

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town of Sweden was incorporated in 1814 and is governed by Town Law and other general laws of the State of New York (and various local laws and ordinances). The Town Board, which is the legislative body responsible for the overall operation of the Town, consists of five voting members. The Supervisor serves as chief executive officer and chief fiscal officer of the Town.

REPORTING ENTITY

The Town of Sweden's financial reporting entity includes organizations, function and activities over which Town elected officials exercise oversight responsibility which is determined on the basis of financial interdependency, selection of governing authority, designation of management ability to significantly influence operations and accountability for fiscal matters.

Excluded from the reporting entity:

Seymour Library – The Town of Sweden participates with the Town of Clarkson and the Village of Brockport in the joint operations of the Seymour Library. The net cost of operating this joint activity is distributed among the participating municipalities on the basis of population.

FUND ACCOUNTING

The accounts of the Town of Sweden are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objective in accordance with special relations, restriction or limitations. The funds are summarized by type in the financial statements. The following fund types and account groups are used:

General Fund – the General Fund is the general operating fund for the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund

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Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following Special Revenue Funds are utilized:

- Highway
- Drainage
- Fire Protection
- Lighting
- Parks
- Sewer
- Water

Capital Projects Funds – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds – Trust & Agency Funds are used to account for money and/or property received and held in the capacity of trustee, custodian or agent. These include expendable trusts, non-expendable trusts and agency funds.

The General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost. No depreciation is recorded on general fixed assets.

BASIS OF ACCOUNTING

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under this basis, 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.

Those revenues susceptible to accrual are property taxes, state and federal aid, sales tax and certain user fees. 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 related fund liability is incurred except for pension costs which are recorded when due.

Account Groups – General fixed assets are recorded at actual or estimated cost or, in the case of gifts and contributions, at the fair market value at the time received. No provision for depreciation is made. General long-term debt liabilities are recorded at the par value of the principal amount. No liability is recorded for interest payable to maturity.

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Property Taxes

Town real property taxes are levied annually no later than December 15th and become a lien on January 1. The Town tax rate is based on the amount per \$1000 assessed value. Town real property taxes are prepared by computer based on an annual assessment roll prepared by the Town Assessor as of December 1. Delinquent accounts of the water districts are transferred to the Town's real property tax roll annually for collection.

Property Taxes

Town taxes are collected without penalty between January 1 and February 10. Interest of 1.5% is added if paid between February 11 and February 28. One and a half additional percent is added for each month thereafter. Outstanding taxes as of May 31 are payable to the Monroe County Treasurer. The town levy is paid in January.

Budgetary Data

Budget Policies – The budget policies are as follows:

No later than September 30, the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

After public hearings are conducted to obtain taxpayer comments, no later than November 15, the governing board adopts the budget.

The governing board must approve all modifications of the budget. (However, the supervisor is authorized to transfer certain budgeted amounts within departments.)

Property, Plant and Equipment

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized as costs in the General Fixed Assets Account Group.

Contributed fixed assets are recorded at fair market value at the date received. Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems have not been capitalized. Such assets normally are immovable and of value only to the Town. Therefore, the purposes of stewardship for capital expenditures can be satisfied without recording these assets. No depreciation has been provided on general fixed assets, nor has interest on general fixed assets construction in progress been capitalized.

(2) CASH AND INVESTMENTS

State statutes govern the Town investment policies. In addition, the Town has its own written investment policy. Town monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligation of the U.S. treasury and U.S. agencies, repurchase agreements, and obligation of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Town's custodial bank in the Town's name.

(3) PENSION PLAN

The Town of Sweden participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems.

The Systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York 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 publicly available financial reports that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first 10 years of membership. 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.

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

2005	\$144,578
2004	\$ 42
2003	\$ 61,471

The Town's contributions made to the Systems were equal to 100% of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payment of a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Town of Sweden elected to make the full payment on December 1989.

Pursuant to Chapter 178 of the Laws of 1991 and Chapter 12 of the Laws of 1995, the State legislature authorized local governments to make available retirement incentive programs with estimated total costs of \$15,050 which \$1,890 was charged to expenditures in the governmental Funds in the current fiscal year. The cost of the programs were billed and paid over five years beginning December 15, 1992 for Chapter 178 and December 15, 1997 for Chapter 12 and will include interest at 8.75%

In addition to providing pension benefits, the Town of Sweden provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town of Sweden. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Town of Sweden recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

During the year \$18,802 was paid on behalf of eleven retirees for health benefits, and recorded as an expenditure in the General Fund.

(4) SHORT-TERM DEBT

Liabilities for bond anticipation notes (BANS) are generally accounted for in the capital projects funds. Principal payments on BANS must be made annually.

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

The following is a summary of short-term debt for the year ended December 31, 2005.

Description	Interest Rate	Amount
Colby Street Water	2.72%	\$295,000

(5) LONG-TERM DEBT

At December 31, 2005, the total outstanding indebtedness of the Town aggregated \$2,221,000 which is 6.49% of the constitutional debt limit (7% of \$488,570,183).

The following is a summary of bonds and notes payable for the year ended December 31, 2005:

Due to Purpose	Original Amount	Interest Rate	Maturity Date	Current Balance	Current Portion	Long-Term Portion
Serial Bond 1976	636,000	5.5%	2007	2,000	1,000	1,000
Serial Bond 1994	345,000	6.2%	2009	100,000	25,000	75,000
Serial bond 1995	635,000	5.2%	2010	225,000	45,000	180,000
Serial Bond 2002	950,000	5.0363%	2020	800,000	50,000	750,000
Serial Bond 2004	700,000	4.25%	2017	600,000	50,000	550,000
Serial Bond 2005	375,000	5.46	2035	<u>375,000</u>	<u>5,000</u>	<u>370,000</u>
Total Bonds				\$2,102,000	\$176,000	\$1,926,000

Long term debt maturities for the above mentioned notes and bonds are as follows:

	<u>Principal Payments</u>
2006	\$ 176,000
2007	\$ 181,000
2008	\$ 185,000
2009 and thereafter	<u>\$1,384,100</u>
	\$1,926,000

(6) CHANGES IN FIXED ASSETS

The following is a summary of changes in the general fixed assets account group for the fiscal year:

	<u>Balance</u> <u>Dec 31, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Dec 31, 2005</u>
Land	\$1,051,146	\$137,500	\$2,100	\$1,186,546
Buildings	\$4,310,953	\$ 6,030		\$4,316,983
Improvements	\$ 204,084	\$ 61,372		\$ 265,456
Machinery & Equip.	\$3,188,153	\$197,091	\$147,919	\$3,237,325
Total	\$8,754,336	\$401,993	\$150,019	\$9,006,310

The Town of Sweden has completed a full physical observation and update of its fixed assets. The balances as of December 31, 2004 reflect the complete list.

(7) DESIGNATED FUND EQUITY

The capital projects fund equity includes capital reserve funds established for the following purposes:

Reserve for Reassessment Updates	\$ 82
Reserve for Town Vehicles	\$ 5,489
Reserve for GIS Support Services	\$ 461
Reserve for Water Improvements	\$140,017
Reserve for Recreation/Community Center	\$ 63,878
Reserve for Park Project	\$ 65,059
Reserve for Sewer Truck	\$ 56,027
Reserve for Building Maintenance	\$ 80,793
Reserve for Parks and Recreation	\$144,675
Reserve for Highway Equipment	\$200,103

(8) CONTINGENCIES AND COMMITMENTS

The Town of Sweden receives a portion of its revenues from government grants and contracts, all of which are subject to audit by the federal government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs.