

Town OF Roseboom NY

**Notes To The Financial Statements
For the Fiscal Year Ended December 31, 2012**

I. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The Town of Roseboom_(which was established in November 1854), is governed by Town law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations, the Town Supervisor serves as chief executive officer and as chief fiscal officer.

The following basic services are provided:

NYS Building code enforcement, Town Justice, Dog licensing, Highway maintenance for Town, County, and State Highways within the boundaries of the town.

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

The financial reporting entity consists of the primary government which is the Town of Roseboom.

B. Fund Accounting

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

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

Fund Categories

- a. **Governmental Funds** – Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon the determination of financial position and changes in financial position (the sources, uses, and balances of current financial resources). The following are the Town governmental fund types.

General Fund – the principal operating fund and includes all operations not accounted for and reported in another fund.

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The following Special Revenue Funds are utilized: none.

Highway Fund – used to account for and report highway revenues and maintenance expenditures. Includes highway payroll and worker benefits.

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of capital facilities and other capital assets other than those financed by proprietary funds.

- b. **Fiduciary Funds** – used to account for assets held by the local government in a trustee or custodial capacity:

Trust and Agency Fund - used to account for money received and held in the capacity of trustee, custodian or agent for individuals, private organizations, other governments, and/or funds.

C. Basis of Accounting/Measurement Focus

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

Modified Accrual Basis – All Governmental Funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if collected within 5 days of the end of the current fiscal year.

NOTE: The revenue recognition period must be 60 days for real property taxes.

Material revenues that are accrued include real property taxes, State and Federal Aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made, all other grant requirements have been met, and the resources are available.

Expenditures are recorded when a liability is incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b. Principal and interest on indebtedness are recognized as expenditures when payment is due.
- c. Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as expenditures when payment is due.

Accrual Basis – Proprietary funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Capital assets and long-term liabilities related to these activities are recorded within the funds.

D. Changes in Accounting Policies

During the 2012 fiscal year, the Town of Roseboom adopted no changes in accounting policies.

E. Fund Balances

In fiscal 2011, the Town implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Town Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.

Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. The Town Board , by resolution has authorized the Town Supervisor to assign fund balance.

Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the Town spends funds in the following order: restricted, committed, assigned, unassigned.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes, is employed in the Governmental funds. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

The Town had no Significant encumbrances assigned for the 2012 year.

G. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets, are reported in the Schedule of Non-Current Governmental Assets. The Town defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures in governmental funds. Capital assets are not shown on governmental fund balance sheets.

H. Investments

Investments are reported at fair value, except certificates of deposit, which are reported at cost.

I. Inventory and Prepaid Items

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Payments to vendors for costs, such as rent and insurance, that apply to future accounting periods are recorded as prepaid assets in the fund financial statements.

J. Insurance

The Town assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

K. Compensated Absences

Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 20 days a year, but may accumulate no more than a maximum of 30 days. Upon separation from service, employees are paid up to 20 days.

Employees accrue sick leave at the rate of 12 days per year and may accumulate such credits up to a total of 24 days.

II. Stewardship, Compliance, Accountability

A. Budget Policies – The budget policies are as follows:

- a. No later than October 5th, the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following year. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than December 10th, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the governing board.
- d. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.
- e. Budgets are adopted annually on a basis consistent with generally accepted accounting principles.
- f. Appropriations in all budgeted funds lapse at the end of the fiscal year, except that outstanding encumbrances are re-apportioned in the subsequent year.

B. Property Taxes

Real property taxes are levied annually no later than January 1st and become a lien on June 1st. Taxes are collected during the period January 1st to April 30th.

Unpaid town taxes are turned over to the county for enforcement. Any such taxes remaining unpaid at year-end are relieved as county taxes in the subsequent year.

