

TOWN OF ROTTERDAM, NEW YORK
REGULATORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2008

TOWN OF ROTTERDAM, NEW YORK

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JOHN A. CIMINO, CPA, OF COUNSEL

INDEPENDENT AUDITOR'S REPORT
ON THE REGULATORY BASIS FINANCIAL STATEMENTS

To the Supervisor and Members of
the Town Board of the Town
of Rotterdam, New York

We have audited the accompanying regulatory basis financial statements of the Town of Rotterdam, New York, as of and for the year ended December 31, 2008, as listed in the table of contents. These regulatory basis financial statements are the responsibility of the Town of Rotterdam, New York's management. Our responsibility is to express an opinion on these regulatory basis financial statements based on our audit.

Except as discussed in the following paragraph five, 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 regulatory basis financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the regulatory basis financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall regulatory basis financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Town prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Rotterdam, New York, as of December 31, 2008, and the changes in its financial position for the year then ended.

As more fully described in Note 1, the regulatory basis financial statements referred to above do not include the non-current governmental asset account group, which should be included in order to conform with accounting practices prescribed or permitted by the Office of the State Comptroller of the State of New York. The amounts that should be recorded in the non-current government asset account group are not known.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2009, on our consideration of the Town of Rotterdam'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 the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying schedule of expenditures of federal awards on page 31 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the regulatory basis financial statements taken as a whole.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to audit the items mentioned in the preceding paragraph five, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Rotterdam, New York as of December 31, 2008, and the results of its operations for the year then ended in conformity with the regulatory basis accounting principles prescribed by the New York State Office of State Comptroller.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 14, 2009

TOWN OF ROTTERDAM, NEW YORK
REGULATORY BASIS BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2008

Assets	
Cash	\$ 3,320,877
Cash - restricted	491,458
Other receivables	733,752
State and federal receivables	40,895
Due from other governments	747,361
Due from other funds	1,176
Inventory	11,548
Prepaid expenses	<u>197,843</u>
 Total Assets	 <u>\$ 5,544,910</u>
 Liabilities	
Accounts payable	\$ 191,253
Accrued liabilities	79,940
Due to other governments	<u>1,617</u>
 Total Liabilities	 <u>272,810</u>
 Fund Balance	
Reserved:	
Encumbrances	204,485
Inventory	11,548
Miscellaneous reserves	31,124
Capital Projects	460,334
Prepaid expenses	197,843
Unreserved:	
Designated for subsequent years' expenditures	1,468,500
Undesignated	<u>2,898,266</u>
 Total Fund Balance	 <u>5,272,100</u>
 Total Liabilities and Fund Balance	 <u>\$ 5,544,910</u>

TOWN OF ROTTERDAM, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Modified <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 6,017,288	\$ 6,017,288	\$ -	\$ -
Real property tax items	200,000	298,636	-	98,636
Non-property tax items	3,875,000	3,818,093	-	(56,907)
Departmental income	306,084	259,470	-	(46,614)
Charges for services to other governments	151,800	177,271	-	25,471
Use of money and property	252,700	175,710	-	(76,990)
Licenses and permits	19,200	29,423	-	10,223
Fines and forfeitures	370,100	438,141	-	68,041
Sales of property and compensation for loss	84,452	122,537	-	38,085
Miscellaneous local sources	6,100	20,776	-	14,676
Interfund revenues	20,000	20,000	-	-
State aid	1,247,859	1,160,442	-	(87,417)
Federal aid	<u>1,875</u>	<u>5,150</u>	-	<u>3,275</u>
 Total Revenues	 <u>12,552,458</u>	 <u>12,542,937</u>	 <u>-</u>	 <u>(9,521)</u>
Expenditures				
General government support	2,381,121	2,305,107	44,035	31,979
Education	1,500	1,405	-	95
Public safety	6,024,835	5,599,240	153,950	271,645
Health	4,750	4,744	-	6
Transportation	309,132	282,088	-	27,044
Economic assistance and opportunity	224,187	212,597	-	11,590
Culture and recreation	571,279	549,480	-	21,799
Home and community services	396,406	371,348	6,500	18,558
Employee benefits	3,199,790	3,093,200	-	106,590
Debt service (principal and interest)	<u>618,896</u>	<u>618,868</u>	<u>-</u>	<u>28</u>
 Total Expenditures	 <u>13,731,896</u>	 <u>13,038,077</u>	 <u>204,485</u>	 <u>489,334</u>
 Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	 <u>\$ (1,179,438)</u>	 (495,140)	 <u>\$ (204,485)</u>	 <u>\$ 479,813</u>
 Fund Balance - January 1, 2008		 <u>5,767,240</u>		
 Fund Balance - December 31, 2008		 <u>\$ 5,272,100</u>		

TOWN OF ROTTERDAM, NEW YORK
HIGHWAY FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 377,566
Other receivables	50
State and federal receivable	35,000
Prepaid expenses	<u>29,667</u>
Total Assets	<u><u>\$ 442,283</u></u>
Liabilities	
Accounts payable	\$ 91,733
Accrued liabilities	<u>62,086</u>
Total Liabilities	<u>153,819</u>
Fund Balance	
Reserved:	
Reserved for prepaid expenses	29,667
Unreserved:	
Undesignated	<u>258,797</u>
Total Fund Balance	<u>288,464</u>
Total Liabilities and Fund Balance	<u><u>\$ 442,283</u></u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	<u>Modified</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Real property tax	\$ 3,446,439	\$ 3,446,439	\$ -
Real property tax items	61,000	95,303	34,303
Use of money and property	90,000	48,083	(41,917)
Sales of property and compensation for loss	13,313	21,786	8,473
Miscellaneous local sources	-	900	900
State aid	<u>216,000</u>	<u>216,794</u>	<u>794</u>
Total Revenues	<u>3,826,752</u>	<u>3,829,305</u>	<u>2,553</u>
Expenditures			
Judgment and claims	34,925	34,925	-
Transportation	2,790,912	2,741,972	48,940
Employee benefits	777,269	749,264	28,005
Debt service (principal and interest)	<u>458,396</u>	<u>448,461</u>	<u>9,935</u>
Total Expenditures	<u>4,061,502</u>	<u>3,974,622</u>	<u>86,880</u>
Excess (Deficiency) of Revenues Over Expenditures	<u><u>\$ (234,750)</u></u>	<u>(145,317)</u>	<u><u>\$ 89,433</u></u>
Fund Balance - January 1, 2008		<u>433,781</u>	
Fund Balance - December 31, 2008		<u><u>\$ 288,464</u></u>	

TOWN OF ROTTERDAM, NEW YORK
WATER FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 1,044,702
Cash-restricted	63,702
Other receivables	120,726
Prepaid expenses	<u>7,656</u>
Total Assets	<u>\$ 1,236,786</u>
Liabilities	
Accounts payable	\$ 38,138
Accrued liabilities	6,150
Due to other governments	105
Deferred revenues	<u>72,049</u>
Total Liabilities	<u>116,442</u>
Fund Balance	
Reserved:	
Encumbrances	14,000
Prepaid Expenses	7,656
Repairs	63,702
Unreserved:	
Undesignated	<u>1,034,986</u>
Total Fund Balance	<u>1,120,344</u>
Total Liabilities and Fund Balance	<u>\$ 1,236,786</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	Actual	Encumbrances	Variance
Revenues				
Real property tax				
Departmental income	\$ 1,025,580	\$ 1,025,580	\$ -	\$ -
Use of money and property	403,550	413,848	-	10,298
Sales of property and compensation for loss	240,350	253,762	-	13,412
Miscellaneous local sources	14,291	14,359	-	68
Total Revenues	<u>-</u>	<u>6,884</u>	<u>-</u>	<u>6,884</u>
	<u>1,683,771</u>	<u>1,714,433</u>	<u>-</u>	<u>30,662</u>
Expenditures				
Judgment and claims				
Home and community services	8,187	7,166	-	1,021
Employee benefits	1,307,889	1,141,595	14,000	152,294
Debt service (principal and interest)	264,355	220,485	-	43,870
	<u>108,840</u>	<u>108,840</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,689,271</u>	<u>1,478,086</u>	<u>14,000</u>	<u>197,185</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>\$ (5,500)</u>	236,347	<u>\$ (14,000)</u>	<u>\$ 227,847</u>
Fund Balance - January 1, 2008		<u>883,997</u>		
Fund Balance - December 31, 2008		<u>\$ 1,120,344</u>		

