

**TOWN OF AMHERST,  
NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplemental and Federal Financial  
Assistance Schedules for the Year Ended  
December 31, 2008 and Independent Auditors' Reports*

**TOWN OF AMHERST, NEW YORK**  
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**Year Ended December 31, 2008**

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## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Honorable Town Board  
Town of Amherst, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activity, 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, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town at December 31, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Highway, Sewer and Drainage Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2009, on our consideration of the Town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of Town management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the respective financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. The accompanying schedule of expenditures of federal awards as listed in the table of contents is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. These financial statements and schedules are the responsibility of the management of the Town. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

 Drexler & Malach LLP

June 15, 2009

**TOWN OF AMHERST, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2008**

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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, 2008. Certain data from the prior year has been reclassified to conform with the current year presentation. This document should be read in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

- ◆ The Town's governmental activities net assets decreased \$13,571,976 while its business-type activities net assets increased \$544,096 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 \$204,954,950, net assets. Of this amount, \$10,075,869 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 \$43,792,080 a decrease of \$7,502,159 in comparison with the prior year. \$6,712,239 of the \$7,502,159 decrease is from the Capital Project Fund activity. Approximately 43.1 percent of this amount, \$18,863,284, is available for spending at the government's discretion (unreserved, undesignated fund balance).
- ◆ The General Fund reported a net increase in fund balance this year of \$2,585,582. At December 31, 2008, unreserved, undesignated fund balance for the General Fund was \$10,753,669, or 19.7 percent of 2009 budgeted General Fund appropriations.
- ◆ The Town's governmental activities paid \$6,073,260 of its previously outstanding bonded indebtedness during the current year. Additionally, the business-type activities paid \$740,000 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 assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the 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 15-16 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 17-24 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 (Pepsi Center). *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 25-28.

**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 29 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 30-56 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 57-65 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$205,993,494, at the close of the 2008 fiscal year, as compared to \$219,021,374 at the close of the 2007 fiscal year.

**Table 1 – Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 76,054,565	\$ 78,762,044	\$ 404,957	\$ 395,628	\$ 76,459,522	\$ 79,157,672
Capital assets	247,193,546	246,201,282	14,758,544	14,954,448	261,952,090	261,155,730
Total assets	<u>323,248,111</u>	<u>324,963,326</u>	<u>15,163,501</u>	<u>15,350,076</u>	<u>338,411,612</u>	<u>340,313,402</u>
Current liabilities	35,712,603	24,610,597	216,330	233,366	35,928,933	24,843,963
Long-term liabilities	<u>82,580,558</u>	<u>81,825,803</u>	<u>13,908,627</u>	<u>14,622,262</u>	<u>96,489,185</u>	<u>96,448,065</u>
Total liabilities	<u>118,293,161</u>	<u>106,436,400</u>	<u>14,124,957</u>	<u>14,855,628</u>	<u>132,418,118</u>	<u>121,292,028</u>
Invested in capital assets, net of related debt	208,587,505	206,345,776	1,038,544	494,448	209,626,049	206,840,224
Restricted	6,443,314	7,306,255	-	-	6,443,314	7,306,255
Unrestricted	<u>(10,075,869)</u>	<u>4,874,895</u>	<u>-</u>	<u>-</u>	<u>(10,075,869)</u>	<u>4,874,895</u>
Total net assets (deficit)	<u>\$ 204,954,950</u>	<u>\$ 218,526,926</u>	<u>\$ 1,038,544</u>	<u>\$ 494,448</u>	<u>\$ 205,993,494</u>	<u>\$ 219,021,374</u>

By far the largest portion of the Town's net assets (deficit), \$208,587,505, 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 assets (deficit), \$6,443,314, represents resources that are subject to external restrictions on how they may be used. An additional portion of net assets (deficit) is considered to be an unrestricted net deficit of \$10,075,869.

Total net assets decreased \$13,571,976 over prior year. The decrease in net assets can be primarily attributed to a large one-time expense related to claims and judgments that occurred during the year ended December 31, 2008. Also, contributing to the decrease were drops in property tax revenue and unrestricted State aid, as well as unfavorable interest rates.

The Town had a ratio of current assets to current liabilities of 2.13 at December 31, 2008, which decreased from 3.19 at December 31, 2007. Such a ratio implies that the Town has sufficient assets on-hand to meet obligations in the coming year.

Table 2, shown below, presents a comparison of current assets to current liabilities at December 31, 2008 and December 31, 2007.

**Table 2 – Current assets and current liabilities**

	<u>2008</u>	<u>2007</u>
Current assets	\$ 76,459,522	\$ 79,157,672
Current liabilities	35,928,933	24,843,963
Ratio of current assets to current liabilities	2.13	3.19

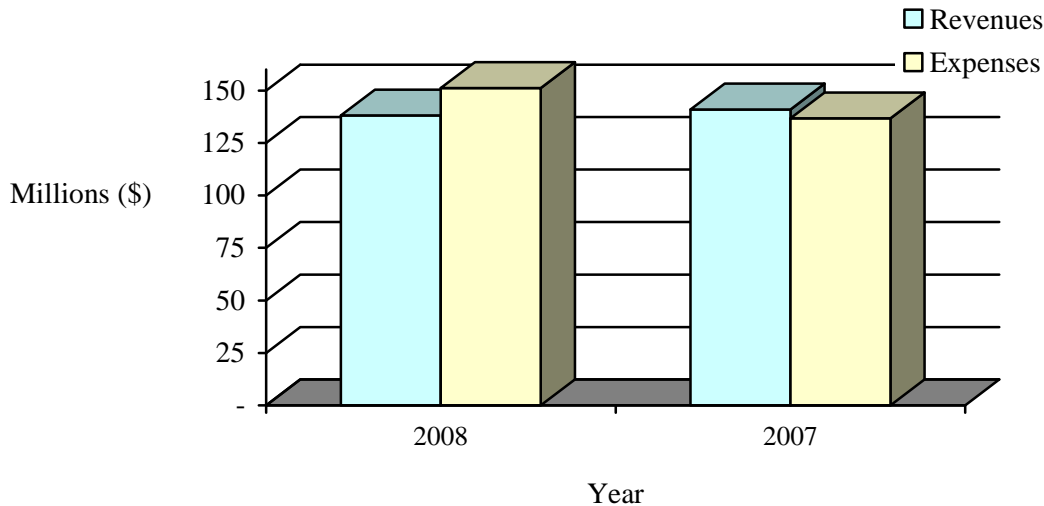
Table 3, as presented below, shows the changes in net assets for the years ending December 31, 2008 and December 31, 2007:

**Table 3 – Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	Year Ended December 31, 2008	2007	Year Ended December 31, 2008	2007	Year Ended December 31, 2008	2007
Revenues:						
Charges for services	\$ 9,022,138	\$ 9,426,917	\$ 2,478,075	\$ 2,363,658	\$ 11,500,213	\$ 11,790,575
Operating grants and contributions	27,516,253	23,938,705	-	-	27,516,253	23,938,705
Capital grants and contributions	629,927	1,296,451	-	-	629,927	1,296,451
General revenues	<u>98,432,868</u>	<u>104,011,223</u>	<u>19,524</u>	<u>4,021</u>	<u>98,452,392</u>	<u>104,015,244</u>
Total revenues	<u>135,601,186</u>	<u>138,673,296</u>	<u>2,497,599</u>	<u>2,367,679</u>	<u>138,098,785</u>	<u>141,040,975</u>
Program expenses	<u>148,182,226</u>	<u>133,835,845</u>	<u>2,944,439</u>	<u>2,800,258</u>	<u>151,126,665</u>	<u>136,636,103</u>
Transfers (out) in	<u>(990,936)</u>	<u>(732,665)</u>	<u>990,936</u>	<u>732,665</u>	<u>-</u>	<u>-</u>
Change in net assets	(13,571,976)	4,104,786	544,096	300,086	(13,027,880)	4,404,872
Net assets—beginning	<u>218,526,926</u>	<u>214,422,140</u>	<u>494,448</u>	<u>194,362</u>	<u>219,021,374</u>	<u>214,616,502</u>
Net assets—ending	<u>\$ 204,954,950</u>	<u>\$ 218,526,926</u>	<u>\$ 1,038,544</u>	<u>\$ 494,448</u>	<u>\$ 205,993,494</u>	<u>\$ 219,021,374</u>

As shown below in Figure 2, revenues for the year ended December 31, 2008 decreased 2.1 percent and from the year ended December 31, 2007, while expenses for the year ended December 31, 2008 increased 10.6 from the year ended December 31, 2007.

**Figure 2 – Comparison of Revenues and Expenses**



Overall revenues in the year ended December 31, 2008 decreased by 2.1 percent as compared to the year ended December 31, 2007 due primarily to a \$1,980,946, or 44.3 percent, decrease in use of money and property as a result of lower interest rates; a \$1,898,118 decrease in miscellaneous revenue due to a large one-time refund of prior year's expense received in the year ended December 31, 2007; and a \$1,126,280 decrease in unrestricted State aid, which is large attributed to a drop in mortgage tax received. These decreases in revenues were somewhat offset by a \$3,577,548 increase in operating grants and contributions revenue related to the Special Grant Fund, a corresponding spike in home and community services expenses is largely attributed to the spending of these grants.

Total primary government expenses for the year ended December 31, 2008 increased 10.6 percent from the year ended December 31, 2007. This increase was largely attributed to a \$7,407,342 increase in general government support, or 72.9 percent, from a large one-time expense related to judgments and claims. Also, contributing to the increase was a \$4,133,584, or 7.5 percent, increase in home and community services related to increased grant activity within the Special Grant Fund.

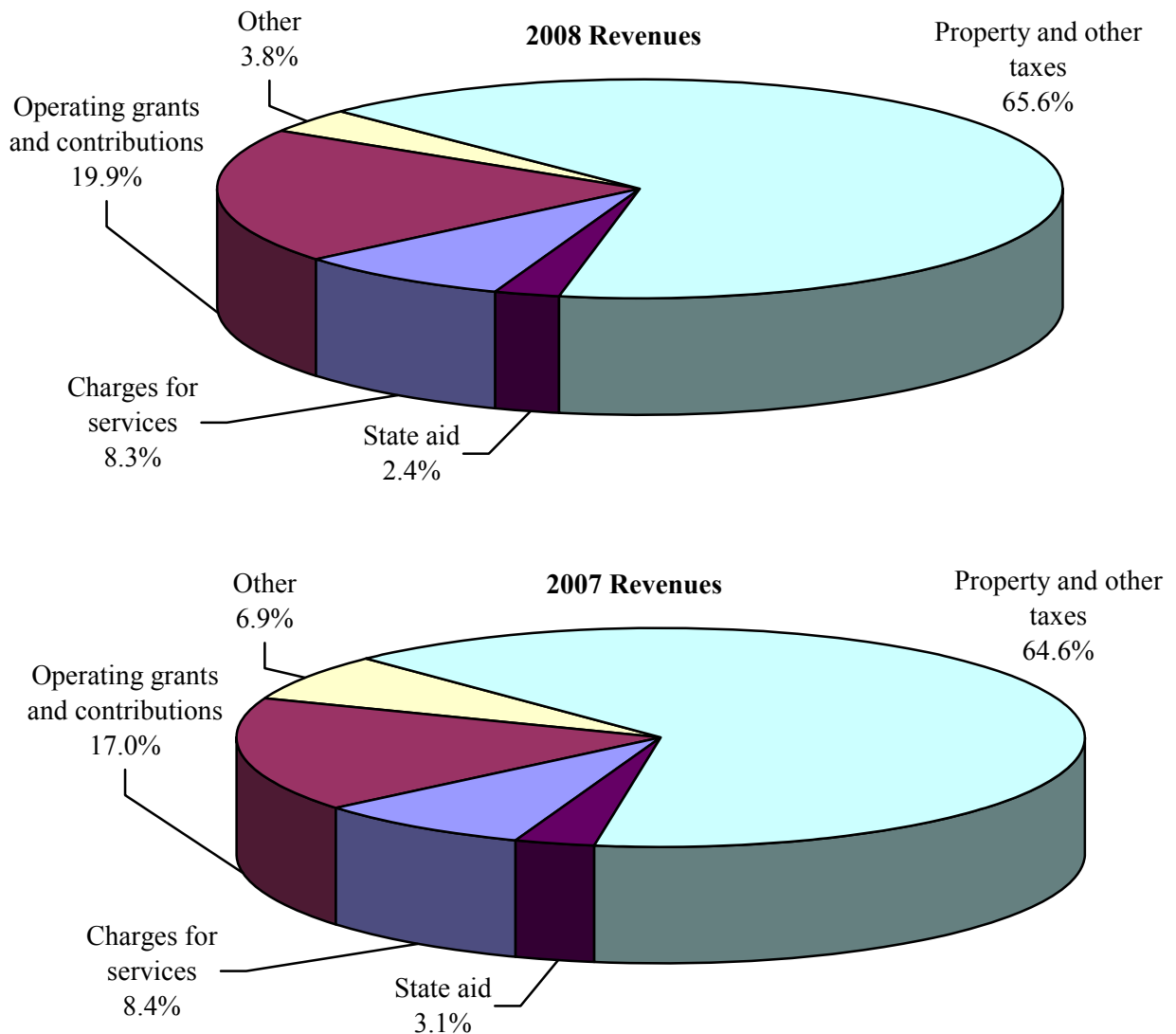
A summary of sources of revenues of the primary government for the years ended December 31, 2008 and December 31, 2007 is presented below in Table 4:

**Table 4 – Summary of Sources of Revenues**

	2008	2007	Increase/(decrease)	
			Dollars	Percent
Charges for services	\$ 11,500,213	\$ 11,790,575	\$ (290,362)	(2.5)
Operating grants and contributions	27,516,253	23,938,705	3,577,548	14.9
Capital grants and contributions	629,927	1,296,451	(666,524)	(51.4)
Property and other taxes	90,608,202	91,165,710	(557,508)	(0.6)
Use of money and property	2,490,431	4,471,377	(1,980,946)	(44.3)
Miscellaneous	2,047,673	3,945,791	(1,898,118)	(48.1)
State aid	3,306,086	4,432,366	(1,126,280)	(25.4)
Total revenues, net	<u>\$ 138,098,785</u>	<u>\$ 141,040,975</u>	<u>\$ (2,942,190)</u>	(2.1)