In June of 2011 New York State passed Chapter 97 of the Laws of 2011 (Tax Cap Law). This law applies to all local governments in New York State. The Tax Cap Law restricts the amount of real property taxes that may be levied by the Town in a particular year, beginning with the 2012-2013 fiscal year. The growth in annual levy is limited to the lesser of two percent or annual change in the national unadjusted Consumer Price Index for All Urban Consumers – All

Items (CPI-U), subject to certain limited exceptions and adjustments.

C. Material Violations of Finance-Related Provisions

None for 2012.

D. Deficit Fund Balances

The town had no deficit Fund Balances for the year 2012.

E. Overdrawn Appropriations

The town had no overdrawn appropriations for the year 2012.

III. Detail Notes on All Funds

A. Assets

1. Cash And Investments

The Town 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 Town 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.

Collateral is required for demand deposits and certificates of deposit as provided for by law of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

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. Underlying securities must have a market value of at least a percentage provided for by law of the cost of the repurchase agreement.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

The Town had no deposits or investments for the year 2012.

2. Property Taxes

The total real property tax assets for 2012 were of \$217,797.00 with no offset

for uncollectible taxes.

3. Changes In Capital Assets

A summary of changes in capital fixed assets follows:

<u>Type</u>	<u>Balance Date, Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Date, Year</u>
Land	no changes 2012			
Buildings	no changes 2012			
Improvements Other Than Buildings	no changes 2012			
Machinery and Equipment	\$472.5K,2012	+\$32.5K	-\$5K	\$505K,2013
Construction Work In Progress	no changes 2012			

B. Liabilities

1. Pension Plans

Plan Description

The Town of Roseboom participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	<u>ERS</u>	<u>PFRS</u>
2012	\$ _____	\$2547.02
2011	_____	\$2802.32
2010	_____	\$2845.13

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.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 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 amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to

pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

2. Short-Term Debt

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects funds and the enterprise fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter.

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

Summary of BANs

<u>Description</u>	<u>Interest Amount</u>	<u>Rate</u>
Emergency Road Repairs	\$200,000	2.35%
Total	<u>\$200,000</u>	

NOTE-This BAN was paid off in 2012.

3. Long-Term Debt

The Town of Roseboom currently has no long term Debt.

C. Fund Equity

1. Reserves

The operating fund equity includes reserve funds established pursuant to State Law for the following purposes:

<u>Fund</u>	<u>Purpose</u>	<u>Balance End of Year</u>
Tax Reserve Fund	Hold Excess 2012 Tax Levy	\$4252.49

D. Deferred Compensation Plan

The Governmental Accounting Standards Board issued Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments.

As a result, Statement No. 32 became effective for the New York State Deferred Compensation Plan as of October 1, 1997. Since the plan no longer meets the criteria for inclusion in New York State's financial statements, municipalities which participate in New York State's Deferred Compensation Plan are no longer required to report the value of the plan assets.

The Town of Roseboom had no deferred compensation plan in effect for 2012.

E. Lease Commitments and Leased Assets

The Town of Roseboom normally does not lease equipment or facilities. In 2012 the Town leased a road grader for one month in preparation for hurricane Sandy. Cost of the lease was less than \$6000.00.

F. Self Insurance

The County established its own self-insurance plan workers' compensation under Local Law 001 of 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality or public entity for participation. There were 34 participants for the fiscal year ended 12/31/12. The County is responsible for administration of the plan and its reserves.

All funds of the County participate in the program and make payments to the self-insurance fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. A balance in the amount of \$500,000 was reserved in 1993.

Accounting principles generally accepted in the United States of America as adopted by the New York State Comptroller's Office require that the loss from the incurrence of a contingent liability be accrued by a charge to income. The County's estimated unpaid claims liability as of fiscal year end can be obtained from the Otsego County Workers Compensation office at 607-547-4200.

IV. Joint Ventures

No joint ventures were undertaken by the Town in 2012.

V. Contingencies

The local government has received FEMA grants for emergency road repairs in

excess of \$160 Thousand, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowance and a request for a return of funds to the Federal and State governments. Based on past audits, the local government administration believes disallowances, if any, will be immaterial.

VI. Subsequent Events

None

- End of Notes -