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TOWN OF NEW HARTFORD

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
December 31, 2012

TOWN OF NEW HARTFORD, NEW YORK
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Certified Public Accountants & Consultants

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Independent Auditor's Report

Town Board
Town of New Hartford

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Hartford, as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the Town of New Hartford's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on each major fund, the aggregate discretely presented component units, and aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities fund.

Basis for Qualified Opinion on Governmental Activities

Our audit did not include the substantiation of fixed assets. We were unable to obtain sufficient appropriate audit evidence to support the fixed assets. Complete fixed asset records were not maintained by the Town which would affect the assets and net position and change the expenditures in the governmental activities fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities fund the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities fund of the Town of New Hartford as of December 31, 2012, 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.

Opinion on the Major Funds, Aggregate Discretely Presented Component Units and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds, the aggregate discretely presented component unit, and the aggregate remaining fund information for the Town of New Hartford, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Hartford's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2013 on our consideration of the Town of Town of New Hartford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Town of New Hartford's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

April 19, 2013

Rome, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Town Board
Town of New Hartford

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards issued by the Comptroller General of the United States, the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Hartford as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Town of New Hartford's basic financial statements, and have issued our report thereon dated April 19, 2013. Our opinion for the government-wide financial statements was qualified because we were unable to audit fixed assets due to the lack of supporting documentation.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and recommendations*, we identified certain deficiencies in internal control that we consider to be either a material weakness or a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 09-B to be material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 11-A, 09-C, 09-D, and 09-E to be significant deficiencies.

Compliance and Other Matters

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

Response to Finding

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

Purpose of this Report

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

D'Arcangelo + Co., LLP

April 19, 2013

Rome, New York

TOWN OF NEW HARTFORD, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Findings - Financial Statements Audit

No new findings noted.

TOWN OF NEW HARTFORD, NEW YORK
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Findings - Financial Statements Audit

11-A. Capital Projects

Condition: During our audit, we noted the following matters regarding capital projects:

- While the accounting system is used to track the annual activity, it is not currently used to track the overall budgets of the various capital projects.
- Although the current projects are authorized in the minutes of the Board, the past authorizations and funding documentation is not on file in the Finance Department. Consequently, budgets are not generally used to monitor the capital projects. There are currently projects with deficits after the current bond anticipation note is taken into account. For example, one project was for road reconstruction and paving. It has had a deficit of \$110,742 since before 2008. These types of deficits will need to be funded.
- The position of the various projects and respective budgets should be reported to the Board in a clear and consistent manner.

Cause: Unknown

Criteria: The Board has a fiscal responsibility to ensure all projects are properly funded and expended. Local Finance Law, Section 165, prohibits the use of debt proceeds for any other purpose except for which it was issued.

Effect: Although the individual contractors are properly authorized, the overall position of certain projects is a deficit. As the project's deficits become older, the period of probable usefulness diminishes. This in turn decreases the Town's ability to bond for these projects. Accordingly, the projects will eventually need to be funded through a fund appropriation or, if allowable, through the use of mitigation funds.

Recommendation: Although management has made progress in this area, we recommend the following:

- Each project's documentation should be maintained in the Finance Department. At a minimum, this documentation should include all respective board resolutions. Based on the resolutions, a full budget should be developed for each project.
- Procedures should be implemented to record and monitor each project's budget to actual total revenues and expenditures since the beginning of the project.
- On a periodic basis, the budget to actual position of the projects should be reported to the Board.

Status: Although improvements have been noted, we did note there are approximately 7 capital projects, several years old, that are complete but not closed out on the system. These 5 projects currently have an aggregate deficit of \$148,880. One project for a zoning study has a surplus of \$76,727. When these projects are closed, the Board should be resolving to do so. The resolution should specify how the ending fund balance of each project should be disposed of.

09-B. Fixed Assets

At the present time, a complete fixed asset inventory is not maintained by the Town. Our audit report has been qualified because we were unable to audit fixed assets. We recommend that the Town maintain detailed fixed asset records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets. Specifically, fixed asset records should include the following data:

(Continued)

TOWN OF NEW HARTFORD, NEW YORK
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

(Continued)

-
- Description of the asset
 - Cost, voucher number, and vendor name
 - Date placed in service
 - Estimated useful life
 - Depreciation method
 - Depreciation expense and accumulated depreciation for the year
 - Date asset retired and selling price if applicable

Complete information such as the above on all fixed assets would provide excellent control for the safeguarding of these assets.

Status: The same finding was noted in the current year.

09-C. Access to the Signature Stamp

During our audit we noted that both the payroll clerk and the accounts payable clerk have access to the check signature stamp. Controls over the check signature need to be strengthened.

Status: The same finding was noted in the current year.

09-D. Computer Controls

During our audit, we noted the following computer control and policies issues that could be improved:

- Currently, there are no formal procedures for adding, deleting or changing employees' rights in the System. These changes should be formally documented.
- There is no master payroll change report being generated or reviewed. This report would allow for a review of any changes made to payroll including new hires, removal of employees from the payroll module or changes in pay.
- There is no master vendor change report being generated or reviewed. This report would allow for a review of any unauthorized changes to existing vendors or the creation of fictitious vendors.

Status: The same finding was noted in the current year.

09-E. Town Code

Investment Policy

The current investment policy has not been updated since 1993. Since that time banks and insurance coverage by FDIC have been changed.

(Continued)

TOWN OF NEW HARTFORD, NEW YORK
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

(Continued)

Procurement Policy

Changes were also made to General Municipal Law 104(b) for procurement since 2009, but we noted the Town's purchasing policy has not been updated since 2006. The following were changes made during the year:

- The threshold for purchasing contracts subject to competitive bidding is now \$20,000. Previously, this amount was \$10,000.
- In addition, Chapter 56 of the Laws of 2007 also sets forth in the law specific wording regarding aggregate purchases and the prohibition of artificially dividing purchases for the purpose of satisfying threshold amounts. It also includes provisions associated with receiving bids in electronic format.
- Chapter 494 of the Laws of 2009 also amended section 103 of NYS General Municipal Law. All contracts for public works involving an expenditure of more than \$35,000 are subject to competitive bidding. This amount was \$20,000 previously.
- Chapter 402 of the Laws of 2007, effective January 1, 2009, are required under Section 104 of the NYS General Municipal Law, local government procurement policies are required to identify the officials responsible for purchasing.

Status: The same finding was noted in the current year. In addition the procurement policy will need to be updated for the NYS Laws of 2012.

TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S RESPONSE TO FINDINGS IN THE 2011 AUDIT
For the Year Ended December 31, 2012

We offer the following responses to the findings outlined in the 2011 financial audit. The responses are numbered in correspondence to the numbering in the report.

11-A. Capital Projects

Currently, all capital projects are monitored in relation to contracts awarded and disbursements made. A record of ongoing expenditures for each Capital project is maintained and reviewed by the Supervisor and finance office on a regular basis. Formal structuring of these accounts is in the process of being done now, whereby each Capital Project will have a line by line budget based on the contract and entered into to the computer accounting program. This will allow computer generated budget to actual figures instead of the manually generated reports now being prepared. In either case however, these analysis provide the necessary information to keep the Town within budget on each project. The Supervisor's Office and the Director of Finance are in the process now of reviewing alternatives with regards to projects that have been on the books for several years even though they were completed over four years ago. We expect that this will be resolved within the next twelve months.

09-B. Fixed Assets

Currently the finance office is keeping track of all assets acquired by the Town. However, we do understand that it is necessary to have all assets posted which would include those purchased and acquired in past years, but which are still in use today. This historical documentation would necessitate an extremely large number of man hours to accumulate and at present the Town does not have the staffing to accomplish this in an efficient and effective manner. However, this is a project which we are now reviewing and would hope to have started in the very near future.

09-D. Computer Controls

Over the past two years the Town has implemented new hardware and software throughout the Town. This project is now complete and in the next phase we have instructed the Town's outside IT people to establish and implement the necessary controls over our system to ensure its integrity. We expect that this will be accomplished within the next six to nine months.

09-E. Town Code

The investment and procurement policies of the Town have not been updated in several years due to the understaffing of the finance office. New regulations however are noted and adhered to, but the actual revisions to the policy text have not been changed. During the current year all necessary updates will be made to Town policy and procedures as noted in this report.

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

The Town of New Hartford's discussion and analysis of financial performance provides an overall review of the Town's financial activities for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. This section will explain the differences between the current and prior-year assets, liabilities, and changes in net position. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

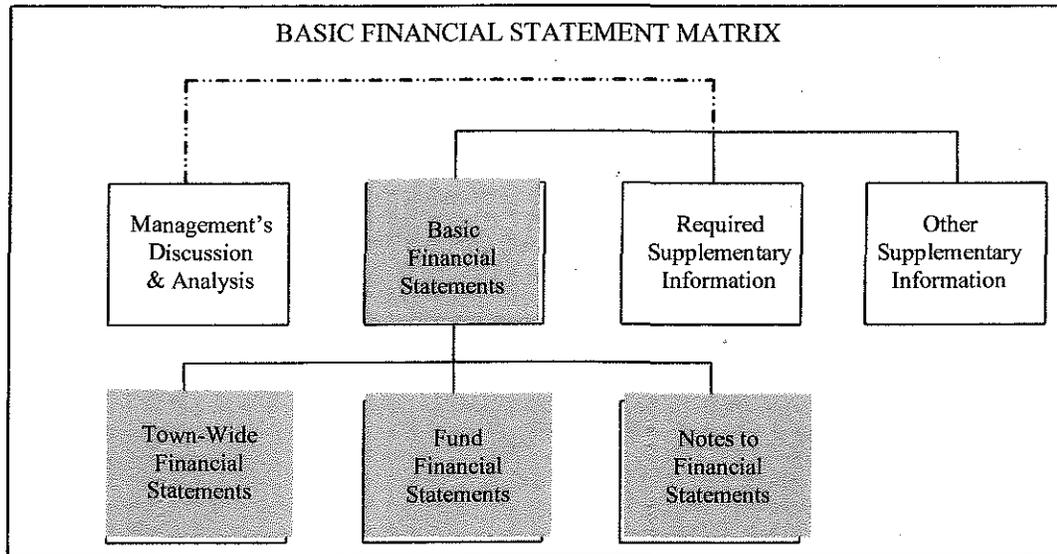
Key financial highlights for fiscal year 2012 are as follows:

- The Town's total net position, as reflected in the Town-wide financial statements, decreased by \$716,488. Although accounting procedures mandate that the Mitigation Fund be included in the determination of net position it should be noted that these funds do not reflect an actual decline or decrease in the general fund. Mitigation fees are restricted funds which can only be used for projects which acquire or enhance the Town's infrastructure, and these projects are further restricted to certain areas within the Town. Use of these funds is limited to the creation of an asset of the Town, i.e. sewer systems, roads, storm water projects and traffic signals to name a few. These funds cannot be used for general operations of any Town department and therefore any increase or decrease should be considered in this context. This decrease was mainly the result of the decrease in the Mitigation Fund at December 31, 2012 of \$1,077,090.
- The Town's expenses for the year, as reflected in the Town-wide financial statements, totaled \$15,042,608. This amount was directly offset by the following revenue sources: \$1,038,008 charges for services, \$107,741 operating grants, and \$231,029 capital grants. General revenues of \$12,949,342 amount to 90.3% of total revenues. These revenues covered the balance of program expenses leaving a deficit of \$716,488.
- The General Whole Town Fund's total fund balance, as reflected in the fund financial statements on pages 23 and 25, increased by \$555,095, to a balance of \$932,401. This was due to revenue in General Whole Town increasing by \$568,772 in 2012 from the previous 2011 level.
- The Highway Part Town Fund's total fund balance, as reflected in the fund financial statements on pages 23 and 25, increased by \$135,629, to \$753,596. Highway Part Town revenues increased in 2012 by \$207,792 from 2011.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of Town-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:

TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012



A. Town-wide Financial Statements

The Town-wide financial statements are organized to provide an understanding of the fiscal performance of the Town as a whole in a manner similar to a private sector business. There are two Town-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Town's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net positions are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Town are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Town-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Town's operations and the services it provides.