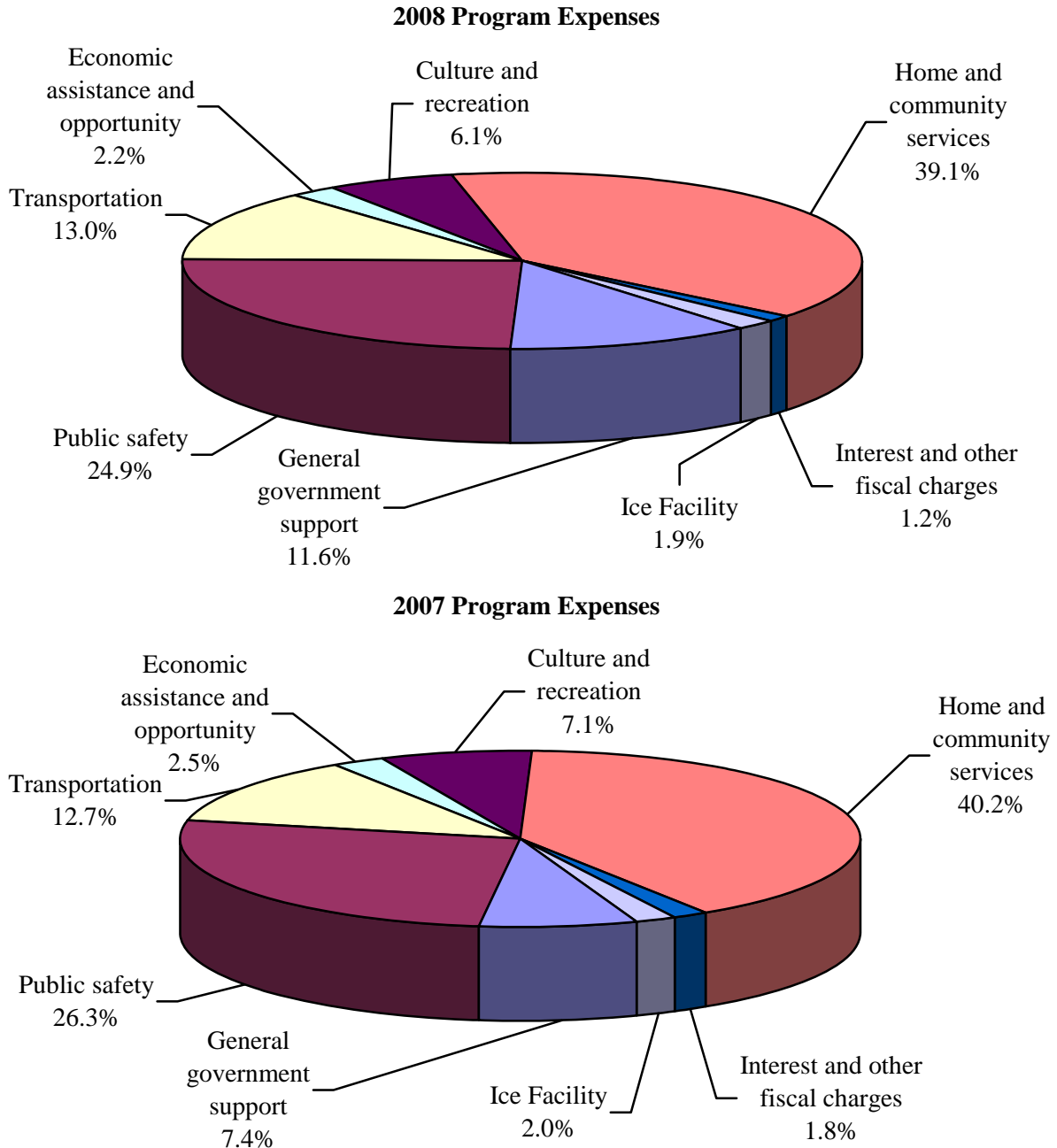
As presented in Figure 3, below, the most significant source of revenues is property and other taxes, which accounts for \$90,608,202, or 65.6 percent of total revenues, for the year ended December 31, 2008, and \$91,165,710, or 64.6 percent of total revenues, for the year ended December 31, 2007. The next largest source of revenue is operating grants and contributions, which comprises \$27,516,253, or 19.9 percent of total revenues and \$23,938,705, or 17.0 percent of total revenues for the years ended December 31, 2008 and 2007, respectively. Another significant source of revenue for the Town is charges for services, which provided \$11,500,213, or 8.3 percent of total revenues, and \$11,790,575, or 8.4 percent of total revenues, for the years ended December 31, 2008 and 2007, respectively.

**Figure 3 – Components of Revenues**



As presented in Figure 4, below, the Town's significant expense items for the year ended December 31, 2008 were home and community services of \$59,089,303 (primarily sewer, water, and sanitation services), public safety of \$37,616,556 (primarily police services), transportation of \$19,593,665 (primarily highway and road services) and general government support of \$17,563,550. Similarly, for the year ended December 31, 2007 significant expense items were home and community services of \$54,955,719, public safety of \$35,970,468, transportation of \$17,356,816 and general government support of \$10,156,208.

**Figure 4 – Components of Program Expenses**



A summary of program expenses for the years ended December 31, 2008 and December 31, 2007 is presented below in Table 5:

**Table 5 – Summary of Program Expenses**

	2008	2007	Increase/(decrease)	
			Dollars	Percent
General government support	\$ 17,563,550	\$ 10,156,208	\$ 7,407,342	72.9
Public safety	37,616,556	35,970,468	1,646,088	4.6
Transportation	19,593,665	17,356,816	2,236,849	12.9
Economic assistance and opportunity	3,289,005	3,411,266	(122,261)	(3.6)
Culture and recreation	9,194,408	9,735,405	(540,997)	(5.6)
Home and community services	59,089,303	54,955,719	4,133,584	7.5
Interest and other fiscal charges	1,835,739	2,249,963	(414,224)	(18.4)
Amherst Ice Facility expenses	2,944,439	2,800,258	144,181	5.1
	<u>\$ 151,126,665</u>	<u>\$ 136,636,103</u>	<u>\$ 14,490,562</u>	10.6

### 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, *unreserved 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 \$43,792,080, a decrease of \$7,502,159 in comparison with the prior year. Approximately 43.1 percent of this total amount, \$18,863,284 constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed for liquidate contracts and purchase orders (fulfill encumbrances), for self-insurance, to finance capital projects, purchase equipment or to pay debt service.

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

The Town's General Fund had an ending fund balance of \$16,459,307, an increase of \$2,585,582 in comparison with the prior year. Approximately 65.3 percent of this amount, \$10,753,669 constitutes unreserved, undesignated fund balance.

During the year ending December 31, 2008, the Town's Highway Fund fund balance decreased by \$371,546 from the prior year, resulting in an ending fund balance of \$3,803,275. Approximately 45.4 percent of this amount, \$1,724,897 is reported as unreserved, undesignated fund balance.

At December 31, 2008, the Town's Sewer Fund reported fund balance of \$4,695,766, a decrease of \$2,984,758 in comparison with the prior year. Approximately 43.4 percent of this amount, \$2,039,009 is unreserved, undesignated fund balance.

For the year ending December 31, 2008, the Town's Drainage Fund fund balance increased by \$704,408 from the prior year, resulting in an ending fund balance of \$3,466,389. Approximately 63.5 percent of this amount, \$2,202,487 constitutes unreserved, undesignated fund balance.

## **General Fund Budgetary Highlights**

During the year there was a \$1,242,939 net increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- ◆ \$3,132,346 supplemental appropriations for public safety and \$902,034 supplemental appropriations in general government expenditure due employee benefit expenditures that were originally budgeted within the employee benefit line item. An offsetting variance exists within the final amended budget for employee benefits.
- ◆ \$554,262 supplemental appropriations in culture and recreation due to additional park and grant expenditures not foreseen when the budget was adopted. Additionally, a portion of the supplemental appropriations were from due employee benefit expenditures that were originally budgeted within the employee benefit line item.
- ◆ \$386,581 supplemental appropriations in economic assistance and opportunity due to grants received that were not included in the original budget.

As stated, these supplemental appropriations were supported by decreased appropriations between the original and final amended budget for employee benefits (\$4,691,418), in addition to supplemental revenues that came available from increased State and Federal aid.

## **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, 2008, amounted to \$247,193,546 and \$14,758,544, 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, 2008 and 2007 are presented below:

**Table 6 – Summary of Capital Assets (Net of Depreciation)**

	December 31,	
	2008	2007
<b>Governmental activities:</b>		
Land	\$ 9,319,186	\$ 9,319,186
Construction in progress	26,108,016	20,569,198
Infrastructure	92,349,043	93,967,241
Land improvements	4,027,885	3,745,590
Buildings	102,556,239	106,631,398
Building improvements	2,994,062	3,252,636
Machinery and equipment	9,839,115	8,716,033
<b>Total governmental activities</b>	<b>\$ 247,193,546</b>	<b>\$ 246,201,282</b>
<b>Business-type activities:</b>		
Buildings	\$ 14,583,528	\$ 14,911,897
Machinery and equipment	175,016	42,551
<b>Total business-type activities</b>	<b>\$ 14,758,544</b>	<b>\$ 14,954,448</b>

Additional information on the Town’s capital assets can be found in Note 7 of this report.

**Debt.** At December 31, 2008, the Town’s governmental activities had bonded debt outstanding of \$45,490,000, as compared to \$51,563,260 in the prior year, and its business-type activities had bonded debt outstanding of \$13,720,000, as compared to \$14,460,000 in the prior year

The Town has a bond rating from Moody’s Investor Service of Aa3. Additional information on the Town’s long-term debt can be found in Note 9 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 proposed 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 2008 was 5.1 percent, which is an increase from 4.1 percent a year ago; however, the current rate compares favorably to New York State’s average unemployment rate of 6.6 percent and the national average rate of 7.2. Furthermore, recent inflationary trends in the region, particularly in the real estate sector compared favorably to national indices.

The Town’s 2009 budget includes an appropriation of fund balance of \$4,200,000 in the General Fund and the budget also includes a General Fund tax rate decrease of 25.42 percent.

### **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.

# BASIC FINANCIAL STATEMENTS

**TOWN OF AMHERST, NEW YORK**  
**Statement of Net Assets**  
**December 31, 2008**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 54,594,060	\$ 109,406	\$ 54,703,466
Accounts receivable	1,503,650	112,455	1,616,105
Prepays	1,149,889	1,299	1,151,188
Loans receivable	5,546,448	-	5,546,448
Internal balances	417,247	-	417,247
Due from other governments	12,843,271	-	12,843,271
Deferred charges	-	181,797	181,797
Capital assets not being depreciated	35,427,202	-	35,427,202
Capital assets, net of accumulated depreciation	<u>211,766,344</u>	<u>14,758,544</u>	<u>226,524,888</u>
Total assets	<u>323,248,111</u>	<u>15,163,501</u>	<u>338,411,612</u>
<b>LIABILITIES</b>			
Accounts payable	4,209,124	106,725	4,315,849
Retainages payable	278,648	-	278,648
BAN's payable	3,612,000	-	3,612,000
Accrued liabilities	15,061,664	63,609	15,125,273
Internal balances	-	42,354	42,354
Due to other governments	181,331	-	181,331
Unearned revenue	12,369,836	3,642	12,373,478
Noncurrent liabilities:			
Due within one year	7,643,538	801,324	8,444,862
Due in more than one year	<u>74,937,020</u>	<u>13,107,303</u>	<u>88,044,323</u>
Total liabilities	<u>118,293,161</u>	<u>14,124,957</u>	<u>132,418,118</u>
<b>NET ASSETS (DEFICIT)</b>			
Investment in capital assets, net of related debt	208,587,505	1,038,544	209,626,049
Restricted	6,443,314	-	6,443,314
Unrestricted	<u>(10,075,869)</u>	<u>-</u>	<u>(10,075,869)</u>
Total net assets (deficit)	<u>\$ 204,954,950</u>	<u>\$ 1,038,544</u>	<u>\$ 205,993,494</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, 2008**

<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>	
<b>Primary government:</b>							
Governmental activities:							
General government support	\$ 17,563,550	\$ 1,996,218	\$ 264,399	\$ 322,150	\$ (14,980,783)	\$ -	\$ (14,980,783)
Public safety	37,616,556	2,073,845	1,014,181	-	(34,528,530)	-	(34,528,530)
Transportation	19,593,665	273,869	458,278	-	(18,861,518)	-	(18,861,518)
Economic assistance and opportunity	3,289,005	-	90,624	-	(3,198,381)	-	(3,198,381)
Culture and recreation	9,194,408	1,917,364	-	13,777	(7,263,267)	-	(7,263,267)
Home and community services	59,089,303	2,760,842	25,688,771	294,000	(30,345,690)	-	(30,345,690)
Interest and other fiscal charges	1,835,739	-	-	-	(1,835,739)	-	(1,835,739)
Total primary government	<u>\$ 148,182,226</u>	<u>\$ 9,022,138</u>	<u>\$ 27,516,253</u>	<u>\$ 629,927</u>	<u>(111,013,908)</u>	<u>-</u>	<u>(111,013,908)</u>
<b>Business-type activities:</b>							
Amherst Ice Facility	<u>\$ 2,944,439</u>	<u>\$ 2,478,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(466,364)</u>	<u>(466,364)</u>
General revenues:							
					74,826,940	-	74,826,940
					15,781,262	-	15,781,262
					2,472,734	17,697	2,490,431
					2,045,846	1,827	2,047,673
					3,306,086	-	3,306,086
Total general revenues					<u>98,432,868</u>	<u>19,524</u>	<u>98,452,392</u>
					(990,936)	990,936	-
					(13,571,976)	544,096	(13,027,880)
					218,526,926	494,448	219,021,374
					<u>\$ 204,954,950</u>	<u>\$ 1,038,544</u>	<u>\$ 205,993,494</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, 2008**