TOWN OF ROTTERDAM, NEW YORK
SEWER FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 1,324,006
Other receivables	212,286
Due from other funds	1,529
Prepaid expenses	<u>3,828</u>
Total Assets	<u>\$ 1,541,649</u>
Liabilities	
Accounts payable	\$ 34,012
Accrued liabilities	834
Due to other funds	1,529
Due to other governments	1,249
Deferred revenues	<u>196,166</u>
Total Liabilities	<u>233,790</u>
Fund Balance	
Reserved:	
Encumbrances	46,985
Prepaid expenses	3,828
Unreserved:	
Undesignated	<u>1,257,046</u>
Total Fund Balance	<u>1,307,859</u>
Total Liabilities and Fund Balance	<u>\$ 1,541,649</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 889,486	\$ 889,487	\$ -	\$ 1
Departmental income	226,167	228,140	-	1,973
Use of money and property	27,350	38,184	-	10,834
License and permits	400	400	-	-
Sale of property and compensation for loss	-	1,089	-	1,089
Miscellaneous local sources	35,000	67,259	-	32,259
Interfund revenues	<u>10,000</u>	<u>5,872</u>	<u>-</u>	<u>(4,128)</u>
Total Revenues	<u>1,188,403</u>	<u>1,230,431</u>	<u>-</u>	<u>42,028</u>
Expenditures				
Judgment and claims	4,177	2,750	-	1,427
Home and community services	792,081	675,424	46,985	69,672
Employee benefits	140,275	124,536	-	15,739
Debt service (principal and interest)	<u>262,966</u>	<u>261,085</u>	<u>-</u>	<u>1,881</u>
Total Expenditures	<u>1,199,499</u>	<u>1,063,795</u>	<u>46,985</u>	<u>88,719</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,096)</u>	166,636	<u>\$ (46,985)</u>	<u>\$ 130,747</u>
Fund Balance - January 1, 2008		<u>1,141,223</u>		
Fund Balance - December 31, 2008		<u>\$ 1,307,859</u>		

TOWN OF ROTTERDAM, NEW YORK
DRAINAGE FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets		
Cash	\$	20,437
Total Assets	\$	<u>20,437</u>
Liabilities		
Accounts payable		<u>371</u>
Fund Balance		
Unreserved:		
Undesignated	\$	20,066
Total Liabilities and Fund Balance	\$	<u>20,437</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	Actual	<u>Variance</u>
Revenue			
Real property tax	\$ 7,100	\$ 7,100	\$ -
Use of money and property	400	413	13
Total Revenues	<u>7,500</u>	<u>7,513</u>	<u>13</u>
Expenditures			
Home and community services	<u>7,500</u>	<u>3,699</u>	<u>3,801</u>
Total Expenditures	<u>7,500</u>	<u>3,699</u>	<u>3,801</u>
Excess of Revenues and Over Expenditures	<u>\$ -</u>	3,814	<u>\$ 3,814</u>
Fund Balance - January 1, 2008		<u>16,252</u>	
Fund Balance - December 31, 2008		<u>\$ 20,066</u>	

TOWN OF ROTTERDAM, NEW YORK
FIRE PROTECTION FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets		
Cash	\$	4,242
Total Assets	\$	<u>4,242</u>
Fund Balance		
Unreserved:		
Designated for subsequent year's expenditures		2,000
Undesignated		<u>2,242</u>
Total Liabilities and Fund Balance	\$	<u>4,242</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance (Deficiency)
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	Actual	<u>Variance</u>
Revenues			
Real property tax	\$ 3,500	\$ 33,500	\$ -
Use of money and property	<u>-</u>	<u>77</u>	<u>77</u>
Total Revenues	<u>33,500</u>	<u>33,577</u>	<u>77</u>
Expenditures			
Judgment and claims	1,500	-	1,500
Public safety	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Total Expenditures	<u>33,500</u>	<u>32,000</u>	<u>1,500</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	1,577	<u>\$ 1,577</u>
Fund Balance - January 1, 2008		<u>2,665</u>	
Fund Balance - December 31, 2008		<u>\$ 4,242</u>	

TOWN OF ROTTERDAM, NEW YORK
LIGHTING FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets		
Cash		\$ 10,047
Total Assets		<u>\$ 10,047</u>
Liabilities		
Accounts payable		151
Total Liabilities		<u>151</u>
Fund Balance		
Unreserved:		
Undesignated		9,896
Total Liabilities and Fund Balance		<u>\$ 10,047</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance (Deficiency)
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	Actual	<u>Variance</u>
Revenues			
Real property tax	\$ 159,800	\$ 159,800	\$ -
Use of money and property	<u>1,200</u>	<u>1,618</u>	<u>418</u>
Total Revenues	<u>161,000</u>	<u>161,418</u>	<u>418</u>
Expenditures			
Transportation	<u>161,000</u>	<u>151,891</u>	<u>9,109</u>
Total Expenditures	<u>161,000</u>	<u>151,891</u>	<u>9,109</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	9,527	<u>\$ 9,527</u>
Fund Balance - January 1, 2008		<u>369</u>	
Fund Balance (Deficiency) - December 31, 2008		<u>\$ 9,896</u>	

TOWN OF ROTTERDAM, NEW YORK
SPECIAL GRANT FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 59,670
Total Assets	<u>\$ 59,670</u>
Fund Balance	
Unreserved:	
Undesignated	<u>59,670</u>
Total Liabilities and Fund Balance	<u>\$ 59,670</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	<u>Actual</u>
Revenues	
Use of money and property	\$ 1,023
Federal aid	<u>1,294,182</u>
Total Revenues	<u>1,295,205</u>
Expenditures	
Home and community services	<u>1,369,877</u>
Total Expenditures	<u>1,369,877</u>
Excess of Revenues Over Expenditures	74,672
Fund Balance - January 1, 2008	<u>134,342</u>
Fund Balance - December 31, 2008	<u>\$ 59,670</u>

TOWN OF ROTTERDAM, NEW YORK
CAPITAL PROJECTS FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 453,172
Cash-restricted	148,206
Total Assets	<u>\$ 601,378</u>
Liabilities	
Accounts payable	229,710
Bond anticipation notes	<u>3,106,500</u>
Total Liabilities	<u>3,336,210</u>
Fund Balance (Deficiency)	
Reserved:	
Capital reserve	148,206
Unreserved:	
Undesignated (Deficiency)	<u>(2,883,038)</u>
Total Fund Balance (Deficiency)	<u>(2,734,832)</u>
 Total Liabilities and Fund Balance	 <u>\$ 601,378</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance (Deficiency)
For the Year Ended December 31, 2008

	<u>Actual</u>
Revenues	
Use of money and property	<u>\$ 2,837</u>
Total Revenues	2,837
Other Financing Sources	
Notes redeemed for appropriations	<u>286,500</u>
Total Revenues and Other Financing Sources	<u>289,337</u>
Expenditures	
Transportation	<u>1,295,548</u>
Total Expenditures	<u>1,295,548</u>
Deficiency of Revenues and Other Financing Sources Over Expenditures	(1,006,211)
Fund Balance (Deficiency) - January 1, 2008	<u>(1,728,621)</u>
Fund Balance (Deficiency) - December 31, 2008	<u>\$ (2,734,832)</u>

TOWN OF ROTTERDAM, NEW YORK
TRUST AND AGENCY FUND
REGULATORY BASIS BALANCE SHEET
DECEMBER 31, 2008

Assets	
Cash	\$ 145,897
Total Assets	<u>\$ 145,897</u>
Liabilities	
Due to other funds	\$ 1,176
Agency liabilities	<u>144,721</u>
Total Liabilities	<u>\$ 145,897</u>

TOWN OF ROTTERDAM, NEW YORK
LONG-TERM DEBT ACCOUNT GROUP
REGULATORY BASIS BALANCE SHEET
DECEMBER 31, 2008

Assets

Provisions to be made in future budgets	<u>\$ 11,239,366</u>
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Liabilities

Landfill post closure costs	\$ 574,600
Judgements and claims payable	289,105
Postemployment benefits	2,416,142
Bonds payable	1,864,519
Total Liabilities	<u>6,095,000</u>
	<u>\$ 11,239,366</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Rotterdam, New York (the “Town”) have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller for complying with Article 3, Section 30 of General Municipal Law in which every municipal corporation is required to make an annual financial report, except as discussed in the Independent Auditor’s Report. The most significant difference between this regulatory basis of accounting and generally accepted accounting principles (“GAAP”) is that Government Accounting Standards Board (“GASB”) Statement 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” need not be implemented to meet the requirements of General Municipal Law. GASB 34 requires significant changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management’s Discussion and Analysis
- Capitalization of Infrastructure Assets

Management has considered the costs and benefits of adopting GASB 34 and determined that auditing the financial statements utilizing another Comprehensive Basis of Accounting as opposed to GAAP makes fiscal sense for the Town.

A. *Financial Reporting Entity*

The Town of Rotterdam is governed by the 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 the supervisor and four council members. The supervisor serves as chief executive officer and chief fiscal officer of the Town.

GASB Statement No. 14 defines the financial reporting entity for the Town to include all funds, account groups, agencies, boards, commissions, and authorities where the elected officials (the Supervisor and/or the Town Board, respectively) are financially accountable. The following terms are used to describe the components of a reporting entity:

- Primary Government

A legally separate state, general purpose local or special purpose government with a separately elected governing body. It must be fiscally independent of other primary governments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

- Component Unit

A legally separate organization for which the elected officials are financially accountable. Also the primary government is able to impose its will on the component unit or there is a potential for the component unit to provide a financial benefit or incur a financial burden on the primary government.

B. Basis of Presentation

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are 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 objectives in accordance with special regulations, restrictions or limitations. The following fund types and account groups are used.

1. Fund Categories

Governmental Funds - Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Town's governmental fund types:

General Fund - The general fund is the principal fund and includes all operations not required to be recorded in other funds.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds are:

- Highway
- Water Districts
- Sewer Districts
- Drainage
- Fire Protection District
- Lighting Districts
- Special Grant

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

1. Fund Categories (Continued)

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

Trust and Agency Fund - Used to account for money and/or property received and held in the capacity of trustee, custodian or agent.

