

**AUDITED
BASIC FINANCIAL STATEMENTS**

TOWN OF CHILI, NEW YORK

DECEMBER 31, 2013

TOWN OF CHILI, NEW YORK

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SECTION A
FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the Town Board
Town of Chili, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chili, New York (the Town), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2013 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, budgetary comparison schedules and schedule of funding progress for retiree health plan on pages 1-16, A29-A30 and A31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplemental schedules, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Freed Maxick CPAs, P.C.

Batavia, New York
April 8, 2014

**Management's Discussion and Analysis
Town of Chili, New York
Fiscal Year ended December 31, 2013**

This section of Town of Chili, New York's (the Town) annual financial report presents its discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2013. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

- The assets of the Town's primary government exceeded its liability by \$38,395,671 at December 31, 2013, of which \$29,198,421 is invested in the Town's capital assets, including infrastructure. The Town's net assets reflects an increase of \$483,287 over 2012.
- Dedication of the of the new \$8.7 million DPW/Highway Garage Facility on Beaver Rd. took place in early 2013. The project was financed in part by a \$6 million award from the 2008-2009 New York State Capital Assistance Program. In 2011, the Town passed a referendum to bond the additional \$2.7 million needed for the project. These funds have been borrowed in the form of a Bond Anticipation Note (BAN) and the Town has been taking aggressive steps to pay off this debt within 5 years, while at the same time having no tax increase to the Town in order to accomplish this.
- The Town issued a \$1.5 million Bond Anticipation Note December 20, 2013 at 1.00% for the purpose of partially funding the construction of the DPW/Highway Garage Facility. This was a reduction of \$600,000 of debt from 2012.
- The Town's long-term debt decreased by \$355,000 during 2013, There was no new long-term debt added during the year and 92% of the remaining debt is scheduled to be paid off by the end of 2018.
- The Town's governmental funds reported an increase in fund balances for the year of \$336,008. This is representative of stable budgeting practices and controlled spending.
- The Town's tax rate for 2013 remained unchanged for the third straight year in spite of only a 0.37% growth in the tax base.
- State mandated pension costs increased by \$52,045, 8.9% over 2012. Medical benefits increased \$42,717, 6.3% over 2012. All other employee benefits decreased \$91,619, 10.48% over 2012, primarily due to the reflection of the first non-deficit status in our Workers' Compensation calculation since 2007.

- The Widener Park Trail Project was completed which was supported by \$124,000 in grant funds from Monroe County and the Greenspace Initiative Project.
- The ADA Trail at Union Station Park project was completed which was supported by \$50,000 in grant funds from Monroe County and a Community Development Block Grant (CDBG).
- The Town purchased a new radio system for the Town's fleet which was supported by two separate Byrne Justice Assistance Grants (JAG) from the New York State Division of Criminal Justice Services (DCJS) in the total amount of \$102,000.
- An updated Parks and Recreation Master Plan was developed by the Town and paid for using funds from the Parks and Recreation Reserve.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as public safety and transportation were financed in the short term as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the Town's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of Town of Chili, New York's Annual Financial Report

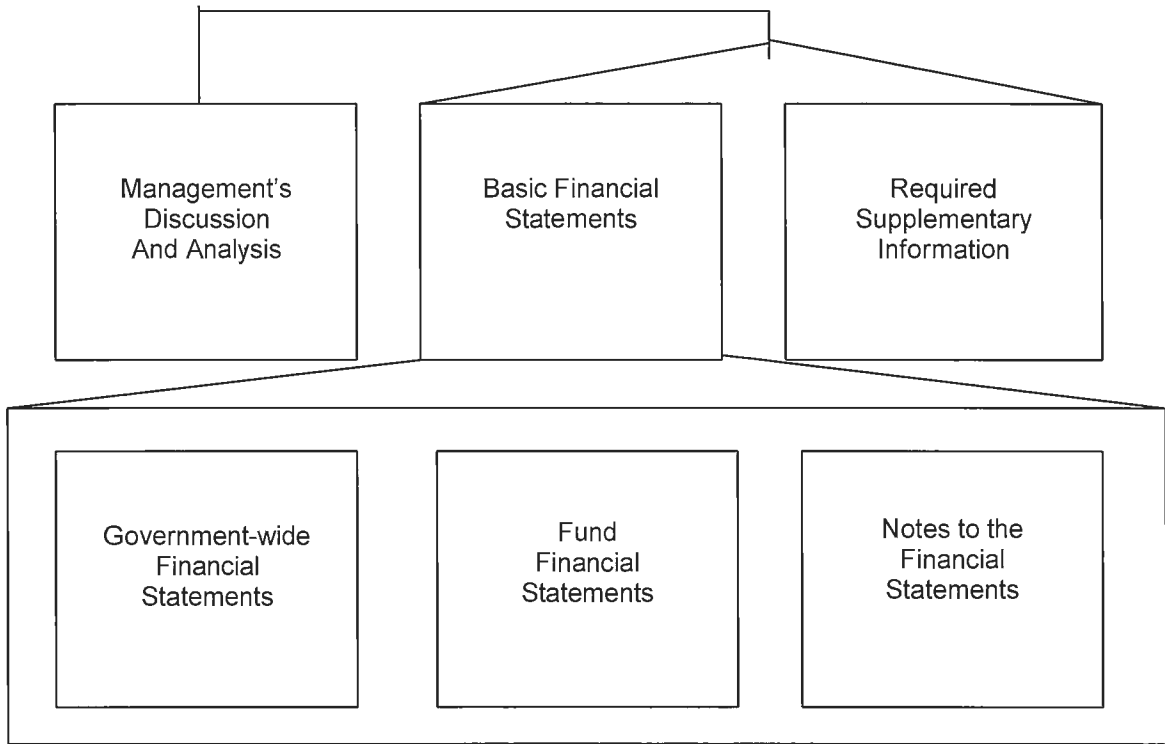


Figure A-2 summarizes the major features of the Town's financial statements, including the portion of the Town's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
		Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire government (except Fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as public safety and transportation	Instances in which the Town administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position - Fiduciary Funds • Statement of Changes Net Position – Fiduciary Funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out-flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements. The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt).

These two statements report the Town's net position and changes in them. You can think of the Town's net position, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the Town's financial health, or financial condition. Over time, increases or decreases in the Town's net position are one indicator of whether its financial condition is improving or deteriorating. The Town's financial health refers to the Town's ability to (1) maintain existing service levels, (2) withstand local and regional economic disruptions, and (3) meet the demands of natural growth, decline, and change.

In the Statement of Net Position and Statement of Activities, the Town is represented by seven Governmental Activities 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). All of the Town's services are reported here, including the public safety, public works, home and community services, parks, culture and recreation, debt and general administration.

State aid, sales tax, property tax and federal and state grants finance most of these activities. The Town maintains no business-type activities at this time.

Reporting the Town as a Whole: The analysis of the Town as a whole begins on page A1. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the method of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Reporting the Town's Most Significant Funds: The analysis of the Town's major funds begins on page A3. The fund financial statements, which begin on page A3, provide more detailed information about the Town's funds, focusing on its most significant or "major" funds - not the Town as a whole. Some funds are required to be established by State law. However, the Town Board establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

Governmental Funds: Fund financial statements 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, fund financial 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. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. Because the focus of the fund statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for funds financial statements 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 fund basis balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison of the fund and government-wide financial statement.

Fiduciary Fund: 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 of Chili's own programs. The Town is trustee and responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position.

Financial Analysis of the Town as a Whole

The Town's assets exceeded its liabilities by \$38,395,671 as of December 31, 2013. A portion of the Town's net assets, 14.6% is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. Another 76.0% of the Town's net assets reflect its investment in capital assets (i.e. land, construction work in progress, buildings, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Town's restricted net assets, approximately 9.4% of the total net assets, are restricted for future capital projects, debt reductions, self-funded liability insurance and workers compensation insurance programs.

The Town's cash and cash equivalents remained relatively flat, showing only a 0.1% increase over 2012.

The Town's long-term liabilities decreased 1.57%. Continued decreases in serial bond debt, combined with no new added debt, have offset continued, substantial increases to the other post-employment benefit liability which amounted to \$285,274 in 2013.

Net capital assets increased 0.3%. This increase is reflective of \$1,954,000 that the Town spent in 2013 on new capital assets.

Overall, Figure A-3 shows a 1.3% increase in total net assets in 2013 over the previous year. The Town was able maintain its stable financial condition while keeping all taxpayer services within budgeted parameters, as economic conditions continue to improve and not experience any shortfall by utilizing sound fiscal management and careful spending.