	<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>				
<b>ASSETS</b>								
Cash and cash equivalents	\$ 5,911,399	\$ 4,584,223	\$ 5,008,855	\$ 4,283,154	\$ 4,974,723	\$ 16,294,590	\$ 5,312,602	\$ 46,369,546
Accounts receivable	1,167,708	5,093	34,811	1,767	22,720	54,998	216,553	1,503,650
Prepaid items	778,177	79,144	92,637	43,013	-	-	91,896	1,084,867
Loans receivable	-	-	-	-	5,546,448	-	-	5,546,448
Due from other funds	3,831,566	-	476,378	49,565	-	-	808,996	5,166,505
Due from other governments	7,818,972	50,935	2,353,495	5,000	2,294,362	294,000	1,467	12,818,231
Total assets	<u>\$ 19,507,822</u>	<u>\$ 4,719,395</u>	<u>\$ 7,966,176</u>	<u>\$ 4,382,499</u>	<u>\$ 12,838,253</u>	<u>\$ 16,643,588</u>	<u>\$ 6,431,514</u>	<u>\$ 72,489,247</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 1,215,645	\$ 464,177	\$ 938,980	\$ 10,883	\$ 533,199	\$ 408,330	\$ 496,237	\$ 4,067,451
Retainages payable	-	-	-	-	-	278,648	-	278,648
BAN's payable	-	-	-	-	-	3,612,000	-	3,612,000
Accrued liabilities	1,479,907	426,705	703,610	148,101	6,402	-	673,918	3,438,643
Due to other funds	99,376	25,238	1,627,820	757,126	1,072	2,117,434	121,192	4,749,258
Due to other governments	181,299	-	-	-	32	-	-	181,331
Deferred revenue	72,288	-	-	-	12,297,548	-	-	12,369,836
Total liabilities	<u>3,048,515</u>	<u>916,120</u>	<u>3,270,410</u>	<u>916,110</u>	<u>12,838,253</u>	<u>6,416,412</u>	<u>1,291,347</u>	<u>28,697,167</u>
Fund balances:								
Reserved for:								
Encumbrances	135,505	41,719	292,130	7,193	-	845,137	221,413	1,543,097
Endowments	-	-	-	-	-	-	2,032,792	2,032,792
Debt	399,991	-	1,067,170	956,896	-	-	374,628	2,798,685
Capital projects	-	-	-	-	-	9,382,039	-	9,382,039
Prepaid items	778,177	79,144	92,637	43,013	-	-	91,896	1,084,867

(continued)

(concluded)

	<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>			
Unreserved:								
Designated for:								
Subsequent year's expenditures	4,200,000	-	1,079,000	256,800	-	-	154,950	5,690,750
Equipment purchases	191,965	1,957,515	125,820	-	-	-	121,266	2,396,566
Undesignated	<u>10,753,669</u>	<u>1,724,897</u>	<u>2,039,009</u>	<u>2,202,487</u>	<u>-</u>	<u>-</u>	<u>2,143,222</u>	<u>18,863,284</u>
Total fund balances	<u>16,459,307</u>	<u>3,803,275</u>	<u>4,695,766</u>	<u>3,466,389</u>	<u>-</u>	<u>10,227,176</u>	<u>5,140,167</u>	<u>43,792,080</u>
Total liabilities and fund balances	<u>\$ 19,507,822</u>	<u>\$ 4,719,395</u>	<u>\$ 7,966,176</u>	<u>\$ 4,382,499</u>	<u>\$ 12,838,253</u>	<u>\$ 16,643,588</u>	<u>\$ 6,431,514</u>	<u>72,489,247</u>

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

Total fund balances—governmental funds	43,792,080
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$420,551,780 and the accumulated depreciation is \$173,358,234.	247,193,546
To recognize interest accrual on long term debt. Accrued interest for general obligation bonds is \$511,763 at year end.	(511,763)
Long-term liabilities, including bonds payable, long-term note payable, other postemployment benefits obligation and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(82,580,558)
Bond issue costs are reported as expenditures in the governmental funds. The cost is \$69,411 and accumulated amortization is \$18,089.	51,322
Internal service fund balance which is due to governmental activities and related charges for services provided.	<u>(2,989,677)</u>
Total net assets—governmental activities	<u>\$ 204,954,950</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, 2008**

	<u>Special Revenue</u>				<u>Special Grant</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Highway</u>	<u>Sewer</u>	<u>Drainage</u>			<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b>REVENUES</b>								
Real property taxes	\$ 25,453,853	\$ 9,351,204	\$ 13,393,432	\$ 5,918,933	\$ -	\$ -	\$ 18,859,028	\$ 72,976,450
Real property tax items	1,850,490	-	-	-	-	-	-	1,850,490
Non-property tax items	15,781,262	-	-	-	-	-	-	15,781,262
Departmental income	2,438,757	273,869	229,355	-	-	-	879,610	3,821,591
Intergovernmental charges	-	-	1,778,091	-	-	-	-	1,778,091
Use of money and property	689,744	165,778	421,986	213,373	5,608	429,345	322,851	2,248,685
Licenses and permits	10,106	-	-	-	-	-	1,746,674	1,756,780
Fines and forfeitures	1,665,676	-	-	-	-	-	-	1,665,676
Miscellaneous	606,450	920,594	113,442	6,175	-	61,498	600,882	2,309,041
State aid	3,794,966	458,278	-	-	-	629,927	28,668	4,911,839
Federal aid	880,324	-	-	-	25,660,103	-	-	26,540,427
Total revenues	<u>53,171,628</u>	<u>11,169,723</u>	<u>15,936,306</u>	<u>6,138,481</u>	<u>25,665,711</u>	<u>1,120,770</u>	<u>22,437,713</u>	<u>135,640,332</u>
<b>EXPENDITURES</b>								
Current:								
General government support	8,641,890	3,954	-	-	-	316,650	2,537	8,965,031
Public safety	24,306,590	-	-	-	-	-	7,808,068	32,114,658
Transportation	1,887,451	10,398,174	-	-	-	4,100	3,697,977	15,987,702
Economic assistance and opportunity	2,560,721	-	-	-	-	-	-	2,560,721
Culture and recreation	7,264,495	-	-	-	-	1,390,840	40,013	8,695,348
Home and community services	-	-	11,340,835	3,326,788	25,665,711	6,238,938	10,107,680	56,679,952
Employee benefits	5,499,928	665,126	1,917,342	-	-	-	455,292	8,537,688
Debt service:								
Principal	1,822,386	286,089	3,065,927	986,792	-	-	420,628	6,581,822
Interest and other charges	525,077	112,688	950,084	239,432	-	-	201,352	2,028,633
Total expenditures	<u>52,508,538</u>	<u>11,466,031</u>	<u>17,274,188</u>	<u>4,553,012</u>	<u>25,665,711</u>	<u>7,950,528</u>	<u>22,733,547</u>	<u>142,151,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>663,090</u>	<u>(296,308)</u>	<u>(1,337,882)</u>	<u>1,585,469</u>	<u>-</u>	<u>(6,829,758)</u>	<u>(295,834)</u>	<u>(6,511,223)</u>

(continued)

	<u>Special Revenue</u>					<u>Other</u>	<u>Total</u>	
	<u>General</u>	<u>Highway</u>	<u>Sewer</u>	<u>Drainage</u>	<u>Special Grant</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	3,405,625	-	399,607	49,565	-	1,752,160	303,598	5,910,555
Transfers out	<u>(1,483,133)</u>	<u>(75,238)</u>	<u>(2,046,483)</u>	<u>(930,626)</u>	-	<u>(1,634,641)</u>	<u>(731,370)</u>	<u>(6,901,491)</u>
Total other financing sources (uses)	<u>1,922,492</u>	<u>(75,238)</u>	<u>(1,646,876)</u>	<u>(881,061)</u>	-	<u>117,519</u>	<u>(427,772)</u>	<u>(990,936)</u>
Net change in fund balances	2,585,582	(371,546)	(2,984,758)	704,408	-	(6,712,239)	(723,606)	(7,502,159)
Fund balances—beginning	<u>13,873,725</u>	<u>4,174,821</u>	<u>7,680,524</u>	<u>2,761,981</u>	-	<u>16,939,415</u>	<u>5,863,773</u>	<u>51,294,239</u>
Fund balances—ending	<u>\$ 16,459,307</u>	<u>\$ 3,803,275</u>	<u>\$ 4,695,766</u>	<u>\$ 3,466,389</u>	<u>\$ -</u>	<u>\$ 10,227,176</u>	<u>\$ 5,140,167</u>	43,792,080

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

Net change in fund balances—total governmental funds (7,502,159)

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	\$ 11,755,907	
Loss on capital asset disposal	(232,872)	
Depreciation expense	<u>(10,530,771)</u>	992,264

The governmental funds report the repayment of bond principal, net of issuance costs, and installment purchase debt as an expenditure and the issuance of bonds 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:

Net activity of serial bonds	\$ 6,073,260	
Payment of installment purchase debt	508,562	
Net change in accrued expense	<u>197,232</u>	6,779,054

In the statement of activities, certain operating expenses—compensated absences (vacation & sick leave) and NYS retirement liability—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:

Net bond issuance costs that are recorded on the statement for government funds but not in the statement of activities. (4,338)

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. (6,500,220)

Change in net assets of governmental activities \$ (13,571,976)

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—General Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUE</b>				
Real property taxes	\$ 25,474,637	\$ 25,474,637	\$ 25,453,853	\$ (20,784)
Other tax items	1,655,000	1,655,000	1,850,490	195,490
Non property tax items	14,500,000	14,500,000	15,781,262	1,281,262
Departmental income	2,901,759	2,938,710	2,438,757	(499,953)
Use of money and property	552,380	567,380	689,744	122,364
Licenses and permits	2,500	4,500	10,106	5,606
Fines and forfeitures	1,924,000	1,929,600	1,665,676	(263,924)
Miscellaneous	324,400	513,069	606,450	93,381
State aid	4,056,781	4,311,871	3,794,966	(516,905)
Federal aid	92,000	313,700	880,324	566,624
Total revenues	<u>51,483,457</u>	<u>52,208,467</u>	<u>53,171,628</u>	<u>963,161</u>
<b>EXPENDITURES</b>				
Current:				
General government support	8,524,818	9,426,852	8,641,890	784,962
Public safety	21,026,842	24,159,188	24,306,590	(147,402)
Transportation	1,830,334	1,967,995	1,887,451	80,544
Economic assistance and opportunity	2,258,052	2,644,633	2,560,721	83,912
Culture and recreation	7,157,041	7,711,303	7,264,495	446,808
Employee benefits	10,664,245	5,972,827	5,499,928	472,899
Debt service:				
Principal	1,779,533	2,599,506	1,822,386	777,120
Interest	1,186,595	1,188,095	525,077	663,018
Total expenditures	<u>54,427,460</u>	<u>55,670,399</u>	<u>52,508,538</u>	<u>3,161,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,944,003)</u>	<u>(3,461,932)</u>	<u>663,090</u>	<u>4,125,022</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,460,000	3,179,810	3,405,625	225,815
Transfers out	<u>(251,000)</u>	<u>(518,197)</u>	<u>(1,483,133)</u>	<u>(964,936)</u>
Total other financing sources (uses)	<u>2,209,000</u>	<u>2,661,613</u>	<u>1,922,492</u>	<u>(739,121)</u>
Net change in fund balances	(735,003)	(800,319)	2,585,582	3,385,901
Fund balances—beginning	<u>13,873,725</u>	<u>13,873,725</u>	<u>13,873,725</u>	<u>-</u>
Fund balances—ending	<u>\$ 13,138,722</u>	<u>\$ 13,073,406</u>	<u>\$ 16,459,307</u>	<u>\$ 3,385,901</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—**  
**Budget and Actual—Highway Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUE</b>				
Real property taxes	\$ 9,351,204	\$ 9,351,204	\$ 9,351,204	\$ -
Departmental income	220,000	220,000	273,869	53,869
Use of money and property	169,000	169,000	165,778	(3,222)
Miscellaneous	585,000	885,000	920,594	35,594
State aid	319,000	319,000	458,278	139,278
Total revenues	<u>10,644,204</u>	<u>10,944,204</u>	<u>11,169,723</u>	<u>225,519</u>
<b>EXPENDITURES</b>				
Current:				
General government support	3,954	3,954	3,954	-
Transportation	8,784,957	10,437,040	10,398,174	38,866
Employee benefits	2,204,243	994,658	665,126	329,532
Debt service:				
Principal	286,089	286,089	286,089	-
Interest	117,708	117,708	112,688	5,020
Total expenditures	<u>11,396,951</u>	<u>11,839,449</u>	<u>11,466,031</u>	<u>373,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(752,747)</u>	<u>(895,245)</u>	<u>(296,308)</u>	<u>598,937</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(74,500)</u>	<u>(74,500)</u>	<u>(75,238)</u>	<u>(738)</u>
Total other financing sources (uses)	<u>(74,500)</u>	<u>(74,500)</u>	<u>(75,238)</u>	<u>(738)</u>
Net change in fund balances	(827,247)	(969,745)	(371,546)	598,199
Fund balances—beginning	<u>4,174,821</u>	<u>4,174,821</u>	<u>4,174,821</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,347,574</u>	<u>\$ 3,205,076</u>	<u>\$ 3,803,275</u>	<u>\$ 598,199</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—**  
**Budget and Actual—Sewer Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUE</b>				
Real property taxes	\$ 13,393,433	\$ 13,393,433	\$ 13,393,432	\$ (1)
Departmental income	237,500	237,500	229,355	(8,145)
Intergovernmental revenues	1,940,000	1,940,000	1,778,091	(161,909)
Use of money and property	526,150	532,813	421,986	(110,827)
Federal aid	<u>200,000</u>	<u>200,000</u>	<u>113,442</u>	<u>(86,558)</u>
Total revenues	<u>16,297,083</u>	<u>16,303,746</u>	<u>15,936,306</u>	<u>(367,440)</u>
<b>EXPENDITURES</b>				
Current:				
Home and community services	11,875,266	11,840,874	11,340,835	500,039
Employee benefits	2,301,579	2,110,443	1,917,342	193,101
Debt service:				
Principal	2,514,875	2,989,265	3,065,927	(76,662)
Interest	<u>1,071,451</u>	<u>992,338</u>	<u>950,084</u>	<u>42,254</u>
Total expenditures	<u>17,763,171</u>	<u>17,932,920</u>	<u>17,274,188</u>	<u>658,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,466,088)</u>	<u>(1,629,174)</u>	<u>(1,337,882)</u>	<u>291,292</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	221,013	399,607	178,594
Transfers out	<u>(1,700,528)</u>	<u>(1,819,191)</u>	<u>(2,046,483)</u>	<u>(227,292)</u>
Total other financing sources (uses)	<u>(1,700,528)</u>	<u>(1,598,178)</u>	<u>(1,646,876)</u>	<u>(48,698)</u>
Net change in fund balance	(3,166,616)	(3,227,352)	(2,984,758)	242,594
Fund balances—beginning	<u>7,680,524</u>	<u>7,680,524</u>	<u>7,680,524</u>	<u>-</u>
Fund balances—ending	<u>\$ 4,513,908</u>	<u>\$ 4,453,172</u>	<u>\$ 4,695,766</u>	<u>\$ 242,594</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—**  
**Budget and Actual—Drainage Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUE</b>				
Real property taxes	\$ 5,918,932	\$ 5,918,932	\$ 5,918,933	\$ 1
Use of money and property	231,500	231,500	213,373	(18,127)
Miscellaneous	-	-	6,175	6,175
Total revenues	<u>6,150,432</u>	<u>6,150,432</u>	<u>6,138,481</u>	<u>(11,951)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	213,000	226,020	-	226,020
Home and community services	4,590,988	4,588,762	3,326,788	1,261,974
Debt service:				
Principal	944,993	986,792	986,792	-
Interest	287,452	287,452	239,432	48,020
Total expenditures	<u>6,036,433</u>	<u>6,089,026</u>	<u>4,553,012</u>	<u>1,536,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>113,999</u>	<u>61,406</u>	<u>1,585,469</u>	<u>1,524,063</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>(904,000)</u>	<u>(904,000)</u>	<u>(930,626)</u>	<u>(26,626)</u>
Total other financing uses	<u>(904,000)</u>	<u>(862,201)</u>	<u>(881,061)</u>	<u>(18,860)</u>
Net change in fund balances	(790,001)	(800,795)	704,408	1,505,203
Fund balances—beginning	<u>2,761,981</u>	<u>2,761,981</u>	<u>2,761,981</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,971,980</u>	<u>\$ 1,961,186</u>	<u>\$ 3,466,389</u>	<u>\$ 1,505,203</u>