Because the focus of governmental funds is narrower than that of Town-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Town-wide financial statements. By doing so, you may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains seven individual governmental funds, General, Highway, Sewer, Police, Fire Protection, Mitigation and Capital funds, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in its capacity as agent or trustee. All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the Town's Town-wide financial statements because the Town cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

A. Net Position

The Town's total net position decreased \$716,488 between fiscal year 2012 and 2011. A summary of the Town's Statement of Net Assets at December 31, 2012 and 2011, is as follows:

	2012	(Restated) 2011	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 5,284,438	\$ 6,567,910	\$ (1,283,472)	(19.5%)
Capital Assets, (Net of Accumulated Depreciation)	<u>15,727,554</u>	<u>15,059,506</u>	<u>668,048</u>	4.4%
Total Assets	<u>\$ 21,011,992</u>	<u>\$ 21,627,416</u>	<u>\$ (615,424)</u>	(2.8%)
Non-Current Liabilities	\$ 14,365,791	\$ 13,693,194	\$ 672,597	4.9%
Other Liabilities	<u>3,274,753</u>	<u>3,846,286</u>	<u>(571,533)</u>	(14.9%)
Total Liabilities	<u>\$ 17,640,544</u>	<u>\$ 17,539,480</u>	<u>\$ 101,064</u>	0.6%
Net Position				
Net Invested in Capital Assets	\$ 7,027,841	\$ 5,917,114	\$ 1,110,727	18.8%
Restricted	48,486	682,403	(633,917)	(92.9%)
Unrestricted	<u>(3,704,879)</u>	<u>(2,511,581)</u>	<u>(1,193,298)</u>	(47.5%)
Total Net Position	<u>\$ 3,371,448</u>	<u>\$ 4,087,936</u>	<u>\$ (716,488)</u>	(17.5%)

Capital assets increased by \$668,048, as compared to the prior year. This increase is primarily due to the capital outlays of \$1,885,981 exceeding the depreciation expense of \$1,217,933.

TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Non-current liabilities increased by \$672,597 as compared to the prior year. This increase is the result of the net increase in the compensated absences accrued liability and OPEB liability exceeding the decrease in long term debt by \$281,897 and for the issuance of a capital lease note of \$390,700 in 2012.

The net position invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support Town operations.

The restricted net assets represents funds being held from the collection of mitigation fees. The funds can only be spent on specific public improvements. The Town utilized \$633,917 of these funds for various capital projects during 2012.

The unrestricted net position deficit at December 31, 2012, is \$3,704,879, which represents the amount by which the Town's liabilities, excluding debt related to capital construction, exceeded the Town's assets other than capital assets.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. Nonproperty tax items primarily consist of New York State Sales tax and franchise tax.

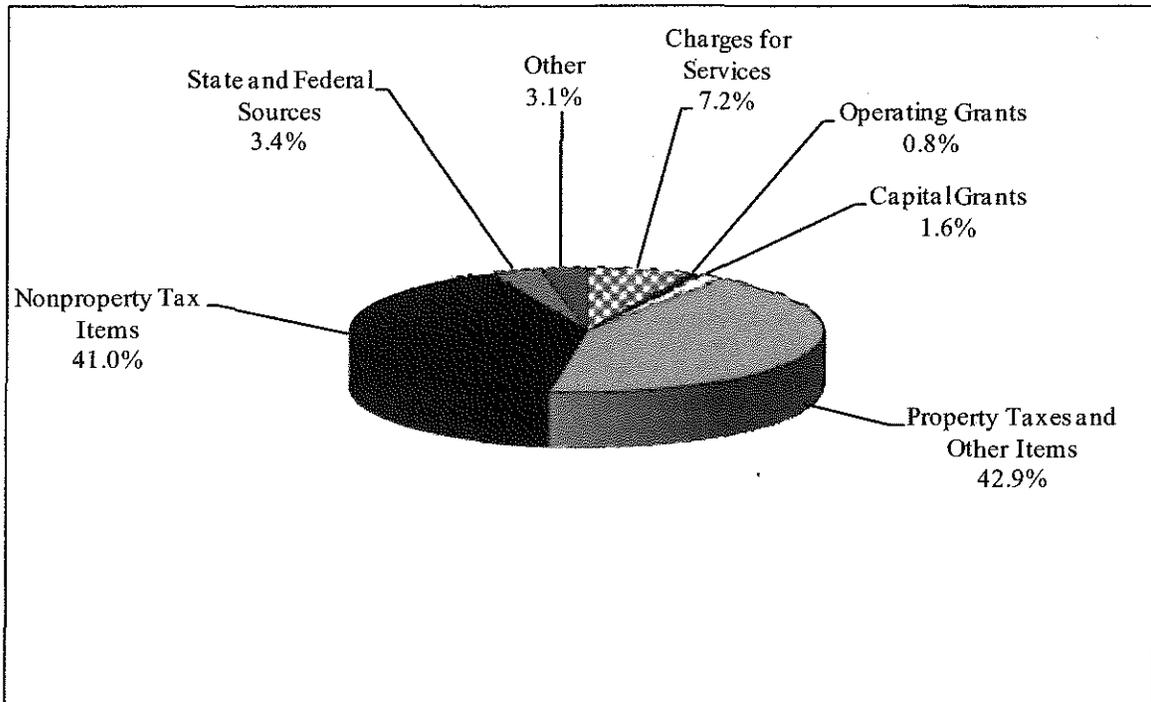
A summary of this statement for the years ended December 31, 2012 and 2011, is as follows.

Revenues	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Program Revenues				
Charges for Services	\$ 1,038,008	\$ 1,116,651	\$ (78,643)	(7.0%)
Operating Grants	107,741	148,007	(40,266)	(27.2%)
Capital Grants	231,029	355,441	(124,412)	(35.0%)
General Revenues				
Property Taxes and Other Items	6,140,621	6,151,152	(10,531)	(0.2%)
Nonproperty Tax Items	5,870,027	5,660,658	209,369	3.7%
State and Federal Sources	489,006	591,823	(102,817)	(17.4%)
Other	449,688	615,543	(165,855)	(26.9%)
Total Revenues	<u>14,326,120</u>	<u>14,639,275</u>	<u>(313,155)</u>	<u>(2.1%)</u>
Expenses				
General Government Support	2,119,668	2,173,526	(53,858)	(2.5%)
Public Safety	5,232,156	5,194,226	37,930	0.7%
Public Health	102,358	91,950	10,408	11.3%
Transportation	4,459,095	4,017,075	442,020	11.0%
Social Services	129,354	117,205	12,149	10.4%
Home and Community Services	999,419	1,195,397	(195,978)	(16.4%)
Culture and Recreation	1,771,661	1,568,242	203,419	13.0%
Debt Service - Interest	228,897	250,309	(21,412)	(8.6%)
Total Expenses	<u>15,042,608</u>	<u>14,607,930</u>	<u>434,678</u>	<u>3.0%</u>
Total Change in Net Position	<u>\$ (716,488)</u>	<u>\$ 31,345</u>	<u>\$ (747,833)</u>	

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

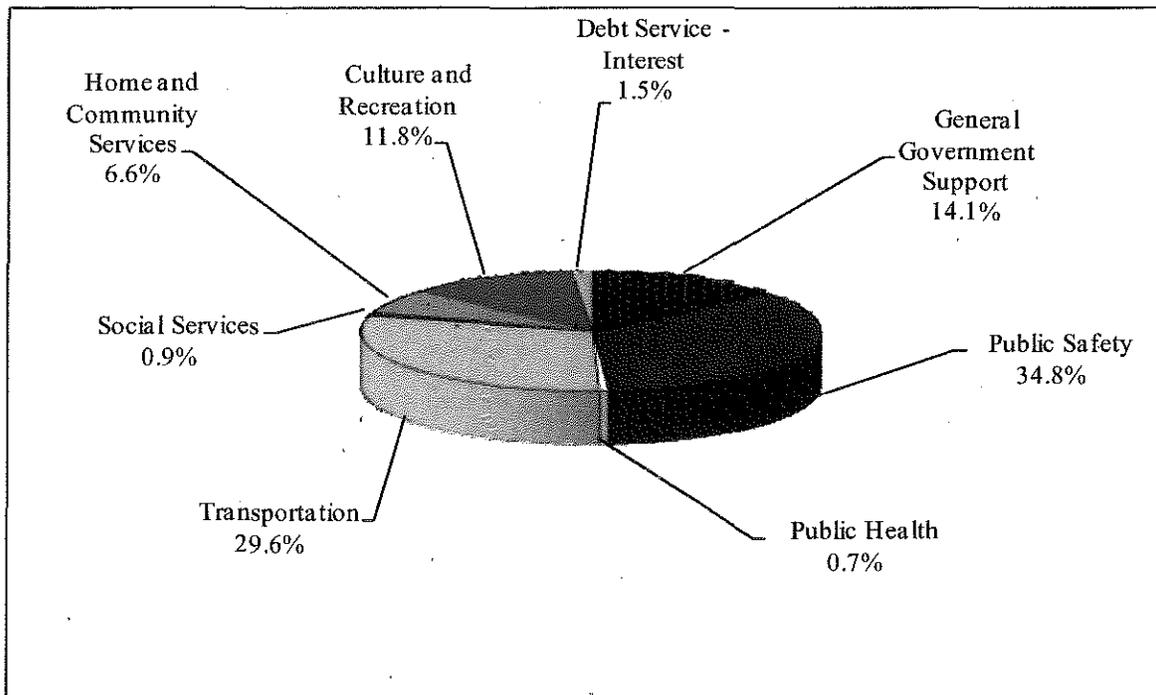
A graphic display of the distribution of revenues is as follows:

For the Year Ended December 31, 2012



A graphic display of the distribution of expenses is as follows:

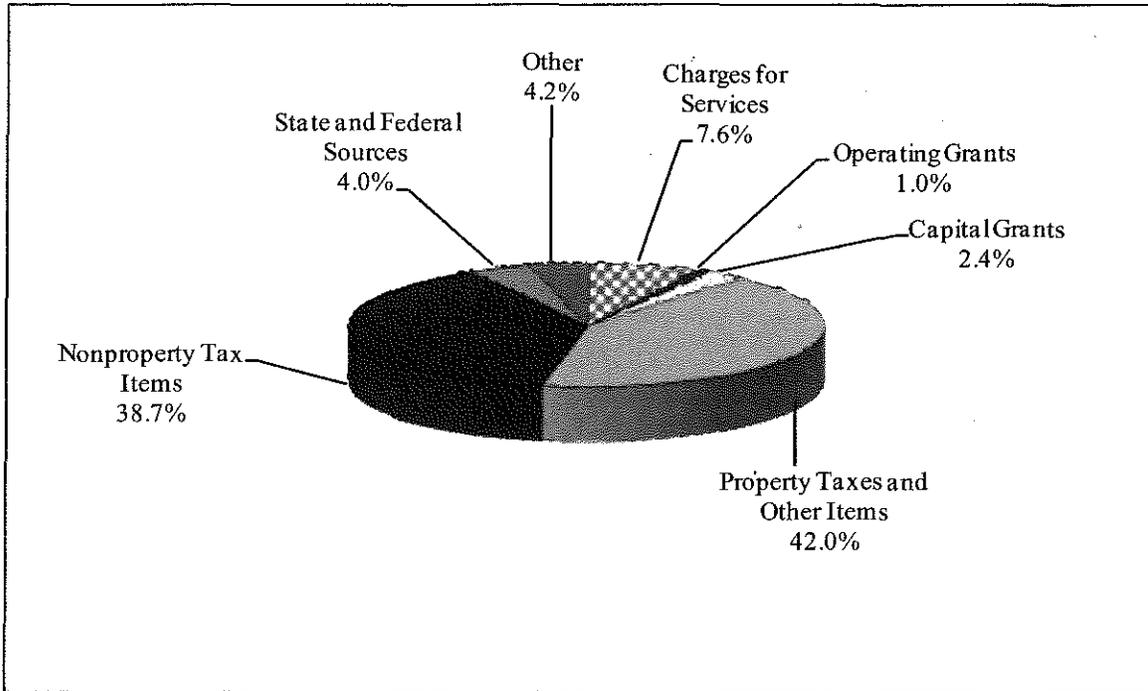
For the Year Ended December 31, 2012



**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

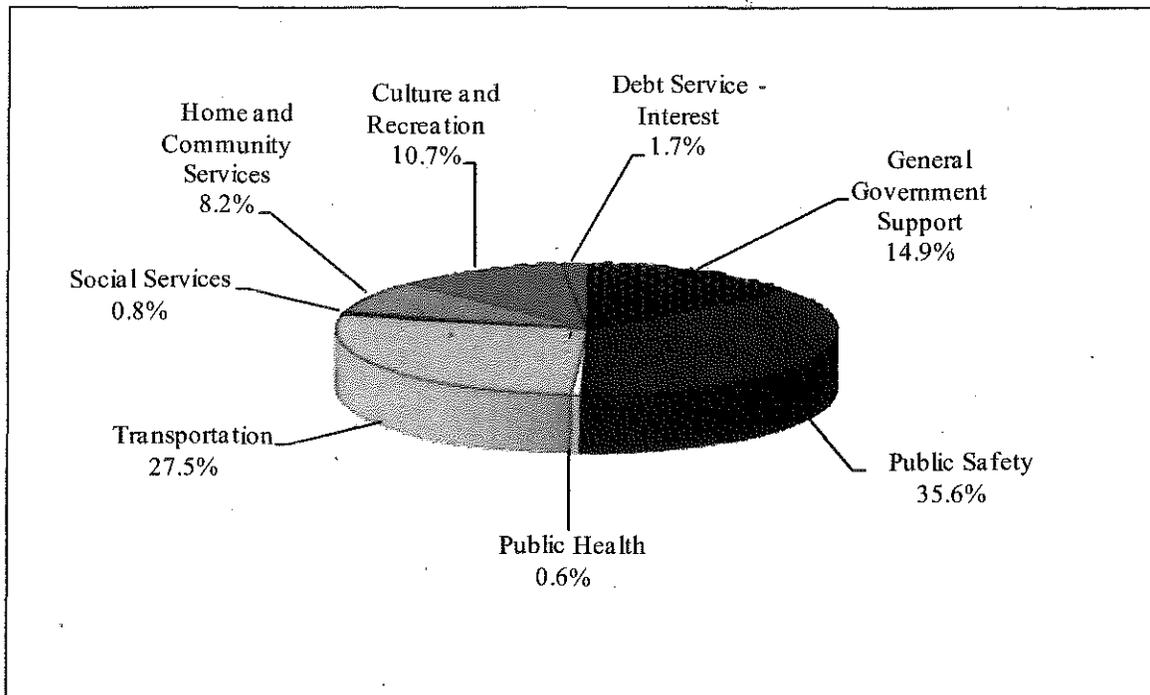
A graphic display of the distribution of revenues is as follows:

For the Year Ended December 31, 2011



A graphic display of the distribution of expenses is as follows:

For the Year Ended December 31, 2011



**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

4. FINANCIAL ANALYSIS OF THE TOWN'S FUND BALANCES

At December 31, 2012, the Town's governmental funds reported a combined fund balance of \$1,958,478, which is a decrease of \$839,855 from the prior year. This decrease is due to an excess of expenditures over revenues for the year. A summary of the change in fund balance by fund is as follows:

	2012	(Restated) 2011	Increase (Decrease)
General Whole Town			
Nonspendable	\$ 116,716	\$ 86,935	\$ 29,781
Unassigned	<u>815,685</u>	<u>290,371</u>	<u>525,314</u>
	<u>932,401</u>	<u>377,306</u>	<u>555,095</u>
General Part Town			
Nonspendable	6,147	1,571	4,576
Assigned		250,405	(250,405)
Unassigned	<u>313,118</u>	<u>255,575</u>	<u>57,543</u>
	<u>319,265</u>	<u>507,551</u>	<u>(188,286)</u>
Police			
Nonspendable	34,853	2,369	32,484
Assigned	12,894		12,894
Unassigned		(215,760)	215,760
	<u>47,747</u>	<u>(213,391)</u>	<u>261,138</u>
Highway Part Town			
Nonspendable	6,001	3,233	2,768
Assigned	<u>747,595</u>	<u>614,734</u>	<u>132,861</u>
	<u>753,596</u>	<u>617,967</u>	<u>135,629</u>
Fire			
Unassigned	<u>(2,548)</u>	<u>(9,670)</u>	<u>7,122</u>
Sewer			
Nonspendable	307	90	217
Assigned	<u>1,499,946</u>	<u>1,489,201</u>	<u>10,745</u>
	<u>1,500,253</u>	<u>1,489,291</u>	<u>10,962</u>
Mitigation			
Restricted	<u>48,486</u>	<u>1,125,576</u>	<u>(1,077,090)</u>
Capital			
Unassigned	<u>(1,715,627)</u>	<u>(1,290,439)</u>	<u>(425,188)</u>
Non-Major			
Assigned	<u>193,072</u>	<u>194,142</u>	<u>(1,070)</u>
Total Fund Balance	<u>\$ 2,076,645</u>	<u>\$ 2,798,333</u>	<u>\$ (721,688)</u>

Combined decreases of \$721,688 to the fund balances during the year ended December 31, 2012, is mainly the result of expenditures in the mitigation and capital funds.

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2012 Budget

The Town's adopted budget's for the year ended December 31, 2012, for the following funds was \$13,788,682. This is an increase of \$503,344 over the prior year's adopted budgets. The 2012 General Whole Town Fund budget was \$4,430,124 which was \$209,401 higher than the 2011 budget. The budgets were adopted and amended as follows:

	<u>General Whole Town</u>	<u>General Part Town</u>	<u>Police</u>	<u>Highway Part Town</u>	<u>Fire</u>	<u>Sewer</u>
Change from Adopted Budget to Revised Budget						
Original and Adobted Budget	\$ 4,430,124	\$ 430,255	\$ 3,497,225	\$ 3,514,305	\$ 1,201,613	\$ 715,160
Amendments:						
New Hartford Public Library	50,000					
PILOT agreement - Hotel	5,000					
Senior Services - NYS Grant	5,391					
Veterans Park/Sherrillbrook Park	13,100					
Highway paving 2012				269,000		
Police Vehicle			20,000			
Police Barracks	41,240			41,997		
Henderson and Clinton St Paving				76,411		
Mitigation-Sewer Main Replacement						7,290
Donations Nutrition Site	7,854					
Parks Surplus Equipment Sale	1,287					
Mitigation-Mud Creek	54,500					
Total Amendments	<u>178,372</u>		<u>20,000</u>	<u>387,408</u>		<u>7,290</u>
Final Budget	<u>\$ 4,608,496</u>	<u>\$ 430,255</u>	<u>\$ 3,517,225</u>	<u>\$ 3,901,713</u>	<u>\$ 1,201,613</u>	<u>\$ 722,450</u>

The majority of this funding source for the budgets consisted of \$5,854,604 in property taxes and \$5,315,000 in nonproperty taxes that include sales and franchise taxes.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At December 31, 2012, the Town had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net increase in capital assets is due to capital additions exceeding depreciation recorded for the year ended December 31, 2012. A summary of the Town's capital assets, net of depreciation at December 31, 2012 and 2011, is as follows:

	<u>2012</u>	<u>(Restated) 2011</u>	<u>Increase/ (Decrease)</u>
Land	\$ 611,634	\$ 611,634	\$
Construction in Progress	3,461,998	5,256,108	(1,794,110)
Buildings	1,907,550	969,981	937,569
Infrastructure	8,683,674	7,263,571	1,420,103
Capital Lease	390,700		390,700
Equipment	671,998	958,212	(286,214)
Capital Assets, Net	<u>\$ 15,727,554</u>	<u>\$ 15,059,506</u>	<u>\$ 668,048</u>

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

B. Debt Administration

At December 31, 2012, the Town had total bonds payable of \$8,309,013. A summary of the outstanding debt at December 31, 2012 and 2011, is as follows:

Description	Date of Original Issue	Date of Final Maturity	Interest Rate (%)	Outstanding Amount		Increase (Decrease)
				2012	2011	
General Fund – Whole Town						
1995	Aug-1995	Feb-2015	5-5.75	\$ 153,000	\$ 204,000	\$ (51,000)
1999	Aug-1999	Feb-2014	5-5.25	78,000	116,000	(38,000)
2002	Feb-2002	Mar-2022	3.9-4.75	696,000	765,000	(69,000)
2009	Mar-2009	Mar-2032	3.50-5.00	1,570,000	1,782,500	(212,500)
2009	Mar-2009	Mar-2032	3.50-5.00	<u>1,950,000</u>	<u>2,090,000</u>	<u>(140,000)</u>
				<u>4,447,000</u>	<u>4,957,500</u>	<u>(510,500)</u>
Police Fund						
2009	Mar-2009	Mar-2032	3.50-5.00		<u>20,000</u>	<u>(20,000)</u>
Highway Fund – Whole Town						
1999	Aug-1999	Feb-2014	5-5.25	22,000	34,000	(12,000)
2002	Feb-2011	Mar-2022	3.9-4.75	274,000	347,000	(73,000)
2009	Mar-2009	Mar-2032	3.50-5.00		<u>87,500</u>	<u>(87,500)</u>
				<u>296,000</u>	<u>468,500</u>	<u>(172,500)</u>
Water Fund						
1995	Aug-1995	Feb-2015	5-5.75	27,000	36,000	(9,000)
2006	NYSEFC	Jul-2006	0.00	<u>3,459,013</u>	<u>3,572,392</u>	<u>(113,379)</u>
				<u>3,486,013</u>	<u>3,608,392</u>	<u>(122,379)</u>
Sewer Fund						
2002	Feb-2002	Mar-2022	3.9-4.75	<u>80,000</u>	<u>88,000</u>	<u>(8,000)</u>
Total Long Term Debt				<u>\$ 8,309,013</u>	<u>\$ 9,142,392</u>	<u>\$ (833,379)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Although the economy, on a national scale, remains stagnant, the Town of New Hartford continues to experience growth with new developments and new jobs. The completion of the infrastructure within the New Hartford Business Park has already spurred interest from other businesses looking to locate within the park or within its close proximity. Since 2010 over \$20,000,000 has been added to the tax role assessed valuation. A large portion of this is attributable to the growth being experienced in our commercial sector and more specifically within the newly formed New Hartford Business Park. It is anticipated that development within the Park alone will add an estimated \$5,000,000 per year in assessed valuation over the next 5-7 years. As the New Hartford Business Park continues to grow it is expected that the surrounding areas will continue to further develop and expand. The growth being experienced in our commercial sector also assists with residential development by bringing in more companies and new jobs.

