	910,000	-	910,000
2015	950,000	-	950,000
2016	990,000	-	990,000
2017	1,030,000	-	1,030,000
2018-2022	5,730,000	-	5,730,000
Various	-	142,052	142,052
	<u>\$ 10,490,000</u>	<u>\$ 150,296</u>	<u>\$ 10,640,296</u>

The interest requirement for the Town's outstanding serial bonds is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2013	\$ 1,029,367	\$ 489,315	\$ 1,518,682
2014	880,988	444,905	1,325,893
2015	743,790	398,996	1,142,786
2016	625,259	351,055	976,314
2017	524,669	301,082	825,751
2018-2022	<u>1,050,602</u>	<u>746,538</u>	<u>1,797,140</u>
	<u>\$ 4,854,675</u>	<u>\$ 2,731,891</u>	<u>\$ 7,586,566</u>

11. VOLUNTARY SEPARATION INCENTIVE

The Town offered a voluntary separation incentive to full-time employees. In order to receive the incentive, the employee must have separated employment from the Town no later than December 31, 2011 and have a minimum of ten years of experience. The payments were to be made in two equal installments of \$51,672, the first of which was made in 2012, and the second was made subsequent to year end. The second payment was previously recognized as a long-term liability within the government wide statements and has been accounted for within accrued liabilities as of December 31, 2012.

12. NET POSITION AND FUND BALANCE

The government wide financial statements utilize a net assets presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ◆ **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Capital assets, net of accumulated depreciation	\$ 249,669,571
Related debt:	
Serial bonds issued	(26,850,000)
Unspend proceeds from serial bonds	237,500
Bond anticipation notes issued for capital assets	(25,262,974)
Unspent proceeds from bond anticipation notes	6,105,495
Amounts restricted for debt (net of premium)	<u>4,936,510</u>
Debt issued and used for capital assets	(40,833,469)
Installment purchase debt	<u>(1,088,603)</u>
Net investment in capital assets	<u>\$ 207,747,499</u>

- ◆ **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position at December 31, 2012 consist of \$208,674 of premiums restricted for debt, \$200,000 restricted for retirement contributions and \$1,955,974 restricted for special purpose funds.
- ◆ **Unrestricted Net Position**—This category represents net position of the Town not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by Town at December 31, 2012 include:

- ◆ **Prepaid Items**—Represents the portion of fund balance composed of prepaid assets. This balance is nonspendable as the asset does not represent an available resource.
- ◆ **Long-term Receivable**—Represents the portion of fund balance composed of amounts due from the Self Insurance fund that is not expected to be repaid with current resources. This balance is nonspendable as the asset does not represent an available resource.

In the fund financial statements, restricted fund balances have constraints placed on the use of resources and are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Restrictions of the Town at December 31, 2012, and include:

- ◆ ***Restricted for Debt***—Represents unspent debt proceeds which is restricted for the reduction of future debt service requirements.
- ◆ ***Restricted for Retirement Contributions***—Represents funds for to be used for the payment of retirement contributions.
- ◆ ***Restricted for Special Purpose***—Represents funds for various purposes as accounted for in a special purpose special revenue fund.
- ◆ ***Restricted for Capital Projects***—Represents unspent proceeds from serial bonds restricted for specific capital projects.

In the fund financial statements, assigned amounts are subject to a purpose constraint that represents an intended use established by the Town Board, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2012, the following balances were considered to be assigned:

- ◆ ***Assigned to Subsequent Year's Expenditures***—Represents funds to be used to assist in supporting the subsequent year's authorized appropriations.
- ◆ ***Assigned to Encumbrances***— Represents commitments related to unperformed contracts or purchase orders for goods or services.
- ◆ ***Assigned for Specific Use***—Represents remaining fund balance of special revenue funds to be used for each fund's specific use.

Unassigned fund balance represents the residual classification of the government's General Fund surplus, and Special Grant Fund and Capital Projects Fund deficits.

The Town will spend the most restricted dollars before less restricted where such spending is appropriate and the legal restriction does not limit the use of such restricted amount for the particular purpose in question in the following order: 1) Nonspendable (if funds become spendable), 2) Restricted, 3) Committed, 4) Assigned, and 5) Unassigned.

13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables of the Town at December 31, 2012 consisted of the following:

Fund	Interfund Receivables	Interfund Payables
Governmental:		
General Fund	\$ 7,580,106	\$ 2,598,714
Highway Fund	552,137	12,193
Sewer Fund	2,534,504	185,036
Drainage Fund	479,835	121,101
Special Grant Fund	878	20,550
Capital Projects Fund	68,135	1,703,726
Other governmental funds	<u>375,995</u>	<u>52,554</u>
Subtotal governmental	<u>11,591,590</u>	<u>4,693,874</u>
Fiduciary Fund	-	158,884
Proprietary funds	-	6,393,000
Business-type activity	<u>1,469</u>	<u>347,301</u>
Total	<u>\$ 11,593,059</u>	<u>\$ 11,593,059</u>

The decreased balances outstanding between funds are the result of a portion of the 2012 chargeback allocation which was paid prior to year end and the amount of closed capital projects due to various funds, in which the cash was transferred subsequent to year end. At year end the General Fund borrowed \$2.5 million from the Sewer fund to cover a cash deficit. The General Fund anticipates repaying the Sewer Fund upon its receipt of 2013 real property tax proceeds. The Town's Self Insurance fund borrowed \$3,393,000 from the General Fund in 2012 to pay a portion of a bond anticipation note. This is in addition to \$3,000,000 borrowed in the prior year for a similar purpose, which has not been repaid. As such, the Town has classified the \$6,393,000 as nonspendable within the General Fund as the advance is considered long-term. Other balances result from payments made on behalf of other funds or temporary advances. All of these other balances are expected to be collected/paid within the subsequent year.