2. Account Groups - Used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not “funds.” They are concerned with measurement of financial position and not results of operations.

The General Fixed Assets Account Group is used to account for land, buildings, improvements other than buildings and equipment utilized for general government purposes. The Town does not maintain subsidiary records to support the amounts recorded in the general fixed assets account group.

The General Long-Term Debt Account Group is used to account for all long-term obligations.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the regulatory basis financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus. Measurement focus is the determination of what should be measured.

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

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter, within 60 days, to be used to pay liabilities of the current period.

Material revenues that are accrued include State and Federal aid 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 unless it has not been received within 60 days after the fiscal year has ended.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting/Measurement Focus (Continued)

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

- a. Principal and interest on indebtedness are recognized as an expenditure when due.
- b. Compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure when paid.
- c. Inventory is valued at cost utilizing the first-in, first-out method.

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.

Available records support the actual or estimated cost of machinery and equipment. Available records are not sufficient to apply procedures to substantiate carrying values of land, buildings and improvements.

General long-term debt liabilities are recorded at the par value of the principal amount; no liability is recorded for interest payable to maturity.

D. Excluded from the Financial Reporting Entity

The Rotterdam Industrial Development Agency was created for the purpose of encouraging economic growth in the Town of Rotterdam. The Town appoints the agency's government board. A separate audit report is available for the agency's December 31, 2008 financial statements, which are accounted for under the accrual basis of accounting.

E. Property Taxes and Collections

Town real property taxes are levied together with Schenectady County property taxes annually no later than January 1, and become a lien on January 1. Taxes for County purposes are levied together with taxes for Town and special district purposes as a single bill. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the Town.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Data

1. Budget Policies - The budget policies are as follows:

- a. No later than September 30, the budget officer 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 for all funds, except for the Special Grant Fund.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than November 20, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the governing board. However, the comptroller is authorized to transfer certain budget amounts within the departments.

2. Encumbrances

Encumbrances are reservations of fund balance for outstanding purchase commitments. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

- a. Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years.
- b. Budgetary controls for the Special Grant Fund are established in accordance with applicable grant agreements which covers a period other than the Town's fiscal year.

G. Departure from Generally Accepted Accounting Principles (GAAP)

The Town does not maintain subsidiary records to support the amounts recorded in the general fixed assets account group for land, buildings and improvements. The correct carrying values of these fixed assets at December 31, 2008 is not known.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Compensation Plan

Employees of the Town may elect to participate in the Town's Deferred Compensation Plan created in accordance with Internal Revenue Code §457. The Plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.

Under the terms of the amended Plan agreement, these monies are not subject to the claims of the Town's general creditors after they are paid to the Plan's Trustee.

I. Estimates

The preparation of regulatory basis financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates. Significant estimates include post-closure landfill costs and compensated absences liabilities.

J. Self-Insurance

The Town has retained a portion of the liability to cover losses under §207-C of the Workers' Compensation Law of police officers. Officers are entitled to their full pay when out on leave. The Town is required to cover any amount of losses not reimbursed by Workers' Compensation.

K. 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 limitations. The liability for accumulated vacation and related benefits has been recorded in the respective governmental fund type in accordance with GASB 16. Payment of accumulated sick leave and related benefits is reflected in the general long-term debt account group since it is anticipated that none of the liability will be liquidated with expendable financial resources. However, management believes that sufficient resources will be made available for payment of accumulated sick leave and related benefits when such payments become due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Post-Retirement Health Insurance Benefits

In addition to providing pension benefits, the Town provides certain health benefits for retired employees, their spouses and certain survivors. All of the Town's employees may become eligible for these benefits if they reach normal retirement age. Those and similar benefits for active employees are provided through payments to New York State Government Employees' Health Insurance Program. The Town recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were \$737,357 in 2008 for approximately 110 retirees.

2. CASH AND INVESTMENTS

The Town's investment policies are governed by State statutes. The Town's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The comptroller is authorized to use demand accounts, certificates of deposit, obligations of the United States of America, New York State and local municipalities and school districts, certificates of participation and repurchase agreements with certain restrictions.

Collateral is required for demand deposits and certificates of deposit at 100 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 any state and its municipalities and school districts.

During 2008, cash and investments were either insured by Federal Depository Insurance or collateralized by assets of the Town's agent in the Town's name.

3. CASH RESTRICTED

Cash restricted consists of the following:

General Fund

Miscellaneous Reserves	\$ 31,124
Capital Reserve - Landfill	460,334
	<u>\$ 491,458</u>

Water Fund

Reserve for Repairs	<u>\$ 63,702</u>
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Capital Projects Fund

Capital Reserve	<u>\$ 148,206</u>
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4. INTERFUND TRANSACTIONS

During the course of operations, the Town has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. As of December 31, 2008 interfund balances arising from these transactions over as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,176	\$ -
Sewer Fund	1,529	1,529
Trust and Agency Fund	-	1,176
	<u>\$ 2,705</u>	<u>\$ 2,705</u>

5. BOND ANTICIPATION NOTES

Liabilities for bond anticipation notes (BAN'S) issued for capital projects that are one year in duration are accounted for in the Capital Projects Fund.

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's 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 an analysis of BAN's outstanding at December 31, 2008:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance December 31, 2008</u>
Highway Equipment - 2004	2.43%	\$ 50,000
Highway Projects - 2007	2.80%	992,500
Helderberg/Highbridge Sewers	2.80%	522,500
Police Radio Enhancements	2.17%	162,000
Highway Projects - 2009	2.80%	<u>1,379,500</u>
		<u>\$ 3,106,500</u>

6. DEFERRED REVENUES

The water districts and sewer districts had deferred revenue recorded in the amount of \$72,049 and \$196,166 as of December 31, 2008 related to water and sewer rents, respectively.

7. LONG-TERM INDEBTEDNESS

The changes in the Town's long-term indebtedness during the year are summarized as follows:

	Payable at January 1, <u>2008</u>	<u>Additions</u>	<u>Decreases</u>	Payable at December 31, <u>2008</u>
Claims and Judgments	\$ 4,133,373	\$ -	\$ 3,844,268	\$ 289,105
Landfill Remediation and Monitoring Liability	711,967	-	137,367	574,600
Bonds	6,895,000	-	800,000	6,095,000
Compensated Absences	2,542,493	-	126,351	2,416,142
Postemployment Benefits	-	1,864,519	-	1,864,519
Due to County	9,684	-	9,684	-
Installment Purchase Debt	<u>27,400</u>	<u>-</u>	<u>27,400</u>	<u>-</u>
Total	<u>\$14,319,917</u>	<u>\$ 1,864,519</u>	<u>\$ 4,945,070</u>	<u>\$11,239,366</u>

A. Claims and Judgments

There are several tax review cases pending against the Town for a reduction in the assessed value of property. The petitions are for taxes collected in 2005 through 2008. The Town believes that the likelihood of a reduction is probable for some of these cases that are pending. A provision for loss of \$289,105 has been recorded in the general long-term debt account group.

B. Landfill Remediation and Monitoring Liability

The Town entered into an Order of Consent with the New York State Department of Environmental Conservation (DEC) on April 17, 1990 for the purpose of ensuring the proper maintenance and future closure of the Town's landfill. The order includes specific requirements and deadlines for the Town to follow and meet or they could be subject to penalties. The status of compliance with the consent order is subject to review by the Department of Environmental Conservation. The Town has been served with a number of additional consent orders in 1996, 1997 and 1998.

The closure of the landfill was substantially completed in 1995. The remaining cost of the required maintenance, closure and post-closure monitoring costs of the landfill was estimated to cost \$574,600. The Town has recorded this estimate in the general long-term debt account group. The costs will be paid out of a Capital Reserve, the issuance of additional bonds and annual budgetary appropriations. In January 2002, the Town authorized \$1,200,000 of serial bonds to fund the cost of this project.

7. LONG-TERM INDEBTEDNESS (CONTINUED)

C. Bonds

The following is a summary and description of the serial bonds outstanding at December 31, 2008:

<u>Description</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at December 31, 2008</u>
Water/Sewer Improvements	02/15/92	\$ 5,100,000	02/15/10	6.0%	\$ 450,000
Water/Sewer Improvements	06/15/99	\$ 5,255,000	06/15/17	4.625 to 4.75%	680,000
Landfill/Sewer Improvements	03/08/01	\$ 3,191,766	05/15/17	3.48 to 4.97%	1,745,000
Tax Certiorari	08/15/02	\$ 3,250,000	08/15/22	4.0%	2,545,000
Water Drainage	11/05/03	\$ 442,585	11/05/32	0%	360,000
Highway Equipment	12/01/03	\$ 340,000	12/01/09	4.2%	65,000
Highway Reconstruction	10/01/03	\$ 450,000	04/01/13	3.5 to 4.25%	<u>250,000</u>
					<u>\$ 6,095,000</u>

The following is a summary of maturity of debt service requirements for general obligation bonds:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 785,000	\$ 210,630
2010	730,000	178,230
2011	525,000	154,626
2012	535,000	133,882
2013	545,000	118,454
Thereafter	<u>2,975,000</u>	<u>464,785</u>
	<u>\$ 6,095,000</u>	<u>\$ 1,260,607</u>

D. Compensated Absences

Town employees are granted vacation, holiday, sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, holiday (police only), sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Payment of accumulated and unused vacation, holiday, sick leave and compensatory absences recorded in the general long-term debt account group is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation, holiday, sick leave and compensatory absences when such amounts become due.