Figure A-3

Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		% of Change
	2013	2012	
Current and other assets	\$ 12,476	\$ 12,915	-3.40%
Capital assets not being depreciated	12,273	11,553	6.23%
Capital assets, net of accumulated depreciation	<u>20,036</u>	<u>20,673</u>	<u>-3.08%</u>
Total assets	<u>44,785</u>	<u>45,141</u>	<u>-0.79%</u>
Noncurrent liabilities	4,054	4,118	-1.55%
Other liabilities	<u>2,188</u>	<u>3,111</u>	<u>-29.67%</u>
Total liabilities	<u>6,242</u>	<u>7,229</u>	<u>-13.65%</u>
Deferred inflows of resources - Unavailable revenue-contractual	<u>147</u>	<u>-</u>	<u>100.00%</u>
Net investments in capital assets	29,198	28,161	3.68%
Restricted for:			
Capital projects	2,686	2,573	4.39%
Debt service	75	93	-19.35%
Insurance	511	499	2.40%
Workers' compensation	331	222	49.10%
Unrestricted	<u>5,595</u>	<u>6,364</u>	<u>-12.08%</u>
Total net position	<u>\$ 38,396</u>	<u>\$ 37,912</u>	<u>1.28%</u>

The change in the Town's government-wide net assets was a increase of \$484,000 in 2013 (shown in Figure A-4) as compared to increase of \$4,568,000 in 2012. The previous few years reflected significant increases to net assets due to capital grants to fund the construction of the \$8.7 million DPW/Highway garage facility. The project neared completion in 2013 and subsequently the high levels of capital grants that drove those increases in net assets also neared an end.

Figure A-4

**Changes in Net Position
(in thousands of dollars)**

	Governmental Activities		% of Change
	2013	2012	
Program revenues:			
Charges for services	\$ 1,661	\$ 1,409	17.89%
Operating grants and contributions	186	44	322.73%
Capital grants and contributions	172	4,472	-96.15%
General revenues:			
Real property taxes	6,963	7,044	-1.15%
Real property tax items	441	463	-4.75%
Non-property taxes	2,490	2,358	5.60%
Use of money and property	65	68	-4.41%
Grants and contributions not restricted	701	768	-8.72%
Miscellaneous local sources	399	59	576.27%
Gain (loss) on sale of capital assets	44	(76)	157.89%
Special item - donated land	-	242	-100.00%
Total revenues	13,122	16,851	22.13%
Program expenses:			
General government	2,797	2,984	-6.27%
Public safety	2,164	2,129	1.64%
Health	146	143	2.10%
Transportation	5,328	4,903	8.67%
Economic assistance and opportunity	168	154	9.09%
Culture and recreation	1,073	1,075	-0.19%
Home and community service	884	811	9.00%
Interest on debt	78	84	-7.14%
Total expenses	12,638	12,283	2.89%
Change in net position	484	4,568	89.40%
Net position-beginning	37,912	33,344	13.70%
Net position-ending	\$ 38,396	\$ 37,912	1.28%

Governmental Activities Real Property Tax Levy is the primary source of revenues to support taxpayer services as illustrated in Figure A-5.

Charges for services increased over 18% as a result of additional collaboration with other government entities for highway work (up 256% from 2012) as well as increased recreation programs (up 28% over 2012). The Town continuously seeks out opportunities to obtain grants from the County, State and Federal governments which are used to help offset many of the Town's special projects. Significant grant revenues (\$4.3 million) were received in 2012 to help fund the construction of the DPW/Highway facility.

Figure A-5

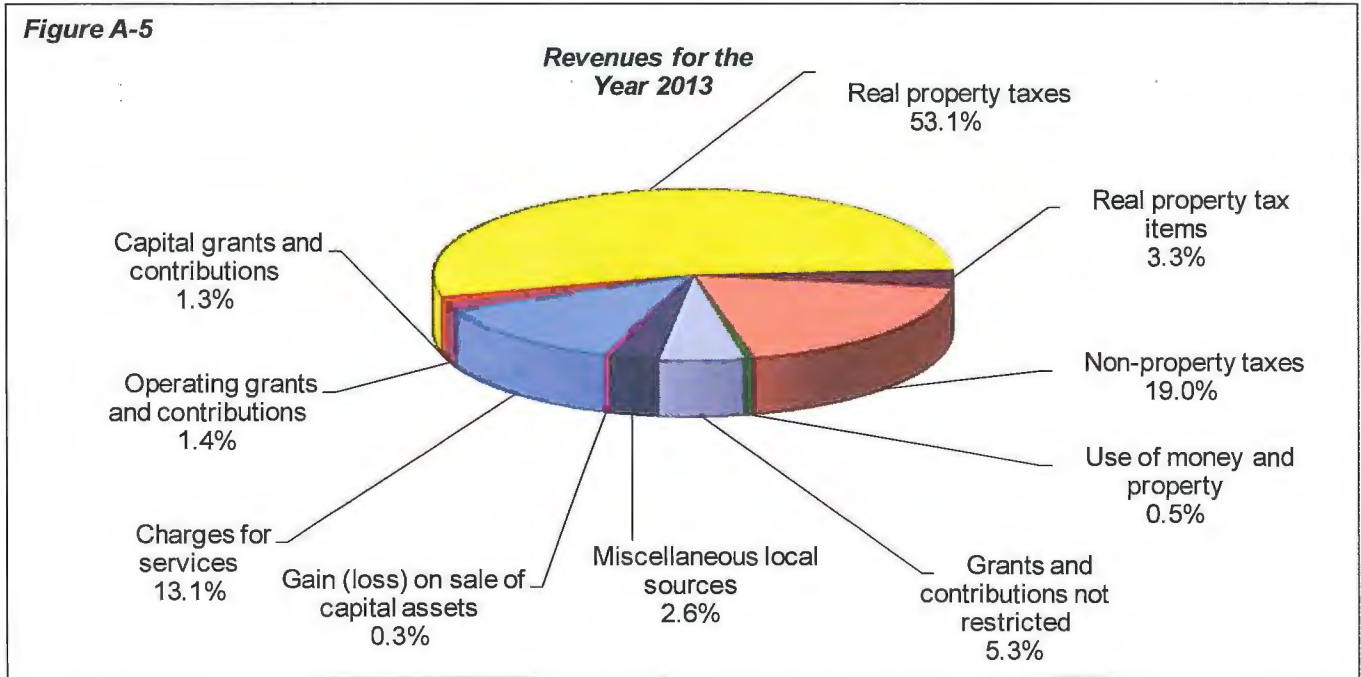
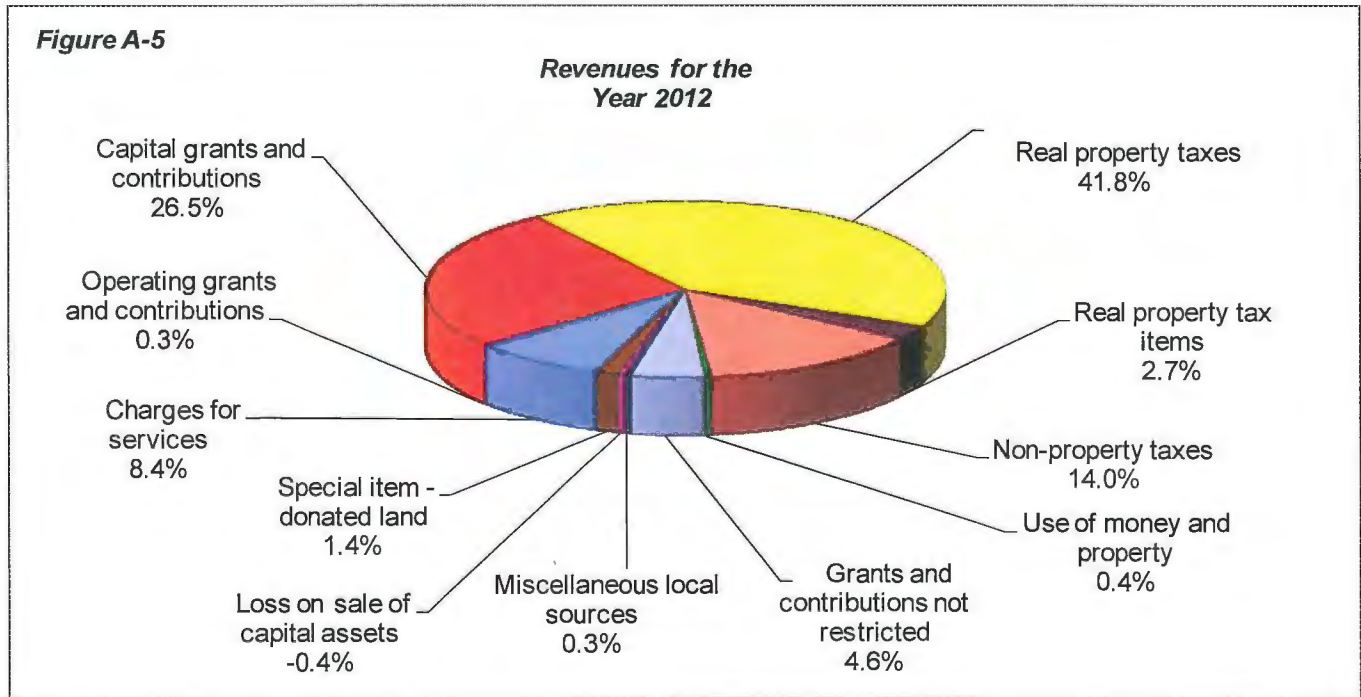


Figure A-5



Transportation (42.2%) and Public Safety (17.1%) remain the primary operational expenses. These categories include the maintenance of roads, snow removal, regular inspections of commercial properties and inspections during new construction. General government expenses (22.1%) include administration wages, utilities, building maintenance, postage and liability insurances.