The Town made the following transfers during the year ended December 31, 2012:

Fund	Transfers In	Transfers Out
Governmental:		
General Fund	\$ 3,153,523	\$ 1,145,651
Highway Fund	560,037	288,341
Sewer Fund	123,102	2,345,844
Drainage Fund	538,770	1,120,994
Capital Projects Fund	2,173,718	2,145,168
Other governmental funds	<u>444,229</u>	<u>895,030</u>
Subtotal governmental	<u>6,993,379</u>	<u>7,941,028</u>
Proprietary funds	500,000	-
Business-type activity	<u>475,783</u>	<u>28,134</u>
Total	<u>\$ 7,969,162</u>	<u>\$ 7,969,162</u>

Transfers are used primarily to move various fund revenues that the Town must account for in other funds in accordance with budgetary authorizations and to support capital projects.

14. LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)

The Town established a defined benefit Length of Service Awards Program (the “Program”) for the active volunteer firefighters of Ellicott Creek Fire Protection District No. 9, Getzville Fire Protection District No. 11, Main-Transit Fire Protection District No. 14, North Amherst Fire Protection District No. 10 and North Bailey Fire Protection District No. 18. The Program took effect January 1, 1992. The Program was established pursuant to Article 11-A of the General Municipal Law. The Program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Town is the sponsor of the Program.

Program Description—

Participation, vesting and service credit—Active volunteer firefighters who have reached the age of eighteen and who have completed one year of firefighting service are eligible to participate in the Program. The Program’s entitlement age is age fifty-five. In general, 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 activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values.

Benefits—A participant’s benefit under the Program is the actuarial equivalent of a monthly payment for life equal to twenty dollars multiplied by the person’s total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed thirty. Except in the case disability or death, benefits are payable when a participant reaches entitlement age. The Program provides statutorily mandated death and disability benefits.

Fiduciary Investment and Control—Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the Program. Each fire company must maintain all required records on forms prescribed by the governing board. The governing board of the sponsor has retained and designated Penflex, Inc. to assist in the administration of the program.

Program assets are required to be held in trust by LOSAP legislation, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program.

Authority to invest program assets is vested in the Investment Committee. Subject to restrictions in the program document, program assets are invested in accordance with a statutory “prudent person” rule.

The sponsor is required to retain an actuary to determine the amount of the sponsor’s contributions to the plan. The actuary retained by the sponsor for this purpose is Penflex, Inc. Portions of the following information are derived from the most recent report prepared by the actuary, dated January 1, 2012.

Program Financial Condition

Assets and Liabilities

Actuarial present value of benefits at January 1, 2012		\$ 9,258,974
Less: Assets available for benefits		
<i>Cash and short-term investments:</i>	<u>% of total</u>	
Cash & cash alternatives	6.5%	\$ 496,655
<i>Investments at fair value:</i>		
U.S. equities	4.1%	313,308
International equities	5.0%	378,152
Fixed income	53.5%	4,079,609
Mixed income	30.4%	2,319,533
<i>Other assets:</i>		
Benefits payable & interest receivable	0.4%	<u>33,996</u>
Total net assets available for benefits		<u>7,621,253</u>
Total unfunded benefits		<u>\$ 1,637,721</u>

Prior Service Costs

Prior service costs included in Actuarial Present Value of Benefits are being amortized over twenty years at a rate of 6.5%.

Receipts and Disbursements

Plan net assets, January 1, 2011		\$7,516,285
Changes during the year:		
Add: Plan contributions	\$ 488,099	
Net investment income	31,626	
Less: Plan benefit withdrawals	(415,174)	
Changes in benefits payable	3,136	
Administrative fees	<u>(2,719)</u>	
Net change		<u>104,968</u>
Plan net assets, December 31, 2011		<u>\$ 7,621,253</u>

Contributions and Administrative Fees

The Town contributed \$519,656 to the Program during the year ended December 31, 2012.

Funding Methodology and Actuarial Assumptions

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 based on an assumed rate of return on investment of 6.5%.

Mortality Tables used for retirement are based on the 1994 Uninsured Pensioner Male Table projected with scale AA to 2007.

The Town accounts for service award program assets within its Agency Fund. The fair value of these program assets as of December 31, 2012, is \$8,477,942.