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

**TOWN OF AMHERST, NEW YORK**  
**Statement of Net Assets (Deficit)—Proprietary Funds**  
**December 31, 2008**

	<b>Governmental Activities— Internal Service Funds</b>		<b>Business-type Activity</b>
	<b>Self Insurance Fund</b>	<b>Workers Compensation Fund</b>	<b>Amherst Ice Facility</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,680,987	\$ 3,543,527	\$ 109,406
Accounts receivable	-	-	112,455
Due from other governments	-	25,040	-
Prepaid items	-	13,700	1,299
Total current assets	<u>4,680,987</u>	<u>3,582,267</u>	<u>223,160</u>
Noncurrent assets:			
Deferred charges	-	-	181,797
Capital assets (net of accumulated depreciation)	-	-	14,758,544
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>14,940,341</u>
Total assets	<u>4,680,987</u>	<u>3,582,267</u>	<u>15,163,501</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	21,823	119,850	106,725
Accrued liabilities	10,611,591	499,667	63,609
Due to other funds	-	-	42,354
Unearned revenue	-	-	3,642
Bonds payable	-	-	770,000
Compensated absences	-	-	31,324
Total current liabilities	<u>10,633,414</u>	<u>619,517</u>	<u>1,017,654</u>
Non current liabilities:			
Bonds payable	-	-	12,950,000
Compensated absences	-	-	157,303
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>13,107,303</u>
Total liabilities	<u>10,633,414</u>	<u>619,517</u>	<u>14,124,957</u>
<b>NET ASSETS (DEFICIT)</b>			
Investment in capital assets, net of related debt	-	-	1,038,544
Restricted for judgments and claims	(5,952,427)	2,962,750	-
Unrestricted	-	-	-
Total net assets (deficit)	<u>\$ (5,952,427)</u>	<u>\$ 2,962,750</u>	<u>1,038,544</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 Assets (Deficit)—Proprietary Funds**  
**Year Ended December 31, 2008**

	<u>Governmental Activities—</u> <u>Internal Service Funds</u>		<u>Business-type</u> <u>Activity</u>
	<u>Self</u> <u>Insurance</u> <u>Fund</u>	<u>Workers</u> <u>Compensation</u> <u>Fund</u>	<u>Amherst</u> <u>Ice</u> <u>Facility</u>
Operating revenues:			
Departmental income	\$ -	\$ -	\$ 2,478,075
Miscellaneous	-	50,247	1,827
Interfund revenues	<u>1,948,142</u>	<u>402,810</u>	<u>-</u>
Total operating revenues	<u>1,948,142</u>	<u>453,057</u>	<u>2,479,902</u>
Operating expenses:			
Culture and recreation	-	-	1,811,249
Administrative expenses	150,804	-	-
Judgments and claim expenses	8,334,822	639,842	-
Depreciation	-	-	387,841
Employee benefits	<u>-</u>	<u>-</u>	<u>75,168</u>
Total operating expenses	<u>8,485,626</u>	<u>639,842</u>	<u>2,274,258</u>
Operating (loss) income	<u>(6,537,484)</u>	<u>(186,785)</u>	<u>205,644</u>
Nonoperating revenues (expenses):			
Gain on sale of assets	-	-	16,000
Interest expense	-	-	(670,181)
Interest income	<u>120,054</u>	<u>103,995</u>	<u>1,697</u>
Total nonoperating revenues (expenses)	<u>120,054</u>	<u>103,995</u>	<u>(652,484)</u>
Income (loss) before transfers	<u>(6,417,430)</u>	<u>(82,790)</u>	<u>(446,840)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>990,936</u>
Total transfers in	<u>-</u>	<u>-</u>	<u>990,936</u>
Change in net assets	(6,417,430)	(82,790)	544,096
Total net assets (deficit)—beginning	<u>465,003</u>	<u>3,045,540</u>	<u>494,448</u>
Total net assets (deficit)—ending	<u>\$ (5,952,427)</u>	<u>\$ 2,962,750</u>	<u>\$ 1,038,544</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, 2008**

	<u>Governmental Activities—</u> <u>Internal Service Funds</u>		<u>Business-type</u> <u>Activity</u>
	<u>Self</u> <u>Insurance</u> <u>Fund</u>	<u>Workers</u> <u>Compensation</u> <u>Fund</u>	<u>Amherst</u> <u>Ice</u> <u>Facility</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from participating funds	\$ 1,948,142	\$ 428,017	\$ -
Receipts from operations	-	-	2,439,660
Payments to employees and suppliers	-	-	(1,851,251)
Payments for administrative and judgments and claims	<u>(537,503)</u>	<u>(620,336)</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>1,410,639</u>	<u>(192,319)</u>	<u>588,409</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advances/payments from other funds	-	-	(17,010)
Transfers in	<u>-</u>	<u>-</u>	<u>990,936</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>973,926</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Interest paid on long-term debt	-	-	(670,181)
Principal redeemed on long-term debt	-	-	(740,000)
Purchases of capital assets	-	-	(121,937)
Gain on capital assets	-	-	16,000
Deferred bond issuance costs	<u>-</u>	<u>-</u>	<u>12,187</u>
Net cash (used) by capital financing activities	<u>-</u>	<u>-</u>	<u>(1,503,931)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	<u>120,054</u>	<u>103,995</u>	<u>1,697</u>
Net cash provided by investing activities	<u>120,054</u>	<u>103,995</u>	<u>1,697</u>
Net increase (decrease) in cash and cash equivalents	1,530,693	(88,324)	60,101
Cash and cash equivalents—beginning	<u>3,150,294</u>	<u>3,631,851</u>	<u>49,305</u>
Cash and cash equivalents—ending	<u>\$ 4,680,987</u>	<u>\$ 3,543,527</u>	<u>\$ 109,406</u>

(continued)

(concluded)

	<b>Governmental Activities— Internal Service Funds</b>		<b>Business-type Activity</b>
	<b>Self Insurance Fund</b>	<b>Workers Compensation Fund</b>	<b>Amherst Ice Facility</b>
<b>Reconciliation of operating income to net cash provided in operating activities:</b>			
Operating income	(6,537,484)	(186,785)	205,644
Adjustments to reconcile operating income to net cash used in operations:			
Depreciation	-	-	387,841
(Increase) in accounts receivable	-	-	(43,884)
(Increase) in due from other governments	-	(25,040)	-
Decrease in prepaid expenses	-	98,229	12,469
Increase (decrease) in accounts payable	1,062	97,689	(3,854)
Increase (decrease) in accrued liabilities	7,947,061	(176,412)	186
Increase in unearned revenue	-	-	3,642
Increase in compensated absences	-	-	26,365
Net cash provided (used) by operating activities	<u>\$ 1,410,639</u>	<u>\$ (192,319)</u>	<u>\$ 588,409</u>

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

**TOWN OF AMHERST, NEW YORK**  
**Statement of Fiduciary Net Assets—Fiduciary Fund**  
**December 31, 2008**

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**ASSETS**

Cash	\$ 863,544
LOSAP assets	<u>5,360,420</u>
Total assets	<u>\$ 6,223,964</u>

**LIABILITIES**

Due to other funds	374,893
Amounts due to other parties	488,651
Amounts held for LOSAP	<u>5,360,420</u>
Total liabilities	<u>\$ 6,223,964</u>

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, 2008**

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**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.

***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 seven-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 (6)	Superintendent of Highways
Town Justices (2)	

The financial reporting entity is in accordance with Government Accounting Standards No. 14, *The Financial Reporting Entity*.

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 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. Management does not believe that the Town has an ongoing financial responsibility for the Museum since their commitment is subject to annual appropriation. 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 1<sup>st</sup> 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.

**Government-wide and Fund Financial Statements.** The government-wide financial statements (i.e. statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect Expenses* have been included as part of the program expenses reported for the various functional activities. *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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items are not properly included among program revenues are reported instead as general revenues.

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. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation.** The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when the underlying exchange transaction has occurred and the resources are available. For this purpose, the Town considers revenues to be available if the Town has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. The Town 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 are recorded only when payment is due.

Property taxes, sales tax, sewer charges, 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. There were no significant revenues considered as not subject to accrual.

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.

Additionally, the Town reports the following fund types:

### **Proprietary Fund**

- *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 Pepsi Center.

## **Fiduciary Fund**

- *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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

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 Amherst Ice Facility, the enterprise fund, are departmental and miscellaneous revenues from charges for services and sales provided, and for the internal service funds include interfund revenues. Operating expenses for the enterprise fund include the cost of sales and services, culture and recreation expenses, and depreciation on capital assets, and for the internal service funds include administrative costs and expenses associated with judgments and claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgets**— Annual budgets 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. Encumbrances outstanding at year-end are accounted for on the lapsing method, which reappropriated encumbrances in the subsequent years' budget. Accordingly, the Town reserves fund balance for all encumbrances it intends to honor in the subsequent period.

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.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in all governmental funds.

**Cash and Cash Equivalents**—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 original date of purchase.

**Investments**—The Town had no investments at December 31, 2008, however, when the Town does have investments it is Town policy to record them at quoted market value.

**Prepaid Items**—Certain payments to the New York State retirement systems reflect costs applicable to future periods and are recorded as prepaid items.

**Unearned Revenues**—Certain revenues have not met the revenue recognition criteria for government-wide or fund purposes and, therefore; have been deferred.

**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.

**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.

**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	25
Infrastructure:	
Water and sewer systems	50
Traffic control systems	30
Bridges and culverts	40-50
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

**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.

**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 \$1 million limited to \$10 million per occurrence or wrongful act or employee benefit wrongful act. There is an aggregate \$10 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, nor have there been any settlements which exceeded excess insurance coverage during the past fiscal year.

**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.

**Future Impacts of Accounting Pronouncements**— The Town has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, effective for the year ending December 31, 2009; No. 51, *Accounting and Financial Reporting for Intangible Assets*, No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the year ending December 31, 2010; and No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for the year ending December 31, 2011. The Town is therefore unable to disclose the impact that adopting GASB Statements No. 51, 52, 53, 54, 55 and 56 will have on its financial position and results of operations when such statements are adopted.

During the year ended December 31, 2008, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, was implemented. This statement did not have a material effect on the Town as of, and for the year ended, December 31, 2008; however Note 17 has been updated to provide disclosure of a possible future liability. Finally, during the year ended December 31, 2008, GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, was implemented and did not have a material impact on the Town.

## 2. LEGAL COMPLIANCE—BUDGETS

**Budgets and Budgetary Accounting**—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. Encumbrances outstanding at year-end are accounted for on the lapsing method, which reappropriated encumbrances in the subsequent years' budget. Accordingly, the Town reserves fund balance for all encumbrances it intends to honor in the subsequent period.

- ◆ 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.

The Town's major funds' appropriations for the year ended December 31, 2008 exceeded the adjusted budget as follows:

- ◆ General Fund public safety expenditures exceeded the adjusted budget by \$147,402 due to unexpected expenditures related repairs stemming from the October 2006 storm that were incurred during the current year.
- ◆ Sewer Fund principal expenditures exceeded the adjusted budget by \$76,662 due to an unanticipated debt payment.
- ◆ General, Highway, Sewer, and Drainage Fund transfers out exceeded the adjusted budget by \$964,936, \$738, \$227,292 and \$26,626, respectively, due to cost allocations and capital projects transfers that were not foreseen with the budget.

### 3. CASH AND CASH EQUIVALENTS

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:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 2,200	\$ 20,000	\$ -	\$ 22,200
Deposits	<u>54,591,860</u>	<u>89,406</u>	<u>863,544</u>	<u>55,544,810</u>
Total	<u>\$ 54,594,060</u>	<u>\$ 109,406</u>	<u>\$ 863,544</u>	<u>\$ 55,567,010</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)	\$ 4,539,560	\$ 4,539,560
Uninsured:		
Collateral held by bank's agent in the Town's name	<u>52,376,906</u>	<u>51,005,250</u>
Total	<u>\$ 56,916,466</u>	<u>\$ 55,544,810</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, 2008, 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.

#### **4. PROPERTY TAX**

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 and all unpaid items 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 Receiver of Taxes, independent of Town operations.