Figure A-6

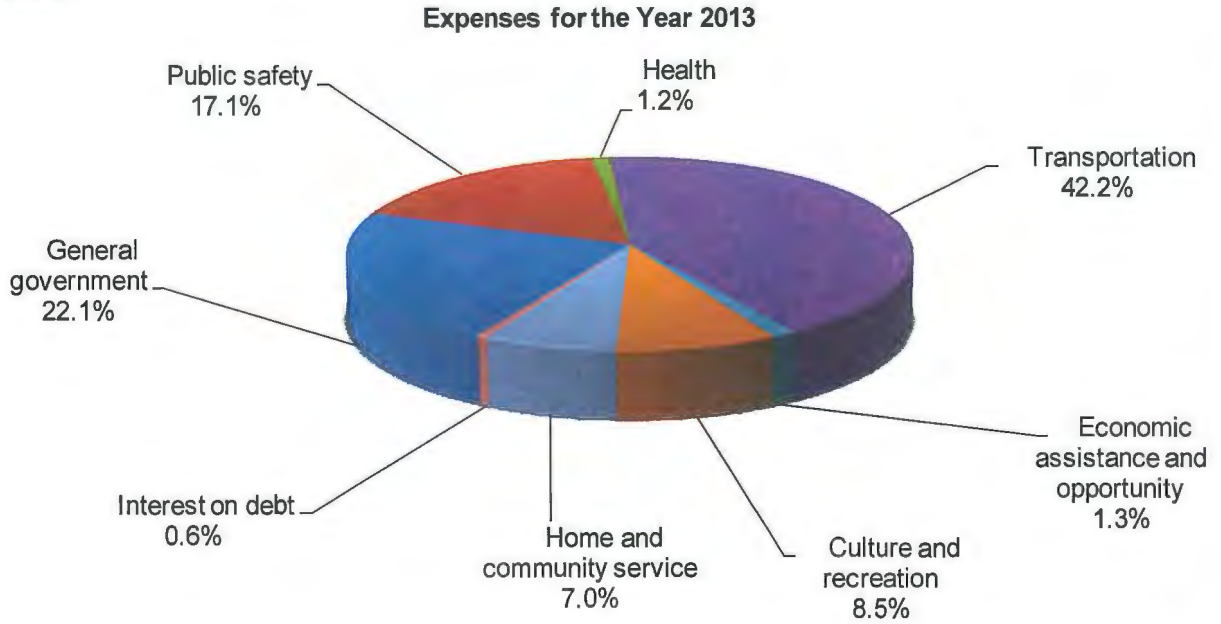
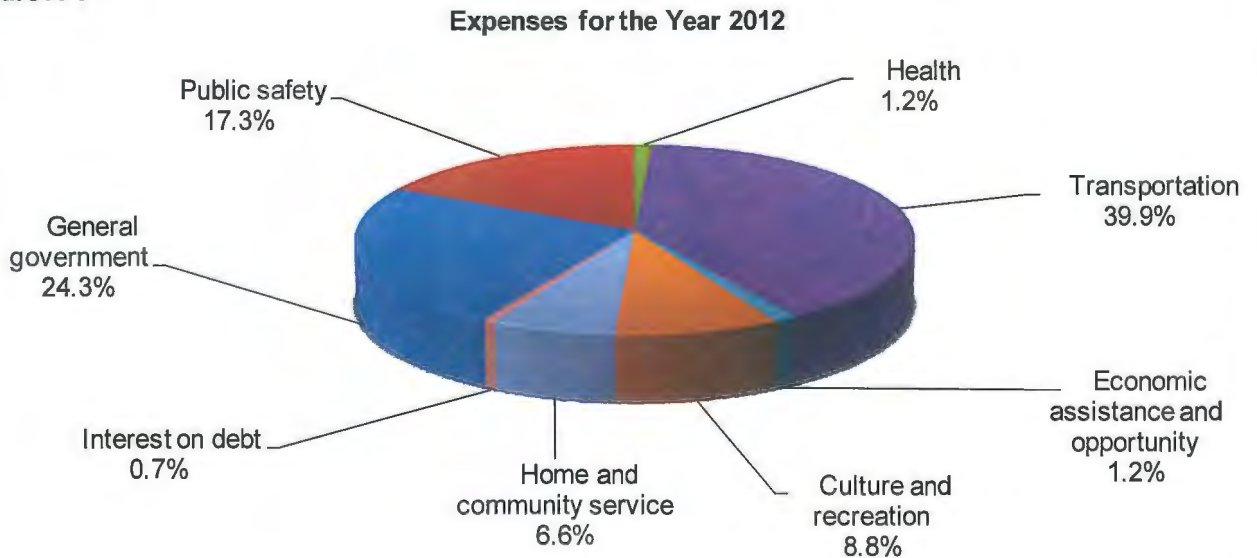


Figure A-6



The following table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the Town's taxpayers by each of these functions.

Net Cost of Services for Transportation in 2012 were significantly lower than in 2013 due to the receipt of capital grants of the DPW/Highway facility in 2012.

Figure A-7

**Net Cost of Governmental Activities
(in thousands of dollars)**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2013	2012	2012-2013	2013	2012	2012-2013
General government	\$ 2,797	\$ 2,984	-6.27%	\$ 2,583	\$ 2,901	-10.96%
Public safety	2,164	2,129	1.64%	1,815	1,752	3.60%
Health	146	143	2.10%	146	143	2.10%
Transportation	5,328	4,903	8.67%	4,371	(175)	2597.71%
Economic assistance and opportunity	168	154	9.09%	92	120	-23.33%
Culture and recreation	1,073	1,075	-0.19%	692	760	-8.95%
Home and community service	884	811	9.00%	841	773	8.80%
Debt service	78	84	-7.14%	78	84	-7.14%
Total	\$ 12,638	\$ 12,283	2.89%	\$ 10,618	\$ 6,358	67.00%

Financial Analysis of The Town's Funds

Overall, the Town continues to maintain healthy fund balances. The percentage of unassigned funds balances to current year expenditures for the General Fund is 60%. As discussed in the Factors Bearing on the Town's Future section of this Management's Discussion and Analysis, a significant portion of this balance was built into previous budgets in anticipation of a pre-funding vehicle for the establishment of an OPEB reserve. The Highway Fund's assigned fund balance, excluding appropriations for next year and current year encumbrances is approximately \$852,000 or 21% to current year expenditures.

The General Fund fund balance increased by \$326,000 by conservative budgeting for volatile revenues such as mortgage tax and the Town's share of the sales tax distribution. During the year, the Town also paid down 22% of the initial Bond Anticipation Note borrowed for the DPW/Highway Garage Facility.

The Highway Fund (Townwide) fund balance increased by \$101,000. There was a significant, unexpected increase in highway work performed by sharing services with other government entities which resulted in revenues of \$205,000 over budget and in a 256% increase over 2012 revenues.

The decrease in fund balance in the Fire Protection Districts was a budgeted decrease to utilize a portion of its assigned balance towards current year expenditures.

Figure A-8

Revenues, Expenditures and Changes in Fund Balances - Major Governmental Funds
(in thousands of dollars)

	2013			
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>	<u>Changes in Fund Balances</u>
General Fund	\$ 6,461	\$ 6,135	\$ 8,934	\$ 326
Highway Townwide Fund	4,102	4,001	1,801	101
Capital Projects Fund	941	945	(978)	(4)
Fire Protection Districts	1,584	1,640	83	(56)
	2012			
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>	<u>Changes in Fund Balances</u>
General Fund	\$ 6,076	\$ 5,894	\$ 8,608	\$ 182
Highway Townwide Fund	3,989	3,899	1,700	90
Capital Projects Fund	4,943	5,839	(974)	(896)

The numbers above include other financing sources and uses.

General Fund Budgetary Highlights

Over the course of the year, the Town Board may make amendments to the original budget. One type of budget amendment occurs shortly after the first of the year to modify the original budget with any approved grant items, as well as, supplemental appropriations which were carried over from the previous year. Another type of budget amendment includes changes the Town Board makes through the year to approve increases in appropriations to prevent budget overruns. Any budget amendment requires the approval of the Town Board.

The Town prepared the 2013 General Fund budget planning to have a fund balance of approximately \$6,915,000 as of December 31, 2013. The General Fund realized an actual fund balance at December 31, 2013 of approximately \$8,934,000 (see Figure A-8). Of this total fund balance, \$5,246,000 has been restricted or assigned for specific purposes. Unexpected increases in fund balance are always used towards funding subsequent years' budgets and the Town feels that its fund balances are reasonable and appropriate.

Contributing to these favorable variances from the budget are the following factors:

The Town's General Fund 2013 adopted budget for non-property tax revenue was \$1,280,000 but actually recognized revenues of \$2,489,467. The Town's portion of sales tax is included in this revenue category and actual sales tax collected exceeded the 2013 modified budget by approximately \$1,156,000. The Town takes a conservative approach when budgeting sales tax revenue due to its volatility and unpredictability.

Increased programming and a new after school program contributed to Park & Recreation fees being approximately \$66,000 over modified budget.

The Town's General Fund 2013 adopted budget for State aid was \$470,000 and modified budget was \$712,765, but actually recognized revenues of approximately \$820,000. State aid includes receipt of mortgage tax revenue. In 2013, the Town received mortgage tax revenue of approximately \$217,000 over modified budget. Similar to sales tax revenue, this revenue stream can be volatile and unpredictable, and therefore the Town takes a conservative approach when budgeting it.

