

TOWN OF KENDALL, NEW YORK
SINGLE AUDIT
WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2008

TOWN OF KENDALL, NEW YORK

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TOWN OF KENDALL, NEW YORK
BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2008

TOWN OF KENDALL, NEW YORK

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Independent Auditor's Report

Honorable Town Board
Town of Kendall
Kendall, New York

We have audited the accompanying basic financial statements of the Town of Kendall, New York, as of and for the year ended December 31, 2008, as listed in the table of contents. These basic financial statements are the responsibility of management of the Town of Kendall, New York. Our responsibility is to express an opinion on these basic 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 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Town of Kendall, New York as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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 a report dated May 5, 2009 on our consideration of the Town of Kendall, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

Independent Auditor's Report (Cont.)

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Kendall, New York's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Town of Kendall, New York. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis, as listed in the foregoing table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This information is the responsibility of the Town's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis For the Year Ended December 31, 2008

This section of the Town of Kendall's (the "Town") annual financial report presents a discussion and analysis of the Town's financial performance during the fiscal year ended December 31, 2008. Please read it in conjunction with the Town's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded liabilities at the close of the 2008 fiscal year by \$1,395,726 (net assets). Of this amount, \$481,749 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, and \$913,977 is invested in capital assets, net of related debt.
- The Town's total net assets increased by \$493,297.
- As of December 31, 2008, the Town's governmental funds reported combined fund balances of \$494,325, an increase of \$104,347 in comparison with the prior year. Of the combined fund balances, \$494,325 (100%) is available to meet the Town's current and future needs (unreserved fund balance).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$327,638 or 100% of total general fund balance. The amount of \$23,500 is designated for subsequent year's expenditures within the 2009 fiscal year budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - *Management's Discussion and Analysis* (this section), and the *Basic Financial Statements*.

Basic Financial Statements

Government-Wide Financial Statements are two statements designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *Statement of Net Assets* presents information on all Town assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net asset may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis For the Year Ended December 31, 2008

and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., unallocated taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or, in part, a portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, interest and fiscal charges and depreciation.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate finance related legal compliance. All funds of the Town can be divided into two categories: governmental funds, and a fiduciary fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spend able resources, as well as, balances of spend able resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The Town adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the special revenue fund to demonstrate compliance with this budget.

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis For the Year Ended December 31, 2008

The governmental fund financial statements can be found on pages 18-21 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The Town has three fiduciary fund, the Agency Fund, which is used to account for funds held by the Town as agent for employees' withholdings, monies due to other governments, and other miscellaneous items. The Permanent and Private Purpose Trusts are used to account for donated funds used for the purposes designated by the donors.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 27-46 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$1,395,726 at the close of the most recent fiscal year.

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis
For the Year Ended December 31, 2008

Summary of Town of Kendall's Net Assets

	Total Governmental Activities <u>December 31, 2007</u>	Total Governmental Activities <u>December 31, 2008</u>
Current and other assets	\$ 909,622	\$ 1,319,110
Capital assets	<u>2,800,540</u>	<u>3,176,977</u>
Total assets	<u>3,710,162</u>	<u>4,496,087</u>
Long-term liabilities	2,263,000	2,263,000
Other liabilities	<u>544,733</u>	<u>837,361</u>
Total liabilities	<u>2,807,733</u>	<u>3,100,361</u>
Net assets:		
Investment in capital assets, net of related debt	494,540	913,977
Unrestricted	<u>407,889</u>	<u>481,749</u>
Total net assets	<u>\$ 902,429</u>	<u>\$ 1,395,726</u>

The largest portion of the Town's net assets (65.5%) reflects its investment in capital assets of \$913,977 (e.g. land, buildings, improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of the Town's net assets (34.5%) represents unrestricted net assets of \$481,749, which may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis
For the Year Ended December 31, 2008

At the end of the current fiscal year, the Town is able to report positive balances in all of its net asset categories.

Governmental activities. Governmental activities increased the Town's net assets by \$493,297.

