

TOWN OF EAST GREENBUSH, NEW YORK

FINANCIAL STATEMENTS
OF THE
GENERAL FUND, SPECIAL REVENUE FUNDS, AND
CAPITAL PROJECTS FUND

Year ended December 31, 2009

TOWN OF EAST GREENBUSH, NEW YORK

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE
GENERAL FUND, SPECIAL REVENUE FUNDS, AND CAPITAL PROJECTS FUND**

To the Supervisor and Members of the Town Board
Town of East Greenbush, New York

We have audited the accompanying financial statements of the general fund, special revenue funds, and capital projects fund of the Town of East Greenbush, New York (the Town) as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the general fund, special revenue funds, and capital projects fund and do not purport to, and do not, present fairly the government-wide financial position of the Town of East Greenbush, New York as of December 31, 2009, and the government-wide changes in its financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund, special revenue funds and capital projects fund of the Town of East Greenbush, New York as of December 31, 2009, and the changes in financial position thereof and the respective budgetary comparison for the general fund and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2010 on our consideration of the Town of East Greenbush'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 control 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.

UHY LLP

Albany, New York
October 28, 2010

TOWN OF EAST GREENBUSH, NEW YORK
COMBINED BALANCE SHEET – ALL GOVERNMENTAL FUND TYPES
December 31, 2009

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS			
Cash and cash equivalents	\$ 205,174	\$ 237,944	\$ 4,339
Other receivables	107,909	849,844	-
Due from other funds	-	2,327,731	-
Total assets	<u>\$ 313,083</u>	<u>\$ 3,415,519</u>	<u>\$ 4,339</u>
LIABILITIES AND FUND EQUITY (DEFICIT)			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 647,577	\$ 1,159,003	\$ 333
Due to other funds	1,289,350	1,206,520	325,303
Due to other governments	112,109	-	-
Bond anticipation notes payable	-	-	3,035,210
Total liabilities	<u>2,049,036</u>	<u>2,365,523</u>	<u>3,360,846</u>
FUND EQUITY (DEFICIT)			
Undesignated (deficit)	<u>(1,735,953)</u>	<u>1,049,996</u>	<u>(3,356,507)</u>
Total liabilities and fund equity (deficit)	<u>\$ 313,083</u>	<u>\$ 3,415,519</u>	<u>\$ 4,339</u>

See notes to financial statements.

TOWN OF EAST GREENBUSH, NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND EQUITY (DEFICIT) – ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2009

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
REVENUES			
Real property taxes	\$ 3,991,584	\$ 4,704,437	\$ -
Sales tax	1,785,267	-	-
Departmental income	558,226	2,801,710	-
Use of money and property	94,208	11,626	25
License and permits	14,167	24,200	-
Fines and forfeitures	333,625	-	-
Compensation for loss	11,884	11,918	-
Miscellaneous local sources	7,509	209,549	258,241
Interfund	-	74,455	-
Other revenue sources	170,000	-	-
State aid	673,881	175,541	-
Federal aid	-	433,338	-
Total revenues	<u>7,640,351</u>	<u>8,446,774</u>	<u>258,266</u>
EXPENDITURES			
General governmental support	1,898,685	-	-
Public safety	2,338,291	98,290	-
Health	6,775	366,922	-
Transportation	168,165	1,630,713	-
Culture and recreation	379,251	-	-
Economic assistance and opportunities	3,657	-	-
Home and community services	647,286	4,000,115	-
Employee benefits	1,972,500	1,044,066	-
Debt service:			
Principal	296,475	680,614	-
Interest	40,990	208,096	-
Total expenditures	<u>7,752,075</u>	<u>8,028,816</u>	<u>-</u>
Excess of (expenditures over revenues) revenues over expenditures	(111,724)	417,958	258,266
Fund equity (deficit), beginning of year	<u>(1,624,229)</u>	<u>632,038</u>	<u>(3,614,773)</u>
Fund equity (deficit), end of year	<u>\$ (1,735,953)</u>	<u>\$ 1,049,996</u>	<u>\$ (3,356,507)</u>

See notes to financial statements.