## 5. RECEIVABLES

Major revenues accrued by the Town at December 31, 2008:

*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, 2008 are:

<b>General Fund:</b>		
Franchise fees	\$ 671,618	
Town Clerk/Tax Receiver	186,119	
Town Justice	185,747	
Meals on Wheels	35,239	
Senior Center	14,176	
Other	<u>74,809</u>	<u>\$ 1,167,708</u>
<b>Highway Fund:</b>		
Utility reimbursement		<u>\$ 5,093</u>
<b>Sanitary Sewer Fund:</b>		
Sewer fees		<u>\$ 34,811</u>
<b>Drainage Fund:</b>		
Other		<u>\$ 1,767</u>
<b>Special Grant Fund:</b>		
Other		<u>\$ 22,720</u>
<b>Capital Projects Fund:</b>		
Donation		<u>\$ 54,998</u>
<b>Other governmental funds:</b>		
Town Clerk	\$ 140,274	
Amherst Museum	66,121	
Recycling	7,833	
Other	<u>2,325</u>	<u>\$ 216,553</u>

*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, 2008 are:

<b>General Fund:</b>		
Sales tax	\$ 5,029,377	
Federal emergency aid	1,839,818	
State emergency aid	613,273	
Amherst Libraries	165,681	
Other	<u>170,823</u>	<u>\$ 7,818,972</u>
<b>Highway Fund:</b>		
Utility reimbursement		<u>\$ 50,935</u>
<b>Sewer Fund:</b>		
Sewer fees		<u>\$ 2,353,495</u>
<b>Drainage Fund:</b>		
Insect control grant		<u>\$ 5,000</u>
<b>Special Grant Fund:</b>		
Community Development Block Grant		<u>\$ 2,294,362</u>
<b>Capital Projects Fund:</b>		
New York State grant		<u>\$ 294,000</u>
<b>Other governmental funds:</b>		
Fire service		<u>\$ 1,467</u>
<b>Proprietary Funds:</b>		
Workers compensation		<u>\$ 25,040</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. These receivables are offset by deferred revenue since the revenue recognition criteria has not been met. The balance outstanding at December 31, 2008 is \$5,546,448.

## 6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables of the Town at December 31, 2008 consisted of the following:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 3,831,566	\$ 99,376
Highway Fund	-	25,238
Sewer Fund	476,378	1,627,820
Drainage Fund	49,565	757,126
Special Grant Fund	-	1,072
Capital Projects Fund	-	2,117,434
Other governmental funds	808,996	121,292
Total governmental activities	<u>5,166,505</u>	<u>4,749,358</u>
Ice Facility	-	42,354
Fiduciary Fund	-	374,893
	<u>\$ 5,166,505</u>	<u>\$ 5,166,605</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The Town made the following transfers during 2008:

Fund	Transfers In	Transfers Out
Governmental activities:		
General Fund	\$ 3,405,625	\$ 1,483,133
Highway Fund	-	75,238
Sewer Fund	399,607	2,046,483
Drainage Fund	49,565	930,626
Capital Projects Fund	1,752,160	1,634,641
Other governmental funds	303,598	731,370
Total governmental activities	<u>5,910,555</u>	<u>6,901,491</u>
Business-type activities:		
Ice Facility	990,936	-
	<u>\$ 6,901,491</u>	<u>\$ 6,901,491</u>

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

## 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance 1/1/2008	Additions and Reclassifications	Deletions and Reclassifications	Balance 12/31/08
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 9,319,186	\$ -	\$ -	\$ 9,319,186
Construction in progress	<u>20,569,198</u>	<u>7,950,528</u>	<u>(2,411,710)</u>	<u>26,108,016</u>
Total capital assets, not being depreciated	<u>29,888,384</u>	<u>7,950,528</u>	<u>(2,411,710)</u>	<u>35,427,202</u>
<i>Capital assets, being depreciated:</i>				
Infrastructure	146,018,251	2,681,012	-	148,699,263
Land improvements	4,610,744	466,724	-	5,077,468
Buildings	205,511,570	-	-	205,511,570
Building improvements	7,105,907	11,748	-	7,117,655
Machinery and equipment	<u>17,201,861</u>	<u>3,057,605</u>	<u>(1,540,844)</u>	<u>18,718,622</u>
Total capital assets, being depreciated	<u>380,448,333</u>	<u>6,217,089</u>	<u>(1,540,844)</u>	<u>385,124,578</u>
Less accumulated depreciation for:				
Infrastructure	(52,051,010)	(4,299,210)	-	(56,350,220)
Land improvements	(865,154)	(184,429)	-	(1,049,583)
Buildings	(98,880,172)	(4,075,159)	-	(102,955,331)
Building improvements	(3,853,271)	(270,322)	-	(4,123,593)
Machinery and equipment	<u>(8,485,828)</u>	<u>(1,701,651)</u>	<u>1,307,972</u>	<u>(8,879,507)</u>
Total accumulated depreciation	<u>(164,135,435)</u>	<u>(10,530,771)</u>	<u>1,307,972</u>	<u>(173,358,234)</u>
Total capital assets, being depreciated, net	<u>216,312,898</u>	<u>(4,313,682)</u>	<u>(232,872)</u>	<u>211,766,344</u>
Governmental activities capital assets, net	<u>\$ 246,201,282</u>	<u>\$ 3,636,846</u>	<u>\$ (2,644,582)</u>	<u>\$ 247,193,546</u>
<b>Business-type Activities:</b>				
Pepsi Center	\$ 19,017,212	\$ 191,937	\$ (44,320)	\$ 19,164,829
Less accumulated depreciation	<u>(4,062,764)</u>	<u>(387,841)</u>	<u>44,320</u>	<u>(4,406,285)</u>
Business-type activities capital assets, net	<u>\$ 14,954,448</u>	<u>\$ (195,904)</u>	<u>\$ -</u>	<u>\$ 14,758,544</u>

Depreciation expense was charged to functions of the governmental activities for the year ended December 31, 2008 as follows:

General government support	\$ 361,021
Public safety	259,561
Transportation	438,674
Economic assistance and opportunity	6,368,334
Culture and recreation	2,940,622
Home and community services	<u>162,559</u>
	<u>\$ 10,530,771</u>

## 8. 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 Statement No. 6, *Classification of Short-Term Obligations Expected to be Refinanced*, 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, 2008:

	Interest Rate	Balance 1/1/2008	Additions	Payments	Balance 12/31/2008
Bond anticipation notes:					
Capital Projects Fund:					
Various purpose	2.35	\$ -	\$3,612,000	\$ -	\$ 3,612,000
Total bond anticipation notes		\$ -	\$3,612,000	\$ -	\$ 3,612,000

## 9. 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, 2008:

	Balance 1/1/2008	Additions	Deletions	Balance 12/31/2008
Governmental activities:				
Serial bonds	\$ 51,563,260	\$ -	\$ 6,073,260	\$ 45,490,000
Installment purchase debt	2,291,264	-	508,562	1,782,702
NYS retirement liability	4,396,461	-	704,476	3,691,985
Compensated absences	15,685,783	1,041,235	570,305	16,156,713
OPEB obligation	7,889,035	11,070,362	3,500,239	15,459,158
Total	81,825,803	12,111,597	11,356,842	82,580,558
Business-type activities:				
Serial bonds	14,460,000	-	740,000	13,720,000
Compensated absences	162,262	33,632	7,267	188,627
Total government-wide	\$ 96,448,065	\$ 12,145,229	\$ 12,104,109	\$ 96,489,185

**Prior Years' Advanced Refundings**—During the year ended December 31, 2007, 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, \$13,825,000, has been removed from the financial statements.

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, \$6,660,000, has been removed from the financial statements. Additionally, the Town 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, 2008 financial statements do not reflect the obligation, now equal to \$13,345,000.

**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 \$2,865,000 outstanding on its 1994-BEFC issue.

A summary of bonded indebtedness transactions for the year ended December 31, 2008 follows:

Description	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2008	Issued	Redeemed	Principal Outstanding 12/31/2008
<b>General fund:</b>						
Orgin. issue 4,527,000	1992/2009	6.20	\$ 403,000	\$ -	\$ 199,000	\$ 204,000
Senior, open space,mainten.,air mus.	1993/2008	5.05	100,400	-	100,400	-
Total General Fund schedule	1999/2013	4.20-4.50	1,105,000	-	315,000	790,000
Road impr. - municipal complex	2001/2011	4.00-4.20	64,000	-	16,000	48,000
Town hall - HVAC impr.	2001/2011	4.00-4.20	32,000	-	8,000	24,000
Saratoga park - impr. & additions	2001/2011	4.00-4.20	60,000	-	15,000	45,000
Museum storage collection facility	2001/2013	4.00-4.50	156,000	-	27,000	129,000
Town hall - HVAC impr.	2001/2009	4.00	75,000	-	50,000	25,000
Farmland preservation	2001/2011	4.00-4.20	90,000	-	22,000	68,000
Mill Street - land & building	2001/2019	4.00-5.00	1,645,000	-	130,000	1,515,000
Central alarm voice recording equip	2002/2022	4.125-4.375	227,503	-	11,325	216,178
Traffic signals	2002/2022	4.125-4.375	52,813	-	2,629	50,184
Amherst park master plan	2002/2022	4.125-4.375	154,377	-	7,685	146,692
Local waterfront rev plan	2002/2022	4.125-4.375	50,376	-	2,508	47,868
Senior center	2004/2020	3.25-4.00	6,495,000	-	400,000	6,095,000
2004 Series C - Various	2004/2008	3.00-4.00	210,000	-	210,000	-
Lehigh Valley trailway plans & specs.	2004/2019	3.125-4.00	64,000	-	4,000	60,000
Lehigh Valley trailway const. specs.	2004/2019	3.125-4.00	114,000	-	8,000	106,000
Court Parking Lot Improvements	2005/2015	3.625-3.75	165,000	-	20,000	145,000
Prep of Plans Lehigh Valley	2005/2010	3.625-3.75	60,000	-	20,000	40,000
Boiler Upgrades & Chimney	2005/2010	3.625-3.75	40,000	-	10,000	30,000
Radio Repeater	2005/2015	3.625-3.75	120,000	-	15,000	105,000
Acquisition - Eggerts. Community Ctr	2007/2022	3.80-4.00	500,000	-	25,158	474,842
Improvements - Eggerts. Community Ctr	2007/2022	3.80-4.00	500,000	-	25,158	474,842
<b>Total general fund</b>			<u>12,483,469</u>	<u>-</u>	<u>1,643,863</u>	<u>10,839,606</u>

(continued)

Description	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2008	Issued	Redeemed	Principal Outstanding 12/31/2008
<b>Part town fund</b>						
Highway equipment - part town	2002/2022	4.125-4.375	10,562	-	526	10,036
<b>Highway fund</b>						
Highway equipment - highway	2002/2022	4.125-4.375	162,503	-	8,089	154,414
Various snow plowing equip.	2004/2019	3.125-4.00	840,000	-	58,000	782,000
Ayer Road Water District Improvements	2005/2020	3.625-3.75	1,985,000	-	220,000	1,765,000
<b>Total highway fund</b>			<u>2,987,503</u>	<u>-</u>	<u>286,089</u>	<u>2,701,414</u>
<b>Water districts fund:</b>						
WD15C, IF8 job # K9295	1994/2008	4.617	20,000	-	20,000	-
Waterline country pkwy	2002/2022	4.125-4.375	417,632	-	20,789	396,843
Hopkins Rd water system improve	2004/2019	3.125-4.000	840,000	-	57,000	783,000
Ayer Road Water District Improvements	2005/2020	3.625-3.75	310,000	-	20,000	290,000
Willowridge Road	2007/2022	3.80-4.00	590,760	-	29,725	561,035
Haussauer Road	2007/2022	3.80-4.00	525,000	-	26,416	498,584
Greenage Circle Phase II	2007/2022	3.80-4.00	150,000	-	7,547	142,453
<b>Total water districts fund</b>			<u>2,853,392</u>	<u>-</u>	<u>181,477</u>	<u>2,671,915</u>
<b>Sewer districts fund:</b>						
Series 1990C	1990/2011	3.60	1,290,000	-	315,000	975,000
Sanitary sewer #16, water pollution	1992/2009	6.20	452,000	-	246,000	206,000
1993-BEFC	1993/2013	3.65-5.20	1,155,000	-	185,000	970,000
SS16 job # K8875, job # K8792	1994/2008	4.167	54,000	-	54,000	-
1994 - BEFC (NYS EFC Series 2005D)	1994/2014	3.685	3,315,000	-	450,000	2,865,000
Hopkins rd. SS 16 job # 9431	1996/2011	4.00	895,000	-	215,000	680,000
Total san sewer district schedule	1999/2013	4.20-4.50	915,000	-	165,000	750,000
2000 A	2000/2019	3.80-5.96	605,000	-	45,000	560,000
Hopkins Road - impr. SSD#16	2001/2011	4.00-4.20	68,000	-	17,000	51,000
Elect./centrifuge - SSD#1 & #16	2001/2018	4.00-5.00	550,000	-	50,000	500,000
Glen Oak / Smith Road SSD#16	2001/2011	4.00-4.20	80,000	-	20,000	60,000
WWPC - SSD #1 & #16	2001/2021	4.00-5.00	1,970,000	-	130,000	1,840,000
Lehn Springs SSD # 16 - Ext. 23	2001/2021	4.00-5.00	815,000	-	50,000	765,000
Lakewood/Smallwood SS # 1	2001/2010	4.00-4.10	30,000	-	10,000	20,000
Wastewater treatment plant - impr.	2001/2017	4.00-4.75	250,000	-	25,000	225,000
SSD #1 & 16 WWTP roofs (phase II)	2002/2022	4.125-4.375	304,692	-	15,167	289,525
SSD #1 Lafayette Blvd.	2002/2022	4.125-4.375	101,564	-	5,056	96,508
SSD # 16 N. French	2002/2022	4.125-4.375	690,634	-	34,378	656,256
SSD #1 & 16 transformer rehab study	2002/2022	4.125-4.375	81,251	-	4,045	77,206
SSD #1 & 16 Pelletiz bagging facility	2002/2022	4.125-4.375	211,253	-	10,516	200,737
SSD #1 & 16 centrifuge #5 replace	2002/2022	4.125-4.375	203,128	-	10,112	193,016
SSD #1 & 16 scum rem sys replace	2002/2022	4.125-4.375	130,001	-	6,471	123,530
SSD #1 & 16 elect sys load curtail	2002/2022	4.125-4.375	211,253	-	10,516	200,737
SSD #1 & 16 sand filter replacement	2002/2022	4.125-4.375	483,445	-	24,065	459,380
Maple/Hopkins/N French sew upg	2004/2019	3.25-4.00	700,000	-	45,000	655,000
NBailey sewer & storm drain improve	2004/2009	3.25-3.50	50,000	-	25,000	25,000
WWTP main transformer replace	2004/2019	3.125-4.00	420,000	-	29,000	391,000
Increase and improve - SSD#1, 16	2004/2019	3.125-4.00	569,000	-	39,000	530,000
Increase and improve - SSD# 16	2004/2019	3.125-4.00	101,000	-	7,000	94,000
Roof System Replacements	2005/2020	3.625-3.75	702,000	-	45,000	657,000
Lift Station Equipment Replacement	2005/2020	3.625-3.75	136,000	-	10,000	126,000
Various Sanitary Sewer	2005/2020	3.625-3.75	90,000	-	5,000	85,000