The following table indicates the changes in net assets for governmental activities:

Summary of Town of Kendall's Changes in Net Assets

	December 31, <u>2007</u>	December 31, <u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 254,291	\$ 258,555
Operating grants and contributions	133,922	124,079
Capital grants and contributions	-	380,152
General revenues:		
Real property taxes & tax items	927,605	947,527
Non-property tax items	106,769	105,720
Use of money and property	41,579	26,747
Miscellaneous	19,363	2,633
Total revenues	<u>\$ 1,483,529</u>	<u>\$ 1,845,413</u>

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis
For the Year Ended December 31, 2008

	December 31, <u>2007</u>	December 31, <u>2008</u>
Expenses:		
General government support	\$ 229,480	\$ 257,329
Public safety	176,261	179,836
Health	1,140	531
Transportation	633,968	642,225
Economic Opportunity & Development	229,000	-
Culture and recreation	39,483	46,581
Home and community services	115,640	96,268
Employee Benefits	148,181	-
Interest on Debt	110,416	129,346
Total expenses	<u>1,683,569</u>	<u>1,352,116</u>
Change in net assets	(200,040)	493,297
Net assets - beginning	<u>1,102,469</u>	<u>902,429</u>
Net assets - ending	<u>\$ 902,429</u>	<u>\$ 1,395,726</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses *fund accounting* to ensure and demonstrate compliance with finance related legal requirements.

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis For the Year Ended December 31, 2008

Governmental Funds. The general governmental functions are contained in the General, Special Revenue, and Capital Projects Funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2008, the Town's governmental funds reported combined fund balances of \$494,325, an increase of \$104,347 in comparison with the prior year. Of the combined fund balances, \$494,325, constitutes *unreserved fund balance*, which is available to meet the Town's current and future operational and capital needs.

The General Fund is the chief operating fund of the Town. At December 31, 2008, unreserved fund balance was \$327,638 and total fund balance of the General Fund was \$327,638. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 75.8% of total fund expenditures, while total fund balance also represents 75.8% of that same amount.

Revenues for governmental functions totaled \$1,845,413 in fiscal year ended December 31, 2008, which represents an increase of 24.3% from the fiscal year ended December 31, 2007.

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis
For the Year Ended December 31, 2008

The following table presents the amount of revenues from various sources, as well as, increases or decreases from the prior year:

Revenues Classified by Source - Governmental Funds

	<u>2008</u>	<u>Percent</u>	<u>2007</u>	<u>Amount of</u>	<u>Percent of</u>
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>Increase</u>	<u>Increase</u>
				<u>(Decrease)</u>	<u>(Decrease)</u>
Revenues:					
Real property taxes and tax items	\$ 935,527	50.69%	\$ 927,605	\$ 7,922	0.85%
Non-property tax items	105,720	5.73%	105,986	(266)	-0.25%
Departmental income	33,985	1.84%	47,147	(13,162)	-27.92%
Use of money and property	26,747	1.45%	41,579	(14,832)	-35.67%
Licenses and permits	4,998	0.27%	-	4,998	100.00%
Fines and forfeitures	12,431	0.67%	-	12,431	100.00%
Interfund revenues	-	0.00%	15,012	(15,012)	-100.00%
Miscellaneous	14,633	0.79%	6,363	8,270	129.97%
State and federal aid	504,231	27.32%	133,922	370,309	276.51%
Intergovernmental charges	<u>207,141</u>	<u>11.22%</u>	<u>207,144</u>	<u>(3)</u>	<u>0.00%</u>
Total revenues	<u>\$ 1,845,413</u>	<u>100.00%</u>	<u>\$ 1,484,758</u>	<u>\$ 360,655</u>	

The following provides an explanation of revenues by source that change significantly over the prior year:

- State and federal aid – the \$370,309 increase was due to an increase in funding for the Town's waterline projects.

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Management's Discussion and Analysis
For the Year Ended December 31, 2008

Expenditures by Function - Governmental Funds

The following table presents expenditures, by function, compared to prior year amounts:

	<u>2008</u>	<u>Percent</u>	<u>2007</u>	<u>Amount of</u>	<u>Percent of</u>
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>Increase</u>	<u>Increase</u>
				<u>(Decrease)</u>	<u>(Decrease)</u>
Expenditures:					
General government support	\$ 202,313	11.62%	\$ 228,515	\$ (26,202)	-11.47%
Public safety	174,743	10.04%	176,261	(1,518)	-0.86%
Health	375	0.02%	1,140	(765)	-67.11%
Transportation	489,565	28.12%	587,301	(97,736)	-16.64%
Culture and recreation	39,722	2.28%	39,483	239	0.61%
Home and community services	529,328	30.40%	60,840	468,488	770.03%
Interfund expenditures	-	0.00%	9,012	(9,012)	
Employee benefits	163,161	9.37%	148,181	14,980	10.11%
Debt service	<u>141,859</u>	<u>8.15%</u>	<u>419,416</u>	<u>(277,557)</u>	<u>-66.18%</u>
Total expenditures	<u>\$ 1,741,066</u>	<u>100.00%</u>	<u>\$ 1,670,149</u>	<u>\$ 70,917</u>	

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- Home and Community Services – the \$468,488 increase was due to increased expenditures incurred for waterline projects.

Home and Community services include:

- Debt service –the \$277,557 decrease was due to retirement of a BAN.

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis
For the Year Ended December 31, 2008

The current year excess of revenues over expenditures is presented below:

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds

	<u>Major Funds</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Fund Balance at December 31, 2006	\$ 209,046	\$ 108,101	\$ (310,778)	\$ 6,369
Revenues	530,572	939,811	14,375	1,484,758
Expenditures	<u>450,720</u>	<u>935,859</u>	<u>283,570</u>	<u>1,670,149</u>
Excess (Deficiency) of Revenues over Expenditures	<u>79,852</u>	<u>3,952</u>	<u>(269,195)</u>	<u>(185,391)</u>
Other Financing Sources, Net	<u>-</u>	<u>-</u>	<u>569,000</u>	<u>569,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	<u>79,852</u>	<u>3,952</u>	<u>299,805</u>	<u>383,609</u>
Fund Balance at December 31, 2007	<u>\$ 288,898</u>	<u>\$ 112,053</u>	<u>\$ (10,973)</u>	<u>\$ 389,978</u>
Revenues	470,852	978,513	396,048	1,845,413
Expenditures	<u>432,112</u>	<u>816,839</u>	<u>492,115</u>	<u>1,741,066</u>
Excess (Deficiency) of Revenues over Expenditures	<u>38,740</u>	<u>161,674</u>	<u>(96,067)</u>	<u>104,347</u>
Other Financing Sources, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	<u>38,740</u>	<u>161,674</u>	<u>(96,067)</u>	<u>104,347</u>
Fund Balance at December 31, 2008	<u>\$ 327,638</u>	<u>\$ 273,727</u>	<u>\$ (107,040)</u>	<u>\$ 494,325</u>

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis
For the Year Ended December 31, 2008

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a \$-0- increase in appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of December 31, 2008, amounted to \$3,176,977 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, machinery and equipment, and office furniture.

All depreciable capital assets were depreciated under the straight-line method using the full-year convention.

Capital assets net of depreciation are presented below:

Summary of Town of Kendall's Capital Assets
(Net of Depreciation)

	<u>2008</u>	<u>2007</u>
Land	\$ 74,900	\$ 74,900
Infrastructure	2,209,320	2,264,120
Buildings and improvements	286,268	313,860
Machinery and equipment	114,374	147,710
Work in progress	<u>492,115</u>	<u>-</u>
Total	<u>\$ 3,176,977</u>	<u>\$ 2,800,590</u>

TOWN OF KENDALL, NEW YORK

Management's Discussion and Analysis **For the Year Ended December 31, 2008**

Long-term Debt

At December 31, 2008, the Town had total long-term debt outstanding of \$2,263,000 as compared to \$2,306,000 in the prior year. The amount is comprised solely of serial bonds. During the year retirement of debt amounted to \$43,000. New York State statutes limit the amount of general obligation debt a governmental entity to 7.00% of its five-year average full valuation. The current debt-limitation for the City is \$10,959,474, which is significantly in excess of the City's outstanding general obligation debt

Additional information on the Town's long-term debt can be found on pages 39-41 of the Notes to the Financial Statements.

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Town of Kendall, Jonathan L. Gillman, Supervisor, 1873 Kendall Road, Kendall, NY 14476.