TOWN OF EAST GREENBUSH, NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY (DEFICIT) –
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUND TYPES
Year Ended December 31, 2009

	Governmental Fund Types			Special Revenue Funds		
	Modified Budget	Actual	Variance Favorable (Unfavorable)	Modified Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Real property taxes	\$ 4,026,831	\$ 3,991,584	\$ (35,247)	\$ 3,825,478	\$ 4,704,437	\$ 878,959
Sales tax	1,799,310	1,785,267	(14,043)	-	-	-
Departmental income	584,116	558,226	(25,890)	2,577,019	2,801,710	224,691
Intergovernmental charges	-	170,000	170,000	17,000	-	(17,000)
Use of money and property	55,000	94,208	39,208	30,200	11,626	(18,574)
Licenses and permits	21,565	14,167	(7,398)	-	24,200	24,200
Fines and forfeitures	287,000	333,625	46,625	-	-	-
Compensation for loss	3,500	11,884	8,384	10,000	11,918	1,918
Miscellaneous local sources	52,000	7,509	(44,491)	141,223	209,549	68,326
Interfund	-	-	-	128,000	74,455	(53,545)
State aid	663,500	673,881	10,381	112,000	175,541	63,541
Federal aid	-	-	-	-	433,338	433,338
Total revenues	<u>7,492,822</u>	<u>7,640,351</u>	<u>147,529</u>	<u>6,840,920</u>	<u>8,446,774</u>	<u>1,605,854</u>
EXPENDITURES						
General government support	2,141,379	1,898,685	242,694	-	-	-
Public safety	2,181,943	2,338,291	(156,348)	102,690	98,290	4,400
Health	6,739	6,775	(36)	442,722	366,922	75,800
Transportation	221,925	168,165	53,760	1,857,488	1,630,713	226,775
Culture and recreation	388,458	379,251	9,207	-	-	-
Economic assistance and opportunity	5,000	3,657	1,343	-	-	-
Home and community services	481,898	647,286	(165,388)	2,989,089	4,000,115	(1,011,026)
Employee benefits	1,765,183	1,972,500	(207,317)	815,760	1,044,066	(228,306)
Debt service:						
Principal	268,000	296,475	(28,475)	469,419	680,614	(211,195)
Interest	32,297	40,990	(8,693)	123,752	208,096	(84,344)
Total expenditures	<u>7,492,822</u>	<u>7,752,075</u>	<u>(259,253)</u>	<u>6,800,920</u>	<u>8,028,816</u>	<u>(1,227,896)</u>
Excess of (expenditures over revenues) revenues over expenditures	-	(111,724)	(111,724)	40,000	417,958	377,958
Net change in fund balances	-	(111,724)	(111,724)	40,000	417,958	377,958
Fund equity (deficit), beginning of year	(1,624,229)	(1,624,229)	-	632,038	632,038	-
Fund equity (deficit), end of year	<u>\$ (1,624,229)</u>	<u>\$ (1,735,953)</u>	<u>\$ (111,724)</u>	<u>\$ 672,038</u>	<u>\$ 1,049,996</u>	<u>\$ 377,958</u>

See notes to financial statements.

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of East Greenbush, Rensselaer County, New York (the “Town”) was founded in 1855. The Town is governed by County Law, other general laws of the State of New York, and various local laws and ordinances. The Town Board is the legislative body responsible for overall operations. The Town Supervisor serves as chief executive officer and chief fiscal officer.

The Town provides the following basic services: police and law enforcement, fire protection, water and sewer, trash collection, recreation, street maintenance and snow removal, and general administrative services.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standard Board (GASB) as they relate to fund accounting for fiscal accountability. Fiscal accountability is one of the primary objectives of financial reporting and is designed to demonstrate that the actions of the government during the current period have complied with public decisions concerning the raising and spending of public monies during the reporting cycle.

In June 1999, the GASB approved Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments which became effective for the Town for the period ended December 31, 2004. This statement requires the financial statements to include government-wide financial statements on a full accrual basis, in addition to the fund financial information presented by the Town of East Greenbush in these financial statements. It further requires information relating to fixed assets, including infrastructure and depreciation, component units and reconciliation between government-wide and fund statements, as well as management discussion and analysis.

The Town has elected not to implement GASB 34 due to the costs associated with the development and maintenance of the information required to present government-wide financial statements. The accompanying financial statements present the financial position of the general fund, special revenue funds and capital projects fund of the Town of East Greenbush, New York as of December 31, 2009, and the changes in financial position thereof and the respective budgetary comparison for the general fund and special revenue funds for the year then ended.