(continued)

(concluded)

Description	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2008	Issued	Redeemed	Principal Outstanding 12/31/2008
Various Sanitary Sewer	2005/2020	3.625-3.75	100,000	-	10,000	90,000
Various Sanitary Sewer	2005/2020	3.625-3.75	75,000	-	25,000	50,000
North French Sewer	2005/2010	3.625-3.75	150,000	-	50,000	100,000
Sewer District #1 Harlem and Kennington	2007/2022	3.80-4.00	250,000	-	12,579	237,421
Sand Filtration System Plant 16	2007/2022	3.80-4.00	4,800,000	-	241,515	4,558,485
Various Improvements	2007/2022	3.80-4.00	1,652,500	-	83,147	1,569,353
LeBrun Storm Sewer SS#1	2007/2022	3.80-4.00	225,000	-	11,321	213,679
<b>Total sewer districts fund</b>			<u>24,881,721</u>	<u>-</u>	<u>2,735,888</u>	<u>22,145,833</u>
<b>Drainage districts fund</b>						
Drainage #16, #26	1992/2009	6.20	149,000	-	75,000	74,000
SWDD4 IF16 job # 890027	1993/2008	5.05	49,600	-	49,600	-
SWDD 16&26 job #K9387, # K8791	1994/2008	4.617	276,000	-	276,000	-
Total storm water drainage schedule	1999/2013	4.20-4.50	1,580,000	-	245,000	1,335,000
Maple Drive - SW # 4	2001/2010	4.00-4.10	60,000	-	20,000	40,000
Lakewood/Smallwood # 4	2001/2015	4.00-4.625	480,000	-	60,000	420,000
Allenhurst Road storm sewers	2001/2016	4.00-4.75	225,000	-	25,000	200,000
Storm drain #16 McKinley/Harding	2002/2022	4.125-4.375	377,004	-	18,767	358,237
Storm drain #16 Eggerts/Bailey	2002/2022	4.125-4.375	203,128	-	10,111	193,017
Highway equipment - drainage	2002/2022	4.125-4.375	284,378	-	14,156	270,222
Youngs Rd. storm drainage	2004/2014	3.25-3.75	290,000	-	40,000	250,000
Inc & improve storm water drainage	2004/2019	3.125-4.00	71,000	-	5,000	66,000
Storm water improve-Carmen Rd	2004/2019	3.125-4.00	200,000	-	14,000	186,000
Increase & improve SSWD#4, 16, 26	2004/2019	3.125-4.00	126,000	-	9,000	117,000
Ditch 9a South Weir Replacement	2005/2010	3.625-3.75	30,000	-	10,000	20,000
Storm Water Drainage Delta Rd.	2005/2020	3.625-3.75	405,000	-	25,000	380,000
Improvement of Storm Water Drainage	2005/2020	3.625-3.75	615,000	-	40,000	575,000
Ayer Road Storm Sewers Improvements	2005/2010	3.625-3.75	80,000	-	25,000	55,000
Various Drainage Improvements	2007/2022	3.80-4.00	500,000	-	25,158	474,842
<b>Total drainage districts fund</b>			<u>6,001,110</u>	<u>-</u>	<u>986,792</u>	<u>5,014,318</u>
<b>Community environment fund</b>						
Refuse & garbage district	1992/2009	6.20	196,000	-	105,000	91,000
Composting Job #890089	1993/2008	5.05	25,000	-	25,000	-
Highway equipment - comm enviro	2002/2022	4.125-4.375	162,503	-	8,089	154,414
Various Refuse District Improvements	2005/2020	3.625-3.75	262,000	-	15,000	247,000
Residential Refuse Containers	2007/2022	3.80-4.00	1,700,000	-	85,536	1,614,464
<b>Total community environment fund</b>			<u>2,345,503</u>	<u>-</u>	<u>238,625</u>	<u>2,106,878</u>
<b>Total governmental activities</b>			<u>51,563,260</u>	<u>-</u>	<u>6,073,260</u>	<u>45,490,000</u>
<b>Business-type activities</b>						
Refunding 2007 Series A	2007/2022	4.00-5.00	13,385,000	-	690,000	12,695,000
Refunding 2007 Series B	2007/2022	5.63	1,075,000	-	50,000	1,025,000
<b>Total business-type activities</b>			<u>14,460,000</u>	<u>-</u>	<u>740,000</u>	<u>13,720,000</u>
<b>Total primary government</b>			<u>\$66,023,260</u>	<u>\$ -</u>	<u>\$ 6,813,260</u>	<u>\$59,210,000</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 2008, principal payments totaled \$508,562 and interest payments totaled \$98,187. The interest rate approximates 4.71%. The following summarizes requirements of the Town’s Energy Performance Contracts:

<u>Year ended December 31,</u>	<u>Governmental Activities</u>
2009	\$ 606,749
2010	606,749
2011	470,782
2012	<u>251,480</u>
Total minimum lease payments	1,935,760
Less: Amount representing imputed interest costs	<u>(153,058)</u>
Present value of minimum lease payment	<u>\$ 1,782,702</u>

**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, 2008, for governmental activities is \$16,156,713. Management estimates that \$574,276 is due within one year. A non-current liability totaling \$15,582,437 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, 2008, for business-type activities is \$188,627. Management estimates that \$31,324 is due within one year. A non-current liability totaling \$157,303 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 11, 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 long-term OPEB liability is estimated to be \$15,459,158 at December 31, 2008, of which \$552,113 is estimated to be due within one year.

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

	Serial Bonds	Installment Purchase Debt	NYS Retirement Liability	Compensated Absences	OPEB Obligation	Total
2009	\$ 5,280,000	\$ 532,674	\$ 704,475	\$ 574,276	\$ 552,113	\$ 7,643,538
2010	4,660,000	557,931	704,475	-	552,113	6,474,519
2011	4,570,000	446,965	704,475	-	552,113	6,273,553
2012	3,945,000	245,132	704,475	-	552,113	5,446,720
2013	3,975,000	-	378,276	-	552,113	4,905,389
2014-2018	14,825,000	-	495,809	-	2,760,565	18,081,374
2019-2023	8,235,000	-	-	-	2,760,565	10,995,565
Beyond 2023	-	-	-	-	7,177,463	7,177,463
Various	-	-	-	15,582,437	-	15,582,437
	<u>\$ 45,490,000</u>	<u>\$ 1,782,702</u>	<u>\$ 3,691,985</u>	<u>\$ 16,156,713</u>	<u>\$ 15,459,158</u>	<u>\$ 82,580,558</u>

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

	Serial Bonds	Compensated Absences	Total
2009	\$ 770,000	\$ 31,324	\$ 801,324
2010	795,000	-	795,000
2011	820,000	-	820,000
2012	845,000	-	845,000
2013	880,000	-	880,000
2014-2018	4,950,000	-	4,950,000
2019-2023	4,660,000	-	4,660,000
Various	-	157,303	157,303
	<u>\$ 13,720,000</u>	<u>\$ 188,627</u>	<u>\$ 13,908,627</u>

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

	Governmental Activities		Total
	Governmental Activities	Business-type Activities	
2009	\$ 1,864,771	\$ 630,114	\$ 2,494,885
2010	1,651,414	598,418	2,249,832
2011	1,455,802	565,721	2,021,523
2012	1,272,388	531,943	1,804,331
2013	1,101,706	489,315	1,591,021
2014 - 2018	3,400,194	1,745,148	5,145,342
2019 - 2023	668,994	497,428	1,166,422
	<u>\$ 11,415,270</u>	<u>\$ 5,058,087</u>	<u>\$ 16,473,357</u>

## 10. 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 (“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 (“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. The New York State Legislature passed legislation in 2000 that suspends the 3% contribution for employees who have ten years of service or more of credited service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers.

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

	<u>ERS</u>	<u>PFRS</u>
2008	\$ 2,604,844	\$ 2,377,534
2007	2,982,524	2,996,396
2006	3,389,224	3,089,863

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- ◆ Requires minimum contributions by employers of 4.5 percent of payroll every year, including years in which the investment performance would make a lower contribution possible.
- ◆ Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1<sup>st</sup> (e.g., billings due February 2008 would be based on the pension value as of March 31, 2007).

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- ◆ For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees’ covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- ◆ For SFY 2005-06, the amount in excess of 9.5 percent of employees’ covered pensionable salaries.

- ◆ For SFY 2007-08, the amount in excess of 10.5 percent of employees' covered pensionable salaries.

Legislation requires participating employers to make payments on a current basis. The Town's contributions made to the Systems were equal to 100 percent of the contributions required for each year, and has not bonded or amortized any of the excess amounts.

## 11. 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. In addition, the Town provides a Medicare Supplement plan option for their Medicare eligible retirees. There were 359 retirees receiving health care benefits at December 31, 2008.

**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 following table 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.

	2008	2007
Annual required contribution	\$ 11,070,362	\$ 11,070,362
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB costs (expense)	11,070,362	11,070,362
Contributions made	(3,500,239)	(3,181,327)
Increase in net OPEB obligation	7,570,123	7,889,035
Net OPEB obligation—beginning of year	7,889,035	-
Net OPEB obligation—end of year	<u>\$ 15,459,158</u>	<u>\$ 7,889,035</u>

**Funding Status and Funding Progress**—As of January 1, 2007, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$133,824,359.

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. The schedule of funding progress is not presented as required supplemental information as this is the first year of implementing GASB Statement No. 45. This schedule would present multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of December 31, 2008, the Town has had only one actuarial valuation performed. 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 Schedule of the Town’s Contributions is shown below:

Year Ended December 31,	Annual Required Contribution	Contributions Made	Percentage Contributed
2008	\$ 11,070,362	\$ 3,500,239	31.6%
2007	11,070,362	3,181,327	28.7%

**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, 2007 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation and measurement date of January 1, 2007. The discount rate used is 4%. The RP-2000 Mortality Table for males and females is used for mortality rates. The rates of decrement due to turnover 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 open basis, therefore the remaining amortization period at December 31, 2007 was twenty-eight years.

## 12. 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 forty. 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.

As of December 31, 2007, the most recent date actuary information is available; the funded ratio is 79.63%. Funds on hand at December 31, 2007 totaled \$5,690,733.

At December 31, 2008, the Program had \$5,360,420 of assets available for benefits, as follows:

Cash	\$ 208,316
Interest receivable	18,455
Equities	431,911
Fixed income	3,829,055
Mixed assets	699,643
Other assets	<u>173,040</u>
	<u>\$5,360,420</u>

During 2008, the Town contributed \$498,645 to the Program. Administration fees paid by the Town totaled \$19,419.

### 13. 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, 2008:

	Balance			Balance
<b>ASSETS</b>	1/1/2008	Additions	Deletions	12/31/2008
Cash	\$ 1,241,070	\$ 26,485,552	\$ 26,863,078	\$ 863,544
LOSAP assets	<u>5,690,733</u>	<u>-</u>	<u>330,313</u>	<u>5,360,420</u>
Total assets	<u>\$ 6,931,803</u>	<u>\$ 26,485,552</u>	<u>\$ 27,193,391</u>	<u>\$ 6,223,964</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 210,511	\$ 164,382	\$ -	\$ 374,893
Amounts due to other parties	1,030,559	26,321,170	26,863,078	488,651
Amounts held for LOSAP	<u>5,690,733</u>	<u>-</u>	<u>330,313</u>	<u>5,360,420</u>
Total liabilities	<u>\$ 6,931,803</u>	<u>\$ 26,485,552</u>	<u>\$ 27,193,391</u>	<u>\$ 6,223,964</u>

### 14. LABOR RELATIONS

Town employees are represented by five bargaining units with the balance governed by Town Board rules and regulations. Two bargaining units have contracts through December 31, 2006 are currently under negotiations. One bargaining unit has a memo of understanding from December 31, 2005 through December 31, 2010. A liability for retroactive wages related to these contracts has been recorded in the fund financial statements. The other two bargaining units have contracts are through December 31, 2008 and December 31, 2010.

## 15. NET ASSETS, RESERVES AND DESIGNATIONS

The government wide financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- ◆ **Investment in Capital Assets, Net of Related Debt**—This category groups all capital assets, including infrastructure, into one component of net assets. 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		\$ 247,193,546
Related debt:		
Serial bonds:		
Total serial bonds issued	(45,490,000)	
Debt proceeds reserved in capital projects	<u>8,615,339</u>	
Serial bonds issued and used for capital assets		(36,874,661)
Installment purchase debt		(1,782,702)
Bond issue cost		<u>51,322</u>
Investment in capital assets, net of related debt		<u>\$ 208,587,505</u>

- ◆ **Restricted Net Assets**—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. Net assets are restricted for the following purposes:

Capital projects	\$ 4,410,522
Endowments	<u>2,032,792</u>
	<u>\$ 6,443,314</u>

- ◆ **Unrestricted Net Assets**—This category represents net assets of the Town not restricted for any project or other purpose.

In the fund financial statements, reservations that represent portions of fund balance that has been legally segregated for a specific use or is not appropriate for expenditure by the Town at December 31, 2008, and include:

- ◆ **Reserved for Encumbrances**—representing funds accumulated for commitments related to unperformed contracts or purchase orders for goods or services.
- ◆ **Reserved for Endowments**—represents funds for various purposes as accounted for in a special purpose special revenue fund.
- ◆ **Reserved for Debt**—represents funds available to pay off certain debt.
- ◆ **Reserved for Capital Projects**—represents funds for capital projects.
- ◆ **Reserved for Prepaid Items**—represents funds for prepaid expenditures.