TOWN OF KENDALL, NEW YORK

GOVERNMENT-WIDE FUNDS

Statement of Net Assets

December 31, 2008

ASSETS

Cash	\$	699,072
Accounts Receivable (Net of Allowance for Uncollectibles)		13,179
Loans receivable		547,149
Prepaid expense		6,203
Due from State and Federal		17,926
Capital Assets:		
Land		74,900
Work in Progress		492,115
Other Capital Assets, Net of Depreciation		<u>2,609,962</u>
Total Assets	\$	<u>4,460,506</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

GOVERNMENT-WIDE FUNDS

Statement of Net Assets

December 31, 2008

LIABILITIES AND NET ASSETS

Liabilities:

Accounts Payable	\$	44,077
BAN payable		190,000
Deferred Revenues		547,149
Due to other funds		7,978
Accrued interest		12,576

Long-term Liabilities:

Due within One Year		46,000
Due in more than One Year		<u>2,217,000</u>
Total Liabilities		<u>3,064,780</u>

Net Assets:

Invested in Capital Assets, Net of Related Debt		913,977
Unrestricted		<u>481,749</u>
Total Net Assets		<u>1,395,726</u>

Total Liabilities and Net Assets \$ 4,460,506

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

GOVERNMENT-WIDE FUNDS

Statement of Activities
For the Year Ended December 31, 2008

		Program Revenues			Net (Expense)
Functions/Programs:	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
Governmental Activities:		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
General Government	\$ (257,329)	\$ 18,345	\$ -	\$ -	\$ (238,984)
Public Safety	(179,836)				(179,836)
Health	(531)				(531)
Transportation	(642,225)	207,141	52,453		(382,631)
Culture and Recreation	(46,581)	14,710			(31,871)
Home and Community Services	(96,268)	18,359	71,626	380,152	373,869
Interest and Fiscal Charges	(129,346)	-	-	-	(129,346)
	<u>\$ (1,352,116)</u>	<u>\$ 258,555</u>	<u>\$ 124,079</u>	<u>\$ 380,152</u>	<u>(589,330)</u>
General Revenues:					
Property Taxes Levied for General Purposes					940,833
Real Property Tax Items					6,694
Non-Property Tax Items					105,720
Use of Money and Property					26,747
Miscellaneous					2,633
Total General Revenues					<u>1,082,627</u>
Change in Net Assets					493,297
Total Net Assets at Beginning of Year					<u>902,429</u>
Total Net Assets at End of Year					<u>\$ 1,395,726</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

GOVERNMENTAL FUNDS

Balance Sheet
December 31, 2008

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 348,954	\$ 264,908	\$ 85,210	\$ 699,072
Accounts receivable	437	12,742		13,179
Loans receivable		547,149		547,149
Prepaid expense	2,453	3,750		6,203
Due from State and Federal			17,926	17,926
Due from Other Funds	6,049	20,520	9,012	35,581
	<u>6,049</u>	<u>20,520</u>	<u>9,012</u>	<u>35,581</u>
Total Assets	<u>\$ 357,893</u>	<u>\$ 849,069</u>	<u>\$ 112,148</u>	<u>\$ 1,319,110</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 7,267	\$ 19,181	\$ 17,629	\$ 44,077
BAN payable			190,000	190,000
Deferred Revenues		547,149		547,149
Due to Other Funds	22,988	9,012	11,559	43,559
	<u>22,988</u>	<u>9,012</u>	<u>11,559</u>	<u>43,559</u>
Total Liabilities	<u>30,255</u>	<u>575,342</u>	<u>219,188</u>	<u>824,785</u>
Fund Balances:				
Unreserved:				
Designated for Celebrations	1,595			1,595
Designated for Recreation	1,915			1,915
Designated for Subsequent Years' Expenditures	23,500	3,000		26,500
Undesignated	300,628	270,727	(107,040)	464,315
	<u>300,628</u>	<u>270,727</u>	<u>(107,040)</u>	<u>464,315</u>
Total Fund Balances	<u>327,638</u>	<u>273,727</u>	<u>(107,040)</u>	<u>494,325</u>
Total Liabilities and Fund Balances	<u>\$ 357,893</u>	<u>\$ 849,069</u>	<u>\$ 112,148</u>	<u>\$ 1,319,110</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

Reconciliation of Statement of Net Assets
To Government Fund Balances
For the Year Ended December 31, 2008

Total Governmental Fund Balances	\$ 494,325
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Assets used in governmental activities are not financial resources and therefore are not reported in the funds	3,176,977
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,263,000)
Net accrued interest expense for bonds are not reported in the funds.	<u>(12,576)</u>
Net Assets of Governmental Activities	<u>\$ 1,395,726</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2008