The Town's actual General Fund expenditures (excluding other financing sources or uses) were \$816,000 below modified budget amounts. Of this difference, \$214,000 was due to grants and projects that were not completed as of the end of 2013 but are expected to be incurred in 2014. A continued focus on cost savings and responsible spending also contributed to the reduction in expenditures compared to budget. The Town expended approximately \$400,000 less than the modified budget in the General Government accounts; \$21,000 less in the area of Public Safety; \$32,000 less in the area of Transportation; \$90,000 less in the area of Culture and Recreation and \$127,000 less in the area of Home and Community Services. Employee benefits were \$138,000 under budget due in part to a slight favorable trend in the State retirement contribution rates as well as savings from budgeted social security and medical benefits. The Town has assigned an amount of \$1,900,000 to balance the 2014 budget.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of December 31, 2013, amounts to approximately \$29,198,000 (net of related debt). This investment in capital assets includes land, construction work in progress, historical collections, buildings, improvements, machinery and equipment and infrastructure.

Figure A-9

**Capital Assets Net of Depreciation
(in thousands of dollars)**

	Governmental Activities	
	2013	2012
Land	\$ 3,988	\$ 3,988
Construction work in progress	8,269	7,550
Historical collections	15	15
Buildings	3,220	3,358
Improvements	268	285
Machinery and equipment	2,594	2,344
Infrastructure	13,954	14,686
Total	<u>\$ 32,308</u>	<u>\$ 32,226</u>

Long-term obligations.

At the end of the current year, the Town had total bonded debt outstanding of \$1,610,000. This entire amount is backed by the full faith and credit of the Town of Chili. The Town implemented GASB 45 Other Post Employment Benefits (OPEB) in 2008. The Town's liability increased to \$2,303,794 in 2013. Following is a statement of outstanding long-term obligations:

Figure A-10

Outstanding Long-Term Obligations
(in thousands of dollars)

	Governmental Activities	
	2013	2012
General obligation bonds	\$ 1,610	\$ 1,965
Compensated absences	140	135
Post employment benefits	2,304	2,018
Workers' compensation	-	-
Total	<u>\$ 4,054</u>	<u>\$ 4,118</u>

Factors Bearing on the Town's Future

- The Town recognizes there is no pre-funding vehicle for Other Post Employment Benefit (OPEB) purposes at this time. The Town included in the 2008, 2009 and 2011 budgets funds in anticipation of a pre-funding vehicle. It is hoped the NYS Legislature will enact legislation soon that would allow the establishment of an OPEB reserve. At that time the Town plans to significantly fund this reserve.
- Existing bond debt service of \$1.6 million will continue to be paid off through 2023. There is an outstanding balance of \$1.5 million in Bond Anticipation Notes obtained for the construction of the DPW/Highway Garage facility that is expected to be paid off by 2016.
- The Town and the Union operate under a contract that was ratified May 2012. This contract is valid from January 1, 2012 to December 31, 2016.
- The 2014 budget was the third to be adopted under the NYS Property Tax Cap guidelines. The Town once again was below the allowable levy limit. A portion of this unused limit will be carried over to the 2015 budget process.
- The tax rate for 2014 remained flat for the fourth year in a row at \$3.84 while reflecting tax assessment base growth of 2.28%.
- The continuously rising cost of employee benefits is an internal challenge for the Town to cover while maintaining stable tax rates.

Contacting the Town's Financial Management

This financial report is designed to provide the Town's citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Dunning, Town Supervisor, Town of Chili, New York.

TOWN OF CHILI, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 11,752,056
Accounts receivable	54,749
State and federal receivables	48,940
Due from other governments	616,392
Prepays	4,044
Capital assets not being depreciated	12,272,305
Capital assets, net of accumulated depreciation	<u>20,036,115</u>
 Total assets	 <u>44,784,601</u>
LIABILITIES:	
Accounts payable	445,609
Accrued liabilities	197,931
Bond anticipation notes payable	1,500,000
Unearned revenues	44,898
Noncurrent liabilities:	
Due within one year	358,978
Due in more than one year	<u>3,694,570</u>
 Total liabilities	 <u>6,241,986</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable revenue - contractual	<u>146,944</u>
 Total deferred inflows of resources	 <u>146,944</u>
NET POSITION:	
Net investment in capital assets	29,198,420
Restricted for:	
Capital projects	2,686,092
Debt service	74,495
Insurance	511,361
Workers' compensation	330,632
Unrestricted	<u>5,594,671</u>
 Total net position	 <u>\$ 38,395,671</u>

See notes to basic financial statements.

TOWN OF CHILI, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,797,621	\$ 95,185	\$ 119,130	\$ -	\$ (2,583,306)
Public safety	2,163,684	348,178	-	-	(1,815,506)
Health	146,239	-	-	-	(146,239)
Transportation	5,327,766	760,888	23,905	172,378	(4,370,595)
Economic assistance and opportunity	167,940	76,095	-	-	(91,845)
Culture and recreation	1,072,665	337,486	43,120	-	(692,059)
Home and community services	884,113	43,431	-	-	(840,682)
Interest on debt	77,946	-	-	-	(77,946)
	<u>\$ 12,637,974</u>	<u>\$ 1,661,263</u>	<u>\$ 186,155</u>	<u>\$ 172,378</u>	<u>(10,618,178)</u>
General revenues:					
Real property taxes					6,962,711
Real property tax items					441,418
Non-property taxes					2,489,467
Use of money and property					64,461
Grants and contributions not restricted for a specific purpose					700,809
Miscellaneous local sources					397,869
Gain on sale of capital assets					44,730
Total general revenues and gain on sale of capital assets					<u>11,101,465</u>
Change in net position					483,287
Net position - beginning					<u>37,912,384</u>
Net position - ending					<u>\$ 38,395,671</u>

See notes to basic financial statements.

TOWN OF CHILI, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Highway Townwide	Capital Projects	Fire Protection Districts	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 8,643,130	\$ 2,099,350	\$ 536,343	\$ 83,121	\$ 390,112	\$ 11,752,056
Accounts receivable	54,749	-	-	-	-	54,749
Due from other funds	-	56,348	-	-	-	56,348
State and federal receivables	48,940	-	-	-	-	48,940
Due from other governments	543,936	72,456	-	-	-	616,392
Prepays	4,044	-	-	-	-	4,044
Total assets	<u>\$ 9,294,799</u>	<u>\$ 2,228,154</u>	<u>\$ 536,343</u>	<u>\$ 83,121</u>	<u>\$ 390,112</u>	<u>\$ 12,532,529</u>
LIABILITIES AND FUND BALANCES:						
Accounts payable	\$ 198,038	\$ 199,224	\$ 14,067	\$ -	\$ 34,280	\$ 445,609
Accrued liabilities	112,551	81,448	-	-	3,932	197,931
Due to other funds	5,275	-	-	-	51,073	56,348
Unearned revenues	44,898	-	-	-	-	44,898
Bond anticipation notes payable	-	-	1,500,000	-	-	1,500,000
Total liabilities	<u>360,762</u>	<u>280,672</u>	<u>1,514,067</u>	<u>-</u>	<u>89,285</u>	<u>2,244,786</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - contractual	-	146,944	-	-	-	146,944
Total deferred inflows of resources	<u>-</u>	<u>146,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,944</u>
FUND BALANCES (DEFICIT):						
Nonspendable	4,044	-	-	-	-	4,044
Restricted	3,329,922	198,163	-	-	74,495	3,602,580
Assigned	1,912,500	1,602,375	-	83,121	226,332	3,824,328
Unassigned (deficit)	3,687,571	-	(977,724)	-	-	2,709,847
Total fund balances (deficit)	<u>8,934,037</u>	<u>1,800,538</u>	<u>(977,724)</u>	<u>83,121</u>	<u>300,827</u>	<u>10,140,799</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,294,799</u>	<u>\$ 2,228,154</u>	<u>\$ 536,343</u>	<u>\$ 83,121</u>	<u>\$ 390,112</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	32,308,420
Long-term liabilities, including serial bonds payable, compensated absences, and post employment liability are not due and payable in the current period and therefore are not reported in the funds	<u>(4,053,548)</u>

Net position \$ 38,395,671

See notes to basic financial statements.

TOWN OF CHILI, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>General</u>	<u>Highway Townwide</u>	<u>Capital Projects</u>	<u>Fire Protection Districts</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Real property taxes	\$ 1,582,391	\$ 3,119,667	\$ -	\$ 1,583,535	\$ 677,118	\$ 6,962,711
Real property tax items	441,418	-	-	-	-	441,418
Non-property taxes	2,489,467	-	-	-	-	2,489,467
Departmental income	513,731	-	-	-	-	513,731
Intergovernmental charges	81,576	750,128	-	-	-	831,704
Use of money and property	56,700	4,880	1,250	546	1,085	64,461
Licenses and permits	192,786	-	-	-	-	192,786
Fines and forfeitures	148,363	-	-	-	-	148,363
Sale of property and compensation for loss	90,603	32,810	-	-	-	123,413
Miscellaneous local sources	1,429	1,601	331,508	-	-	334,538
State sources	819,939	172,378	-	-	-	992,317
Federal sources	23,905	-	-	-	-	23,905
	<u>6,442,308</u>	<u>4,081,464</u>	<u>332,758</u>	<u>1,584,081</u>	<u>678,203</u>	<u>13,118,814</u>
Total revenues						
EXPENDITURES:						
General government	2,135,427	-	739,276	-	-	2,874,703
Public safety	361,818	-	-	1,419,016	-	1,780,834
Health	583	-	-	-	145,656	146,239
Transportation	333,126	3,103,777	199,471	-	154,708	3,791,082
Economic assistance and opportunity	130,100	-	-	-	-	130,100
Culture and recreation	854,417	-	1,934	-	1,076	857,427
Home and community services	454,962	-	-	-	175,513	630,475
Employee benefits	976,710	884,800	-	221,115	58,822	2,141,447
Debt service:				-		
Principal	813,300	-	-	-	141,700	955,000
Interest	51,994	-	-	-	25,952	77,946
	<u>6,112,437</u>	<u>3,988,577</u>	<u>940,681</u>	<u>1,640,131</u>	<u>703,427</u>	<u>13,385,253</u>
Total expenditures						

See notes to basic financial statements.