7. LONG-TERM INDEBTEDNESS (CONTINUED)

D. Compensated Absences (Continued)

The Town recognizes a liability for vacation, holiday and compensatory absences and additional salary-related payments as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through paid time off or some other means. This includes vacation, holiday and compensatory absences that were earned but not used during the current or prior periods and of which employees can receive compensation in a future period.

In addition, the Town recognizes a liability for vesting sick leave and additional salary-related payments as employees earn benefits and to the extent it is probable that the Town will compensate the employees for the benefits through cash payments, rather than be taken as absences due to illness or other contingencies for employees who, at the balance sheet date, currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

E. Postemployment Benefits

As of December 31, 2008, the liability for postemployment benefits payable calculated in accordance with Government Accounting Standards Board No. 45 (“GASB 45”) is \$27,000,977. The City has elected to amortize this liability over 30 years as permitted by GASB 45, therefore, the liability appearing in the December 31, 2008 financial statements is \$1,864,519.

The following table sets forth the Plan’s funded status:

Present Value of Future Benefits		
a.	Retirees	\$ 12,670,126
b.	Active Employees	<u>14,330,851</u>
c.	Total	27,000,977
Unfunded Actuarial Accrued Liability (UAAL)		
a.	Retirees	12,670,126
b.	Fully Eligible Employees	2,919,677
c.	Other Active Employees	<u>11,411,174</u>
d.	Total	27,000,977
Annual Required Contribution (ARC)		
a.	Normal Cost	1,080,599
b.	Supplemental Cost	
	i. Funding Liability	27,000,977
	ii. Actuarial Assets	-
	iii. Unfunded Actuarial Accrued Liability	27,000,977
	iv. Amortization Period	30
	v. Supplemental Cost	<u>1,501,413</u>
c.	Beginning of Year Contribution	2,582,012
d.	Compound Interest to Year End	<u>51,134</u>
e.	Annual Required Contribution	<u>\$ 2,633,146</u>
Annual OPEB Cost		2,633,146
Benefit Payments		<u>786,627</u>
Actuarial Assumptions Liability at December 31, 2008		<u>\$ 1,864,519</u>
A.	Funding Interest Rate	4.00%
B.	12/31/2008 Trend Rate	10.00%
C.	12/31/2009 Trend Rate	9.00%
D.	Ultimate Trend Rate	5.00%
E.	Fiscal Year Ultimate Trend Rate Reached	12/31/2013
F.	Annual Payroll Growth Rate	4.00%

8. RESERVED AND DESIGNATED FUND BALANCE

A. General Fund

The general fund has a reserve for inventory of \$11,548, a reserve for prepaid expenses of \$11,548, a reserve for capital projects of \$460,334 and a reserve for encumbrance of \$80,766 as of December 31, 2008. In addition, miscellaneous reserves of \$31,124 are for the following purposes:

<u>Description</u>	<u>Amount</u>
Asset Forfeitures	\$ 28,883
Paramedic	1,206
DARE	1,028
Pedestrian Safety Program	<u>7</u>
Total	<u>\$ 31,124</u>

B. Highway Fund

The highway fund has a reserve for prepaid expenses of \$29,667.

C. Water Fund

The water fund has a repair reserve fund established for Water District 5 of \$63,702, a reserve for encumbrance of \$14,000 and a reserve for prepaid expense of \$7,656 at December 31, 2008.

D. Sewer Fund

The Sewer Fund has a reserve for encumbrances of \$46,985 and a reserve for prepaid expenses of \$3,828 at December 31, 2008.

9. PENSION PLAN

The Town of Rotterdam participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement Systems (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12224.

9. PENSION PLAN (CONTINUED)

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 until such time as they obtain ten years of service credit. 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 contribution required to be made by employers to the pension accumulation fund.

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

	<u>ERS</u>	<u>PFRS</u>
March 31, 2007	\$ 412,931	\$ 508,796
March 31, 2008	\$ 517,984	\$ 508,796
March 31, 2009	\$ 386,502	\$ 578,716

The Town's contributions made to the System were equal to 100 percent of the contributions required.

On May 14, 2003, Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes in the Systems:

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

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1, however, employers were allowed to prepay their payment by December 15. The covered salary period (April 1-March 31) will not change for the calculation.

10. COMMITMENTS AND CONTINGENCIES

Litigation

Several claims against the Town are presently pending for various reasons including condemnation and personal injuries. Although the final outcome of these matters cannot be predicted, management of the Town, based on the advice of the Town's Legal Counsel, does not believe that the final settlement of these matters will have a material adverse effect on the financial condition of the Town.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grant Programs

The Town participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives. The Town believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the Town's financial position or results of operations.

Environmental Concerns

The Town is engaged in many activities (*e.g.*, water and sewer service, refuse collection, gasoline storage), in the normal course of operations, that are potentially hazardous to the environment. As of December 31, 2008, the Town is not aware of any significant environmental problems that should be disclosed in the regulatory basis financial statements.

Union Contracts

Police and general city employees are each represented by a collective bargaining agent. Those agents which represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
C.S.E.A., Local 1000	December 31, 2010
Rotterdam Patrolmen's Benevolent Association	December 31, 2008

Self-Insured Worker's Compensation Plan

Beginning in January 2003, the Town became a member of a public entity risk pool for workers' compensation claims. The Town, along with other members, retains the risk of loss to the extent the plan's assets are not sufficient to fund the liabilities of the plan. Expenses for the year ended December 31, 2008 was \$231,017.

11. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances

Capital Projects Fund - Certain capital projects have temporary financing in the form of bond anticipation notes and have deficit balances in total of \$(2,734,832) due to such funding not being recognized as revenue. These deficits will remain permanent until either financing is issued or the notes are redeemed from other sources.

12. SUBSEQUENT EVENTS

The Town borrowed an additional bond borrowing of \$2,327,000 in May 2009 for various capital project improvements and equipment. The bonds will be valid and legally binding general obligations of the Town, for the payment of which the Town will pledge its faith and credit.

**OTHER FINANCIAL INFORMATION
ADDITIONAL REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**

TOWN OF ROTTERDAM, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title Expenditures</u>	<u>CFDA Federal Number</u>	<u>Awards</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct:		
Section 8 Housing Choice Vouchers	14.871	\$ 1,294,182
<u>U.S. Department of Agriculture</u>		
Passed Through New York State Office for the Aging:		
Food Distribution	10.550	2,774
<u>U.S. Department of Justice</u>		
Passed Through the Senate State of New York:		
Edward Byrne Memorial Formula Grant Program	16.579	2,376
Passed Through New York State of the State Comptroller:		
Bulletproof Vest Partnership	16.607	3,699
Passed Through New York State Office of Homeland Security:		
Buffer Zone Projection Program	97.078	<u>123,559</u>
Total U.S. Department of Justice		129,634
<u>U.S. Department of Transportation</u>		
Passed Through New York State Department of Transportation:		
Highway Planning and Construction	20.205	181,794
<u>National Highway Traffic Safety Administrator</u>		
Passed Through State of New York Governor's Traffic Safety Committee:		
Child Passenger Safety	20.602	2,810
Selective Traffic Enforcement Program	20.600	<u>8,138</u>
Total National Highway Traffic Safety Administration		10,948
Total Expenditures of Federal Awards		<u>\$ 1,619,332</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards was prepared on the modified accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met and are available, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

Town of Rotterdam, the primary government, is an independent municipal corporation. All federal grant operations of the primary government are included in the scope of the single audit.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF REGULATORY BASIS
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Supervisor and
Members of the Town Board
Town of Rotterdam, New York

We have audited the regulatory basis financial statements of the Town of Rotterdam, New York as of and for the year ended December 31, 2008, and have issued our report thereon dated September 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 14, 2009

CUSACK & COMPANY
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JOHN A. CIMINO, CPA, OF COUNSEL

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Supervisor and
Members of the Town Board
Town of Rotterdam, New York

Compliance

We have audited the compliance of the Town of Rotterdam, New York with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. The Town of Rotterdam, New York's major federal program is identified in the schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Town of Rotterdam, New York's management. Our responsibility is to express an opinion on the Town of Rotterdam, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Rotterdam, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Rotterdam, New York's compliance with those requirements.

In our opinion, the Town of Rotterdam, New York complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the Town of Rotterdam, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Rotterdam, New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in the Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that, results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Town's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The Town of Rotterdam, New York's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Rotterdam, New York's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, others within the Town, the Town Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 14, 2009

TOWN OF ROTTERDAM, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs.

CFDA NUMBER(S) **NAME OF FEDERAL PROGRAM OR CLUSTER**

14.871	Section 8 Housing Choice Vouchers
--------	-----------------------------------

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended December 31, 2008.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended December 31, 2008.