15. AGENCY FUND

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of the Agency Fund for the year ended December 31, 2012:

	Balance 1/1/2012	Additions	Deletions	Balance 12/31/2012
ASSETS				
Cash	\$ 1,277,566	\$ 13,629,101	\$ 13,734,610	\$ 1,172,057
Due from other funds	144,105	41,611	144,600	41,116
LOSAP assets	<u>7,587,258</u>	<u>1,435,023</u>	<u>544,338</u>	<u>8,477,943</u>
Total assets	<u>\$ 9,008,929</u>	<u>\$ 15,105,735</u>	<u>\$ 14,423,548</u>	<u>\$ 9,691,116</u>
LIABILITIES				
Due to other funds	\$ 200,000	\$ 100,000	\$ 100,000	\$ 200,000
Amounts due to other parties	1,221,671	13,570,712	13,779,210	1,013,173
Amounts held for LOSAP	<u>7,587,258</u>	<u>1,435,023</u>	<u>544,338</u>	<u>8,477,943</u>
Total liabilities	<u>\$ 9,008,929</u>	<u>\$ 15,105,735</u>	<u>\$ 14,423,548</u>	<u>\$ 9,691,116</u>

16. LABOR RELATIONS

Town employees are represented by five bargaining units with the balance governed by Town Board rules and regulations. One bargaining unit had a contract through December 31, 2008 and is currently under negotiations. Two bargaining units had contracts through December 31, 2010 and are currently under negotiations. A liability for retroactive wages related to these contracts has been recorded in the fund financial statements. The last two bargaining units have contracts settled through December 31, 2013 and December 31, 2014, respectively.

17. CONTINGENCIES

Assessments—The Town is a defendant in various litigation under Article 7 of the Real Property Tax Law of the State of New York to review tax assessments. While the Town vigorously defends assessments, the likelihood of success is on a case-by-case basis, and is dependent upon many factors including market values and appraised amounts. No potential amount or potential range of loss is determinable. However, management believes that level of such potential loss, if any, would be immaterial and no provisions have been made within the financial statements.

Grants—In the normal course of operations, the Town receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of any expenditure that may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Pollution Remediation Obligations—On February 13, 2007, the Town was issued a consent order by the New York State Department of Environmental Conservation. As part of the consent order the Town is required to submit a plan for the abatement of the overflow of sanitary sewer discharge. As of December 31, 2012 the Town is unable to determine the range or the likelihood of any potential liability as a result of the consent order.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 6, 2013, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Purpose Special Revenue Fund—maintains that funds that are handled by the Town deposited on behalf of another party and designated for a specified purpose.

Town Outside Village Special Revenue Fund—accounts for selected services which by New York State statute cannot be charged to residents of the Village located within the Town.

Nonmajor Special Districts Special Revenue Fund—funds that maintain various systems throughout the Town but are not considered a major fund.

- ◆ **Lighting District**—accounts for lighting services provided to areas within the Town.
- ◆ **Community Environment**—accounts for sanitation services provided within the Town.
- ◆ **Fire Protection**—accounts for maintaining the fire hydrant's throughout the Town.
- ◆ **Water District**—accounts for water services provided to areas within the Town.

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TOWN OF AMHERST, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2012

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	Special Purpose Fund	Town Outside Village Fund	Nonmajor Special Districts	
ASSETS				
Cash	\$ -	\$ 1,793,683	\$ 5,903,879	\$ 7,697,562
Restricted cash s	1,964,652	50,000	169,615	2,184,267
Accounts receivable	7,419	149,317	1,460,440	1,617,176
Prepaid items	-	206,680	61,026	267,706
Due from other funds	142,982	9,282	223,731	375,995
Due from other governments	-	-	733,271	733,271
Total assets	<u>\$ 2,115,053</u>	<u>\$ 2,208,962</u>	<u>\$ 8,551,962</u>	<u>\$ 12,875,977</u>
LIABILITIES				
Accounts payable	\$ 115,123	\$ 30,321	\$ 1,108,452	\$ 1,253,896
Accrued liabilities	725	396,788	44,929	442,442
Due to other funds	43,231	2,869	6,454	52,554
Total liabilities	<u>159,079</u>	<u>429,978</u>	<u>1,159,835</u>	<u>1,748,892</u>
DEFERRED INFLOWS OF RESOURCES				
Mortgage and lease receivable	-	-	1,406,162	1,406,162
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,406,162</u>	<u>1,406,162</u>
FUND BALANCES				
Nonspendable	-	206,680	61,026	267,706
Restricted:				
Debt	-	-	173,105	173,105
Retirement contributions	-	50,000	-	50,000
Special purpose	1,955,974	-	-	1,955,974
Assigned:				
Subsequent year's expenditures	-	363,702	1,139,673	1,503,375
Encumbrances	-	106,202	97,667	203,869
Specific use	-	1,052,400	4,514,494	5,566,894
Total fund balances	<u>1,955,974</u>	<u>1,778,984</u>	<u>5,985,965</u>	<u>9,720,923</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,115,053</u>	<u>\$ 2,208,962</u>	<u>\$ 8,551,962</u>	<u>\$ 12,875,977</u>