TOWN OF CHILI, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>General</u>	<u>Highway Townwide</u>	<u>Capital Projects</u>	<u>Fire Protection Districts</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	329,871	92,887	(607,923)	(56,050)	(25,224)	(266,439)
OTHER FINANCING SOURCES (USES):						
BANS redeemed from appropriation	-	-	600,000	-	-	600,000
Premiums on obligations	2,447	-	-	-	-	2,447
Interfund transfers in	16,654	20,210	8,075	-	2,892	47,831
Interfund transfers out	(23,075)	(12,481)	(4,173)	-	(8,102)	(47,831)
Total other financing sources (uses)	<u>(3,974)</u>	<u>7,729</u>	<u>603,902</u>	<u>-</u>	<u>(5,210)</u>	<u>602,447</u>
Net change in fund balances	325,897	100,616	(4,021)	(56,050)	(30,434)	336,008
Fund balances (deficit) - beginning	<u>8,608,140</u>	<u>1,699,922</u>	<u>(973,703)</u>	<u>139,171</u>	<u>331,261</u>	<u>9,804,791</u>
Fund balances (deficit) - ending	<u>\$ 8,934,037</u>	<u>\$ 1,800,538</u>	<u>\$ (977,724)</u>	<u>\$ 83,121</u>	<u>\$ 300,827</u>	<u>\$ 10,140,799</u>

See notes to basic financial statements.

TOWN OF CHILI, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - total governmental funds	\$	336,008
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,076,223) excluding construction work in progress (\$122,413) exceeds depreciation (\$1,871,303) in the current period.		82,507
Increases/decreases in accrued compensated absences reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		(4,954)
In the statement of activities the actual and projected long term expenditures for post employment benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.		(285,274)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal bond repayments made in the current period.		<u>355,000</u>
Change in net position of governmental activities	\$	<u><u>483,287</u></u>

See notes to basic financial statements.

TOWN OF CHILI, NEW YORK
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2013

	Agency	Private Purpose Trust
ASSETS:		
Cash and cash equivalents - restricted	\$ 9,976	\$ 1,094,807
Service award program assets	2,335,036	-
Total assets	\$ 2,345,012	\$ 1,094,807
LIABILITIES:		
Agency liabilities	\$ 9,976	\$ -
Service award program liabilities	2,335,036	-
Total liabilities	2,345,012	-
NET POSITION:		
Restricted trust funds	-	1,094,807
Total liabilities and net position	\$ 2,345,012	\$ 1,094,807

See notes to basic financial statements.

TOWN OF CHILI, NEW YORK
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Private Purpose Trust</u>
ADDITIONS:	
Contributions	\$ 25,861
Gifts and donations	27,843
Use of money and property	<u>5,914</u>
Total additions	59,618
DEDUCTIONS:	
Benefit payments	<u>48,099</u>
Total deductions	<u>48,099</u>
Change in net position	11,519
Net position - beginning	<u>1,083,288</u>
Net position - ending	<u><u>\$ 1,094,807</u></u>

See notes to basic financial statements.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Chili (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Town's accounting policies are described below.

A. REPORTING ENTITY

The Town reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefine and establish the criteria for which potential component units are included in the reporting entity. The Standards also define financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government.

The accompanying basic financial statements include only the operations of the Town, since management has determined that there are no other organizations that meet the criteria for inclusion in the reporting entity of the Town.

B. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE STATEMENTS

The Statement of Net Position and the Statement of Activities present financial information about the reporting government as a whole. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Direct or program revenues include fees, fines and charges paid by the recipients of goods or services offered by the programs. Operating grants include program-specific and discretionary grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as direct revenues, including property taxes, non-property taxes, investment earnings, and general state aid are presented as general revenues.

2. FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category and

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

Major Governmental Funds

- a. General Fund - the principal operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Highway Townwide Fund - established pursuant to Highway Law Section 141 to account for revenues and expenditures for highway purposes.
- c. Capital Projects - used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.
- d. Fire District - used to account for revenues and expenditures for Fire District purposes.

Fiduciary Fund Types

Fiduciary Fund Types include Private Purpose Trust Funds and Agency Funds. The Private Purpose Trust Funds and Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments.

Private Purpose Trust Funds are accounted for on the accrual basis. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis, which approximates the modified accrual basis of accounting.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pension costs, and compensated absences, which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

D. PROPERTY TAXES

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

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax payments are due and collected during the period January 1st to May 31st.

The tax roll is returned to the Monroe County Commissioner of Finance after May 31st at which time all unpaid taxes and penalties are payable to that office. The Town retains their full tax levies for all unpaid items 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 the four 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.

E. BUDGETARY DATA

1. BUDGET POLICIES - The budget policies are as follows:

- a. Prior to September 30th the Town Supervisor files a "tentative" budget with the Town Clerk for the following fiscal year to commence on January 1st. This budget, which includes appropriations and estimated revenues, is then presented to the full Town Board by October 5th.
- b. The full Town Board reviews the tentative budget and may make some revisions before approving a "preliminary" budget and calling for a public hearing which is generally held in October.
- c. Following the public hearing, revisions may again be made by the Town Board before filing an adopted budget with Monroe County by December 20th.
- d. Formal annual budgetary accounts are employed as a management control device for the General Fund and each individual Special Revenue Fund Type.
- e. 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 departmental budgetary control. All budget amendments and budget transfers require Town Board approval.
- f. Annual budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. All unencumbered appropriations lapse at the end of the fiscal year.
- g. Capital Project Fund appropriations are not included in the Town's annual budget. Instead appropriations are approved through a Town Board resolution at the project's inception and lapse upon termination of the project.
- h. Total expenditures for each object classification within a department may not legally exceed the total appropriations for that object classification.

2. ENCUMBRANCES - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. BUDGET BASIS OF ACCOUNTING - Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

F. CASH AND CASH EQUIVALENTS

The Town's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

G. RESTRICTED ASSETS

Trust funds and agency deposits are restricted for use due to the nature of such deposits.

H. ACCOUNTS RECEIVABLE

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the establishment of an allowance for doubtful accounts, however, no allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

I. DUE TO/FROM OTHER FUNDS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds."

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in Note 3., A., 3.

J. CAPITAL ASSETS

Government-wide statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to January 1, 1980, governmental funds' infrastructure assets were not capitalized. The Town has elected to adopt the more liberal provisions of GASB Statement No. 34 which allows retroactive reporting of only major general infrastructure assets acquired, significantly reconstructed or that received significant improvements in fiscal years ending after December 31, 1979. Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2004.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 25,000	N/A	N/A
Buildings	50,000	straight-line	20 - 40 years
Improvements	50,000	straight-line	10 - 20 years
Machinery and equipment	5,000	straight-line	3 - 10 years
Infrastructure	50,000	straight-line	25 - 50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

K. INSURANCE

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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. Settled claims from these risks have not yet exceeded commercial insurance coverage for the past three fiscal years.

L. COMPENSATED ABSENCES

The Town labor agreements provide for sick leave, vacations and miscellaneous other paid absences. Upon retirement certain eligible employees qualify for paid medical premiums and/or payment for value of unused sick leave. These payments are budgeted annually without accrual.

Compensated absences for government fund type employees are reported as a fund liability and expenditure in the government-wide financial statements. The compensated absences liability for the Town at the year-end totaled \$139,784.

Payment of compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the payment of compensated absences when such payments become due.

M. UNEARNED REVENUE

The Town reports unearned revenue on its balance sheet. Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Town before it has legal claim to them. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. As of December 31, 2013, the Town recognized a liability for unearned revenue in the amount of \$44,898.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no deferred outflows of resources as of December 31, 2013.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position and balance sheet - governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category in the amount of \$146,944. This balance is the result of a snow and ice receipt from New York State that has a time restriction and cannot be recognized as revenue until 2014.

O. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides health insurance coverage for current and future retirees and their spouses as described at Note 3., B., 2.

P. LONG-TERM LIABILITIES

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consists of serial bonds payable, compensated absences and post employment benefits liabilities.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal, interest and other long-term benefits are reported as expenditures.

In the fund financial statements, governmental fund types recognized bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Q. INTERFUND TRANSFERS

The operations of the Town give rise to certain transactions between funds, including transfers of expenditures and revenues to provide services and construct assets.

R. REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenues from sources subject to state or local requirements. The primary restricted revenues source are those revenues raised for the special district special revenue funds.

S. LABOR RELATIONS

Some Town employees are represented by collective bargaining units with the balance of employees governed by Town Board rules and regulations.