(a) Financial Reporting Entity

The financial reporting entity consists of the general fund, the special revenue funds and the capital projects fund of the Town of East Greenbush and does not include any other funds, account groups or component units of the Town.

(b) Basis of Presentation – Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances (net assets), revenues, and expenditures (expenses). The following fund types are used by the Town:

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Presentation – Fund Accounting (Continued)

GOVERNMENTAL FUND TYPES

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

General Fund – The general fund is the principal operating fund of the Town and accounts for the general tax revenue, miscellaneous receipts not allocated by law or contractual agreement to another fund, risk retention operations, and general operating expenditures. This fund operates within the financial limits of an annual budget adopted by the Town Board.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted for specified purposes. The Town maintains the following special revenue funds:

- Highway Fund - used to account for the operations of the Town's highway and maintenance program.
- Fire Protection Fund - used to fund volunteer fire district operations within the Town.
- Ambulance Fund - used to account for ambulance and emergency medical operations.
- Water Fund - used to report operations of the Town's water treatment and supply facilities that provide drinking water to all Town residents, as well as to certain other local communities outside the Town's boundaries.
- Sewer Fund - used to report operations of the Town's wastewater treatment facilities and sanitary sewer system that is provided to all Town residents.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital assets for governmental activities. Financing is generally provided from proceeds of bonds, notes, Federal and State grants, and transfers from other governmental funds.

(c) Basis of Accounting

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt and compensated absences, are recorded when the liability is incurred, if measurable.

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Accounting (Continued)

In applying the susceptible-to-accrual concept to State and Federal Aid, the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenues at the time of receipt.

The primary non-property tax item is sales tax which is recorded as revenue when it is susceptible to accrual. Fines, permits and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Inter-governmental revenues and interest income are accrued when their receipt occurs within sixty days of the end of the accounting period and such amounts relate to the current period.

(d) Property Taxes

Real property taxes are levied annually on January 1. Taxes are collected during the period January 1 to March 31. 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. Unpaid town taxes are turned over to the county for enforcement.

(e) Budgets

The Town's procedures for establishing the budgetary data reflected in the accompanying financial statements are as follows:

- Not later than September 30, the Town Supervisor submits to the Town Clerk a proposed operating budget for the fiscal year commencing the following January 1.
- The Town Clerk submits the proposed budget to the Town Board on or before October 5.
- Public hearings are conducted to obtain taxpayer comments after revisions are made by the Town Board.
- Not later than November 20, the budget is legally enacted through the passage of a legislative resolution.
- Total expenditures for each object may not legally exceed the total appropriations for that object.

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Budgets (Continued)

The Town Supervisor is authorized to approve all budget transfer requests not exceeding \$500 between the major fund codes within individual departments. Additionally, the Town Supervisor may authorize all budget transfers within major fund codes within individual departments. All other modifications to the budget must be approved by the Town Board.

The budget is developed on the basis generally consistent with the statutory basis required by the New York State Office of the State Comptroller.

(f) Account Groups

Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. An account group is not a "fund." It is concerned only with the measurement of financial position and is not involved with measurement of results of operations and is not included in the financial statements.

General Long-term Debt Account Group - This account group is used to record all long-term debt of the Town, such as compensated absences, installment purchases, and bonds. Information about general long-term debt is disclosed in Note 6.

Fixed Asset Account Group - The Town does not maintain information related to cost of fixed assets and the amounts that should be recorded in this account group have not been determined.

(g) Compensated Absences

Police

Police officers are granted the following compensated absences each year:

Vacation	12-26 days
Sick leave	1-15 days

Sick leave vests and may be accumulated from year-to-year up to 200 days. Vacation time vests and may be accumulated from year-to-year up to 7 days. Compensatory time vests and may be accumulated from year-to-year up to 220 hours. Upon retirement or death, payment is made for all accumulated time. Payment of unused vacation time is also made upon termination or resignation. The liability for sick leave of \$443,510, vacation time of \$15,568 and compensatory time of \$8,560 is recorded in the general long-term debt account group since it is anticipated that only an immaterial portion will be paid out in any one year.