TOWN OF AMHERST, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2012

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Special Purpose Fund</u>	<u>Town Outside Village Fund</u>	<u>Nonmajor Special Districts</u>	
REVENUES				
Real property taxes	\$ -	\$ 2,543,496	\$ 16,084,926	\$ 18,628,422
Departmental income	-	126,102	270,147	396,249
Use of money and property	34,468	9,209	80,864	124,541
Licenses and permits	-	2,257,582	-	2,257,582
Miscellaneous	607,361	38,658	114,525	760,544
Sale of property and compensation for loss	-	4,150	213,128	217,278
State aid	-	-	720,492	720,492
Total revenues	<u>641,829</u>	<u>4,979,197</u>	<u>17,484,082</u>	<u>23,105,108</u>
EXPENDITURES				
Current:				
General government support	-	-	728	728
Public safety	-	3,019,804	5,677,828	8,697,632
Transportation	-	-	3,177,721	3,177,721
Culture and recreation	193,472	-	-	193,472
Home and community services	336,210	2,151,171	7,064,531	9,551,912
Debt service:				
Principal	35,158	39,304	311,488	385,950
Interest	-	6,598	237,209	243,807
Total expenditures	<u>564,840</u>	<u>5,216,877</u>	<u>16,469,505</u>	<u>22,251,222</u>
Excess (deficiency) of revenues over expenditures	<u>76,989</u>	<u>(237,680)</u>	<u>1,014,577</u>	<u>853,886</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	120,730	-	323,499	444,229
Transfers out	(25,056)	(42,637)	(827,337)	(895,030)
Installment purchase debt	161,781	-	-	161,781
Total other financing sources (uses)	<u>257,455</u>	<u>(42,637)</u>	<u>(503,838)</u>	<u>(289,020)</u>
Net change in fund balances	334,444	(280,317)	510,739	564,866
Fund balances—beginning	<u>1,621,530</u>	<u>2,059,301</u>	<u>5,475,226</u>	<u>9,156,057</u>
Fund balances—ending	<u>\$ 1,955,974</u>	<u>\$ 1,778,984</u>	<u>\$ 5,985,965</u>	<u>\$ 9,720,923</u>

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TOWN OF AMHERST, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Town Outside Village Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 2,543,496	\$ 2,543,496	\$ 2,543,496	\$ -
Departmental income	171,500	171,500	126,102	(45,398)
Use of money and property	20,000	20,000	9,209	(10,791)
Licenses and permits	1,694,000	1,758,286	2,257,582	499,296
Miscellaneous	32,723	37,535	38,658	1,123
Sale of property and compensation for loss	-	4,150	4,150	-
Total revenues	<u>4,461,719</u>	<u>4,534,967</u>	<u>4,979,197</u>	<u>444,230</u>
EXPENDITURES				
Current:				
Public safety	2,759,489	2,994,579	3,019,804	(25,225)
Home and community services	1,884,228	2,098,245	2,151,171	(52,926)
Debt service:				
Principal	54,304	54,304	39,304	15,000
Interest	<u>10,648</u>	<u>10,648</u>	<u>6,598</u>	<u>4,050</u>
Total expenditures	<u>4,708,669</u>	<u>5,157,776</u>	<u>5,216,877</u>	<u>(59,101)</u>
Excess (deficiency) of revenues over expenditures	<u>(246,950)</u>	<u>(622,809)</u>	<u>(237,680)</u>	<u>385,129</u>
OTHER FINANCING USES				
Transfers out	<u>(26,000)</u>	<u>(26,000)</u>	<u>(42,637)</u>	<u>(16,637)</u>
Total other financing uses	<u>(26,000)</u>	<u>(26,000)</u>	<u>(42,637)</u>	<u>(16,637)</u>
Net change in fund balances*	(272,950)	(648,809)	(280,317)	368,492
Fund balances—beginning	<u>2,059,301</u>	<u>2,059,301</u>	<u>2,059,301</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,786,351</u>	<u>\$ 1,410,492</u>	<u>\$ 1,778,984</u>	<u>\$ 368,492</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

TOWN OF AMHERST, NEW YORK
Combining Balance Sheet—Nonmajor Special District Funds
December 31, 2012

	<u>Lighting District</u>	<u>Community Environment</u>	<u>Fire Protection</u>	<u>Water District</u>	<u>Total Nonmajor Special Districts</u>
ASSETS					
Cash	\$ 2,828,319	\$ 1,701,401	\$ 382,969	\$ 991,190	\$ 5,903,879
Restricted cash	-	-	-	169,615	169,615
Accounts receivable	-	1,460,440	-	-	1,460,440
Prepaid items	6,786	54,240	-	-	61,026
Due from other funds	489	2,751	-	220,491	223,731
Due from other governments	-	733,271	-	-	733,271
Total assets	<u>\$ 2,835,594</u>	<u>\$ 3,952,103</u>	<u>\$ 382,969</u>	<u>\$ 1,381,296</u>	<u>\$ 8,551,962</u>
LIABILITIES					
Accounts payable	\$ 259,252	\$ 746,909	\$ 34,081	\$ 68,210	\$ 1,108,452
Accrued liabilities	22,766	22,111	-	52	44,929
Due to other funds	717	4,303	-	1,434	6,454
Total liabilities	<u>282,735</u>	<u>773,323</u>	<u>34,081</u>	<u>69,696</u>	<u>1,159,835</u>
DEFERRED INFLOWS OF RESOURCES					
Mortgage and lease receivable	-	1,406,162	-	-	1,406,162
Total deferred inflows of resources	<u>-</u>	<u>1,406,162</u>	<u>-</u>	<u>-</u>	<u>1,406,162</u>
FUND BALANCES					
Nonspendable	6,786	54,240	-	-	61,026
Restricted for debt	-	-	-	173,105	173,105
Assigned:					
Subsequent year's expenditures	616,000	197,841	141,189	184,643	1,139,673
Encumbrances	19,212	38	-	78,417	97,667
Specific use	1,910,861	1,520,499	207,699	875,435	4,514,494
Total fund balances	<u>2,552,859</u>	<u>1,772,618</u>	<u>348,888</u>	<u>1,311,600</u>	<u>5,985,965</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,835,594</u>	<u>\$ 3,952,103</u>	<u>\$ 382,969</u>	<u>\$ 1,381,296</u>	<u>\$ 8,551,962</u>

TOWN OF AMHERST, NEW YORK
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—
Nonmajor Special District Funds
Year Ended December 31, 2012

	<u>Lighting District</u>	<u>Community Environment</u>	<u>Fire Protection</u>	<u>Water District</u>	<u>Total Nonmajor Special Districts</u>
REVENUES					
Real property taxes	\$ 3,229,501	\$ 6,674,710	\$ 5,215,675	\$ 965,040	\$ 16,084,926
Departmental income	-	270,147	-	-	270,147
Use of money and property	12,028	61,994	2,461	4,381	80,864
Miscellaneous	1,864	104,650	8,011	-	114,525
Sale of property and compensation for loss	-	213,128	-	-	213,128
State aid	-	720,492	-	-	720,492
Total revenues	<u>3,243,393</u>	<u>8,045,121</u>	<u>5,226,147</u>	<u>969,421</u>	<u>17,484,082</u>
EXPENDITURES					
Current:					
General government support	-	728	-	-	728
Public safety	-	262,086	5,415,742	-	5,677,828
Transportation	3,177,721	-	-	-	3,177,721
Home and community services	-	6,909,255	-	155,276	7,064,531
Debt service:					
Principal	-	128,585	-	182,903	311,488
Interest	-	67,329	-	169,880	237,209
Total expenditures	<u>3,177,721</u>	<u>7,367,983</u>	<u>5,415,742</u>	<u>508,059</u>	<u>16,469,505</u>
Excess (deficiency) of revenues over expenditures	<u>65,672</u>	<u>677,138</u>	<u>(189,595)</u>	<u>461,362</u>	<u>1,014,577</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	7,313	-	316,186	323,499
Transfers out	<u>(8,784)</u>	<u>(396,094)</u>	<u>-</u>	<u>(422,459)</u>	<u>(827,337)</u>
Total other financing sources (uses)	<u>(8,784)</u>	<u>(388,781)</u>	<u>-</u>	<u>(106,273)</u>	<u>(503,838)</u>
Net change in fund balances	56,888	288,357	(189,595)	355,089	510,739
Fund balances—beginning	<u>2,495,971</u>	<u>1,484,261</u>	<u>538,483</u>	<u>956,511</u>	<u>5,475,226</u>
Fund balances—ending	<u>\$ 2,552,859</u>	<u>\$ 1,772,618</u>	<u>\$ 348,888</u>	<u>\$ 1,311,600</u>	<u>\$ 5,985,965</u>

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TOWN OF AMHERST, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Lighting District Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 3,229,501	\$ 3,229,501	\$ 3,229,501	\$ -
Use of money and property	18,000	18,000	12,028	(5,972)
Miscellaneous	<u>553</u>	<u>553</u>	<u>1,864</u>	<u>1,311</u>
Total revenues	<u>3,248,054</u>	<u>3,248,054</u>	<u>3,243,393</u>	<u>(4,661)</u>
EXPENDITURES				
Current:				
Transportation	<u>3,689,554</u>	<u>3,689,554</u>	<u>3,177,721</u>	<u>511,833</u>
Total expenditures	<u>3,689,554</u>	<u>3,689,554</u>	<u>3,177,721</u>	<u>511,833</u>
Excess (deficiency) of revenues over expenditures	<u>(441,500)</u>	<u>(441,500)</u>	<u>65,672</u>	<u>507,172</u>
OTHER FINANCING USES				
Transfers out	<u>(8,500)</u>	<u>(8,500)</u>	<u>(8,784)</u>	<u>(284)</u>
Total other financing uses	<u>(8,500)</u>	<u>(8,500)</u>	<u>(8,784)</u>	<u>(284)</u>
Net change in fund balances*	(450,000)	(450,000)	56,888	506,888
Fund balances—beginning	<u>2,495,971</u>	<u>2,495,971</u>	<u>2,495,971</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,045,971</u>	<u>\$ 2,045,971</u>	<u>\$ 2,552,859</u>	<u>\$ 506,888</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