TOWN OF ROTTERDAM, NEW YORK
REGULATORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2008

TOWN OF ROTTERDAM, NEW YORK

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JOHN A. CIMINO, CPA, OF COUNSEL

INDEPENDENT AUDITOR'S REPORT
ON THE REGULATORY BASIS FINANCIAL STATEMENTS

To the Supervisor and Members of
the Town Board of the Town
of Rotterdam, New York

We have audited the accompanying regulatory basis financial statements of the Town of Rotterdam, New York, as of and for the year ended December 31, 2008, as listed in the table of contents. These regulatory basis financial statements are the responsibility of the Town of Rotterdam, New York's management. Our responsibility is to express an opinion on these regulatory basis financial statements based on our audit.

Except as discussed in the following paragraph five, 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 regulatory basis financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the regulatory basis financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall regulatory basis financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Town prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Rotterdam, New York, as of December 31, 2008, and the changes in its financial position for the year then ended.

As more fully described in Note 1, the regulatory basis financial statements referred to above do not include the non-current governmental asset account group, which should be included in order to conform with accounting practices prescribed or permitted by the Office of the State Comptroller of the State of New York. The amounts that should be recorded in the non-current government asset account group are not known.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2009, on our consideration of the Town of Rotterdam'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 the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying schedule of expenditures of federal awards on page 31 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the regulatory basis financial statements taken as a whole.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to audit the items mentioned in the preceding paragraph five, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Rotterdam, New York as of December 31, 2008, and the results of its operations for the year then ended in conformity with the regulatory basis accounting principles prescribed by the New York State Office of State Comptroller.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 14, 2009

TOWN OF ROTTERDAM, NEW YORK
REGULATORY BASIS BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2008

Assets	
Cash	\$ 3,320,877
Cash - restricted	491,458
Other receivables	733,752
State and federal receivables	40,895
Due from other governments	747,361
Due from other funds	1,176
Inventory	11,548
Prepaid expenses	<u>197,843</u>
 Total Assets	 <u>\$ 5,544,910</u>
 Liabilities	
Accounts payable	\$ 191,253
Accrued liabilities	79,940
Due to other governments	<u>1,617</u>
 Total Liabilities	 <u>272,810</u>
 Fund Balance	
Reserved:	
Encumbrances	204,485
Inventory	11,548
Miscellaneous reserves	31,124
Capital Projects	460,334
Prepaid expenses	197,843
Unreserved:	
Designated for subsequent years' expenditures	1,468,500
Undesignated	<u>2,898,266</u>
 Total Fund Balance	 <u>5,272,100</u>
 Total Liabilities and Fund Balance	 <u>\$ 5,544,910</u>

TOWN OF ROTTERDAM, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Modified <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 6,017,288	\$ 6,017,288	\$ -	\$ -
Real property tax items	200,000	298,636	-	98,636
Non-property tax items	3,875,000	3,818,093	-	(56,907)
Departmental income	306,084	259,470	-	(46,614)
Charges for services to other governments	151,800	177,271	-	25,471
Use of money and property	252,700	175,710	-	(76,990)
Licenses and permits	19,200	29,423	-	10,223
Fines and forfeitures	370,100	438,141	-	68,041
Sales of property and compensation for loss	84,452	122,537	-	38,085
Miscellaneous local sources	6,100	20,776	-	14,676
Interfund revenues	20,000	20,000	-	-
State aid	1,247,859	1,160,442	-	(87,417)
Federal aid	<u>1,875</u>	<u>5,150</u>	-	<u>3,275</u>
 Total Revenues	 <u>12,552,458</u>	 <u>12,542,937</u>	 <u>-</u>	 <u>(9,521)</u>
Expenditures				
General government support	2,381,121	2,305,107	44,035	31,979
Education	1,500	1,405	-	95
Public safety	6,024,835	5,599,240	153,950	271,645
Health	4,750	4,744	-	6
Transportation	309,132	282,088	-	27,044
Economic assistance and opportunity	224,187	212,597	-	11,590
Culture and recreation	571,279	549,480	-	21,799
Home and community services	396,406	371,348	6,500	18,558
Employee benefits	3,199,790	3,093,200	-	106,590
Debt service (principal and interest)	<u>618,896</u>	<u>618,868</u>	<u>-</u>	<u>28</u>
 Total Expenditures	 <u>13,731,896</u>	 <u>13,038,077</u>	 <u>204,485</u>	 <u>489,334</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	 <u>\$ (1,179,438)</u>	 (495,140)	 <u>\$ (204,485)</u>	 <u>\$ 479,813</u>
Fund Balance - January 1, 2008		<u>5,767,240</u>		
Fund Balance - December 31, 2008		<u>\$ 5,272,100</u>		

TOWN OF ROTTERDAM, NEW YORK
HIGHWAY FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 377,566
Other receivables	50
State and federal receivable	35,000
Prepaid expenses	<u>29,667</u>
Total Assets	<u><u>\$ 442,283</u></u>
Liabilities	
Accounts payable	\$ 91,733
Accrued liabilities	<u>62,086</u>
Total Liabilities	<u>153,819</u>
Fund Balance	
Reserved:	
Reserved for prepaid expenses	29,667
Unreserved:	
Undesignated	<u>258,797</u>
Total Fund Balance	<u>288,464</u>
Total Liabilities and Fund Balance	<u><u>\$ 442,283</u></u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	<u>Modified</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Real property tax	\$ 3,446,439	\$ 3,446,439	\$ -
Real property tax items	61,000	95,303	34,303
Use of money and property	90,000	48,083	(41,917)
Sales of property and compensation for loss	13,313	21,786	8,473
Miscellaneous local sources	-	900	900
State aid	<u>216,000</u>	<u>216,794</u>	<u>794</u>
Total Revenues	<u>3,826,752</u>	<u>3,829,305</u>	<u>2,553</u>
Expenditures			
Judgment and claims	34,925	34,925	-
Transportation	2,790,912	2,741,972	48,940
Employee benefits	777,269	749,264	28,005
Debt service (principal and interest)	<u>458,396</u>	<u>448,461</u>	<u>9,935</u>
Total Expenditures	<u>4,061,502</u>	<u>3,974,622</u>	<u>86,880</u>
Excess (Deficiency) of Revenues Over Expenditures	<u><u>\$ (234,750)</u></u>	<u>(145,317)</u>	<u><u>\$ 89,433</u></u>
Fund Balance - January 1, 2008		<u>433,781</u>	
Fund Balance - December 31, 2008		<u><u>\$ 288,464</u></u>	

TOWN OF ROTTERDAM, NEW YORK
WATER FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 1,044,702
Cash-restricted	63,702
Other receivables	120,726
Prepaid expenses	<u>7,656</u>
Total Assets	<u>\$ 1,236,786</u>
Liabilities	
Accounts payable	\$ 38,138
Accrued liabilities	6,150
Due to other governments	105
Deferred revenues	<u>72,049</u>
Total Liabilities	<u>116,442</u>
Fund Balance	
Reserved:	
Encumbrances	14,000
Prepaid Expenses	7,656
Repairs	63,702
Unreserved:	
Undesignated	<u>1,034,986</u>
Total Fund Balance	<u>1,120,344</u>
Total Liabilities and Fund Balance	<u>\$ 1,236,786</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	Modified Budget	Actual	Encumbrances	Variance
Revenues				
Real property tax				
Departmental income	\$ 1,025,580	\$ 1,025,580	\$ -	\$ -
Use of money and property	403,550	413,848	-	10,298
Sales of property and compensation for loss	240,350	253,762	-	13,412
Miscellaneous local sources	14,291	14,359	-	68
Total Revenues	<u>-</u>	<u>6,884</u>	<u>-</u>	<u>6,884</u>
	<u>1,683,771</u>	<u>1,714,433</u>	<u>-</u>	<u>30,662</u>
Expenditures				
Judgment and claims				
Home and community services	8,187	7,166	-	1,021
Employee benefits	1,307,889	1,141,595	14,000	152,294
Debt service (principal and interest)	264,355	220,485	-	43,870
	<u>108,840</u>	<u>108,840</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,689,271</u>	<u>1,478,086</u>	<u>14,000</u>	<u>197,185</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>\$ (5,500)</u>	236,347	<u>\$ (14,000)</u>	<u>\$ 227,847</u>
Fund Balance - January 1, 2008		<u>883,997</u>		
Fund Balance - December 31, 2008		<u>\$ 1,120,344</u>		

TOWN OF ROTTERDAM, NEW YORK
SEWER FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 1,324,006
Other receivables	212,286
Due from other funds	1,529
Prepaid expenses	<u>3,828</u>
Total Assets	<u>\$ 1,541,649</u>
Liabilities	
Accounts payable	\$ 34,012
Accrued liabilities	834
Due to other funds	1,529
Due to other governments	1,249
Deferred revenues	<u>196,166</u>
Total Liabilities	<u>233,790</u>
Fund Balance	
Reserved:	
Encumbrances	46,985
Prepaid expenses	3,828
Unreserved:	
Undesignated	<u>1,257,046</u>
Total Fund Balance	<u>1,307,859</u>
Total Liabilities and Fund Balance	<u>\$ 1,541,649</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 889,486	\$ 889,487	\$ -	\$ 1
Departmental income	226,167	228,140	-	1,973
Use of money and property	27,350	38,184	-	10,834
License and permits	400	400	-	-
Sale of property and compensation for loss	-	1,089	-	1,089
Miscellaneous local sources	35,000	67,259	-	32,259
Interfund revenues	<u>10,000</u>	<u>5,872</u>	<u>-</u>	<u>(4,128)</u>
Total Revenues	<u>1,188,403</u>	<u>1,230,431</u>	<u>-</u>	<u>42,028</u>
Expenditures				
Judgment and claims	4,177	2,750	-	1,427
Home and community services	792,081	675,424	46,985	69,672
Employee benefits	140,275	124,536	-	15,739
Debt service (principal and interest)	<u>262,966</u>	<u>261,085</u>	<u>-</u>	<u>1,881</u>
Total Expenditures	<u>1,199,499</u>	<u>1,063,795</u>	<u>46,985</u>	<u>88,719</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,096)</u>	166,636	<u>\$ (46,985)</u>	<u>\$ 130,747</u>
Fund Balance - January 1, 2008		<u>1,141,223</u>		
Fund Balance - December 31, 2008		<u>\$ 1,307,859</u>		