Dispatchers

Dispatchers are granted the following compensated absences each year:

Vacation	12-27 days
Sick leave	1-12 days

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Compensated Absences (Continued)

Dispatchers (Continued)

Sick leave vests and may be accumulated from year-to-year up to 200 days. Vacation time vests and may be accumulated from year-to-year up to 8 days. Compensatory time vests and may be accumulated from year-to-year up to 32 hours. Upon retirement or death, payment is made for all accumulated time. Payment of unused vacation time is also made upon termination or resignation. The liability for sick leave of \$151,234, vacation time of \$3,556 and compensatory time of \$2,154 is recorded in the general long-term debt account group since it is anticipated that only an immaterial portion will be paid out in any one year.

Civil Service Employees Association (CSEA)

CSEA employees are granted the following compensated absences each year:

Vacation	10-27 days
Sick leave	1-15 days

Sick leave vests and may be accumulated from year-to-year up to 220 days. Vacation time vests and may be accumulated from year-to-year up to 5 days. Upon retirement or death, payment is made for all accumulated time. Payment of unused vacation time is also made upon termination or resignation. The liability for sick leave of \$687,951 and vacation time of \$18,220 is recorded in the general long-term debt account group since it is anticipated that only an immaterial portion will be paid out in any one year.

Others

Other personnel are granted the following compensated absences each year:

Vacation	12-25 days
Sick leave	1-15 days

Sick leave vests and may be accumulated from year-to-year up to 220 days. Vacation time vests and may be accumulated from year-to-year up to 5 days. Upon retirement or death, payment is made for all accumulated time. Payment of unused vacation time is also made upon termination or resignation. The liability for sick leave of \$351,976 and vacation time of \$10,298 is recorded in the general long-term debt account group since it is anticipated that only an immaterial portion will be paid out in any one year.

(h) Retirement Plans and Post-Retirement Health Insurance Benefits

The Town provides retirement benefits for its employees through participation in both the New York State and Local Police and Fire Retirements System and the New York State and Local Employees' Retirement System. These systems provide various plans and options, some of which require employee contributions.

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

(h) Retirement Plans and Post Retirement Health (Continued)

In addition to providing pension benefits, the Town provides certain health care 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 while working for the Town. The Town recognizes the cost of providing healthcare benefits by expensing the annual insurance costs, which were approximately \$1,218,410 for 2009 for both retired and active employees.

(i) Cash and Cash Equivalents

The Town's investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Town Supervisor is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, repurchase agreements, and obligations of New York State or its localities.

All deposits shall be fully secured by insurance of the FDIC or by obligations of New York State, obligations of federal agencies, the principal and interest of which is guaranteed by the United States, or obligations of New York State local governments.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal government. Underlying securities shall be valued to market at periodic intervals by the Town Comptroller or designee.

Cash and equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Town.

(j) Interfund Transactions

During the course of operations, the Town processes several transactions that affect more than one fund and other transactions between the various funds. Interfund services provided and used are accounted for as revenue in the provider funds and expenditures in the user funds. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Advances or loans from one fund to another are recorded as receivables in the remitting fund and payables in the receiving fund. Other interfund transactions generally represent transfers of resources from one fund to be utilized in another fund and are reported as transfers. Interfund transactions that are unpaid between funds are recorded in the financial statements as due from other funds (receivables) and due to other funds (payables).

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 2 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town has deficit balances in the following funds at December 31, 2009:

General	<u>\$ (1,735,953)</u>
Special Revenue - Highway	<u>\$ (1,027,719)</u>
Capital projects	<u>\$ (3,356,507)</u>

There is no constitutional real property tax limit for towns in New York State. The Town has increased its real property taxes for 2010. Additionally, the Town is in the process of obtaining financing that will lead to infrastructure improvements in both its water and sewer operations. These improvements are expected to generate increased development which will lead to increases in related revenue.

The deficit in the capital projects fund is expected to be reduced as BANS are repaid or financed by permanent long-term financing.