TOWN OF AMHERST, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Community Environment Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 6,674,710	\$ 6,674,710	\$ 6,674,710	\$ -
Departmental income	-	228,000	270,147	42,147
Use of money and property	30,000	30,000	61,994	31,994
Miscellaneous	243,633	15,633	104,650	89,017
Sale of property and compensation for loss	20,000	20,000	213,128	193,128
State aid	13,000	720,492	720,492	-
Total revenues	<u>6,981,343</u>	<u>7,688,835</u>	<u>8,045,121</u>	<u>356,286</u>
EXPENDITURES				
Current:				
General government support	728	728	728	-
Public safety	249,092	249,092	262,086	(12,994)
Home and community services	6,639,181	7,346,673	6,909,255	437,418
Debt service:				
Principal	108,585	108,585	128,585	(20,000)
Interest	55,636	55,636	67,329	(11,693)
Total expenditures	<u>7,053,222</u>	<u>7,760,714</u>	<u>7,367,983</u>	<u>392,731</u>
Excess (deficiency) of revenues over expenditures	<u>(71,879)</u>	<u>(71,879)</u>	<u>677,138</u>	<u>749,017</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	7,313	7,313
Transfers out	<u>(26,000)</u>	<u>(26,000)</u>	<u>(396,094)</u>	<u>(370,094)</u>
Total other financing sources (uses)	<u>(26,000)</u>	<u>(26,000)</u>	<u>(388,781)</u>	<u>(362,781)</u>
Net change in fund balances*	(97,879)	(97,879)	288,357	386,236
Fund balances—beginning	<u>1,484,261</u>	<u>1,484,261</u>	<u>1,484,261</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,386,382</u>	<u>\$ 1,386,382</u>	<u>\$ 1,772,618</u>	<u>\$ 386,236</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

TOWN OF AMHERST, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund—
Budget and Actual—Fire Protection Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 5,215,675	\$ 5,215,675	\$ 5,215,675	\$ -
Use of money and property	3,000	3,000	2,461	(539)
Miscellaneous	<u>8,156</u>	<u>8,156</u>	<u>8,011</u>	<u>(145)</u>
Total revenues	<u>5,226,831</u>	<u>5,226,831</u>	<u>5,226,147</u>	<u>(684)</u>
EXPENDITURES				
Current:				
Public safety	<u>5,403,082</u>	<u>5,403,082</u>	<u>5,415,742</u>	<u>(12,660)</u>
Total expenditures	<u>5,403,082</u>	<u>5,403,082</u>	<u>5,415,742</u>	<u>(12,660)</u>
Net change in fund balances*	(176,251)	(176,251)	(189,595)	(13,344)
Fund balances—beginning	<u>538,483</u>	<u>538,483</u>	<u>538,483</u>	<u>-</u>
Fund balances—ending	<u>\$ 362,232</u>	<u>\$ 362,232</u>	<u>\$ 348,888</u>	<u>\$ (13,344)</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

TOWN OF AMHERST, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Water District Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Real property taxes	\$ 965,041	\$ 965,041	\$ 965,040	\$ (1)
Miscellaneous	36,398	36,398	-	(36,398)
Use of money and property	<u>4,200</u>	<u>4,200</u>	<u>4,381</u>	<u>181</u>
Total revenues	<u>1,005,639</u>	<u>1,005,639</u>	<u>969,421</u>	<u>(36,218)</u>
EXPENDITURES				
Current:				
Home and community services	256,526	236,366	155,276	81,090
Debt service:				
Principal	570,535	182,904	182,903	1
Interest	<u>336,798</u>	<u>336,798</u>	<u>169,880</u>	<u>166,918</u>
Total expenditures	<u>1,163,859</u>	<u>756,068</u>	<u>508,059</u>	<u>248,009</u>
Excess (deficiency) of revenues over expenditures	<u>(158,220)</u>	<u>249,571</u>	<u>461,362</u>	<u>211,791</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	316,186	316,186
Transfers out	<u>(66,000)</u>	<u>(473,791)</u>	<u>(422,459)</u>	<u>51,332</u>
Total other financing sources (uses)	<u>(66,000)</u>	<u>(473,791)</u>	<u>(106,273)</u>	<u>367,518</u>
Net change in fund balances*	(224,220)	(224,220)	355,089	579,309
Fund balances—beginning	<u>956,511</u>	<u>956,511</u>	<u>956,511</u>	<u>-</u>
Fund balances—ending	<u>\$ 732,291</u>	<u>\$ 732,291</u>	<u>\$ 1,311,600</u>	<u>\$ 579,309</u>

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

FEDERAL AWARDS

TOWN OF AMHERST, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number (1)</u>	<u>Federal Grantor/ Pass-through Number</u>	<u>Expenditures (2)</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Direct Programs:			
Community Development Block Grant (CDBG)	14.218	N/A	\$ 471,968
HOME Investment Partnership Program	14.239	N/A	1,520,907
Supportive Housing for Persons with Disabilities (3)	14.181	N/A	834,537
Moderate Rehabilitation (3)	14.856	NY091MR0001	130,684
Moderate Rehabilitation (3)	14.856	NY091MR0002	488,417
Moderate Rehabilitation (3)	14.856	NY091MR0004	164,357
Moderate Rehabilitation (3)	14.856	NY091MR0005	<u>84,547</u>
Section 8 Housing Choice Vouchers— Rental Voucher Program (3)	14.871	NY091V0	<u>23,783,119</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u><u>27,478,536</u></u>
U.S. DEPARTMENT OF JUSTICE			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	12,801
Passed through the City of Buffalo:			
Edward Byrne Memorial Justice Assistance Grant—Recovery	16.804	N/A	<u>11,015</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u><u>23,816</u></u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Passed through the NYS Department of Transportation:			
Safe Routes to Schools	20.205	N/A	349,387
Selective Traffic Enforcement Program	20.600	N/A	<u>8,535</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u><u>357,922</u></u>
U.S. DEPARTMENT OF ENERGY:			
Direct Program:			
Energy Efficiency and Conservation Block Grant—Recovery	81.128	N/A	277,718
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through the NYS Office of Aging			
Special Programs for the Aging—Title III Part C Nutrition Services	93.045	N/A	<u>82,285</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$ 28,220,277</u></u>

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

TOWN OF AMHERST, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

1. SOURCE

Catalog of Federal Domestic Assistance Numbers

2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Town of Amherst, New York (the "Town") and has been prepared on the "GAAP" basis of accounting and includes all program revenues and expenditures.