T. NET POSITION

Government-wide statements:

Equity is classified as net assets and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- a. Restricted - Consists of net position with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted - Reports all other net positions that do not meet the definition of the above two classifications and are deemed to be available for general use by the Town.

Fund statements:

In the fund statements there are potentially five classes of fund balances to be reported including nonspendable, restricted, committed, assigned and unassigned. These classes are explained further in Note 3.,C.

U. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

V. NEW ACCOUNTING PRONOUCEMENTS

During the year ended December 31, 2013, the Town completed the process of evaluating the impact that will result from adopting GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and 62*, effective for the year ending December 31, 2013. GASB Statements No. 61, 65, and 66 have been adopted, as applicable, for the year ended December 31, 2013, and did not have a material impact on the Town's financial position or results from operations.

The GASB has issued the following new statements:

- Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, which will be effective for the year ending December 31, 2014; and
- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending December 31, 2015.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which will be effective for the year ending December 31, 2014;
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending December 31, 2014; and
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which will be effective for the year ending December 31, 2014.

The Town is currently reviewing these statements and plans on adoption, as required.

NOTE 2 - REPORTING ON BUDGETARY BASIS

The Town reports its budgetary status with the actual data including outstanding encumbrances as charges against budget appropriations. This results in the following reconciliation of fund balance computed on a GAAP basis and budgetary basis.

GAAP BASIS:

Fund balance - December 31, 2013	\$ 10,140,799
Deduct outstanding encumbrances	<u>12,500</u>
BUDGETARY BASIS - Fund balance - December 31, 2013	<u>\$ 10,128,299</u>

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. DEPOSITS AND INVESTMENTS

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

Collateral is required for demand deposits and certificates of 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 Town's deposits were fully collateralized as of December 31, 2013.

Investment and Deposit Policy

The Town implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Town follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Director of Finance of the Town.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Town's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Town's investment and deposit policy, all deposits of the Town including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Town restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2. RECEIVABLES

Major revenues accrued by the Town at December 31, 2013 include the following:

<u>General Fund:</u>	
Sales tax	\$ 543,628
Miscellaneous receivables	<u>103,997</u>
Total General Fund receivables	<u>\$ 647,625</u>

<u>Highway Townwide Fund:</u>	
County snow and ice	<u>\$ 72,456</u>

3. INTERFUND ACTIVITIES

Interfund activities at December 31, 2013 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ -	\$ 5,275	\$ 16,654	\$ 23,075
Highway Townwide Fund	56,348	-	20,210	12,481
Capital Projects Fund	-	-	8,075	4,173
Drainage Fund	-	51,073	-	-
Debt Service Fund	-	-	-	8,102
Sewer Fund	<u>-</u>	<u>-</u>	<u>2,892</u>	<u>-</u>
Total	<u>\$ 56,348</u>	<u>\$ 56,348</u>	<u>\$ 47,831</u>	<u>\$ 47,831</u>

The amount owed by the General Fund to the Highway Townwide Fund is for fuel usage. The amount owed by the Drainage Fund to the Highway Townwide Fund is for temporary borrowings by the Drainage Fund related to employee benefits.

Transfers among funds are provided for as part of the annual budget process. They account for transfers to fund reserves and transfers to create and close various capital projects.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Balance 01/01/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/13</u>
Capital assets, not being depreciated:				
Land	\$ 3,987,518	\$ -	\$ -	\$ 3,987,518
Construction work in progress	7,549,553	842,172	122,413	8,269,312
Historical artwork/ collections	<u>15,475</u>	<u>-</u>	<u>-</u>	<u>15,475</u>
Total capital assets not being depreciated	<u>\$ 11,552,546</u>	<u>\$ 842,172</u>	<u>\$ 122,413</u>	<u>\$ 12,272,305</u>

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

	Balance <u>01/01/13</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/13</u>
Capital assets, being depreciated:				
Buildings	\$ 5,723,816	\$ -	\$ -	\$ 5,723,816
Improvements	358,462	-	-	358,462
Machinery & equipment	5,598,364	636,047	411,075	5,823,336
Infrastructure	<u>39,737,387</u>	<u>598,004</u>	<u>-</u>	<u>40,335,391</u>
Total capital assets, being depreciated	<u>51,418,029</u>	<u>1,234,051</u>	<u>411,075</u>	<u>52,241,005</u>
Less accumulated depreciation				
Buildings	2,365,827	137,519	-	2,503,346
Improvements	73,718	16,615	-	90,333
Machinery & equipment	3,253,768	386,646	411,075	3,229,339
Infrastructure	<u>25,051,349</u>	<u>1,330,523</u>	<u>-</u>	<u>26,381,872</u>
Total accumulated depreciation	<u>30,744,662</u>	<u>1,871,303</u>	<u>411,075</u>	<u>32,204,890</u>
Total capital assets, being depreciated – net	<u>20,673,367</u>	<u>(637,252)</u>	<u>-</u>	<u>20,036,115</u>
Governmental activities capital assets, net	<u>\$ 32,225,913</u>	<u>\$ 204,920</u>	<u>\$ 122,413</u>	<u>\$ 32,308,420</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 136,786
Public safety	3,405
Transportation	1,612,143
Economic assistance and opportunity	1,878
Culture and recreation	48,259
Home and community	<u>68,832</u>
Total depreciation expense	<u>\$ 1,871,303</u>

B. LIABILITIES

1. PENSION PLAN

PLAN DESCRIPTION

The Town of Chili participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides 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 System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

FUNDING POLICY

The System is noncontributory except for employees who joined the System after July 27, 1976 who contribute 3.0% to 3.5% of their salary. With the exception of ERS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. In addition, employees contribution rates under ERS tier VI vary based on a sliding salary scale. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulated fund.

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>
2013	\$ 750,837
2012	697,687
2011	607,499

The Town's contribution made to the System was equal to 100 percent of the contributions required for each year. The Town chose to prepay the required contributions by December 15, 2013 and received an overall discount of \$6,757.

2. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

a. PLAN DESCRIPTION

The Town Board (the Board), administers the Town of Chili Retiree Medical and Dental Plan (the Plan) as a single-employer defined benefit Other Post Employment Benefit plan (OPEB). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Board subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

b. FUNDING POLICY

The obligations of the plan members, employers and other entities are established by action of the Board pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The Board currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Town.

c. ACCOUNTING POLICY

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

d. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Town has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45 for employers in plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) 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 Town's net OPEB obligation to the Retiree Health Plan at December 31, 2013:

<u>Annual OPEB Cost and Net OPEB Obligation</u>	Fiscal Year Ending <u>12/31/13</u>
Annual Required Contribution (ARC)	\$ 505,057
Interest on OPEB obligation	80,740
Adjustment to ARC	<u>(77,881)</u>
OPEB expense	507,916
Net OPEB contributions made during the fiscal year	<u>(222,642)</u>
Net OPEB obligation for the current fiscal year	285,274
Net OPEB obligation at beginning of year	<u>2,018,490</u>
Net OPEB obligation at end of year	<u>\$ 2,303,764</u>
Percentage of expense contributed	44%

e. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2011, the actuarial accrued liability for benefits was \$8,615,131, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,687,747, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 233.62%. The total post employee health insurance cost to the Town for 20 retirees was \$222,642 for the year ended December 31, 2013.

The projection of future benefit payments for an ongoing plan involves 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, presented as required supplementary information on page A31, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

f. METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

The December 31, 2011 actuarial valuation utilized the entry age normal cost method. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is the expected short-term investment rate of the Town's own assets since currently the plan has no assets at the valuation date in order to establish a plan investment rate, and an annual medical and vision cost trend of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years and an annual dental cost trend of 5 percent. Both rates included a 3 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The amortization period at December 31, 2013 was twenty-five years.

g. ALLOCATION OF POST EMPLOYMENT BENEFITS

The Town's allocation of their OPEB liability to the Town's functions are as follows:

Government activities:	
General government	\$ 82,771
Public safety	24,737
Transportation	106,983
Economic assistance and opportunity	4,108
Culture and recreation	33,103
Home and community service	<u>33,572</u>
Total governmental activities OPEB expense	<u>\$ 285,274</u>

3. SHORT-TERM DEBT

BOND ANTICIPATION NOTES - Notes in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated, through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date. As of December 31, 2013, the Town had bond anticipation notes outstanding of \$1,500,000 in the Capital Projects Fund.

The following contains a summary of bond anticipation notes with corresponding maturity schedule.

	Interest Rate	Date of Maturity	Principal Outstanding 01/01/13	Issued	Paid	Principal Outstanding 12/31/13
Highway Garage Facility	1.00%	12/20/14	<u>\$2,100,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>	<u>\$1,500,000</u>

Interest expenditures on bond anticipation notes totaled \$21,000 at December 31, 2013.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

4. LONG-TERM LIABILITIES

- a. SERIAL BONDS - The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the Town. The provision to be made in the future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the Town recognized \$56,947 of expenditures for long-term debt interest related to serial bonds.