Designations represent funds for which there is intent by the Town to be used for a specific purpose. Designations of fund balance at December 31, 2008 include:

- ◆ **Designated for Subsequent Year's Expenditures**—represents funds to be used to assist in supporting the subsequent year's authorized appropriations.
- ◆ **Designated for Equipment Purchases**—represents Federal funds that were received for reimbursement of equipment costs incurred during the October 13, 2006 storm intended for future equipment purchases.

A summary of the unreserved fund balance (deficit) by governmental fund follows:

Fund	Unreserved, Undesignated	Unreserved, Designated for Subsequent Year's Expenditures	Unreserved, Designated for Equipment Purchases	Total Unreserved
General Fund	\$ 10,753,669	\$ 4,200,000	\$ 191,965	\$ 15,145,634
Highway Fund	1,724,897	-	1,957,515	3,682,412
Sewer Fund	2,039,009	1,079,000	125,820	3,243,829
Drainage Fund	2,202,487	256,800	-	2,459,287
Town Outside Village Fund	387,189	-	-	387,189
Lighting District	511,094	-	15,338	526,432
Community Environment Fund	864,390	-	105,928	970,318
Fire Protection District	160,819	14,950	-	175,769
Water District District	219,730	140,000	-	359,730
Total	<u>\$ 18,863,284</u>	<u>\$ 5,690,750</u>	<u>\$ 2,396,566</u>	<u>\$ 26,950,600</u>

## 16. DEFICITS

Certain capital projects have deficit unreserved fund balances at December 31, 2008. These deficits will be remedied by future tax revenues, anticipated grants and proceeds from future bond issuances.

Additionally, the Town's Internal Service Fund, Self Insurance Fund, had a net deficit at December 31, 2008. The Town anticipates this deficit to be remedied through a potential claim against a third party. Should this claim be denied, the Town anticipates issuing long-term debt.

## 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.

**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, 2008, 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, 2007 resulted from the following:

	Liability, 1/1/2008	Claims	Payments	Liability, 12/31/2008
Judgments & claims	\$ 2,664,530	\$ 8,025,840	\$ 78,779	\$ 10,611,591
Workers' compensation	676,079	250,687	427,099	499,667

	Liability, 1/1/2007	Claims	Payments	Liability, 12/31/2007
Judgments & claims	\$ 2,048,169	\$ 724,991	\$ 108,630	\$ 2,664,530
Workers' compensation	584,848	631,174	539,943	676,079

The Town has claims in the range of \$10,611,591 to \$12,411,591 which are probable of a future loss. The low end of the range, \$10,611,591, has been included within the Town's liabilities at the end of the year. There are claims in the range of \$550,000 to \$767,000 which are classified as reasonably possible.

**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, 2008 the Town is unable to determine the range or the likelihood of any potential liability as a result of the consent order.

**Other**—The Town is involved in litigation arising in the ordinary course of its operations. The Town believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the Town's financial condition or results of operations.

## 18. SUBSEQUENT EVENT

On May 4, 2009, the Town authorized the issuance of \$10,200,000 of serial bonds for the purpose of payment of a judgment. Additionally, On June 1, 2009, the Town authorized the issuance of \$10,000,000 of debt for the purpose of refunding certain bonds outstanding.

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

**TOWN OF AMHERST, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**December 31, 2008**

	<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>	
<b>ASSETS</b>				
Cash	\$ 1,954,130	\$ 435,865	\$ 2,922,607	\$ 5,312,602
Accounts receivable	66,121	140,274	10,158	216,553
Prepaid items	-	64,793	27,103	91,896
Due from other funds	22,605	-	786,391	808,996
Due from other governments	-	-	1,467	1,467
Total assets	<u>\$ 2,042,856</u>	<u>\$ 640,932</u>	<u>\$ 3,747,726</u>	<u>\$ 6,431,514</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 10,064	\$ 46,589	\$ 439,584	\$ 496,237
Accrued liabilities	-	106,352	567,566	673,918
Due to other funds	-	25,238	95,954	121,192
Total liabilities	<u>10,064</u>	<u>178,179</u>	<u>1,103,104</u>	<u>1,291,347</u>
Fund Balances:				
Reserved for:				
Encumbrances	-	10,771	210,642	221,413
Endowments	2,032,792	-	-	2,032,792
Debt	-	-	374,628	374,628
Prepaid items	-	64,793	27,103	91,896
Unreserved:				
Designated for:				
Subsequent year's expenditures	-	-	154,950	154,950
Equipment purchases	-	-	121,266	121,266
Undesignated	-	387,189	1,756,033	2,143,222
Total fund balances	<u>2,032,792</u>	<u>462,753</u>	<u>2,644,622</u>	<u>5,140,167</u>
Total liabilities and fund balances	<u>\$ 2,042,856</u>	<u>\$ 640,932</u>	<u>\$ 3,747,726</u>	<u>\$ 6,431,514</u>

**TOWN OF AMHERST, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2008**

	<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>	
<b>REVENUES</b>				
Real property taxes	\$ -	\$ 2,250,879	\$ 16,608,149	\$ 18,859,028
Departmental income	453,616	126,214	299,780	879,610
Use of money and property	51,109	44,959	226,783	322,851
Licenses and permits	-	1,746,674	-	1,746,674
Miscellaneous	117,736	23,055	460,091	600,882
State aid	-	-	28,668	28,668
Total revenues	<u>622,461</u>	<u>4,191,781</u>	<u>17,623,471</u>	<u>22,437,713</u>
<b>EXPENDITURES</b>				
Current:				
General government support	-	-	2,537	2,537
Public safety	-	2,558,926	5,249,142	7,808,068
Transportation	-	-	3,697,977	3,697,977
Culture and recreation	40,013	-	-	40,013
Home and community services	98,906	1,817,176	8,191,598	10,107,680
Employee benefits	-	391,280	64,012	455,292
Debt service:				
Principal	-	526	420,102	420,628
Interest	-	447	200,905	201,352
Total expenditures	<u>138,919</u>	<u>4,768,355</u>	<u>17,826,273</u>	<u>22,733,547</u>
Excess (deficiency) of revenues over (under) expenditures	<u>483,542</u>	<u>(576,574)</u>	<u>(202,802)</u>	<u>(295,834)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	303,598	303,598
Transfers out	<u>(428,800)</u>	<u>(95,238)</u>	<u>(207,332)</u>	<u>(731,370)</u>
Total other financing sources (uses)	<u>(428,800)</u>	<u>(95,238)</u>	<u>96,266</u>	<u>(427,772)</u>
Net change in fund balances	54,742	(671,812)	(106,536)	(723,606)
Fund balances—beginning	<u>1,978,050</u>	<u>1,134,565</u>	<u>2,751,158</u>	<u>5,863,773</u>
Fund balances—ending	<u>\$ 2,032,792</u>	<u>\$ 462,753</u>	<u>\$ 2,644,622</u>	<u>\$ 5,140,167</u>

**TOWN OF AMHERST, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Town Outside Village Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 2,250,880	\$ 2,250,880	\$ 2,250,879	\$ (1)
Departmental income	145,000	145,000	126,214	(18,786)
Use of money and property	60,000	60,000	44,959	(15,041)
Licenses and permits	2,000,000	2,000,000	1,746,674	(253,326)
Miscellaneous	<u>17,000</u>	<u>33,131</u>	<u>23,055</u>	<u>(10,076)</u>
Total revenues	<u>4,472,880</u>	<u>4,489,011</u>	<u>4,191,781</u>	<u>(297,230)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	-	82,578	-	82,578
Public safety	2,295,350	2,450,673	2,558,926	(108,253)
Home and community services	1,745,874	1,833,693	1,817,176	16,517
Employee benefits	685,183	391,280	391,280	-
Debt service:				
Principal	526	526	526	-
Interest	<u>447</u>	<u>447</u>	<u>447</u>	<u>-</u>
Total expenditures	<u>4,727,380</u>	<u>4,759,197</u>	<u>4,768,355</u>	<u>(9,158)</u>
Excess (deficiency) of revenues over expenditures	(254,500)	(270,186)	(576,574)	(306,388)
<b>OTHER FINANCING (USES):</b>				
Transfers out	<u>(94,500)</u>	<u>(94,500)</u>	<u>(95,238)</u>	<u>(738)</u>
Total other financing (uses)	<u>(94,500)</u>	<u>(94,500)</u>	<u>(95,238)</u>	<u>(738)</u>
Net change in fund balances	(349,000)	(364,686)	(671,812)	(307,126)
Fund balances—beginning	<u>1,134,565</u>	<u>1,134,565</u>	<u>1,134,565</u>	<u>349,847</u>
Fund balances—ending	<u>\$ 785,565</u>	<u>\$ 769,879</u>	<u>\$ 462,753</u>	<u>\$ 42,721</u>

**TOWN OF AMHERST, NEW YORK**  
**Combining Balance Sheet—Nonmajor Special District Funds**  
**December 31, 2008**

	<b>Lighting District</b>	<b>Community Environment</b>	<b>Fire Protection</b>	<b>Water District</b>	<b>Total Nonmajor Special Districts</b>
<b>ASSETS</b>					
Cash	\$ 892,392	\$ 1,091,322	\$ 223,619	\$ 715,274	\$ 2,922,607
Accounts receivable	-	10,158	-	-	10,158
Prepaid items	2,942	24,161	-	-	27,103
Due from other funds	-	482,793	-	303,598	786,391
Due from other governments	-	-	1,467	-	1,467
Total assets	<u>\$ 895,334</u>	<u>\$ 1,608,434</u>	<u>\$ 225,086</u>	<u>\$ 1,018,872</u>	<u>\$ 3,747,726</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>					
Liabilities:					
Accounts payable	\$ 359,650	\$ 27,322	\$ 41,695	\$ 10,917	\$ 439,584
Accrued liabilities	6,171	561,395	-	-	567,566
Due to other funds	-	25,238	7,622	63,094	95,954
Total liabilities	<u>365,821</u>	<u>613,955</u>	<u>49,317</u>	<u>74,011</u>	<u>1,103,104</u>
Fund Balances (deficit):					
Reserved for:					
Encumbrances	139	-	-	210,503	210,642
Debt	-	-	-	374,628	374,628
Prepaid items	2,942	24,161	-	-	27,103
Unreserved:					
Designated for:					
Subsequent year's expenditures	-	-	14,950	140,000	154,950
Equipment purchases	15,338	105,928	-	-	121,266
Undesignated	511,094	864,390	160,819	219,730	1,756,033
Total fund balances (deficit)	<u>529,513</u>	<u>994,479</u>	<u>175,769</u>	<u>944,861</u>	<u>2,644,622</u>
Total liabilities and fund balances (deficit)	<u>\$ 895,334</u>	<u>\$ 1,608,434</u>	<u>\$ 225,086</u>	<u>\$ 1,018,872</u>	<u>\$ 3,747,726</u>

**TOWN OF AMHERST, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—**  
**Nonmajor Special District Funds**  
**Year Ended December 31, 2008**

	<u>Lighting District</u>	<u>Community Environment</u>	<u>Fire Protection</u>	<u>Water District</u>	<u>Total Nonmajor Special Districts</u>
<b>REVENUES</b>					
Real property taxes	\$ 3,540,466	\$ 7,991,282	\$ 5,076,401	\$ -	\$ 16,608,149
Departmental income	-	299,780	-	-	299,780
Use of money and property	61,395	110,462	26,469	28,457	226,783
Miscellaneous	455	441,318	18,318	-	460,091
State aid	-	28,668	-	-	28,668
Total revenues	<u>3,602,316</u>	<u>8,871,510</u>	<u>5,121,188</u>	<u>28,457</u>	<u>17,623,471</u>
<b>EXPENDITURES</b>					
Current:					
General government support	-	2,537	-	-	2,537
Public safety	-	337,789	4,911,353	-	5,249,142
Transportation	3,697,977	-	-	-	3,697,977
Home and community services	-	7,982,562	-	209,036	8,191,598
Employee benefits	-	62,424	-	1,588	64,012
Debt service:					
Principal	-	238,625	-	181,477	420,102
Interest	-	91,396	-	109,509	200,905
Total expenditures	<u>3,697,977</u>	<u>8,715,333</u>	<u>4,911,353</u>	<u>501,610</u>	<u>17,826,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(95,661)</u>	<u>156,177</u>	<u>209,835</u>	<u>(473,153)</u>	<u>(202,802)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	303,598	303,598
Transfers out	-	(44,238)	-	(163,094)	(207,332)
Total other financing sources (uses)	<u>-</u>	<u>(44,238)</u>	<u>-</u>	<u>140,504</u>	<u>96,266</u>
Net change in fund balances	(95,661)	111,939	209,835	(332,649)	(106,536)
Fund balances (deficit)—beginning	<u>625,174</u>	<u>882,540</u>	<u>(34,066)</u>	<u>1,277,510</u>	<u>2,751,158</u>
Fund balances—ending	<u>\$ 529,513</u>	<u>\$ 994,479</u>	<u>\$ 175,769</u>	<u>\$ 944,861</u>	<u>\$ 2,644,622</u>

**TOWN OF AMHERST, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Lighting District Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 3,540,466	\$ 3,540,466	\$ 3,540,466	\$ -
Use of money and property	83,000	83,000	61,395	(21,605)
Miscellaneous	-	455	455	-
Total revenues	<u>3,623,466</u>	<u>3,623,921</u>	<u>3,602,316</u>	<u>(21,605)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	<u>3,844,324</u>	<u>3,879,957</u>	<u>3,697,977</u>	<u>181,980</u>
Total expenditures	<u>3,844,324</u>	<u>3,879,957</u>	<u>3,697,977</u>	<u>181,980</u>
Net change in fund balances	(220,858)	(256,036)	(95,661)	160,375
Fund balances—beginning	<u>625,174</u>	<u>625,174</u>	<u>625,174</u>	<u>-</u>
Fund balances—ending	<u>\$ 404,316</u>	<u>\$ 369,138</u>	<u>\$ 529,513</u>	<u>\$ 160,375</u>