**TOWN OF NEW HARTFORD, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

The continued growth in commercial development within the Town is one factor in keeping the tax-rate low. The budget as passed for the year 2011 showed a reduction in overall taxes by 8%. In 2012 the tax rate remained the same with no increase in General fund taxes. During the year 2010 and for the 2011 year, over \$1,000,000 in expenditures were slashed from the Town's budget. In 2011, a reduction of \$500,000 in General Whole-Town, and over \$300,000 in Highway expenditures were realized demonstrating our continued effort to reduce expenses. These reductions were part of a reorganization within the Town government and are permanent in nature, not one-time reductions. The opportunity for ongoing tax savings is very real and will be part of the basic financial strategy for this Township. We do not view growth as an enemy of sound fiscal management. On the contrary the continued growth along with the reductions in appropriations will enable us to keep the tax-rate low.

The audits conducted for the 2011 and 2012 fiscal years demonstrate the progress that has been realized in turning around the finances and operations within the Town. The audit produced evidence of the commencement of sound fiscal progress upon which to build our future economic development and financial well being. These audited financial statements demonstrate the focus of fiscal responsibility the Town has taken in the past two years. At the end of 2009 there existed a deficit in the fund balance of the General Funds of over \$250,000, by the end of December 31, 2012 the General Fund has a fund balance of approximately \$1,300,000. This represents a swing of \$1,500,000 over three years. The Town's continued focus on reducing expenditures, coupled with its growth in commercial expansion, exhibits a trend toward a much more financially sound financial base, which will provide assurance that the financial stability and growth of the Town will continue in future years.

The current financial policies and strategies of the Town of New Hartford will lead it back to the sound fiscal foundation it once enjoyed. The corner has been turned in 2012 and we will forge ahead with commitment and determination to regain what was once part of this Town's history. A strong financial position will be established and new policies and procedures will be implemented to set the stage for continued prosperity.

8. CONTACTING THE TOWN

This financial report is designed to provide the Town's citizens, taxpayers, customers, 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 the:

**Town Supervisor
Town of New Hartford
48 Genesee Street
New Hartford, NY 13413**

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF NET POSITION
December 31, 2012

	Governmental Activities	<u>Component Unit</u> New Hartford Public Library
Assets		
Cash and Cash Equivalents	\$ 1,358,128	\$ 90,411
Restricted Cash	1,614,034	135,417
Investments		232,545
Accounts Receivable, Net of Allowance	206,009	
Due From		
Due From Other Governments	1,937,061	
Fiduciary Fund	19	
Inventory	5,163	
Prepaid Expenditures	164,024	
Capital Assets (Net of Accumulated Depreciation)	<u>15,727,554</u>	<u>2,526,786</u>
Total Assets	<u>\$ 21,011,992</u>	<u>\$ 2,985,159</u>
Liabilities		
Accounts Payable	\$ 371,892	\$ 9,727
Accrued Liabilities	225,259	12,868
Accrued Interest	66,960	
Due To Employee Retirement System	710,692	
Due To Other Governments		24,929
Bond Anticipation Notes Payable	1,895,000	
Deferred Revenue	4,950	
Noncurrent Liabilities		
Due Within One Year		
Bonds Payable	635,301	
Capital Lease Notes	77,041	
Due in More Than One Year		
Bonds Payable	7,673,712	
Capital Lease Notes	313,659	
Compensated Absences Payable	1,084,874	9,895
OPEB	<u>4,581,204</u>	
Total Liabilities	<u>17,640,544</u>	<u>57,419</u>
Net Position		
Net Investment in Capital Assets	7,027,841	2,526,786
Restricted	48,486	358,036
Unrestricted	<u>(3,704,879)</u>	<u>42,918</u>
Total Net Position	<u>3,371,448</u>	<u>2,927,740</u>
Total Liabilities and Net Position	<u>\$ 21,011,992</u>	<u>\$ 2,985,159</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	Component Unit New Hartford Public Library
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government						
Governmental Activities						
General Government Support	\$ 2,119,668	\$ 183,913	\$	\$	\$ (1,935,755)	
Public Safety	5,232,156	279,167	97,540		(4,855,449)	
Public Health	102,358				(102,358)	
Transportation	4,459,095	220,843		231,029	(4,007,223)	
Social Services	129,354		5,390		(101,611)	
Home and Community Services	999,419	22,353	4,811		(662,876)	
Culture and Recreation	1,771,661	331,732			(1,771,661)	
Debt Service - Interest	228,897				(228,897)	
Total Governmental Activities	\$ 15,042,608	\$ 1,038,008	\$ 107,741	\$ 231,029	(13,665,830)	
Component Unit						
New Hartford Public Library	\$ 684,904	\$ 71,853	\$ 481,999	\$ 17,957		(113,095)
General Revenues						
Real Property Taxes					5,756,352	
Other Real Property Taxes Items					384,269	
Nonproperty Tax Items					5,870,027	
General State Aid					489,006	
Use of Money and Property					4,612	29,127
Gain on Disposition of Property					73,955	2,266
Licenses					91,389	
Miscellaneous					279,732	5,518
Total General Revenues					12,949,342	36,911
Change in Net Assets					(716,488)	(76,184)
Net Position, Beginning of Year					4,760,563	3,019,757
Prior Period Adjustment					(672,627)	(15,833)
Net Position, End of Year					\$ 3,371,448	\$ 2,927,740

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF NEW HARTFORD, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	Governmental								Total Governmental Funds	
	General Whole Town	General Part Town	Police	Highway Part Town	Fire	Sewer	Mitigation	Capital		Non-major Governmental
Assets										
Current Assets										
Unrestricted Cash	\$ 286,520	\$ 315,074	\$ 479,615	\$ 412,969	\$ 7,121	\$ 800,490	\$	\$ 413,969	\$ 203,803	\$ 2,919,561
Restricted Cash							52,601			52,601
Accounts Receivable	142,961	31,578	3,164	24,117		357		3,832		206,009
Due from Other Funds				5,380		749,323		320,559		1,075,262
Due from Other Governments	1,066,552		228,901	641,608						1,937,061
Inventory	5,163									5,163
Prepaid Expenditures	116,716	6,147	34,853	6,001		307				164,024
Total Current Assets	\$ 1,617,912	\$ 352,799	\$ 746,533	\$ 1,090,075	\$ 7,121	\$ 1,550,477	\$ 52,601	\$ 738,360	\$ 203,803	\$ 6,359,681
Liabilities and Fund Equity										
Current Liabilities										
Accounts Payable	\$ 163,704	\$ 1,851	\$ 29,728	\$ 108,645	\$	\$ 31,450	\$	\$ 27,508	\$ 9,006	\$ 371,892
Accrued Liabilities	61,107	8,797	73,388	72,470		9,497				225,259
Due to Other Funds	303,014		221,649	3,592	9,669		4,115	531,479	1,725	1,075,243
Bond Anticipation Notes Payable								1,895,000		1,895,000
Due to Employees' Retirement System	152,736	22,886	374,021	151,772		9,277				710,692
Deferred Revenues	4,950									4,950
Total Current Liabilities	685,511	33,534	698,786	336,479	9,669	50,224	4,115	2,453,987	10,731	4,283,036
Fund Equity										
Non-spendable	116,716	6,147	34,853	6,001		307				164,024
Restricted							48,486			48,486
Assigned			12,894	747,595		1,499,946			193,072	2,453,507
Unassigned (Deficit)	815,685	313,118			(2,548)			(1,715,627)		(589,372)
Total Fund Equity (Deficit)	932,401	319,265	47,747	753,596	(2,548)	1,500,253	48,486	(1,715,627)	193,072	2,076,645
Total Liabilities and Fund Equity	\$ 1,617,912	\$ 352,799	\$ 746,533	\$ 1,090,075	\$ 7,121	\$ 1,550,477	\$ 52,601	\$ 738,360	\$ 203,803	\$ 6,359,681

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF NEW HARTFORD, NEW YORK
RECONCILIATION OF TOTAL GOVERNMENTAL FUND EQUITY TO NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2012

Governmental Fund Equity		\$	2,076,645
Amounts reported for governmental activities in the statement of net assets are different due to the following:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	Original Cost of Capital Assets	31,231,003	
	Accumulated Depreciation	<u>(15,503,449)</u>	15,727,554
Accrued Interest			(66,960)
Long-term liabilities, OPEB Liability and Compensated Absences, are not due and payable in the current-period and therefore are not reported in the funds	Bonds Payable	(8,309,013)	
	Capital Lease Notes	(390,700)	
	Compensated Absences Payable	(1,084,874)	
	OPEB	<u>(4,581,204)</u>	<u>(14,365,791)</u>
Net Position of Governmental Activities			<u>\$ 3,371,448</u>