The following is a summary of serial bonds with corresponding maturity schedules:

<u>Fund and Description</u>	<u>Year of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Year of Final Maturity</u>	<u>Balance</u>
<u>General Fund:</u>					
Public Improvements-Refunding	2011	\$1,565,000	2.0-3.3%	2018	\$ 967,000
<u>Debt Service Fund:</u>					
Public Improvements	2004	375,000	4.296%	2023	195,000
<u>Water Fund:</u>					
Public Improvements	2004	315,000	4.296%	2020	140,000
Public Improvements-Refunding	2011	615,000	2.0-3.3%	2018	<u>308,000</u>
GRAND TOTAL					<u>\$1,610,000</u>

- b. OTHER LONG-TERM LIABILITIES - In addition to the above long-term liability, the Town has a non-current liability for the earned but unused portion of compensated absences. The Town also has a liability for post employment benefits as described at Note 3., B., 2.
- c. CHANGES IN LONG-TERM LIABILITIES - The following is a summary of changes in long-term liabilities for the year ended December 31, 2013:

	<u>Balance 01/01/12</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/13</u>	<u>Due Within One Year</u>
General obligation debt:					
Serial bonds	\$ 1,965,000	\$ -	\$ 355,000	\$ 1,610,000	\$ 345,000
Other liabilities:					
Compensated absences	134,830	230,172	225,218	139,784	13,978
Post employment benefits	<u>2,018,490</u>	<u>507,916</u>	<u>222,642</u>	<u>2,303,764</u>	-
Total government activities	<u>\$ 4,118,320</u>	<u>\$ 738,088</u>	<u>\$ 802,860</u>	<u>\$ 4,053,548</u>	<u>\$ 358,978</u>

Serial bonds will be partially paid by special assessments of the benefited property owners.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

- d. **MATURITY** - The following table summarizes the Town's future debt service requirements related to serial bonds as of December 31, 2013:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 345,000	\$ 47,756
2015	340,000	36,966
2016	335,000	29,286
2017	230,000	21,338
2018	225,000	13,958
2019-2023	<u>135,000</u>	<u>15,443</u>
Totals	<u>\$ 1,610,000</u>	<u>\$ 164,747</u>

There is a statutory debt limit applicable to Towns within New York State. The Town is in compliance with this debt limit.

C. FUND BALANCE

As of December 31, 2013, fund balances on the fund basis statements are classified as follows:

Nonspendable - amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, i.e., the Town Board. As of December 31, 2013, the Town had no committed fund balances.

Assigned - amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The assigned category includes funds encumbered as of December 31, 2013 and appropriation of fund balances. Also the Town Board has authorized the Town Supervisor to assign amounts for specific purposes.

Unassigned - all other spendable amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

As of December 31, 2013, fund balances were classified as follows:

	<u>General</u>	<u>Highway Townwide</u>	<u>Capital Projects</u>	<u>Fire District</u>	<u>Non-Major Funds</u>	<u>Total</u>
<u>Nonspendable:</u>						
Prepaid items	\$ 4,044	\$ -	\$ -	\$ -	\$ -	\$ 4,044
<u>Restricted:</u>						
Workers' compensation	330,632	-	-	-	-	330,632
Insurance	511,361	-	-	-	-	511,361
Capital	2,487,929	198,163	-	-	-	2,686,092
Debt service	-	-	-	-	74,495	74,495
<u>Assigned:</u>						
Subsequent years' expenditures	1,900,000	750,000	-	18,000	14,000	2,682,000
<u>Encumbrances:</u>						
General Government	12,500	-	-	-	-	12,500
Highway Townwide	-	852,375	-	-	-	852,375
Fire Protection Districts	-	-	-	65,121	-	65,121
Lighting	-	-	-	-	41,005	41,005
Drainage	-	-	-	-	30,631	30,631
Parks	-	-	-	-	671	671
Miscellaneous	-	-	-	-	77,155	77,155
Water Districts	-	-	-	-	59,741	59,741
Sewer Districts	-	-	-	-	3,129	3,129
<u>Unassigned (deficit):</u>						
General Fund	3,687,571	-	-	-	-	3,687,571
Capital Projects Fund	-	-	(977,724)	-	-	(977,724)
Total	<u>\$ 8,934,037</u>	<u>\$ 1,800,538</u>	<u>\$ (977,724)</u>	<u>\$ 83,121</u>	<u>\$ 300,827</u>	<u>\$10,140,799</u>

The Town adopted a formal spending policy, under the provisions of GASB Statement No. 54, stating the Town Board will assess the current financial condition of the Town and then determine the order of application of expenditures to which fund balance classifications will be charged.

Encumbrances are recorded at the time a purchase order, construction contract or a service agreement is finalized and are reported as assignments of fund balances since they do not constitute expenditures or liabilities. There were no encumbrances material to the financial statements as of December 31, 2013.

Certain restricted fund balances are described in more detail below:

The General Fund restriction for capital projects is established for the following purposes:

Recreation Building	\$ 691,207
Highway Building	577,200
Townwide Drainage	55,617
Assessment	362,070
General Fleet/Vehicle	62,276
Conservation/Wetlands/Drainage	104,472
Administration Building	518,667
2050 Comprehensive Plan	10,022
Open Space	73,360
Sidewalks	33,038
	<u>\$ 2,487,929</u>

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

The Highway Townwide Fund restriction for capital projects is established for the following purposes:

Highway Equipment	\$ 152,294
General Repairs/Maintenance	<u>45,869</u>
	<u>\$ 198,163</u>

The Water Districts Fund restriction for debt service is established for the following purposes:

South Chili Water Benefit #1 Project	\$ 64,732
South Chili Water Benefit #2 Project	<u>9,763</u>
	<u>\$ 74,495</u>

The Private Purpose Trust restricted net position is established for the following purposes:

Parks and Recreation	\$ 1,003,507
Landscaping	40,076
Brick Walk	2,123
Senior Center Fundraiser	21,086
Senior Initiative Programs	17,557
Maintenance – 241 Chili Scottsville Rd.	8,584
Historical Property	<u>1,874</u>
	<u>\$ 1,094,807</u>

NOTE 4 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

DEFICIT FUND BALANCE

The Town reported a deficit fund balance at December 31, 2013 in the following funds:

<u>Fund</u>	<u>Deficit</u>	<u>Comment</u>
Capital Projects	\$ 977,724	To be eliminated with permanent financing of bond anticipation notes.

NOTE 5 - CONTINGENCIES

A. RISK FINANCING AND RELATED INSURANCE

Workers' Compensation Plan

The Town is a participant in the Upstate New York Municipal Workers' Compensation Program (the Program). The Program was established under the provisions of Workers' Compensation Law of the State of New York and provides the Town the opportunity to participate in a group self-insurance program for providing workers' compensation benefits to its employees.

Through effective risk management techniques, promotion of safety and proactive claims administration, the Program intends to provide the aforementioned benefits substantially at cost. Premiums, which are based upon members' payroll and experience factors and administrative costs, are subject to prospective adjustment. The Town records the expense for workers' compensation in the period the payments to the Program are due. The Town has not recorded any additional accrual for workers' compensation expense due to the fact that the estimation for unpaid claims incurred but not reported is built into their annual premium payments to the Program. Historical experience has shown that the Program's calculation of premiums has been adequate to cover claims incurred but not reported.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - DEFINED BENEFIT VOLUNTER FIREFIGHTER SERVICE AWARD PROGRAM

A. LENGTH OF SERVICE AWARDS PROGRAM - LOSAP

The Town established a defined benefit LOSAP for the active volunteer firefighters of the Chili Fire Department, Inc. The program took effect on January 1, 1995. 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.

B. PROGRAM DESCRIPTION

1. PARTICIPATION, VESTING AND SERVICE CREDIT

Active volunteer firefighters who have reached the age of 18 and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 65. 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. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

2. BENEFITS

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 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 twenty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

C. 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 the Town Board and Council members of the Town of Chili to assist in the administration of the program. The designated program administrator's functions include: maintaining the firefighter records, communicating the program to firefighters, enrolling firefighters, and maintaining financial records. Disbursements of program assets for the payment of benefits or administrative expenses must be approved by the Town of Chili.

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. The trust agreement is dated June 7, 1995, and the trustee is the Town of Chili Board and Council members.