**TOWN OF AMHERST, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Community Environment Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 7,991,282	\$ 7,991,282	\$ 7,991,282	\$ -
Departmental income	470,918	470,918	299,780	(171,138)
Use of money and property	131,000	131,000	110,462	(20,538)
Miscellaneous	384,000	384,000	441,318	57,318
State aid	16,500	16,500	28,668	12,168
Total revenues	<u>8,993,700</u>	<u>8,993,700</u>	<u>8,871,510</u>	<u>(122,190)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	2,537	47,340	2,537	44,803
Public safety	335,749	348,442	337,789	10,653
Home and community services	8,017,682	8,161,521	7,982,562	178,959
Employee benefits	181,652	62,479	62,424	55
Debt service:				
Principal	238,625	238,625	238,625	-
Interest	195,192	189,458	91,396	98,062
Total expenditures	<u>8,971,437</u>	<u>9,047,865</u>	<u>8,715,333</u>	<u>332,532</u>
Excess (deficiency) of revenues over (under) expenditures	22,263	(54,165)	156,177	210,342
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(24,500)</u>	<u>(24,500)</u>	<u>(44,238)</u>	<u>(19,738)</u>
Total other financing uses	<u>(24,500)</u>	<u>(24,500)</u>	<u>(44,238)</u>	<u>(19,738)</u>
Net change in fund balances	(2,237)	(78,665)	111,939	190,604
Fund balances—beginning	<u>882,540</u>	<u>882,540</u>	<u>882,540</u>	<u>-</u>
Fund balances—ending	<u>\$ 880,303</u>	<u>\$ 803,875</u>	<u>\$ 994,479</u>	<u>\$ 190,604</u>

**TOWN OF AMHERST, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund (Deficit)—**  
**Budget and Actual—Fire Protection Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 5,076,401	\$ 5,076,401	\$ 5,076,401	\$ -
Use of money and property	53,000	53,000	26,469	(26,531)
Miscellaneous	<u>-</u>	<u>-</u>	<u>18,318</u>	<u>18,318</u>
Total revenues	<u>5,129,401</u>	<u>5,129,401</u>	<u>5,121,188</u>	<u>(8,213)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	<u>5,142,401</u>	<u>5,142,401</u>	<u>4,911,353</u>	<u>231,048</u>
Total expenditures	<u>5,142,401</u>	<u>5,142,401</u>	<u>4,911,353</u>	<u>231,048</u>
Net change in fund balances	(13,000)	(13,000)	209,835	222,835
Fund balances (deficit)—beginning	<u>(34,066)</u>	<u>(34,066)</u>	<u>(34,066)</u>	<u>-</u>
Fund balances (deficit)—ending	<u>\$ (47,066)</u>	<u>\$ (47,066)</u>	<u>\$ 175,769</u>	<u>\$ 222,835</u>

**TOWN OF AMHERST, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Water District Fund**  
**Year Ended December 31, 2008**

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Use of money and property	\$ 38,000	\$ 38,000	\$ 28,457	\$ (9,543)
Total revenues	<u>38,000</u>	<u>38,000</u>	<u>28,457</u>	<u>(9,543)</u>
<b>EXPENDITURES</b>				
Current:				
Home and community services	466,690	464,028	209,036	254,992
Employee benefits	5,281	5,281	1,588	3,693
Debt service:				
Principal	82,892	181,477	181,477	-
Interest	<u>141,909</u>	<u>141,909</u>	<u>109,509</u>	<u>32,400</u>
Total expenditures	<u>696,772</u>	<u>792,695</u>	<u>501,610</u>	<u>291,085</u>
Excess of revenues over expenditures	(658,772)	(754,695)	(473,153)	281,542
<b>OTHER FINANCING (USES)</b>				
Transfers in	-	98,584	303,598	205,014
Transfers out	<u>(161,000)</u>	<u>(161,000)</u>	<u>(163,094)</u>	<u>(2,094)</u>
Total other financing uses	<u>(161,000)</u>	<u>(62,416)</u>	<u>140,504</u>	<u>202,920</u>
Net change in fund balances	(819,772)	(817,111)	(332,649)	484,462
Fund balances—beginning	<u>1,277,510</u>	<u>1,277,510</u>	<u>1,277,510</u>	<u>-</u>
Fund balances—ending	<u>\$ 457,738</u>	<u>\$ 460,399</u>	<u>\$ 944,861</u>	<u>\$ 484,462</u>

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*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 the basic financial statements of Town of Amherst, New York (the "Town"), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 15, 2009. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial control that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings as items 2008-1, 2008-2, 2008-3, 2008-4 and 2008-5 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies listed above, we consider item 2008-1, 2008-2 and 2008-3 to be material weaknesses.

### **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the Town in a separate letter dated June, 15, 2009

The Town's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Town's responses and, accordingly, we express no opinion on them.

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

 Derscher & Malach LLP

June 15, 2009

**TOWN OF AMHERST, NEW YORK**  
**Schedule of Findings**  
**Year Ended December 31, 2008**

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*We consider the deficiencies presented below to be material weakness in internal control.*

**Finding 2008-1—Cash**

**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 three bank accounts. The net effect of the variances is that the Town's general ledger is \$60,553 less than the reconciled cash balance.
- ◆ We noted checks dating back to 2002 were included as reconciling items.
- ◆ Additional reconciling items include transfers that were recorded in the general ledger during the year ended December 31, 2008; however, the cash in the bank accounts was not transferred until March 2009.
- ◆ We noted that interest earnings are not recorded in the general ledger promptly.
- ◆ Reconciliations of the time deposit accounts are prepared by the same individual who is authorized to make transfers among the accounts.
- ◆ Bank reconciliations performed by the other departments throughout the Town were not monitored by the Comptroller's Department. The Comptroller's Department, which is assigned the accounting and reporting function for the Town should monitor the bank reconciliations for all bank accounts held by the Town.

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 with 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. Additionally, it is recommended that the Comptroller's Department monitor the bank reconciliations of the all the Town's departments.

Managements Corrective Action Plan—The Town plans on implementing reformed bank reconciliation procedures.

## 2. *Cash Receipts*

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

- ◆ Limited segregation of duties exist within the receipt process, the same individual prepares deposit slips and records the cash receipts.
- ◆ The Town could not provide documentation related to an unidentified deposit in the Pepsi Center change fund account, as well as, one receipt selected during our testing of cash receipts.
- ◆ Several receipts were not stamped as to when they were received. Several other receipts were not deposited promptly, including one not deposited for over one month after receiving it.

Criteria—Cash receipt controls should include proper segregation of duties, adequate documentation and timely deposits.

Cause—Lack of segregation of duties, proper backup documentation and timely deposits.

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

Recommendation—We recommend that the Town implements and abides by formalized Town-wide cash receipt procedures. These procedures should require: that an employee separate from the cash receipt function prepare the deposit slips; that appropriate backup documentation for amounts deposited is maintained; and, that as cash/checks received are recorded in the manual/electronic cash receipts book, each entry should be dated or stamped to ensure that receipts are deposited on a timely basis.

Managements Corrective Action Plan—The Town plans on implementing additional procedures to ensure that receipts are deposited promptly and supported by documentation.

## **Finding 2008-2—Accruals**

### 1. *Accounts Receivable*

Condition—While performing our audit, we noted the following issues regarding to accounts receivable:

- ◆ The Town provides certain sewer services to other governments. We found that the 2008 annual sewer bills were not prepared at the time of our audit. The absence of timely bills jeopardizes potential revenue streams.
- ◆ We noted that an accrued revenue, which the Town receives annually, was not recorded at the time of testing. Additionally, an amount that the Town billed to another entity for workers' compensation was not recognized as an accounts receivable.
- ◆ We found that the Town recorded a receivable for a grant during the year ended December 31, 2007. It appears that the status of the grant is unknown and, thus, does not meet the recognition criteria for a receivable.

- ◆ During testing of accounts receivable within the Town’s business-type activity, it was noted that amounts recorded date back to 2006, and may be uncollectible.
- ◆ While performing substantive tests over accounts receivables and accounts payable, we found receivables and payables between funds at year end. These should not be classified as receivables and payables because they are between funds within the Town, and thus, are essentially outstanding transfers or deposits in transit within the Town’s cash accounts.

Criteria—Procedures should be implemented in regards to accounts receivable in order to ensure that assets are properly recorded at year end.

Cause—Lack of procedures at year end to ensure that appropriate amounts are recorded as receivable.

Effect—Increased risk of the misstatement of revenues and assets.

Recommendation—We recommend that the Town ensures that procedures properly account for the completeness of accounts receivable. Additionally, the Town should adopt and abide to a formal written policy for receivables which includes the appropriate review of receipts received after year end within the established time frame threshold. It is recommended that the cash receipts/accounts receivable bookkeeper keeps communication with other departments regarding cash receipts that should be accrued at year-end. Finally, any cash transferred and recorded as receivables/payables are identified before the year-end close and appropriately classified.

Managements Corrective Action Plan—The Town plans on establishing appropriate procedures at year end to ensure that receivables are appropriately recorded before closing the books.

## **2. *Accounts Payable***

Condition—While performing our audit the following issues were noted in regards to accounts payable and encumbrances:

- ◆ We were not provided with formal written procedures regarding the cutoff for accounts payable. Currently, invoices are reviewed above a threshold of \$1,000.
- ◆ During procedures relating to capital projects, we found that the process of approving capital project expenditures is lengthier than an average expenditure.
- ◆ The Town does not have a formal policy to review encumbrances at year end.

Criteria—Procedures should be implemented in regards to accounts payable and encumbrances in order to ensure that liabilities are properly recorded at year end.

Cause—Lack of procedures at year end to ensure that appropriate amounts are recorded as payable.

Effect—Increased risk of the misstatement of expenditures and liabilities.

Recommendation—We recommend that the Town adopt and abide to a formal written policy for payables which includes the appropriate review of invoices within the established time frame threshold. It is recommended that the accounts payable bookkeeper keeps communication with other departments regarding cash disbursements that should be accrued at year-end, namely the Engineering Department, to establish appropriate payables in relation to capital projects. Additionally, encumbrances should be reviewed before year-end close to ensure that the amount recorded on the financial statements is appropriate.

Managements Corrective Action Plan—The Town plans on establishing appropriate procedures at year end to ensure that payables are appropriately recorded before closing the books.

### **Finding 2008-3—Material Adjustments to the Financial Statements**

Condition—During our audit there were several adjusting journal entries to the financial statements proposed.

Criteria— As the majority of entries have been proposed in prior years, the Town should be making the entries prior to the audit.

Cause— Indication the existence of a poor financial reporting structure.

Effect— Material adjustments to the financial statements.

Recommendation—We recommend that the Town improves its internal control over financial reporting to limit the amount of year-end adjusting journal entries required.

Managements Corrective Action Plan— The Town plans on improving its internal control.

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

**Finding 2008-4—Policies and Procedures**

Condition—While performing our audit within the Town we found several accounting policies and procedures that are not formalized or updated. We believe that the combination of these items comprises a material weakness in the Town’s internal control:

***Internal Control Assessment***—During our audit, we noted that the Town does not have a policy to review and update its internal control within its business cycles. An evaluation process that includes a checklist, questionnaire or other tool, can be helpful in identifying areas of concern within the Town. Internal control is imperative to mitigate the risks associated with business functions. The Town needs to recognize the importance of an internal control review strategy.

***Documentation of Accounting Policies and Procedures***—While the Town has begun the process of documenting its accounting policies and procedures, continuous improvement of this documentation is necessary.

Communication and formal documentation of financial procedures and related controls is an essential component of a comprehensive framework of internal financial controls. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency.

Certain processes have not been documented and other documentation has not been updated during the current year. We suggest that the Town compile these various processes into one master document that can be reviewed and updated on an annual basis (or as processes and internal controls are changed).

The documentation of accounting policies and procedures should be readily available to all employees who need it. It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records.

***Accounting for Disasters***—While reviewing Federal Emergency Management Agency grant money, we noted that the Town was inconsistent in its methods of accounting for the expenses. The Town should improve and should formalize its policies and procedures surrounding accounting for disaster.

Criteria— The Town should formalize policies and procedures as to reduce the risk of asset misappropriation and fraudulent financial reporting, and to ensure that proper procedures are consistently followed.

Cause—Lack of the creation and/or approval of various formalized policies.

Effect—The absence of adequate policies and procedures increases the potential for the lack of accountability and consistency and creates the risk that potential weaknesses in internal control may not be addressed.

Recommendation— It is recommended that the Town formalize and abide by each of these, and all other applicable, policies and procedures.

Managements Corrective Action Plan— The Town plans on formalizing policies and procedures as outlined above.

## **Finding 2008-5—Capital Assets**

Condition—While performing substantive procedures the following issues were noted in regards to capital assets:

***Capital Assets Disposals***—We were not provided with formal capital asset disposal policies and procedures at the Town. Disposals should ordinarily be approved by management and particularly large or sensitive transactions may require multiple levels of approval. It was noted that many of the current year disposals were assets that had been disposed of in prior years, which had not been properly removed from the Town’s asset listing.

***Capital Asset Inventory***—Although capital asset additions and deletions are maintained within the Comptroller’s Department, the Town has not had a physical capital asset inventory in a number of years. Without a current capital asset inventory, the Town is at risk of a misstatement of its capital assets. Additionally, the absence of a regular capital asset inventory heightens the risk of a misappropriation of assets.

***Infrastructure***—Although capital asset additions and deletions are maintained within the Comptroller’s Department, the Town does not have an employee designated to maintain records of infrastructure additions, deletions and depreciation.

Criteria— The Town should formalize policies and procedures as to reduce the risk of asset misappropriation and to ensure that proper procedures are consistently followed. Additionally, the Town should maintain adequate records of infrastructure inventory.

Cause—Lack of formal policies and procedures regarding the disposal of capital assets and infrastructure records and current capital asset inventory.

Effect—Increased risk of misappropriation of assets or the misstatement of capital assets.

Recommendation—We recommend that the Town conduct an inventory of its capital assets. Additionally, further controls should be implemented regarding the disposal of capital assets. Disposal approval may be based on presentation of appropriate supporting documentation. Transaction approvals are likely to be documented manually (i.e., by signing a voucher). Frequently, parameters are set outside of which additional authorization is required to approve and process the disposal. For instance, transactions under a specified monetary amount may be accepted and processed while transactions over that amount will be held for management approval. Such parameters may be defined in terms of a variety of criteria, including, but not limited to, monetary amounts, accounts affected, transaction timing, and external parties to the transaction. Lastly, the Town should designate an individual to maintain infrastructure records of additions, deletions and depreciation.

Managements Corrective Action Plan—The Town plans on implementing additional capital asset procedures.