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Governmental								Total Governmental Funds	
	General Whole Town	General Part Town	Police	Highway Part Town	Fire	Sewer	Mitigation	Capital		Non-major Governmental
Revenues										
Real Property Taxes	\$ 1,388,461		\$ 2,266,196		\$ 1,201,613	\$ 649,844			\$ 250,238	\$ 5,756,352
Other Real Property Tax Items	384,269									384,269
Nonproperty Tax Items	2,042,661		899,261	2,928,105						5,870,027
Departmental Income	392,134	150,807	72,841	2,822		12,354				630,958
Intergovernmental Charges		11,840		218,021						229,861
Use of Money and Property	2,782		15	(15)		(8)	1,636	202		4,612
Licenses and Permits	28,976	76,783								105,759
Fines and Forfeitures	125,354									125,354
Sale of Property and Compensation for Loss	9,669		30,928	33,358						73,955
Miscellaneous	76,420		83,790	6,629			1,118	149,240		317,197
State Aid	499,207		97,540	170,802						767,549
Federal Aid				4,779				55,448		60,227
Total Revenues	<u>4,949,933</u>	<u>239,430</u>	<u>3,450,571</u>	<u>3,364,501</u>	<u>1,201,613</u>	<u>662,190</u>	<u>2,754</u>	<u>204,890</u>	<u>250,238</u>	<u>14,326,120</u>
Expenditures										
General Government Support	1,340,493	12,420						332,586		1,685,499
Public Safety	113,661		2,084,806		1,194,491					3,392,958
Public Health		58,237								58,237
Transportation	119,522			2,794,582				438,180	96,706	3,448,990
Social Services	129,354									129,354
Home and Community Services	122,844	213,770				245,579		608,096	16	1,190,305
Culture and Recreation	1,164,439									1,164,439
Employee Benefits	783,344	122,939	1,150,627	776,484		72,607				2,906,001
Debt Service - Principal	510,500	20,000		172,500		8,000			122,379	833,379
Debt Service - Interest	206,421	350		27,389		2,675			1,811	238,646
Total Expenditures	<u>4,490,578</u>	<u>427,716</u>	<u>3,235,433</u>	<u>3,770,955</u>	<u>1,194,491</u>	<u>328,861</u>		<u>1,378,862</u>	<u>220,912</u>	<u>15,047,808</u>
Excess (Deficit) Revenues Over Expenditures	<u>459,355</u>	<u>(188,286)</u>	<u>215,138</u>	<u>(406,454)</u>	<u>7,122</u>	<u>333,329</u>	<u>2,754</u>	<u>(1,173,972)</u>	<u>29,326</u>	<u>(721,688)</u>
Other Financing Sources (Uses)										
Interfund Transfers From	95,740		46,000	542,083				748,784		1,432,607
Interfund Transfers To						(322,367)	(1,079,844)		(30,396)	(1,432,607)
Total Other Financing Sources (Uses)	<u>95,740</u>		<u>46,000</u>	<u>542,083</u>		<u>(322,367)</u>	<u>(1,079,844)</u>	<u>748,784</u>	<u>(30,396)</u>	
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	<u>555,095</u>	<u>(188,286)</u>	<u>261,138</u>	<u>135,629</u>	<u>7,122</u>	<u>10,962</u>	<u>(1,077,090)</u>	<u>(425,188)</u>	<u>(1,070)</u>	<u>(721,688)</u>
Fund Equity, Beginning of Year	<u>412,306</u>	<u>507,551</u>	<u>(213,391)</u>	<u>617,967</u>	<u>(9,670)</u>	<u>1,932,464</u>	<u>682,403</u>	<u>(1,290,439)</u>	<u>194,142</u>	<u>2,833,333</u>
Prior Period Adjustment	(35,000)									(35,000)
Equity Transfer						(443,173)	443,173			
Fund Equity (Deficit), Beginning of Year (Restated)	<u>377,306</u>	<u>507,551</u>	<u>(213,391)</u>	<u>617,967</u>	<u>(9,670)</u>	<u>1,489,291</u>	<u>1,125,576</u>	<u>(1,290,439)</u>	<u>194,142</u>	<u>2,798,333</u>
Fund Equity (Deficit), End of Year	<u>\$ 932,401</u>	<u>\$ 319,265</u>	<u>\$ 47,747</u>	<u>\$ 753,596</u>	<u>\$ (2,548)</u>	<u>\$ 1,500,253</u>	<u>\$ 48,486</u>	<u>\$ (1,715,627)</u>	<u>\$ 193,072</u>	<u>\$ 2,076,645</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF NEW HARTFORD, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Net Changes in Fund Balance - Total Governmental Funds **\$ (721,688)**

Capital Outlays to purchase or build capital assets are reported in Governmental Funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their useful lives as depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

	Capital Outlays	1,885,981	
	Depreciation	<u>(1,217,933)</u>	668,048

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.

	Principal Payments on Long Term Debt		833,379
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Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

	OPEB Liability	(1,108,692)	
	Capital Lease Notes	(390,700)	
	Accrued Interest	9,749	
	Compensated Absences	<u>(6,584)</u>	<u>(1,496,227)</u>

Change in Net Positions Governmental Activities **\$ (716,488)**

TOWN OF NEW HARTFORD, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2012

	<u>Agency</u>
Assets	
Unrestricted Cash	\$ 156,803
Due From Other Governments	387
Other Assets	<u>5,198</u>
 Total Assets	 <u>\$ 162,388</u>
Liabilities and Net Assets	
Agency Liabilities	\$ 19,532
Due To Other Funds	19
Retainers Payable	<u>142,837</u>
 Total Liabilities	 <u>\$ 162,388</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared primarily from accounts maintained by the Town.

GASB is responsible for establishing U.S. GAAP for State and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies, established in U.S. GAAP and used by the Town, are discussed below.

Background

The Town of New Hartford, New York (the Town), is governed by the general laws of the State of New York, and various local laws and ordinances. The Town Board is the legislative body responsible for the overall operation of the Town. The Supervisor serves as the Chief Executive Officer and as Chief Fiscal Officer of the Town.

The Town provides the following basic services: public safety (police and fire), highways and streets, water and sewer, library, and various recreational and community services.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government which is the Town of New Hartford, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB.

The decision to include a potential component unit in the Town's reporting entity is based on several criteria set forth in GASB including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, no other organizations have been included or excluded from the reporting entity except as follows:

(a) Included in the Reporting Entity

The New Hartford Public Library was established in 1977 by the Town and granted a charter by the State Board of Regents as provided in Article 5 of the Education Law. The Town of New Hartford appoints all trustees; raises taxes for library purposes; and, as needed, issues all library indebtedness which is supported by the full faith and credit of the Town of New Hartford. The Library has title to its capital assets. The library is a component unit of the primary government. The financial statements can be obtained by writing to the New Hartford Public Library at 2 Library Lane, New Hartford, New York 13413.

The above discretely presented financial statements are presented in the financial statements.

Financial Statements - Government-Wide

The Town's financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Public safety, maintenance of roads, public works, social services, recreation and culture, water, sewer, and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. All direct expenses incurred are charged to the corresponding function. Capital asset additions that cannot be identified to a specific function are allocated based on total expenses by program.

Employee benefits are reported as a separate function on the fund financial statements. These costs have been allocated for the government-wide financial statements based on the respective payroll for each function.

The net costs (by function or business-type activity) are normally covered by general revenues (property, non-property, or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Town reports the following major governmental funds:

(a) Major Funds:

The emphasis in the fund financial statements is on the major governmental fund categories. Non-major funds are summarized into a single column. The non-major funds consist of Highway Whole Town, Water, and Lighting Districts

General Funds – Whole and Part Town – this is the principal operating fund which is used to account for and report all operations not required to be recorded in other funds.

Highway Part Town Fund - account for and reports the repairs and maintenance of Town roads in accordance with New York State laws.

Special Revenue Funds – Police, Fire, and Sewer - used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for those specified purposes. Real property taxes are raised for police services from the whole town excluding the Village of New York Mills. Real property taxes are also raised solely to pay the debt services for the water and sewer lines and fire protection provided by a separate entity. The Town does not have its own treatment facilities for water and sewer.

Mitigation Fund - used to account for and reports financial resources from fees from various developers received in order to mitigate the cumulative effect of the respective development projects on the community.

Capital Fund - used to account for and reports financial resources to be used for the acquisition or construction of major capital facilities.

(b) Fiduciary Fund Types – Fiduciary funds are used to account for and report assets held in a trustee or agency capacity for others and therefore, are not available to support Town programs.

The Town's fiduciary funds are presented in the agency trust fund in the financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, deferred compensation participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual – The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Nonexchange transactions are transactions in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. Nonexchange revenues are generally reported as nonoperating revenues. 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Modified Accrual Basis - All Governmental Funds Financial Statements are reported for using the current financial resources measurement focus and the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town has defined the period of availability to be 90 days.

Material revenues that are accrued include real property taxes, Federal and State aid, sales tax, and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures are recorded when the fund liability is incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of the disbursements.
- b. Principal on indebtedness is not recognized as an expenditure until due.
- c. Capital Fund Expenditures are recorded when paid.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

Property Taxes

Taxes are collected by the receiver of taxes during the period January 1 to January 31 without penalty. Taxes are due by January 31. If received during February, there is a 1% penalty. If payment is received in March, there is a 1.5% penalty. After May 31, the unpaid amount is turned over to Oneida County. The County is responsible for collecting all taxes after April 1. The County pays the Town for the delinquent taxes and assumes enforcement responsibility for all taxes levied in the Town.

Capital Assets/Property, Plant, and Equipment

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure assets are capitalized on a prospective basis. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	40 Years
Machinery and Equipment	3-15 Years
Infrastructure	40 Years

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimate portion that is expected to be uncollectible. Estimated unbilled revenues are estimated at the end of each fiscal year. Sewer fund receivables are fully guaranteed by the General Fund of the Town. Therefore, no allowance for doubtful accounts has been established for these funds.

Deferred Revenue

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Insurance

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

Retirement Plan

The Town provides retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State Employees' Retirement System and the New York State Police and Fire Retirement System. These Systems are cost-sharing, multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

In addition to providing pension benefits, the Town provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if Town employees are eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the Town and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charged the appropriate benefiting fund and reduced its related cost as reimbursement. All other interfund transactions are treated as transfers.

Inventories

Year-end supplies of office supplies that are on hand are shown as an asset of the Town.

Inventories of materials and supplies are recorded at cost on a first-in, first-out basis or market value, whichever is lower. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Compensated Absences

Town employees are granted vacation and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limits.

Cash and Cash Equivalents

State statutes require that collateral be pledged at 100 percent of all deposits not covered by Federal Deposit Insurance Corporation insurance for demand deposits, time deposits, repurchase agreements, and certificates of deposit. Obligations of the United States Treasury and its agencies as well as obligations of New York State and its municipalities and school districts may be pledged. Investments are carried at market value.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

The Town's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the Town's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC 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 Districts.

Short-Term Debt

The Town may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

Equity classifications

(a) Government-wide Financial Statements

In the Government-wide statements there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – 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.

(b) Fund Statements

The Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Non-spendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of the balances in prepaid expenditure and inventory accounts.

Restricted Resources

This category includes 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. Generally, the Town's policy is to use restricted resources only when appropriated by the Town Board. When an expenditure is incurred for purposes for which both restricted and unrestricted net positions are available, the Town's policy concerning which to apply first varies with the intended use, and with associated legal requirements.

• ***Reserve for Mitigating Capital Improvements***

The Town has reserved the fund equity of the Mitigation Fund. These funds being held are from the collection of mitigation fees. The funds can only be spent on specific public improvements. The current active agreements stipulate that the funds are required to be used by 2013. Agreements entered into in 2011 and after do not contain a time stipulation.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town has provided otherwise in its commitment or assignment actions.

- ***Committed*** - Includes 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. The Town has no committed fund balances as of December 31, 2012.
- ***Assigned*** - Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Town Board or (b) the designated official, such as the Town's Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. The remaining fund balances in the Police, Highway Part Town, Sewer, and Non-Major funds are assigned fund balances.
- ***Unassigned*** - Includes all other fund net positions that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

2. DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND TOWN-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Town-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource management focus of the Statement of Activities, compared with the current financial resource management focus of the governmental funds.

Total Fund Balances of Governmental Funds Compared To Net Positions of Governmental Activities

Total fund balances of the Town's governmental funds differs from "net positions" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

Statement of Revenues, Expenditures, and Changes In Fund Balance Compared To Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

(a) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(b) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

(c) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(d) Employee Benefit Allocation

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Equity based on the requirements of New York State. These costs have been allocated based on total salary for each function on the Statement of Activities.

Budgets and Budgetary Accounting

(a) Budget Basis of Accounting

The budget is adopted annually on a basis consistent with U.S. GAAP. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

(b) Budget Policies

- Budgets are adopted annually on a basis consistent with U.S. generally accepted accounting principles.
- No later than October 5, the Town Supervisor submits a tentative budget to the Town Clerk for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of legislative resolution no later than Thursday after election date. Certified copies are filed no later than November 20 with the tax roll coordinator (Oneida County) for the purpose of preparing the tax levy.
- The Town Supervisor is authorized to transfer certain budgeted amounts within departments and/or individual funds.