Authority to invest program assets is vested in the Town of Chili Town Board. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - DEFINED BENEFIT VOLUNTER FIREFIGHTER SERVICE AWARD PROGRAM (Continued)

The sponsor is required to retain an actuary to determine the amount of the sponsor's contributions to the plan. The actuary retained by the sponsor for this purpose is Penflex, Inc. Portions of the following information are derived from a report prepared by the actuary dated December 31, 2013.
Program Financial Condition:

Assets and Liabilities

Actuarial Present Value of Benefits at December 31, 2013		\$	2,786,516
Less: Assets Available for Benefits			
Cash and money market	2.5%	\$	124,267
US equities			71,980
International equities	5.0%		120,284
Taxable fixed income			913,671
Mixed assets	28.8%		980,548
Other assets			117,626
Interest receivable	0.0%		<u>100</u>
Less: Prepaid Benefits			<u>6,560</u>
Total net assets available for benefits			<u>2,335,036</u>
Deficit of assets available for benefits over actuarial present value of benefits			<u>(451,481)</u>
Less: Unfunded liability for prior service			<u>8,537</u>
Deficit of assets available for benefits over actuarial present value of benefits less unfunded liability for prior service		\$	<u>(460,018)</u>

Receipts and Disbursements

Plan net assets, beginning of year		\$	2,292,324
Changes during the year:			
+ Plan contribution			86,158
+ Investment income earned			121,273
+/- Changes in fair market value of investments			(71,483)
- Investment expense			(17,337)
- Plan benefit withdrawals			(74,880)
- Administrative and other fees/charges			<u>(1,019)</u>
Plan net assets, end of year		\$	<u>2,335,036</u>

Contributions

Amount of sponsor's contribution recommended by actuary:		\$	<u>86,158</u>
Amount of sponsor's actual contribution:		\$	<u>86,158</u>

TOWN OF CHILI, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - DEFINED BENEFIT VOLUNTER FIREFIGHTER SERVICE AWARD PROGRAM (Continued)

Administration Fees

Fees paid for investment management	\$ <u>1,019</u>
Change in benefits payable	\$ <u>400</u>

Funding Methodology and Actuarial Assumptions

Normal Costs

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

Assumed rate of return on investments 6%

Mortality tables used for:

Withdrawal	1994 Unisex Pensioner Male Mortality Table projected with scale AA to 2007
Disability	1994 Unisex Pensioner Male Mortality Table projected with scale AA to 2007
Retirement	1994 Unisex Pensioner Male Mortality Table projected with scale AA to 2007
Death (actives)	1994 Unisex Pensioner Male Mortality Table projected with scale AA to 2007
Death (inactives)	1994 Unisex Pensioner Male Mortality Table projected with scale AA to 2007

TOWN OF CHILI, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund			
	Original Budget	Modified Budget	Actual	Variance from Modified Budget
REVENUES:				
Real property taxes	\$ 1,582,391	\$ 1,582,391	\$ 1,582,391	\$ -
Real property tax items	420,644	420,644	441,418	20,774
Non-property taxes	1,280,000	1,300,750	2,489,467	1,188,717
Departmental income	359,500	369,500	513,731	144,231
Intergovernmental charges	77,000	79,300	81,576	2,276
Use of money and property	48,000	48,000	56,700	8,700
Licenses and permits	140,000	140,000	192,786	52,786
Fines and forfeitures	140,000	140,000	148,363	8,363
Sale of property and compensation for loss	-	15,523	90,603	75,080
Miscellaneous local sources	600	600	1,429	829
State sources	470,000	712,765	819,939	107,174
Federal Sources	-	63,000	23,905	(39,095)
Total revenues	4,518,135	4,872,473	6,442,308	1,569,835
EXPENDITURES:				
General government	2,282,793	2,535,794	2,135,427	400,367
Public safety	382,580	382,580	361,818	20,762
Health	600	600	583	17
Transportation	263,158	365,158	333,126	32,032
Economic assistance and opportunity	129,178	139,067	130,100	8,967
Culture and recreation	841,210	944,060	854,417	89,643
Home and community services	505,691	581,781	454,962	126,819
Employee benefits	1,110,881	1,114,381	976,710	137,671
Debt service:				
Principal	738,300	813,300	813,300	-
Interest	106,244	51,994	51,994	-
Total expenditures	6,360,635	6,928,715	6,112,437	816,278
Excess (deficit) of revenues over expenditures	(1,842,500)	(2,056,242)	329,871	2,386,113
OTHER FINANCING SOURCES (USES):				
Interfund transfer in	-	-	16,654	16,654
Interfund transfer out	(69,500)	(69,500)	(23,075)	46,425
Premium on obligations	-	-	2,447	2,447
Appropriated fund balance	1,912,000	2,125,742	-	(2,125,742)
Total other financing sources (uses)	1,842,500	2,056,242	(3,974)	(2,060,216)
Net change in fund balance	-	-	325,897	325,897
Fund balance - beginning	-	-	8,608,140	8,608,140
Fund balance - ending	\$ -	\$ -	\$ 8,934,037	\$ 8,934,037

TOWN OF CHILI, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE HIGHWAY TOWNWIDE FUND AND FIRE PROTECTION DISTRICTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Highway Townwide Fund				Fire Protection Districts Fund			
	Original Budget	Modified Budget	Actual	Variance from Modified Budget	Original Budget	Modified Budget	Actual	Variance from Modified Budget
REVENUES:								
Real property taxes	\$ 3,119,667	\$ 3,119,667	\$ 3,119,667	\$ -	\$ 1,583,535	\$ 1,583,535	\$ 1,583,535	\$ -
Intergovernmental charges	503,000	503,000	750,128	247,128	-	-	-	-
Use of money and property	9,300	9,300	4,880	(4,420)	-	-	546	546
Sale of property and compensation for loss	-	28,845	32,810	3,965	-	-	-	-
Miscellaneous local sources	-	-	1,601	1,601	-	-	-	-
State sources	125,000	172,378	172,378	-	-	-	-	-
Total revenues	3,756,967	3,833,190	4,081,464	248,274	1,583,535	1,583,535	1,584,081	546
EXPENDITURES:								
Public Safety	-	-	-	-	1,401,535	1,422,781	1,419,016	3,765
Transportation	3,388,698	3,446,076	3,103,777	342,299	-	-	-	-
Employee benefits	1,118,269	1,118,269	884,800	233,469	282,000	282,000	221,115	60,885
Total expenditures	4,506,967	4,564,345	3,988,577	575,768	1,683,535	1,704,781	1,640,131	64,650
Excess (deficit) of revenues over expenditures	(750,000)	(731,155)	92,887	824,042	(100,000)	(121,246)	(56,050)	65,196
OTHER FINANCING SOURCES (USES):								
Interfund transfer in	-	-	20,210	20,210	-	-	-	-
Interfund transfer out	-	-	(12,481)	(12,481)	-	-	-	-
Appropriated fund balance	750,000	731,155	-	(731,155)	100,000	121,246	-	(121,246)
Total other financing sources (uses)	750,000	731,155	7,729	(723,426)	100,000	121,246	-	(121,246)
Net change in fund balances	-	-	100,616	100,616	-	-	(56,050)	(56,050)
Fund balances - beginning	-	-	1,699,922	1,699,922	-	-	139,171	139,171
Fund balances - ending	\$ -	\$ -	\$ 1,800,538	\$ 1,800,538	\$ -	\$ -	\$ 83,121	\$ 83,121

TOWN OF CHILI, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Schedule of Funding Progress</u>	<u>Actuarial Valuation Date</u>	
	<u>12/31/11</u>	<u>12/31/08</u>
1. Actuarial Accrued Liability	\$ 8,615,131	\$ 7,140,768
2. Actuarial Value of Assets	-	-
3. Unfunded Actuarial Accrued Liability	<u>8,615,131</u>	<u>7,140,768</u>
4. Funded Ratio (2. divided by 1.)	0%	0%
5. Annual Covered Payroll	3,687,747	3,449,273
6. Ratio of Unfunded Actuarial Accrued Liability to Covered Payroll	233.62%	207.02%

<u>Schedule of Employer Contributions</u>	<u>Fiscal Year Ending</u>
December 31, 2009	\$ 76,087
December 31, 2010	100,017
December 31, 2011	49,978
December 31, 2012	41,860
December 31, 2013	222,642

GASB Statement No. 45 was implemented prospectively.

SECTION B
SUPPLEMENTAL SCHEDULES

TOWN OF CHILI, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Debt Service</u>	<u>Lighting</u>	<u>Drainage</u>	<u>Parks</u>	<u>Miscellaneous</u>	<u>Water Districts</u>	<u>Sewer Districts</u>	<u>Total</u>
REVENUES:								
Real property taxes	\$ -	\$ 146,300	\$ 210,353	\$ 1,362	\$ 162,086	\$ 127,445	\$ 29,572	\$ 677,118
Use of money and property	5	185	269	2	162	425	37	1,085
Total revenues	<u>5</u>	<u>146,485</u>	<u>210,622</u>	<u>1,364</u>	<u>162,248</u>	<u>127,870</u>	<u>29,609</u>	<u>678,203</u>
EXPENDITURES:								
Health	-	-	-	-	145,656	-	-	145,656
Transportation	-	146,583	-	-	8,125	-	-	154,708
Culture and recreation	-	-	-	1,076	-	-	-	1,076
Home and community services	-	-	175,513	-	-	-	-	175,513
Employee benefits	-	-	58,761	61	-	-	-	58,822
Debt service:								
Principal	-	-	-	-	-	121,700	20,000	141,700
Interest	-	-	-	-	-	16,580	9,372	25,952
Total expenditures	<u>-</u>	<u>146,583</u>	<u>234,274</u>	<u>1,137</u>	<u>153,781</u>	<u>138,280</u>	<u>29,372</u>	<u>703,427</u>
OTHER FINANCING SOURCES (USES):								
Interfund transfers in	-	-	-	-	-	-	2,892	2,892
Interfund transfers out	(8,102)	-	-	-	-	-	-	(8,102)
Total other financing sources (uses)	<u>(8,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,892</u>	<u>(5,210)</u>
Net change in fund balances	(8,097)	(98)	(23,652)	227	8,467	(10,410)	3,129	(30,434)
Fund balances - beginning	<u>8,097</u>	<u>51,103</u>	<u>54,283</u>	<u>444</u>	<u>72,688</u>	<u>144,646</u>	<u>-</u>	<u>331,261</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 51,005</u>	<u>\$ 30,631</u>	<u>\$ 671</u>	<u>\$ 81,155</u>	<u>\$ 134,236</u>	<u>\$ 3,129</u>	<u>\$ 300,827</u>