3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Town provided federal awards to a subrecipient, the Belmont Shelter Corporation, as follows:

	CFDA	Expenditures
Supportive Housing for Persons with Disabilities	14.181	\$ 834,537
Moderate Rehabilitation	14.856	130,684
Moderate Rehabilitation	14.856	488,417
Moderate Rehabilitation	14.856	164,357
Moderate Rehabilitation	14.856	84,547
Section 8 Housing Choice Vouchers—		
Rental Voucher Program	14.871	23,783,119
		\$ 25,485,661

Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

Honorable Town Board
Town of Amherst, New York:

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Amherst, New York (the "Town") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2012-1, 2012-2 and 2012-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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*.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 6, 2013

Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

Honorable Town Board
Town of Amherst, New York

Report on Compliance for Each Major Federal Program

We have audited the Town of Amherst, New York (the "Town") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2012. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



June 6, 2013

TOWN OF AMHERST, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- | | | | | | |
|--|-------|-----|-------|-------|---------------|
| 1. Material weakness(es) identified? | _____ | Yes | _____ | ✓ | None |
| 2. Significant deficiencies identified? | _____ | ✓ | Yes | _____ | None reported |
| 3. Noncompliance material to financial statements noted? | _____ | Yes | _____ | ✓ | None |

Federal Awards:

Internal control over major programs:

- | | | | | | |
|--|-------|-----|-------|---|---------------|
| 4. Material weakness(es) identified? | _____ | Yes | _____ | ✓ | None |
| 5. Significant deficiencies(s) identified? | _____ | Yes | _____ | ✓ | None reported |

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

6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?	_____	Yes	_____	✓	None noted
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7. The Town's major programs were:

Name of Federal Program	CFDA Number
HOME Investment Partnership Program	14.239
Section 8 Housing Choice Vouchers— Rental Voucher Program	14.871
JAG Program Cluster:	
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant—Recovery	16.804

8. Dollar threshold used to distinguish between Type A and Type B programs?					<u>\$ 846,608</u>
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9. Auditee qualified as low-risk auditee?	_____	Yes	_____	✓	No
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Part II. FINANCIAL STATEMENT FINDINGS SECTION

We consider the deficiencies presented below to be significant deficiencies in internal control.

Finding 2012-1—Cash

The following items relating to cash comprise a significant deficiency within the Town:

1. Bank Reconciliations

Condition—While conducting tests relating to cash bank reconciliations the following issues were noted:

- ◆ The Town could not provide an explanation for differences in two bank accounts. The variances fluctuate on a monthly basis. The net effect of the variances is that the Town’s general ledger is \$3,932 less than the reconciled cash balance at year end.
- ◆ Certain reconciliations were not completed promptly upon receipt of the bank statements.

Criteria—Proper reconciliation procedures should be implemented in order to ensure that cash is properly recorded.

Cause—Lack of proper reconciliation procedures and follow-up of reconciling items.

Effect—Increased risk of misstatement and/or misappropriation of cash.

Recommendation—We recommend that the Town reform its bank reconciliation processes and address the adequacy of its internal control.

Management’s Corrective Action Plan— Bank reconciliations are currently being performed and reviewed although the reviewer’s initials may be missing from the reconciliations. The Town continues to have difficulties identifying deposits which cause some discrepancies.

2. Restricted Cash

Condition—At December 31, 2012, the Town has not separately accounted for its cash related to restricted fund balances. Additionally, the Town has not allocated interest earnings to certain restricted balances.

Criteria—Generally, reserve funds must be invested under provisions of the General Municipal Law. Interest earned and capital gains realized on investments accrue to, and become part of, each reserve fund. In short, interest and gains on reserve fund balances “follow the principal.” If reserve fund cash is commingled with other moneys for investment purposes, each reserve fund must receive its prorated share of any interest or capital gains earned on the total investment. Reserve fund moneys are not required to be kept in separate bank accounts, but the law generally requires that separate accounting records be kept for each reserve fund.

Cause—The Town has not separately accounted for cash associated with its restricted fund balances.

Effect—Inadequate cash management creates the risk that reserve funds are not being maintained appropriately.

Recommendation—We recommend the Town maintain separate accounting records for each reserve fund, which should include: the date and amount of each sum paid into the fund, interest earned by the fund, capital gains or losses resulting from the sale of investments of the fund, the amount and date of each withdrawal from the fund, and the total assets of the fund, showing cash balance and a schedule of investments. Additionally, a report of the operation and condition of reserve funds should be presented to the Town Board within sixty days after year end.