NOTE 3 — CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2009 consist of the following:

Checking accounts	\$ 364,512
Money market accounts	<u>82,945</u>
Total cash and cash equivalents	<u>\$ 447,457</u>

Cash and cash equivalents at year-end were entirely covered by federal depository insurance or by collateral held by a third party. Coverage was as follows:

	<u>Demand Deposits</u>
Bank balances	\$ 449,761
Covered by FDIC insurance	\$ 333,694
Covered by Collateral held by a third party	\$ 116,067

NOTE 4 — INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund receivables and payables at December 31, 2009:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ -	\$ 1,289,350
Special Revenue	2,327,731	1,206,520
Capital projects	-	325,303
Trust and agency	<u>493,442</u>	<u>-</u>
Total	<u>\$ 2,821,173</u>	<u>\$ 2,821,173</u>

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 5 — BOND ANTICIPATION NOTES PAYABLE

Bond anticipation notes (BANs) payable are accounted for in the capital projects fund. Debt service expenditures are recorded in the fund that benefited from the capital project financed by the note, e.g. the General Fund and Special Revenue Funds. State law requires that BANs for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, providing that stipulated annual reductions of principal are made. BANs outstanding are comprised of the following at December 31, 2009:

<u>Project</u>	<u>Original Date Issued</u>	<u>Balance January 1, 2009</u>	<u>Borrowings</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>
Sewer	12/30/1991	\$ 222,518	\$ -	\$ 17,266	\$ 205,252
Judgments and claims	2/20/2002	144,000	-	6,000	138,000
Park lands	12/30/2003	196,000	-	8,000	188,000
Road repairs	4/26/2004	205,000	-	15,000	190,000
Communications	5/31/2005	169,000	-	10,000	159,000
3rd Ave sewer	10/28/2005	720,000	-	20,000	700,000
Garage	10/6/2006	322,000	-	70,000	252,000
Police cars (3)	10/6/2006	49,433	-	14,000	35,433
Snow plow and water van	10/6/2006	220,500	-	19,000	201,500
Town Hall roof and fuel system	10/31/2006	218,000	-	15,475	202,525
Resurfacing 2006	11/17/2006	240,000	-	18,500	221,500
Police cars	8/1/2007	52,000	-	10,000	42,000
Resurfacing 2007	8/1/2007	535,000	-	35,000	500,000
Total BANs outstanding		<u>\$ 3,293,451</u>	<u>\$ -</u>	<u>\$ 258,241</u>	<u>\$ 3,035,210</u>

NOTE 6 — LONG-TERM DEBT

As discussed in Note 1, long-term debt of the Town is recorded in the long-term debt account group and is not included in the financial statements. The following describes long-term debt of the Town:

(a) Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2009:

	<u>Bonds</u>	<u>Capital Leases Payable</u>	<u>Compensated Absences</u>
Payable at January 1, 2009	\$ 6,644,143	\$ 271,398	\$ 1,721,379
Reductions	(669,437)	(49,410)	(28,352)
Payable at December 31, 2009	<u>\$ 5,974,706</u>	<u>\$ 221,988</u>	<u>\$ 1,693,027</u>

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 6 — LONG-TERM DEBT (Continued)

(b) Bonds Payable

A summary of the Town's bonds payable at December 31, 2009 is as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate (%)</u>	<u>Date Final Maturity</u>	<u>Outstanding</u>
Sewer	Sewer	09/01/90	\$ 8,840,000	6.55%	03/15/20	\$ 2,741,000
Sewer	Sewer	03/01/91	1,710,000	7.10%	12/31/11	200,000
General	Library Const.	04/11/02	3,511,114	4.70%	04/01/20	2,465,000
Highway	Equipment	08/11/06	76,289	4.75%	08/10/16	53,402
Water	Improvements	08/11/06	207,300	4.75%	08/10/16	165,840
Highway	Drainage	10/06/06	405,000	3.71%	08/16/16	283,500
Ambulance	Equipment	08/15/07	159,940	3.74%	02/14/12	65,964
			<u>\$ 14,909,643</u>			<u>\$ 5,974,706</u>

(c) Capital Leases Payable

A summary of the Town's capital leases payable at December 31, 2009 is as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate (%)</u>	<u>Date Final Maturity</u>	<u>Outstanding</u>
Highway	Gradeall	10/11/05	\$ 184,395	4.71%	10/11/15	\$ 120,623
Highway	Snowplow	10/11/05	156,386	4.75%	10/11/15	101,365
			<u>\$ 340,781</u>			<u>\$ 221,988</u>