(c) Legally Adopted Budgets

All of the Funds, except capital, have legally adopted budgets. The Funds' budgets are adopted on a departmental and object level of expenditure basis in which expenditures may not legally exceed appropriations on a departmental and object of expenditure level.

Individual governmental fund comparisons of budget and actual data at the legal level of control established by the adopted budget (i.e., minimally at the department and object level) are not presented in this report for those funds with annual adopted budgets due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information.

3. ENCUMBRANCE ACCOUNTING

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 in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

4. BUDGET LIMITATIONS AND SUPPLEMENTAL APPROPRIATIONS

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

	<u>General Whole Town</u>	<u>General Part Town</u>	<u>Police</u>	<u>Highway Part Town</u>	<u>Fire</u>	<u>Sewer</u>
Change from Adopted Budget to Revised Budget						
Original and Adopted Budget	\$ 4,430,124	\$ 430,255	\$ 3,497,225	\$ 3,514,305	\$ 1,201,613	\$ 715,160
Amendments:						
New Hartford Public Library	50,000					
PILOT agreement - Hotel	5,000					
Senior Services - NYS Grant	5,391					
Veterans Park/Sherrillbrook Park	13,100					
Highway paving 2012				269,000		
Police Vehicle			20,000			
Police Barracks	41,240			41,997		
Henderson and Clinton St Paving				76,411		
Mitigation-Sewer Main Replacement						7,290
Donations Nutrition Site	7,854					
Parks Surplus Equipment Sale	1,287					
Mitigation-Mud Creek	54,500					
Total Amendments	<u>178,372</u>		<u>20,000</u>	<u>387,408</u>		<u>7,290</u>
Final Budget	<u>\$ 4,608,496</u>	<u>\$ 430,255</u>	<u>\$ 3,517,225</u>	<u>\$ 3,901,713</u>	<u>\$ 1,201,613</u>	<u>\$ 722,450</u>

5. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets

(a) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, New York State statutes govern the Town's investment policies, as discussed previously in these notes.

As of December 31, 2012, of the Town's bank balances of \$3,478,747 were not exposed to custodial credit risk.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

(b) Capital Assets

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

	(Restated)			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 611,634			\$ 611,634
Construction in Progress	<u>5,256,108</u>	<u>1,108,646</u>	<u>2,902,756</u>	<u>3,461,998</u>
Total	<u>5,867,742</u>	<u>1,108,646</u>	<u>2,902,756</u>	<u>4,073,632</u>
Capital Assets Being Depreciated				
Buildings	4,160,082	1,068,278		5,228,360
Infrastructure	13,088,387	1,792,116		14,880,503
Capital Lease		390,700		390,700
Equipment	<u>6,336,124</u>	<u>428,997</u>	<u>107,313</u>	<u>6,657,808</u>
Total	<u>23,584,593</u>	<u>3,680,091</u>	<u>107,313</u>	<u>27,157,371</u>
Accumulated Depreciation				
Buildings	3,190,101	130,709		3,320,810
Infrastructure	5,824,816	372,013		6,196,829
Equipment	<u>5,377,912</u>	<u>715,211</u>	<u>107,313</u>	<u>5,985,810</u>
Total	<u>14,392,829</u>	<u>1,217,933</u>	<u>107,313</u>	<u>15,503,449</u>
Net Capital Assets Being Depreciated	<u>9,191,764</u>	<u>2,462,158</u>		<u>11,653,922</u>
Net Capital Assets	<u>\$ 15,059,506</u>	<u>\$ 3,570,804</u>	<u>\$ 2,902,756</u>	<u>\$ 15,727,554</u>

Depreciation expense was charged to the functions/programs as follows:

Governmental Activities	
General Government Support	\$ 189,734
Public Safety	381,948
Transportation	383,702
Home and Community Services	131,466
Culture and Recreation	<u>131,083</u>
Total Depreciation Expense	<u>\$ 1,217,933</u>

Liabilities

The Town may issue Bond Anticipation Notes (BANs) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The following is a summary of the BAN outstanding at December 31, 2012.

Payable From/Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
	General Fund				
Replacement of Elm Street Bridge/Culvert	7/12	\$ 847,000	7/13	1.25	\$ 847,000
Various Projects	7/12	\$ 1,048,000	7/13	1.25	<u>1,048,000</u>
					<u>\$ 1,895,000</u>

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Changes in the Town's short-term outstanding debt for the year ended December 31, 2012, are as follows:

Description	Outstanding Beginning Balance	Issued	Paid	Outstanding Ending Balance
Governmental Activities				
Replacement of Elm Street Bridge/Culvert	\$ 847,000	\$ 847,000	\$ (847,000)	\$ 847,000
Various Projects	<u>1,048,000</u>	<u>1,048,000</u>	<u>(1,048,000)</u>	<u>1,048,000</u>
Total Governmental Activities	<u>\$ 1,895,000</u>	<u>\$ 1,895,000</u>	<u>\$(1,895,000)</u>	<u>\$ 1,895,000</u>

Interest costs for short-term debt for the year ended December 31, 2012, was as follows:

Interest Paid	\$ 26,702
Less: Interest Accrued in the Prior Year	(16,948)
Plus: Interest Accrued in the Current Year	<u>12,831</u>
Total Interest Expense on Short-Term Debt	<u>\$ 22,585</u>

The Town borrows funds on a long-term basis for the purpose of financing acquisitions of land and equipment and construction of buildings and improvements. This policy 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 for governmental funds are maintained separately and represent a reconciling item between the fund and Town-wide statements. Interest associated with long-term debt is recorded as an expenditure when such amounts are due.

Long-term liability balances and activity are as follows:

Description	Outstanding Beginning Balance	Issued	Paid	Outstanding Ending Balance	Due Within One Year
Governmental Activities					
Serial Bonds Payable	\$ 9,142,392	\$	\$ (833,379)	\$ 8,309,013	\$ 635,301
Capital Lease Notes		390,700		390,700	77,041
OPEB Liability	3,472,512	1,358,645	(249,953)	4,581,204	
Compensated Absences	<u>1,078,290</u>	<u>6,584</u>		<u>1,084,874</u>	
Total Governmental	<u>\$ 13,693,194</u>	<u>\$ 1,755,929</u>	<u>\$(1,083,332)</u>	<u>\$ 14,365,791</u>	<u>\$ 712,342</u>

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Future principal and interest payments due on serial bonds debt is as follows:

Fiscal Year Ended				
December 31,	Principal	Interest	Total	
2013	\$ 635,301	\$ 191,251	\$ 826,552	
2014	607,223	170,488	777,711	
2015	564,144	151,325	715,469	
2016	491,066	135,088	626,154	
2017	482,988	121,188	604,176	
2018-2022	2,453,763	383,919	2,837,682	
2023-2027	1,171,802	136,650	1,308,452	
2028-2032	1,114,842	46,500	1,161,342	
2033-2037	<u>787,884</u>		<u>787,884</u>	
Total	<u>\$ 8,309,013</u>	<u>\$ 1,336,409</u>	<u>\$ 9,645,422</u>	

Capital Lease Payable - The Town is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the Governmental Funds. Assets under capital leases for the Governmental Funds totaled \$390,700 at December 31, 2012, respectively. The terms of the lease is 5 years and have an interest rate of 2.17% per annum. The following is a schedule of future minimum lease payments under capital leases.

Fiscal Year Ended				
December 31,	Principal	Interest	Total	
2013	\$ 77,041	\$ 5,668	\$ 82,709	
2014	75,912	6,797	82,709	
2015	77,556	5,152	82,708	
2016	79,237	3,471	82,708	
2017	<u>80,954</u>	<u>1,754</u>	<u>82,708</u>	
Total	<u>\$ 390,700</u>	<u>\$ 22,842</u>	<u>\$ 413,542</u>	

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Details relating to general obligation (serial) bonds of the Town outstanding at December 31, 2012, are summarized as follows:

<u>Description</u>	<u>Date of Original Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
General Fund – Whole Town				
1995	Aug-1995	Feb-2015	5-5.75	\$ 153,000
1999	Aug-1999	Feb-2014	5-5.25	78,000
2002	Feb-2002	Mar-2022	3.9-4.75	696,000
2009	Mar-2009	Mar-2032	3.50-5.00	1,570,000
2009	Mar-2009	Mar-2032	3.50-5.00	<u>1,950,000</u>
				<u>4,447,000</u>
Highway Fund – Whole Town				
1999	Aug-1999	Feb-2014	5-5.25	22,000
2002	Feb-2011	Mar-2022	3.9-4.75	<u>274,000</u>
				<u>296,000</u>
Water Fund				
1995	Aug-1995	Feb-2015	5-5.75	27,000
2006 NYSEFC	Jul-2006	Jun-2036	0.00	<u>3,459,013</u>
				<u>3,486,013</u>
Sewer Fund				
2002	Feb-2002	Mar-2022	3.9-4.75	<u>80,000</u>
				<u>8,309,013</u>

Total interest for the year was as follows:

Interest Paid	\$ 238,646
Less: Interest Accrued in the Prior Year	(76,709)
Plus: Interest Accrued in the Current Year	<u>66,960</u>
Total Interest Expense on Long-Term Debt	<u>\$ 228,897</u>

Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the Town. The Town may issue indebtedness to the extent that the aggregate outstanding debt issued, which are subject to such limit, does not exceed 7% of the average full valuation of taxable real estate within such Town. At December 31, 2012, the total outstanding indebtedness of the Town aggregated \$10,204,013, of this amount, \$6,207,000 was subject to the constitutional debt limit and represented approximately 5.7% of its statutory debt limit.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Pension Plans

(a) Plan Description

The Town of New Hartford participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employee's Group Life Insurance Plan (Systems). These are cost-sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes general purpose financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

(b) Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The New York State Pension System has a fiscal year end of March 31.

The Town's contributions made to the Systems were equal to 100 percent of the contributions required for each year. The contribution for the March 31, 2013 billings was made in January 2013. The Town accrued 75% of this billing at December 31, 2012.

The required contributions for the current year and two preceding years were:

	For the Years Ended March 31,		
	2013	2012	2011
<u>ERS</u>			
Average Contribution Rate	18.7%	15.4%	10.9%
Average Contributions	\$ 463,904	\$ 499,318	\$ 411,496
<u>PFRS</u>			
Average Contribution Rate	24.5%	20.8%	16.7%
Average Contributions	\$ 483,684	\$ 312,075	\$ 202,281

Other Postemployment Benefits (OPEB)

(a) Plan Description

The Town administers the Medical Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the Town subject to applicable collective bargaining and employment agreements. Generally, employees may retire with benefits when they reach the minimum age of 55 and have 20 years of service with the Town.

The Plan does not issue a stand alone publicly available 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 Town pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. For the year ended December 31, 2012, the Town's contributions to the Plan ranged from 85% to 100% of the required annual premiums. The retirees currently contribute 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.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

The Town's other postemployment benefit (OPEB) cost for all employee health insurance benefits is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities 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 changes in the Town's net OPEB obligation.