TOWN OF ROTTERDAM, NEW YORK
DRAINAGE FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets		
Cash	\$	20,437
Total Assets	\$	<u>20,437</u>
Liabilities		
Accounts payable		<u>371</u>
Fund Balance		
Unreserved:		
Undesignated	\$	20,066
Total Liabilities and Fund Balance	\$	<u>20,437</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	Actual	<u>Variance</u>
Revenue			
Real property tax	\$ 7,100	\$ 7,100	\$ -
Use of money and property	400	413	13
Total Revenues	<u>7,500</u>	<u>7,513</u>	<u>13</u>
Expenditures			
Home and community services	<u>7,500</u>	<u>3,699</u>	<u>3,801</u>
Total Expenditures	<u>7,500</u>	<u>3,699</u>	<u>3,801</u>
Excess of Revenues and Over Expenditures	<u>\$ -</u>	3,814	<u>\$ 3,814</u>
Fund Balance - January 1, 2008		<u>16,252</u>	
Fund Balance - December 31, 2008		<u>\$ 20,066</u>	

TOWN OF ROTTERDAM, NEW YORK
FIRE PROTECTION FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets		
Cash	\$	4,242
Total Assets	\$	<u>4,242</u>
Fund Balance		
Unreserved:		
Designated for subsequent year's expenditures		2,000
Undesignated		<u>2,242</u>
Total Liabilities and Fund Balance	\$	<u>4,242</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance (Deficiency)
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	Actual	<u>Variance</u>
Revenues			
Real property tax	\$ 3,500	\$ 33,500	\$ -
Use of money and property	<u>-</u>	<u>77</u>	<u>77</u>
Total Revenues	<u>33,500</u>	<u>33,577</u>	<u>77</u>
Expenditures			
Judgment and claims	1,500	-	1,500
Public safety	<u>32,000</u>	<u>32,000</u>	<u>-</u>
Total Expenditures	<u>33,500</u>	<u>32,000</u>	<u>1,500</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	1,577	<u>\$ 1,577</u>
Fund Balance - January 1, 2008		<u>2,665</u>	
Fund Balance - December 31, 2008		<u>\$ 4,242</u>	

TOWN OF ROTTERDAM, NEW YORK
LIGHTING FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets		
Cash		\$ 10,047
Total Assets		<u>\$ 10,047</u>
Liabilities		
Accounts payable		151
Total Liabilities		<u>151</u>
Fund Balance		
Unreserved:		
Undesignated		9,896
Total Liabilities and Fund Balance		<u>\$ 10,047</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance (Deficiency)
For the Year Ended December 31, 2008

	Modified <u>Budget</u>	Actual	<u>Variance</u>
Revenues			
Real property tax	\$ 159,800	\$ 159,800	\$ -
Use of money and property	<u>1,200</u>	<u>1,618</u>	<u>418</u>
Total Revenues	<u>161,000</u>	<u>161,418</u>	<u>418</u>
Expenditures			
Transportation	<u>161,000</u>	<u>151,891</u>	<u>9,109</u>
Total Expenditures	<u>161,000</u>	<u>151,891</u>	<u>9,109</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	9,527	<u>\$ 9,527</u>
Fund Balance - January 1, 2008		<u>369</u>	
Fund Balance (Deficiency) - December 31, 2008		<u>\$ 9,896</u>	

TOWN OF ROTTERDAM, NEW YORK
SPECIAL GRANT FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 59,670
Total Assets	<u>\$ 59,670</u>
Fund Balance	
Unreserved:	
Undesignated	<u>59,670</u>
Total Liabilities and Fund Balance	<u>\$ 59,670</u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2008

	<u>Actual</u>
Revenues	
Use of money and property	\$ 1,023
Federal aid	<u>1,294,182</u>
Total Revenues	<u>1,295,205</u>
Expenditures	
Home and community services	<u>1,369,877</u>
Total Expenditures	<u>1,369,877</u>
Excess of Revenues Over Expenditures	74,672
Fund Balance - January 1, 2008	<u>134,342</u>
Fund Balance - December 31, 2008	<u>\$ 59,670</u>

TOWN OF ROTTERDAM, NEW YORK
CAPITAL PROJECTS FUND

Regulatory Basis Balance Sheet
December 31, 2008

Assets	
Cash	\$ 453,172
Cash-restricted	<u>148,206</u>
Total Assets	<u><u>\$ 601,378</u></u>
Liabilities	
Accounts payable	229,710
Bond anticipation notes	<u>3,106,500</u>
Total Liabilities	<u><u>3,336,210</u></u>
Fund Balance (Deficiency)	
Reserved:	
Capital reserve	148,206
Unreserved:	
Undesignated (Deficiency)	<u>(2,883,038)</u>
Total Fund Balance (Deficiency)	<u><u>(2,734,832)</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 601,378</u></u>

Regulatory Basis Statement of Revenue, Expenditures and Changes in Fund Balance (Deficiency)
For the Year Ended December 31, 2008

	<u>Actual</u>
Revenues	
Use of money and property	\$ <u>2,837</u>
Total Revenues	2,837
Other Financing Sources	
Notes redeemed for appropriations	<u>286,500</u>
Total Revenues and Other Financing Sources	<u><u>289,337</u></u>
Expenditures	
Transportation	<u>1,295,548</u>
Total Expenditures	<u><u>1,295,548</u></u>
Deficiency of Revenues and Other Financing Sources Over Expenditures	(1,006,211)
Fund Balance (Deficiency) - January 1, 2008	<u>(1,728,621)</u>
Fund Balance (Deficiency) - December 31, 2008	<u><u>\$ (2,734,832)</u></u>

TOWN OF ROTTERDAM, NEW YORK
TRUST AND AGENCY FUND
REGULATORY BASIS BALANCE SHEET
DECEMBER 31, 2008

Assets	
Cash	\$ 145,897
Total Assets	<u>\$ 145,897</u>
Liabilities	
Due to other funds	\$ 1,176
Agency liabilities	<u>144,721</u>
Total Liabilities	<u>\$ 145,897</u>

TOWN OF ROTTERDAM, NEW YORK
LONG-TERM DEBT ACCOUNT GROUP
REGULATORY BASIS BALANCE SHEET
DECEMBER 31, 2008

Assets

Provisions to be made in future budgets \$ 11,239,366

Liabilities

Landfill post closure costs \$ 574,600

Judgements and claims payable 289,105

Postemployment benefits 2,416,142

Bonds payable 1,864,519

Total Liabilities 6,095,000

\$ 11,239,366

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Rotterdam, New York (the “Town”) have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller for complying with Article 3, Section 30 of General Municipal Law in which every municipal corporation is required to make an annual financial report, except as discussed in the Independent Auditor’s Report. The most significant difference between this regulatory basis of accounting and generally accepted accounting principles (“GAAP”) is that Government Accounting Standards Board (“GASB”) Statement 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” need not be implemented to meet the requirements of General Municipal Law. GASB 34 requires significant changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management’s Discussion and Analysis
- Capitalization of Infrastructure Assets

Management has considered the costs and benefits of adopting GASB 34 and determined that auditing the financial statements utilizing another Comprehensive Basis of Accounting as opposed to GAAP makes fiscal sense for the Town.

A. *Financial Reporting Entity*

The Town of Rotterdam is governed by the 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 the supervisor and four council members. The supervisor serves as chief executive officer and chief fiscal officer of the Town.

GASB Statement No. 14 defines the financial reporting entity for the Town to include all funds, account groups, agencies, boards, commissions, and authorities where the elected officials (the Supervisor and/or the Town Board, respectively) are financially accountable. The following terms are used to describe the components of a reporting entity:

- Primary Government

A legally separate state, general purpose local or special purpose government with a separately elected governing body. It must be fiscally independent of other primary governments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

- Component Unit

A legally separate organization for which the elected officials are financially accountable. Also the primary government is able to impose its will on the component unit or there is a potential for the component unit to provide a financial benefit or incur a financial burden on the primary government.

B. Basis of Presentation

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are 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 objectives in accordance with special regulations, restrictions or limitations. The following fund types and account groups are used.

1. Fund Categories

Governmental Funds - Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Town's governmental fund types:

General Fund - The general fund is the principal fund and includes all operations not required to be recorded in other funds.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds are:

- Highway
- Water Districts
- Sewer Districts
- Drainage
- Fire Protection District
- Lighting Districts
- Special Grant

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

1. Fund Categories (Continued)

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

Trust and Agency Fund - Used to account for money and/or property received and held in the capacity of trustee, custodian or agent.