(d) Maturities Information

The following table summarizes the Town's future debt service requirements on bonds and capital notes payable as of December 31, 2009:

<u>Year Ending Date</u>	<u>Bonds Payable</u>	<u>Capital Leases Payable</u>
2010	\$ 587,919	\$ 32,860
2011	589,919	34,414
2012	468,919	36,041
2013	486,931	37,745
2014	507,931	39,529
2015 - 2019	2,713,268	41,399
2020 - 2022	619,819	-
Total	<u>\$ 5,974,706</u>	<u>\$ 221,988</u>

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 6 — LONG TERM DEBT (Continued)

(e) Other Long-term Debt

In addition to the above long-term debt, the Town has compensated absences representing the earned and unused portion of the liability for compensated absences.

NOTE 7 — PENSION PLANS

(a) Plan Description

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

(b) Funding Policy

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

The Town is required to contribute at an actuarially determined rate. The required contributions for the Systems' fiscal years ending March 31 were:

	<u>ERS</u>	<u>PFRS</u>
2007	\$ 379,390	\$ 233,616
2008	351,683	241,004
2009	311,478	229,263

Contributions made to the Systems were equal to 100% of the contributions required for each year.

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 8 — POST RETIREMENT BENEFITS

In addition to providing pension benefits, the Town provides health insurance coverage and survivors benefits for retired employees and their survivors. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits and survivors' benefits are provided through a self-insurance program or insurance company contracts with premiums based on the benefits paid during the year. The Town also reimburses retirees for their Medicare Part B premiums. The Town recognizes the cost of providing benefits by recording total costs as expenditures in the General Fund during the year, which are net with the retirees' premium contributions.

During the year ended December 31, 2009, approximately \$325,000 was paid on behalf of 49 retirees and survivors and approximately \$13,000 was collected for premiums from these retirees, survivors and Medicare Part D reimbursements.

GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension, establishes standards for the recognition, measurement, and display of Other Postemployment Benefits such as retiree health insurance expenses and related liabilities and note disclosures. This standard was effective for the Town for the year ended December 31, 2009. The Town is in the process of determining the extent of the long term liabilities which need to be recorded and expects to adopt the standard for its year ending December 31, 2010. The impact of adoption of this statement on the long-term liabilities has not yet been determined.

NOTE 9 — COMMITMENTS AND CONTINGENCIES

(a) Lawsuits

On or about February 2009, the Town was named as a necessary party defendant in an action and proceeding which is essentially a contract case relating to a water contract for treated wholesaled water sold by the City of Troy (Troy) to and bought by the Town and the City of Rensselaer (Rensselaer). On October 6, 2010, the Court rendered a decision wherein it granted summary judgment to Troy and dismissed the complaint and cross claims in the action and proceeding, essentially therefore holding that no water contract exists by between and among Troy, the Town, and Rensselaer.

The Town accrues the most likely amount or at least the minimum of the range of probable loss when a range of probable loss can be estimated. The Town's accrual for the water matter was approximately \$86,000 at December 31, 2009.

The Town is also subject to various other lawsuits arising in the ordinary course of the Town's operations. The Town does not believe, however, that such lawsuits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Town, and that the Town's general liability insurance would cover any potential loss after deductible.

TOWN OF EAST GREENBUSH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 9 — COMMITMENTS AND CONTINGENCIES (Continued)

(b) Tax Certiorari Litigation

The Town is a party to seven tax assessment challenges which are being vigorously defended by the Town. In the event that any refund of property taxes is awarded, the portions assigned to the Town would be paid by the County and would subsequently be charged against the Town's property tax share from the County in the following fiscal year. If the assessment challenges are successful, the potential impact on the Town's financial statements is estimated to be approximately \$499,000.