(c) Annual OPEB Cost

	Total
Normal Cost	\$ 580,572
Amortization of UAL	849,766
Interest	142,241
ARC	1,572,579
Adjustment to ARC	(213,934)
OPEB Expense	\$ 1,358,645

(d) Reconciliation of Net OPEB Obligation

	Total
Net OPEB Obligation at the Beginning of the Year	\$ 3,472,512
Annual Required Contribution	1,358,645
Net OPEB Contributions Made During the Fiscal Year	(249,953)
Net OPEB Obligation at the End of the Year	\$ 4,581,204
Percentage of Expense Contributed	18%

(e) Trend Information

	Annual Net OPEB Expense	OPEB Expense Contributed	% of Expense Contributed	Net OPEB Obligation
Fiscal Year Ending				
December 31, 2010	\$ 1,177,623	\$ 324,462	27.6%	\$ 2,544,754
December 31, 2011	\$ 1,293,676	\$ 365,918	28.3%	\$ 3,472,512
December 31, 2012	\$ 1,358,645	\$ 249,953	18.4%	\$ 4,581,204

(f) Funding Status

	Total
Actuarial Accrued Liability	\$ 13,581,619
Actuarial Value of Assets	
Unfunded Actuarial Accrued Liability (UAAL)	\$ 13,581,619
Funded Ratio	0%
Annual Covered Payroll	\$ 4,213,174
UAAL as a Percentage of Covered Payroll	322%

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

(g) Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. For this reason, the results in this report should be viewed as estimates. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members in the future.

The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial measurement date was dated January 1, 2011.

(h) Health Care Trend Factors

Medical care costs are assumed to increase in accordance with the following schedule:

Year	Trend
2013	9.0%
2014	8.5%
2015	8.0%
2016	7.5%
2017 and Later	7.0% to 5.0%

(i) Additional Information

Actuarial Valuation Date	January 1, 2011
Actuarial Cost Method	Projected Unit Credit
Amortization Period	Single Amortization Period
Amortization Period Remaining (Years)	28
Funding Interest Rate	4%
Fiscal year that the Rate Reaches the Ultimate Trend Rate	2015

Interfund receivables and Payables

Interfund receivables and payables at December 31, 2012, were as follows:

Fund Type	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General Whole Town	\$	\$ 303,014	\$ 95,740	\$
Police		221,649	46,000	
Highway Part Town	5,380	3,592	542,083	
Fire		9,669		
Sewer	749,323			322,367
Mitigation		4,115		1,079,844
Capital	320,559	531,479	748,784	
Non-Major		1,725		30,396
Fiduciary Funds		19		
Total	\$ 1,075,262	\$ 1,075,262	\$ 1,432,607	\$ 1,432,607

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

6. COMMITMENTS AND CONTINGENCIES

Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Construction Commitments

At December 31, 2012, the Town had construction commitments outstanding of approximately \$116,851, which are contingent on performance of contractors. If any contract should exceed the original contract, then the excess will be financed from the remaining bond proceeds or current appropriations as approved by the voters.

7. CONTINGENT LIABILITIES

Judgments and Claims

The Town is a defendant in various lawsuits. In the opinion of the Town's management, after considering all relevant facts and the opinion of outside counsel in certain instances, such litigation will not in the aggregate have a materially adverse effect on the financial position of the Town.

*New York State Department of Environmental Conservation
(NYSDEC) Consent Order*

- The Town is one of eight municipalities that participate in the Oneida County Sewer District. The consent order directs the District to mitigate the future effects of the sewer overflows along the Sauquoit Creek Basin. The total project is estimated to cost \$79.2 million. The initial phase of the project is expected to cost approximately \$25 million. In 2010, all participating municipalities began paying a surcharge of \$1.05 per 1000 gallons of water used. In 2011, the Town of New Hartford's total surcharge paid from the Sewer's fund balance to the District in the amount of \$443,173. Beginning in 2012, this amount will be paid annually by a direct charge by the District to the users until the project complete and any borrowings are paid in full.

Union Agreements

The Town has the following union agreements in place with the related expiration dates:

Highway	Teamsters Local No. 182	Expired December 31, 2010
Parks	Teamsters Local No. 182	Expired December 31, 2010

Tax Certiorari Proceedings

The Town is a defendant in several tax certiorari proceedings seeking a reduction in taxable assessments including a potential refund of prior real property taxes paid. The potential liability of the refunding ranges from \$50,000 to \$106,000.

**TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012**

8. FUND BALANCE

(a) The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet at December 31, 2012:

	General Whole Town	General Part Town	Police	Highway Part Town	Fire	Sewer	Mitigation	Capital	Non-Major Governmental	Total
Nonspendable	\$ 116,716	\$ 6,147	\$ 34,853	\$ 6,001	\$	\$ 307	\$	\$	\$	\$ 164,024
Restricted										
Reserve for Mitigation Capital Improvements							48,486			48,486
Assigned										
Public Safety			12,894							12,894
Transportation				747,595					193,072	940,667
Home and Community Services						1,499,946				1,499,946
Total Assigned			12,894	747,595		1,499,946			193,072	2,453,507
Unassigned	815,685	313,118			(2,548)			(1,715,627)		(589,372)
Total Fund Equity	<u>\$ 932,401</u>	<u>\$ 319,265</u>	<u>\$ 47,747</u>	<u>\$ 753,596</u>	<u>\$ (2,548)</u>	<u>\$ 1,500,253</u>	<u>\$ 48,486</u>	<u>\$ (1,715,627)</u>	<u>\$ 193,072</u>	<u>\$ 2,076,645</u>

9. DEFICIT FUND BALANCES

Fire

The deficit in the Fire Fund at December 31, 2012 of \$2,548 was due to previous years' operating deficits. The deficit is expected to be eliminated in future years through expenditure reductions and an increase to the property tax levy.

Capital

The Capital Fund had a fund deficit of \$1,715,627 at December 31, 2012. This deficit is due to the issuance of \$1,895,000 BAN in the current year. The BAN proceeds are expended, but the liability remains until permanent financing is issued or payments are made from General Fund appropriations.

10. EQUITY TRANSFER

The prior period adjustments in the Mitigation Fund and Sewer Fund were for the following:

During 2010 and 2011, the Town paid \$443,173 to the Oneida County Sewer District for its share of the surcharge for the mitigation costs of the overflows along the Sauquoit Creek Basin. For both years, these funds were to be funded through the use of Mitigation Fees. However, these funds were not transferred within these periods as authorized by resolution. To correct this error, an equity transfer for \$443,173 was made to transfer the Fund Equity from the Sewer Fund back to the Mitigation fund.

11. PRIOR PERIOD ADJUSTMENTS

The General Whole Town Fund recorded a prior-period adjustment of \$35,000 which was for land that the Town has been occupying since 2006 and paid for in 2012. This was for the purchase of the Whitetail Meadows land. The accusation of the land should have been booked in 2006 when the town started to occupy the land.

The government-wide statements recorded a prior period adjustment of \$672,627 to adjust the construction in progress amount to reconcile to the December 31, 2011 amounts.

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

12. NEW HARTFORD PUBLIC LIBRARY

Reporting Entity

The reporting entity of the Library is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Library has chosen to reclassify the prior year financial statement in order to present separate fund activity in the current year.

The accompanying financial statements present the activities of the Library. The Library is a component unit of the Town of New Hartford. The Library is financially accountable to the Town because it appoints all of the Library's Board Members, provides 80% of the funding for operations, and as needed, is responsible for approving and issuance and the payment of debt. The Library does have ownership of the real property.

The decision to include a potential component unit in the Library's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no component units included in the Library's financial statements.

Cash and Cash Equivalents

The Library's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the Library's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC 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 libraries.

Investments

The Library has placed its Lally Memorial Garden Fund investments in a pooled investment account with The Community Foundation of Herkimer and Oneida Counties, Inc. The Foundation maintains master investment accounts. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual accounts based on the relationship of the market value of each account to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

Inventories

Purchases of inventoriable items are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Capital Assets

Capital assets are reported at actual cost. The Library does not capitalize Library books and materials. Donated assets are reported at estimated fair market value at the time received. 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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Building and Land Improvements	\$ 1,000	10-40 Years
Furniture and Equipment	\$ 1,000	3-10 Years

TOWN OF NEW HARTFORD, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Other Benefits

Library employees participate in the New York State Employees' Retirement System.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Library administration prepares a proposed budget for approval by the Board of Trustees for the governmental funds for which legal (appropriated) budgets are adopted.

Appropriations established by the adoption of the budget constitute a limitation on expenditures that may be incurred. Appropriations lapse at the end of the fiscal year unless expended. Appropriations authorized for the current year are increased by budget amendments approved by the Board as a result of unanticipated revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. While the Library does not have a specific policy for custodial credit risk, New York State statutes govern the Library's investment policies, as discussed previously in these Notes. The Library's aggregate bank balances (disclosed in the financial statements), were fully collateralized by depository insurance.

POOLED INVESTMENT

Investment balances and activity for the year ended December 31, 2012, were as follows:

Beginning Balance	\$207,124
Investment Income Net of Fees	28,714
Foundation Administrative Fee	<u>(3,293)</u>
Ending Balance	<u>\$232,545</u>

CAPITAL ASSETS

Capital assets balances and activity for the year ended December 31, 2012, were as follows:

	Beginning Balance	Additions	Ending Balance
Capital Assets Not Being Depreciated			
Land	\$ 96,460	\$	\$ 96,460
Capital Assets Being Depreciated			
Buildings	2,911,945	30,961	2,942,906
Land Improvements	135,422		135,422
Furniture, Fixtures, and Equipment	<u>307,116</u>	<u>1,480</u>	<u>308,596</u>
Total	<u>3,354,483</u>	<u>32,441</u>	<u>3,386,924</u>
Accumulated Depreciation			
Buildings	569,985	74,458	644,443
Land Improvements	46,762	9,028	55,790
Furniture, Fixtures, and Equipment	<u>232,222</u>	<u>24,143</u>	<u>256,365</u>
Total	<u>848,969</u>	<u>107,629</u>	<u>956,598</u>
Net Capital Assets Being Depreciated	<u>2,505,514</u>	<u>(75,188)</u>	<u>2,430,326</u>
Net Capital Assets	<u>\$ 2,601,974</u>	<u>\$ (75,188)</u>	<u>\$ 2,526,786</u>

TOWN OF NEW HARTFORD, NEW YORK
SCHEDULES OF FUNDING PROGRESS OF OTHER POST EMPLOYMENT BENEFITS
For the Year Ended December 31, 2012

Fiscal Year Ending	Actuarial Value of Assets	Actuarial		Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
		Liability-Projected Unit Credit	Accrued				
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)	
December 31, 2010	\$	\$ 12,023,773	\$ 12,023,773	0%	\$ 5,110,876	235%	
December 31, 2011	\$	\$ 12,794,015	\$ 12,794,015	0%	\$ 4,196,556	305%	
December 31, 2012	\$	\$ 13,581,619	\$ 13,581,619	0%	\$ 4,213,174	322%	