2. Account Groups - Used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not “funds.” They are concerned with measurement of financial position and not results of operations.

The General Fixed Assets Account Group is used to account for land, buildings, improvements other than buildings and equipment utilized for general government purposes. The Town does not maintain subsidiary records to support the amounts recorded in the general fixed assets account group.

The General Long-Term Debt Account Group is used to account for all long-term obligations.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the regulatory basis financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus. Measurement focus is the determination of what should be measured.

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

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter, within 60 days, to be used to pay liabilities of the current period.

Material revenues that are accrued include State and Federal aid 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 unless it has not been received within 60 days after the fiscal year has ended.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting/Measurement Focus (Continued)

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

- a. Principal and interest on indebtedness are recognized as an expenditure when due.
- b. Compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure when paid.
- c. Inventory is valued at cost utilizing the first-in, first-out method.

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.

Available records support the actual or estimated cost of machinery and equipment. Available records are not sufficient to apply procedures to substantiate carrying values of land, buildings and improvements.

General long-term debt liabilities are recorded at the par value of the principal amount; no liability is recorded for interest payable to maturity.

D. Excluded from the Financial Reporting Entity

The Rotterdam Industrial Development Agency was created for the purpose of encouraging economic growth in the Town of Rotterdam. The Town appoints the agency's government board. A separate audit report is available for the agency's December 31, 2008 financial statements, which are accounted for under the accrual basis of accounting.

E. Property Taxes and Collections

Town real property taxes are levied together with Schenectady County property taxes annually no later than January 1, and become a lien on January 1. Taxes for County purposes are levied together with taxes for Town and special district purposes as a single bill. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the Town.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Data

1. Budget Policies - The budget policies are as follows:

- a. No later than September 30, the budget officer 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 for all funds, except for the Special Grant Fund.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than November 20, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the governing board. However, the comptroller is authorized to transfer certain budget amounts within the departments.

2. Encumbrances

Encumbrances are reservations of fund balance for outstanding purchase commitments. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

- a. Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years.
- b. Budgetary controls for the Special Grant Fund are established in accordance with applicable grant agreements which covers a period other than the Town's fiscal year.

G. Departure from Generally Accepted Accounting Principles (GAAP)

The Town does not maintain subsidiary records to support the amounts recorded in the general fixed assets account group for land, buildings and improvements. The correct carrying values of these fixed assets at December 31, 2008 is not known.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Compensation Plan

Employees of the Town may elect to participate in the Town's Deferred Compensation Plan created in accordance with Internal Revenue Code §457. The Plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.

Under the terms of the amended Plan agreement, these monies are not subject to the claims of the Town's general creditors after they are paid to the Plan's Trustee.

I. Estimates

The preparation of regulatory basis financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates. Significant estimates include post-closure landfill costs and compensated absences liabilities.

J. Self-Insurance

The Town has retained a portion of the liability to cover losses under §207-C of the Workers' Compensation Law of police officers. Officers are entitled to their full pay when out on leave. The Town is required to cover any amount of losses not reimbursed by Workers' Compensation.

K. 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 limitations. The liability for accumulated vacation and related benefits has been recorded in the respective governmental fund type in accordance with GASB 16. Payment of accumulated sick leave and related benefits is reflected in the general long-term debt account group since it is anticipated that none of the liability will be liquidated with expendable financial resources. However, management believes that sufficient resources will be made available for payment of accumulated sick leave and related benefits when such payments become due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Post-Retirement Health Insurance Benefits

In addition to providing pension benefits, the Town provides certain health benefits for retired employees, their spouses and certain survivors. All of the Town's employees may become eligible for these benefits if they reach normal retirement age. Those and similar benefits for active employees are provided through payments to New York State Government Employees' Health Insurance Program. The Town recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were \$737,357 in 2008 for approximately 110 retirees.

2. CASH AND INVESTMENTS

The Town's investment policies are governed by State statutes. The Town's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The comptroller is authorized to use demand accounts, certificates of deposit, obligations of the United States of America, New York State and local municipalities and school districts, certificates of participation and repurchase agreements with certain restrictions.

Collateral is required for demand deposits and certificates of deposit at 100 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 any state and its municipalities and school districts.

During 2008, cash and investments were either insured by Federal Depository Insurance or collateralized by assets of the Town's agent in the Town's name.

3. CASH RESTRICTED

Cash restricted consists of the following:

General Fund

Miscellaneous Reserves	\$ 31,124
Capital Reserve - Landfill	460,334
	<u>\$ 491,458</u>

Water Fund

Reserve for Repairs	<u>\$ 63,702</u>
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Capital Projects Fund

Capital Reserve	<u>\$ 148,206</u>
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4. INTERFUND TRANSACTIONS

During the course of operations, the Town has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. As of December 31, 2008 interfund balances arising from these transactions over as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,176	\$ -
Sewer Fund	1,529	1,529
Trust and Agency Fund	-	1,176
	\$ 2,705	\$ 2,705

5. BOND ANTICIPATION NOTES

Liabilities for bond anticipation notes (BAN'S) issued for capital projects that are one year in duration are accounted for in the Capital Projects Fund.

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's 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 an analysis of BAN's outstanding at December 31, 2008:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance December 31, 2008</u>
Highway Equipment - 2004	2.43%	\$ 50,000
Highway Projects - 2007	2.80%	992,500
Helderberg/Highbridge Sewers	2.80%	522,500
Police Radio Enhancements	2.17%	162,000
Highway Projects - 2009	2.80%	1,379,500
		\$ 3,106,500

6. DEFERRED REVENUES

The water districts and sewer districts had deferred revenue recorded in the amount of \$72,049 and \$196,166 as of December 31, 2008 related to water and sewer rents, respectively.

7. LONG-TERM INDEBTEDNESS

The changes in the Town's long-term indebtedness during the year are summarized as follows:

	Payable at January 1, <u>2008</u>	<u>Additions</u>	<u>Decreases</u>	Payable at December 31, <u>2008</u>
Claims and Judgments	\$ 4,133,373	\$ -	\$ 3,844,268	\$ 289,105
Landfill Remediation and Monitoring Liability	711,967	-	137,367	574,600
Bonds	6,895,000	-	800,000	6,095,000
Compensated Absences	2,542,493	-	126,351	2,416,142
Postemployment Benefits	-	1,864,519	-	1,864,519
Due to County	9,684	-	9,684	-
Installment Purchase Debt	<u>27,400</u>	<u>-</u>	<u>27,400</u>	<u>-</u>
Total	<u>\$14,319,917</u>	<u>\$ 1,864,519</u>	<u>\$ 4,945,070</u>	<u>\$11,239,366</u>

A. Claims and Judgments

There are several tax review cases pending against the Town for a reduction in the assessed value of property. The petitions are for taxes collected in 2005 through 2008. The Town believes that the likelihood of a reduction is probable for some of these cases that are pending. A provision for loss of \$289,105 has been recorded in the general long-term debt account group.

B. Landfill Remediation and Monitoring Liability

The Town entered into an Order of Consent with the New York State Department of Environmental Conservation (DEC) on April 17, 1990 for the purpose of ensuring the proper maintenance and future closure of the Town's landfill. The order includes specific requirements and deadlines for the Town to follow and meet or they could be subject to penalties. The status of compliance with the consent order is subject to review by the Department of Environmental Conservation. The Town has been served with a number of additional consent orders in 1996, 1997 and 1998.

The closure of the landfill was substantially completed in 1995. The remaining cost of the required maintenance, closure and post-closure monitoring costs of the landfill was estimated to cost \$574,600. The Town has recorded this estimate in the general long-term debt account group. The costs will be paid out of a Capital Reserve, the issuance of additional bonds and annual budgetary appropriations. In January 2002, the Town authorized \$1,200,000 of serial bonds to fund the cost of this project.

7. LONG-TERM INDEBTEDNESS (CONTINUED)

C. Bonds

The following is a summary and description of the serial bonds outstanding at December 31, 2008:

<u>Description</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at December 31, 2008</u>
Water/Sewer Improvements	02/15/92	\$ 5,100,000	02/15/10	6.0%	\$ 450,000
Water/Sewer Improvements	06/15/99	\$ 5,255,000	06/15/17	4.625 to 4.75%	680,000
Landfill/Sewer Improvements	03/08/01	\$ 3,191,766	05/15/17	3.48 to 4.97%	1,745,000
Tax Certiorari	08/15/02	\$ 3,250,000	08/15/22	4.0%	2,545,000
Water Drainage	11/05/03	\$ 442,585	11/05/32	0%	360,000
Highway Equipment	12/01/03	\$ 340,000	12/01/09	4.2%	65,000
Highway Reconstruction	10/01/03	\$ 450,000	04/01/13	3.5 to 4.25%	<u>250,000</u>
					<u>\$ 6,095,000</u>

The following is a summary of maturity of debt service requirements for general obligation bonds:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 785,000	\$ 210,630
2010	730,000	178,230
2011	525,000	154,626
2012	535,000	133,882
2013	545,000	118,454
Thereafter	<u>2,975,000</u>	<u>464,785</u>
	<u>\$ 6,095,000</u>	<u>\$ 1,260,607</u>

D. Compensated Absences

Town employees are granted vacation, holiday, sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation, holiday (police only), sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Payment of accumulated and unused vacation, holiday, sick leave and compensatory absences recorded in the general long-term debt account group is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation, holiday, sick leave and compensatory absences when such amounts become due.