Management's Corrective Action Plan—The Town will implement this recommendation during 2013.

3. *Departments*

Condition—While conducting tests relating to cash within the Town's departments the following issues were noted:

- ◆ Final penalties, fees and interest for Town and County taxes were not paid by the Receiver of Taxes to the Supervisor within the timeframe as required by New York State.
- ◆ There are unexplained variances in cash balances at year end for the Town Justices fine and bail accounts. Discrepancies in the fine and bail accounts were \$1,917 and \$4,945 at year end, respectively.
- ◆ Per review of the monthly reconciliations performed for the Youth and Recreation Department, it was discovered that receipts and disbursements were not recorded in the general ledger on a timely basis.

Criteria—Per New York State law, the Receiver of Taxes should disburse penalties, fees and interest to the Supervisor by the 15th of the month following collection, unless directed by the Board to do otherwise. Bank reconciliations should be prepared on a monthly basis and reviewed by a party independent of the cash functions. Additionally, all receipts should be appropriately accounted for, deposited and disbursed in a timely manner.

Cause—Lack of proper reconciliation procedures and performing functions in a timely manner.

Effect—Lack of compliance with New York State requirements and increased risk of asset misappropriations.

Recommendation—We recommend the following:

- ◆ The Tax Receiver should make all required disbursements in accordance with New York State law.
- ◆ Bank reconciliations should be prepared on a monthly basis and be reviewed by someone independent of the cash functions. The reconciliations should be dated and signed by the preparer and the reviewer. Reconciling items should be addressed in a timely manner.

Managements Corrective Action Plan—During 2013, tax disbursements will be made in a timely manner. Additionally, the Justice Department will work to resolve the cash differences. The Comptroller will set a policy of when activity is due from the Departments in order to allow for timely posting to the general ledger and timely completion of bank reconciliations.

Finding 2012-2—Self Insurance

Condition—Management is in the process of recovering insurance proceeds to the extent of the losses from a significant claim against the Town which settled during the year ended December 31, 2009. The Town believes that it will recover the amount necessary to remedy the net deficit within the Self Insurance Fund. During the current year the Town was required to pay a portion of liability. To meet this payment, the Self Insurance fund borrowed \$3,000,000 in 2011 and \$3,393,000 in 2012 from the General Fund's unassigned fund balance.

Criteria—The Town should have a plan for restoration of the fund balance in the General Fund so that its target level is restored as soon as practicable.

Cause—Inability to recover proceeds in a timely manner.

Effect—This has caused a significant decrease in the percent of General Fund unassigned fund balance to annual operating expenditures; as a result of the transactions the percentage of fund balance fell below the Town's Fund Balance Classification Policy to "maintain an unrestricted fund balance of not less than 10% of annual operating expenditures for the fiscal year". Additionally, the General Fund borrowed \$2.5 million from the Sewer Fund to fund a cash deficit at year end.

Recommendation—We recommend that the Town develop a financial plan to define its expectations of future revenues in the event that the proceeds are not received or are not received before having to pay down the current debt associated with the liability.

Managements Corrective Action Plan—The Town intends to have the General Fund loan the Self Insurance Fund the necessary funds to make the July 2013 bond anticipation note interest and paydown payment. If the Town is unsuccessful in collecting on the judgment, they are prepared to raise taxes to cover the amounts loaned by the General Fund.

Finding 2012-3—Human Resources

Condition—Payroll is not periodically checked against personnel records for terminated employees and fictitious employees. It was also noted during testing that certain departments have failed to inform the Comptroller’s office, the Human Resource Department and the Information Technology Department in a timely manner when an employee has been hired, terminated or transferred.

Criteria—Payroll should be checked periodically for terminated and fictitious employees and employee records should be updated in a timely manner. Additionally, the checklists that are currently utilized within the Town when an employee is hired, terminated or transferred should be evaluated and updated periodically.

Cause—The Town has not established a formal policies and procedures manual for notifying the appropriate departments of new hires, terminations and transfers.

Effect—Increased risk of fictitious and terminated employees on the payroll. Additionally, payroll records, human resource records and information technology access may not be updated in a timely manner.

Recommendation—We recommend that payroll is periodically checked against personnel records to ensure that there are no terminated or fictitious employees on the payroll. Additionally, formalized policies and procedures should be established to ensure that all applicable departments are notified promptly when an employee is hired, terminated or transferred. Lastly, the checklists that are currently utilized within the Town when an employee is hired, terminated or transferred should be evaluated and updated periodically. Items within these forms should be dated and initialed once an action is completed.

Managements Corrective Action Plan—Payroll clerks do not have access to create or delete employees. The modification of employee’s status is done in the Personnel office. The Town investigates all W-2’s that come back undeliverable. Additionally, the budget is prepared based on actual salaries, in which any variance would be noticeable. The Town also plans to implement a random identity verification procedure in 2013 during which employees in the Comptroller’s Office will distribute a sample of paychecks and check photo identification.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings noted.

TOWN OF AMHERST, NEW YORK
Schedule of Prior Federal Award Audit Findings
Year Ended December 31, 2012
(Follow-up of December 31, 2011 findings)

No findings noted.

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