TOWN OF NEW HARTFORD, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - GENERAL WHOLE TOWN FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Current Year's Actual	Variance with Amended Budget
Revenues				
Real Property Taxes	\$ 1,388,461	\$ 1,388,461	\$ 1,388,461	\$
Other Real Property Tax Items	341,205	341,205	384,269	43,064
Nonproperty Tax Items	1,487,634	1,542,634	2,042,661	500,027
Departmental Income	391,438	391,438	392,134	696
Intergovernmental Charges				
Use of Money and Property	1,300	1,300	2,782	1,482
Licenses and Permits	22,930	22,930	28,976	6,046
Fines and Forfeitures	160,000	160,000	125,354	(34,646)
Sale of Property and Compensation for Loss			9,669	9,669
Miscellaneous	61,106	83,347	76,420	(6,927)
State Aid	576,050	581,441	499,207	(82,234)
Total Revenues	<u>4,430,124</u>	<u>4,512,756</u>	<u>4,949,933</u>	<u>437,177</u>
Expenditures				
General Government Support	1,381,727	1,422,967	1,340,493	82,474
Public Safety	117,029	117,029	113,661	3,368
Transportation	121,481	121,481	119,522	1,959
Social Services	138,199	151,444	129,354	22,090
Home and Community Services	25,500	80,000	122,844	(42,844)
Culture and Recreation	1,129,137	1,193,524	1,164,439	29,085
Employee Benefits	835,929	835,929	783,344	52,585
Debt Service - Principal	492,100	492,100	510,500	(18,400)
Debt Service - Interest	175,390	180,390	206,421	(26,031)
Total Expenditures	<u>4,416,492</u>	<u>4,594,864</u>	<u>4,490,578</u>	<u>104,286</u>
Excess Revenues Over Expenditures	<u>13,632</u>	<u>(82,108)</u>	<u>459,355</u>	<u>541,463</u>
Other Financing Sources (Used)				
Interfund Transfers From		95,740	95,740	
Interfund Transfers To	(13,632)	(13,632)		(13,632)
Total Other Financing Sources	<u>(13,632)</u>	<u>82,108</u>	<u>95,740</u>	<u>(13,632)</u>
Excess Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ 555,095</u>	<u>\$ 527,831</u>

TOWN OF NEW HARTFORD, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - GENERAL PART TOWN FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Current Year's Actual	Variance with Amended Budget
Revenues				
Departmental Income	\$ 109,650	\$ 109,650	\$ 150,807	\$ 41,157
Intergovernmental Charges			11,840	11,840
Licenses and Permits	<u>70,200</u>	<u>70,200</u>	<u>76,783</u>	<u>6,583</u>
Total Revenues	<u>179,850</u>	<u>179,850</u>	<u>239,430</u>	<u>59,580</u>
Expenditures				
General Government Support	7,620	7,620	12,420	(4,800)
Public Health	56,384	56,384	58,237	(1,853)
Home and Community Services	233,051	233,051	213,770	19,281
Employee Benefits	127,122	127,122	122,939	4,183
Debt Service - Principal	4,600	4,600	20,000	(15,400)
Debt Service - Interest	<u>1,478</u>	<u>1,478</u>	<u>350</u>	<u>1,128</u>
Total Expenditures	<u>430,255</u>	<u>430,255</u>	<u>427,716</u>	<u>2,539</u>
(Deficit) Revenues Over Expenditures	<u>(250,405)</u>	<u>(250,405)</u>	<u>(188,286)</u>	<u>62,119</u>
Other Financing Sources				
Appropriated Fund Balance	<u>250,405</u>	<u>250,405</u>		<u>(250,405)</u>
Total Other Financing Sources	<u>250,405</u>	<u>250,405</u>		<u>(250,405)</u>
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ (188,286)</u>	<u>\$ (188,286)</u>

TOWN OF NEW HARTFORD, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - POLICE FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Current Year's Actual	Variance with Amended Budget
Revenues				
Real Property Taxes	\$ 2,266,196	\$ 2,266,196	\$ 2,266,196	\$
Nonproperty Tax Items	899,261	899,261	899,261	
Departmental Income	92,668	92,668	72,841	(19,827)
Use of Money and Property			15	15
Sale of Property and Compensation for Loss	11,000	11,000	30,928	19,928
Miscellaneous	120,900	94,900	83,790	(11,110)
State Aid	<u>107,200</u>	<u>107,200</u>	<u>97,540</u>	<u>(9,660)</u>
Total Revenues	<u>3,497,225</u>	<u>3,471,225</u>	<u>3,450,571</u>	<u>(20,654)</u>
Expenditures				
Public Safety	2,197,845	2,217,845	2,084,806	133,039
Employee Benefits	<u>1,099,380</u>	<u>1,099,380</u>	<u>1,150,627</u>	<u>(51,247)</u>
Total Expenditures	<u>3,297,225</u>	<u>3,317,225</u>	<u>3,235,433</u>	<u>81,792</u>
Excess Revenues Over Expenditures	<u>200,000</u>	<u>154,000</u>	<u>215,138</u>	<u>61,138</u>
Other Financing Sources (Used)				
Interfund Transfers From		46,000	46,000	
Contingency Deficit Reduction	<u>(200,000)</u>	<u>(200,000)</u>		<u>200,000</u>
Total Other Financing Sources	<u>(200,000)</u>	<u>(154,000)</u>	<u>46,000</u>	<u>200,000</u>
Excess Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ 261,138</u>	<u>\$ 261,138</u>

TOWN OF NEW HARTFORD, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - HIGHWAY PART TOWN FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Current Year's Actual	Variance with Amended Budget
Revenues				
Nonproperty Tax Items	\$ 2,928,105	\$ 2,928,105	\$ 2,928,105	\$
Departmental Income			2,822	2,822
Intergovernmental Charges	180,200	180,200	218,021	37,821
Use of Money and Property			(15)	(15)
Sale of Property and Compensation for Loss	8,000	8,000	33,358	25,358
Miscellaneous	22,000	22,000	6,629	(15,371)
State Aid	126,000	126,000	170,802	44,802
Federal Aid			4,779	4,779
Total Revenues	<u>3,264,305</u>	<u>3,264,305</u>	<u>3,364,501</u>	<u>100,196</u>
Expenditures				
Transportation	2,541,536	2,928,944	2,794,582	134,362
Employee Benefits	723,270	723,270	776,484	(53,214)
Debt Service - Principal	192,700	192,700	172,500	20,200
Debt Service - Interest	56,799	56,799	27,389	29,410
Total Expenditures	<u>3,514,305</u>	<u>3,901,713</u>	<u>3,770,955</u>	<u>130,758</u>
Excess (Deficit) Revenues Over Expenditures	<u>(250,000)</u>	<u>(637,408)</u>	<u>(406,454)</u>	<u>230,954</u>
Other Financing Sources				
Interfund Transfers From	250,000	577,408	542,083	(35,325)
Appropriated Fund Balance		60,000		(60,000)
Total Other Financing Sources	<u>250,000</u>	<u>637,408</u>	<u>542,083</u>	<u>(95,325)</u>
Excess Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ 135,629</u>	<u>\$ 135,629</u>

TOWN OF NEW HARTFORD, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - FIRE FUND
For the Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Actual</u>	<u>Variance with Amended Budget</u>
Revenues				
Real Property Taxes	\$ 1,201,613	\$ 1,201,613	\$ 1,201,613	\$ -
Total Revenues	<u>1,201,613</u>	<u>1,201,613</u>	<u>1,201,613</u>	
Expenditures				
Public Safety	<u>1,201,613</u>	<u>1,201,613</u>	<u>1,194,491</u>	<u>7,122</u>
Total Expenditures	<u>1,201,613</u>	<u>1,201,613</u>	<u>1,194,491</u>	<u>7,122</u>
Excess Revenues Over Expenditures			<u>7,122</u>	<u>7,122</u>
Excess Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,122</u>	<u>\$ 7,122</u>

TOWN OF NEW HARTFORD, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - SEWER FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Current Year's Actual	Variance with Amended Budget
Revenues				
Real Property Taxes	\$ 657,129	\$ 657,129	\$ 649,844	\$ (7,285)
Departmental Income	7,781	7,781	12,354	4,573
Use of Money and Property	250	250	(8)	(258)
Total Revenues	<u>665,160</u>	<u>665,160</u>	<u>662,190</u>	<u>(2,970)</u>
Expenditures				
Home and Community Services	630,207	637,497	245,579	391,918
Employee Benefits	72,943	72,943	72,607	336
Debt Service - Principal	9,000	9,000	8,000	1,000
Debt Service - Interest	<u>3,010</u>	<u>3,010</u>	<u>2,675</u>	<u>335</u>
Total Expenditures	<u>715,160</u>	<u>722,450</u>	<u>328,861</u>	<u>393,589</u>
(Deficit) Revenues Over Expenditures	<u>(50,000)</u>	<u>(57,290)</u>	<u>333,329</u>	<u>390,619</u>
Other Financing Sources				
Interfund Transfers From		7,290	(322,367)	(329,657)
Appropriated Fund Balance	<u>50,000</u>	<u>50,000</u>		<u>(50,000)</u>
Total Other Financing Sources	<u>50,000</u>	<u>57,290</u>	<u>(322,367)</u>	<u>(379,657)</u>
(Deficit) Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ 10,962</u>	<u>\$ 10,962</u>

TOWN OF NEW HARTFORD, NEW YORK
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	<u>Highway Whole Town</u>	<u>Water</u>	<u>Lighting Districts</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Current Assets				
Unrestricted Cash	\$ 91,502	\$ 88,012	\$ 24,289	\$ 203,803
Total Current Assets	<u>\$ 91,502</u>	<u>\$ 88,012</u>	<u>\$ 24,289</u>	<u>\$ 203,803</u>
Liabilities and Fund Equity				
Current Liabilities				
Accounts Payable	\$	\$	\$ 9,006	\$ 9,006
Due to Other Funds	<u> </u>	<u>138</u>	<u>1,587</u>	<u>1,725</u>
Total Current Liabilities	<u> </u>	<u>138</u>	<u>10,593</u>	<u>10,731</u>
Fund Equity				
Assigned	<u>91,502</u>	<u>87,874</u>	<u>13,696</u>	<u>193,072</u>
Total Fund Equity	<u>91,502</u>	<u>87,874</u>	<u>13,696</u>	<u>193,072</u>
Total Liabilities and Fund Equity	<u>\$ 91,502</u>	<u>\$ 88,012</u>	<u>\$ 24,289</u>	<u>\$ 203,803</u>

TOWN OF NEW HARTFORD, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Highway Whole Town	Water	Lighting Districts	Total Nonmajor Governmental Funds
Revenues				
Real Property Taxes	\$	\$ 145,270	\$ 104,968	\$ 250,238
Total Revenues	<u> </u>	<u>145,270</u>	<u>104,968</u>	<u>250,238</u>
Expenditures				
Transportation	200		96,506	96,706
Home and Community Services		16		16
Debt Service - Principal		122,379		122,379
Debt Service - Interest		1,811		1,811
Total Expenditures	<u>200</u>	<u>124,206</u>	<u>96,506</u>	<u>220,912</u>
Excess (Uses) Revenues Over Expenditures	<u>(200)</u>	<u>21,064</u>	<u>8,462</u>	<u>29,326</u>
Other Financing Sources				
Interfund Transfers To	<u>(30,396)</u>			<u>(30,396)</u>
Total Other Financing Sources	<u>(30,396)</u>			<u>(30,396)</u>
Excess Revenues Over Expenditures and Other Financing Sources	<u>(30,596)</u>	<u>21,064</u>	<u>8,462</u>	<u>(1,070)</u>
Fund Equity, Beginning of Year	<u>122,098</u>	<u>66,810</u>	<u>5,234</u>	<u>194,142</u>
Fund Equity, End of Year	<u>\$ 91,502</u>	<u>\$ 87,874</u>	<u>\$ 13,696</u>	<u>\$ 193,072</u>