7. LONG-TERM INDEBTEDNESS (CONTINUED)

D. Compensated Absences (Continued)

The Town recognizes a liability for vacation, holiday and compensatory absences and additional salary-related payments as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through paid time off or some other means. This includes vacation, holiday and compensatory absences that were earned but not used during the current or prior periods and of which employees can receive compensation in a future period.

In addition, the Town recognizes a liability for vesting sick leave and additional salary-related payments as employees earn benefits and to the extent it is probable that the Town will compensate the employees for the benefits through cash payments, rather than be taken as absences due to illness or other contingencies for employees who, at the balance sheet date, currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

E. Postemployment Benefits

As of December 31, 2008, the liability for postemployment benefits payable calculated in accordance with Government Accounting Standards Board No. 45 (“GASB 45”) is \$27,000,977. The City has elected to amortize this liability over 30 years as permitted by GASB 45, therefore, the liability appearing in the December 31, 2008 financial statements is \$1,864,519.

The following table sets forth the Plan’s funded status:

Present Value of Future Benefits		
a.	Retirees	\$ 12,670,126
b.	Active Employees	<u>14,330,851</u>
c.	Total	27,000,977
Unfunded Actuarial Accrued Liability (UAAL)		
a.	Retirees	12,670,126
b.	Fully Eligible Employees	2,919,677
c.	Other Active Employees	<u>11,411,174</u>
d.	Total	27,000,977
Annual Required Contribution (ARC)		
a.	Normal Cost	1,080,599
b.	Supplemental Cost	
	i. Funding Liability	27,000,977
	ii. Actuarial Assets	-
	iii. Unfunded Actuarial Accrued Liability	27,000,977
	iv. Amortization Period	30
	v. Supplemental Cost	<u>1,501,413</u>
c.	Beginning of Year Contribution	2,582,012
d.	Compound Interest to Year End	<u>51,134</u>
e.	Annual Required Contribution	<u>\$ 2,633,146</u>
Annual OPEB Cost		2,633,146
Benefit Payments		<u>786,627</u>
Actuarial Assumptions Liability at December 31, 2008		<u>\$ 1,864,519</u>
A.	Funding Interest Rate	4.00%
B.	12/31/2008 Trend Rate	10.00%
C.	12/31/2009 Trend Rate	9.00%
D.	Ultimate Trend Rate	5.00%
E.	Fiscal Year Ultimate Trend Rate Reached	12/31/2013
F.	Annual Payroll Growth Rate	4.00%

8. RESERVED AND DESIGNATED FUND BALANCE

A. General Fund

The general fund has a reserve for inventory of \$11,548, a reserve for prepaid expenses of \$11,548, a reserve for capital projects of \$460,334 and a reserve for encumbrance of \$80,766 as of December 31, 2008. In addition, miscellaneous reserves of \$31,124 are for the following purposes:

<u>Description</u>	<u>Amount</u>
Asset Forfeitures	\$ 28,883
Paramedic	1,206
DARE	1,028
Pedestrian Safety Program	<u>7</u>
Total	<u>\$ 31,124</u>

B. Highway Fund

The highway fund has a reserve for prepaid expenses of \$29,667.

C. Water Fund

The water fund has a repair reserve fund established for Water District 5 of \$63,702, a reserve for encumbrance of \$14,000 and a reserve for prepaid expense of \$7,656 at December 31, 2008.

D. Sewer Fund

The Sewer Fund has a reserve for encumbrances of \$46,985 and a reserve for prepaid expenses of \$3,828 at December 31, 2008.

9. PENSION PLAN

The Town of Rotterdam participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement Systems (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12224.

9. PENSION PLAN (CONTINUED)

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 until such time as they obtain ten years of service credit. 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 contribution required to be made by employers to the pension accumulation fund.

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

	<u>ERS</u>	<u>PFRS</u>
March 31, 2007	\$ 412,931	\$ 508,796
March 31, 2008	\$ 517,984	\$ 508,796
March 31, 2009	\$ 386,502	\$ 578,716

The Town's contributions made to the System were equal to 100 percent of the contributions required.

On May 14, 2003, Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes in the Systems:

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

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1, however, employers were allowed to prepay their payment by December 15. The covered salary period (April 1-March 31) will not change for the calculation.

10. COMMITMENTS AND CONTINGENCIES

Litigation

Several claims against the Town are presently pending for various reasons including condemnation and personal injuries. Although the final outcome of these matters cannot be predicted, management of the Town, based on the advice of the Town's Legal Counsel, does not believe that the final settlement of these matters will have a material adverse effect on the financial condition of the Town.

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grant Programs

The Town participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives. The Town believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the Town's financial position or results of operations.

Environmental Concerns

The Town is engaged in many activities (*e.g.*, water and sewer service, refuse collection, gasoline storage), in the normal course of operations, that are potentially hazardous to the environment. As of December 31, 2008, the Town is not aware of any significant environmental problems that should be disclosed in the regulatory basis financial statements.

Union Contracts

Police and general city employees are each represented by a collective bargaining agent. Those agents which represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
C.S.E.A., Local 1000	December 31, 2010
Rotterdam Patrolmen's Benevolent Association	December 31, 2008

Self-Insured Worker's Compensation Plan

Beginning in January 2003, the Town became a member of a public entity risk pool for workers' compensation claims. The Town, along with other members, retains the risk of loss to the extent the plan's assets are not sufficient to fund the liabilities of the plan. Expenses for the year ended December 31, 2008 was \$231,017.

11. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances

Capital Projects Fund - Certain capital projects have temporary financing in the form of bond anticipation notes and have deficit balances in total of \$(2,734,832) due to such funding not being recognized as revenue. These deficits will remain permanent until either financing is issued or the notes are redeemed from other sources.

12. SUBSEQUENT EVENTS

The Town borrowed an additional bond borrowing of \$2,327,000 in May 2009 for various capital project improvements and equipment. The bonds will be valid and legally binding general obligations of the Town, for the payment of which the Town will pledge its faith and credit.

**OTHER FINANCIAL INFORMATION
ADDITIONAL REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**

TOWN OF ROTTERDAM, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title Expenditures</u>	<u>CFDA Federal Number</u>	<u>Awards</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct:		
Section 8 Housing Choice Vouchers	14.871	\$ 1,294,182
<u>U.S. Department of Agriculture</u>		
Passed Through New York State Office for the Aging:		
Food Distribution	10.550	2,774
<u>U.S. Department of Justice</u>		
Passed Through the Senate State of New York:		
Edward Byrne Memorial Formula Grant Program	16.579	2,376
Passed Through New York State of the State Comptroller:		
Bulletproof Vest Partnership	16.607	3,699
Passed Through New York State Office of Homeland Security:		
Buffer Zone Projection Program	97.078	<u>123,559</u>
Total U.S. Department of Justice		129,634
<u>U.S. Department of Transportation</u>		
Passed Through New York State Department of Transportation:		
Highway Planning and Construction	20.205	181,794
<u>National Highway Traffic Safety Administrator</u>		
Passed Through State of New York Governor's Traffic Safety Committee:		
Child Passenger Safety	20.602	2,810
Selective Traffic Enforcement Program	20.600	<u>8,138</u>
Total National Highway Traffic Safety Administration		10,948
Total Expenditures of Federal Awards		<u>\$ 1,619,332</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards was prepared on the modified accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met and are available, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

Town of Rotterdam, the primary government, is an independent municipal corporation. All federal grant operations of the primary government are included in the scope of the single audit.

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NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

JOHN A. CIMINO, CPA, OF COUNSEL

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF REGULATORY BASIS
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Supervisor and
Members of the Town Board
Town of Rotterdam, New York

We have audited the regulatory basis financial statements of the Town of Rotterdam, New York as of and for the year ended December 31, 2008, and have issued our report thereon dated September 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 14, 2009

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Supervisor and
Members of the Town Board
Town of Rotterdam, New York

Compliance

We have audited the compliance of the Town of Rotterdam, New York with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2008. The Town of Rotterdam, New York's major federal program is identified in the schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Town of Rotterdam, New York's management. Our responsibility is to express an opinion on the Town of Rotterdam, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Rotterdam, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Rotterdam, New York's compliance with those requirements.

In our opinion, the Town of Rotterdam, New York complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the Town of Rotterdam, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Rotterdam, New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A control deficiency in the Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that, results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Town's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The Town of Rotterdam, New York's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Rotterdam, New York's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, others within the Town, the Town Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
September 14, 2009

TOWN OF ROTTERDAM, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? yes **x** no

Reportable condition(s) identified that are not considered to be
material weakness(es)? yes **x** none reported

Noncompliance material to financial statements noted? yes **x** no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes **x** no

Reportable condition(s) identified that are not considered to be
material weakness(es)? yes **x** none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of Circular A-133? yes **x** no

Identification of major programs.

CFDA NUMBER(S) **NAME OF FEDERAL PROGRAM OR CLUSTER**

14.871	Section 8 Housing Choice Vouchers
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Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? **x** yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended December 31, 2008.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended December 31, 2008.