(c) Grant Programs

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Supervisor and Members of the Town Board
Town of East Greenbush, New York

We have audited the financial statements of the general fund, special revenue fund, and capital projects fund of the Town of East Greenbush, New York as of and for the year ended December 31, 2009, and have issued our report thereon dated October 28, 2010. 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 East Greenbush'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 of East Greenbush's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of East Greenbush's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

Internal Control Over Financial Reporting (Continued)

Accounting and Financial Reporting

Significant accounting and reconciliation entries are required to adjust the December 31, 2009 Annual Update Document. A more timely and complete reconciliation and document review should be developed, implemented and monitored to ensure and maintain a more effective accounting, reconciliation and reporting infrastructure. The general ledger system is currently platformed on a Microsoft Access Database, which lacks access and modification controls and contributes to an increased risk for potential error or misstatement. Our observation of the Town of East Greenbush's current accounting, reconciliation and reporting process indicates that it does not support the Town's needs and long-term commitment to strong internal control. We believe a management inquiry and review of accounting, reconciliation and reporting processes would benefit the Town. First, it would improve the Town's ability to efficiently and effectively summarize and record daily transactions. Second, it would provide management with more complete and accurate financial information on a more timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies:

Monthly Reconciliation and Closing Procedures

There is no systematic method of ensuring that timely and complete monthly reconciliation and closing procedures take place. Accounts receivable, accounts payable, compensated absences, payroll and others were not reconciled on a systematic basis. This could result in significant errors in the financial records and financial statements as well as allow irregularities, including fraud, to exist and continue without being identified promptly. This deficiency should be corrected as soon as possible with the establishment of a system of consistent monthly reconciliations and closing procedures.

Supervisory Review

No supervisory review of accounting transactions and month end reconciliations is performed. This allows errors to exist within the books of account, and without subsequent correction they could continue to grow in magnitude. We recommend that the establishment of a regular supervisory review of accounting transactions and reconciliations be implemented as soon as practical.

Segregation of Duties

There is a lack of segregation of duties within the cash receipts area in the Town Clerk's office. One employee is responsible for receiving, maintaining records and depositing cash.

There is a lack of segregation of duties within the payroll area. One person is responsible for preparing payroll input, entering new employee information, removing terminated employees, reviewing the payroll data as well as distributing payroll checks.

Internal Control Over Financial Reporting (Continued)

Segregation of Duties (Continued)

There is a lack of segregation of duties within the accounting area. One person is responsible for recording cash receipts, cash disbursements and other related adjusting entries, reconciling cash accounts, as well as having the ability to generate checks with electronic signature.

There is also a lack of segregation of duties within the purchasing area. One person has the ability to initiate the purchase order, record the purchase order as well as generate the check for the purchase.

The combination of duties in each area indicated above is incompatible and significantly decreases the chance of an error or irregularity being detected on a timely basis. Separating these closely related functions in each area indicated above would result in greater internal control in the particular area. We recommend that some of these functions be segregated among other employees to provide additional controls to protect the assets of the Town.

Budget Process

There is no formal process of comparing the periodic budget to actual revenues and expenses by senior management. In 2009, the Town has incurred substantial variances between the budget and actual revenues and expenses without adequate documentation of reasons for the variances. We recommend senior management undertake a thorough review and comparison of the budget to current actual revenues and expenses, as well as develop/enhance a formal process of comparing the periodic budget to actual revenues and expenses with timely revisions as needed.

Purchasing Policy

The Town's purchasing policy requires an approved purchase order with at least two verbal/FAXed quotes for purchases over \$300 to \$2,999 for General and \$1000 to \$2,999 for Highway, and with at least three written/FAXed quotes for purchases over \$3,000 to \$9,999. During the year ended December 31, 2009, we noted certain purchases with the total amount of approximately \$44,000 did not follow the purchasing policy or lacked adequate documentation under the policy as outlined in the Town's purchasing policy. We recommend that the Town's purchasing policy be consistently executed and monitored.

Salary and Staffing Levels

During the year ended December 31, 2009, there were significant expenditures related to employee overtime. We recommend that the Town consider performing a study of its staffing levels including schedules, utilization of part-time employees and overtime needs in various departments, which might be useful in reducing overtime, eliminating unnecessary/duplicate functions, as well as achieving operational efficiency. This is an important area of concern that should be monitored consistently.

During the year ended December 31, 2009, supplementary compensation was paid to certain employees in addition to their regular salary. There was no formal process of comparing payroll records to approved salaries. We recommend that the Town consider implementing a thorough review of bi-weekly payroll records and developing a process whereby variances are formally reported to the Town Board and addressed by senior management.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of East Greenbush'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 the supervisor and members of the Town Board, management, others within the entity, 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.

UHY LLP

Albany, New York
October 28, 2010