	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Projects</u>	<u>Governmental</u>
				<u>Funds</u>
Revenues:				
Real Property Taxes	\$ 273,003	\$ 655,830	\$ -	\$ 928,833
Real Property Tax Items	6,694			6,694
Non-property Tax Items	74,109	31,611		105,720
Departmental Income	16,889	17,096		33,985
Intergovernmental Charges		207,141		207,141
Use of Money and Property	9,287	13,564	3,896	26,747
Licenses and Permits	4,998			4,998
Fines and Forfeitures	12,431			12,431
Miscellaneous	1,815	818	12,000	14,633
State Aid	71,626	52,453		124,079
Federal Aid	-	-	380,152	380,152
Total Revenues	470,852	978,513	396,048	1,845,413

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2008

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures:				
Current:				
General Government Support	\$ 202,313	\$ -	\$ -	\$ 202,313
Public Safety	14,477	160,266		174,743
Health	375			375
Transportation	79,824	409,741		489,565
Culture and Recreation	37,008	2,714		39,722
Home and Community Services	20,615	16,598	492,115	529,328
Employee Benefits	77,500	85,661		163,161
Debt Service principal		43,000		43,000
Debt Service interest	-	98,859	-	98,859
Total Expenditures	432,112	816,839	492,115	1,741,066
 Excess (Deficiency) of Revenues over Expenditures	 38,740	 161,674	 (96,067)	 104,347
 Fund Balances at January 1, 2008	 288,898	 112,053	 (10,973)	 389,978
 Fund Balances at December 31, 2008	 \$ 327,638	 \$ 273,727	 \$ (107,040)	 \$ 494,325

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008**

**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Net Change in Fund Balances - Total Governmental Funds \$ 104,347

Governmental Funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense. This is the amount by
which capital outlays exceeded depreciation in the current period 376,437

The issuance of long-term debt provides current financial resources to governmental
funds, while the repayment of the principal of long-term debt consumes the current
financial resources of governmental funds. This amount is the net effect in the
treatment of long-term debt. Neither transaction has an effect on net assets 43,000

Net interest on bonds and notes expensed in statement for governmental funds but not
in statement of activities. (30,487)

Change in Net Assets of Governmental Activities \$ 493,297

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

GENERAL AND SPECIAL REVENUE FUND TYPES

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2008

	<u>General Fund</u>				<u>Special Revenue Fund Types</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:								
Real Property Taxes	\$ 276,003	\$ 276,003	\$ 273,003	\$ (3,000)	\$ 667,694	\$ 667,694	\$ 655,830	\$ (11,864)
Real Property Tax Items			6,694	6,694				
Non-property Tax Items	70,500	70,500	74,109	3,609	30,000	30,000	31,611	1,611
Departmental Income	16,935	16,935	16,889	(46)	14,851	14,851	17,096	2,245
Intergovernmental Charges					206,173	206,173	207,141	968
Use of Money and Property	12,000	12,000	9,287	(2,713)	15,973	15,973	13,564	(2,409)
Licenses and Permits	5,640	5,640	4,998	(642)				
Fines and Forfeitures	14,000	14,000	12,431	(1,569)				
Miscellaneous	10,100	10,100	1,815	(8,285)			818	818
State Aid	48,600	48,600	71,626	23,026	42,550	42,550	52,453	9,903
Total Revenues	<u>453,778</u>	<u>453,778</u>	<u>470,852</u>	<u>17,074</u>	<u>977,241</u>	<u>977,241</u>	<u>978,513</u>	<u>1,272</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

GENERAL AND SPECIAL REVENUE FUND TYPES

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Non-GAAP Budgetary Basis)
For the Year Ended December 31, 2008

	<u>General - Townwide</u>				<u>Special Revenue Fund Types</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:								
Current:								
General Government Support	\$ 223,030	\$ 216,500	\$ 202,313	\$ 14,187	\$ -	\$ -	\$ -	\$ -
Public Safety	17,300	17,300	14,477	2,823	160,678	160,678	160,266	412
Health	1,375	505	375	130				
Transportation	78,100	78,100	79,824	(1,724)	522,081	522,081	409,741	112,340
Culture and Recreation	38,900	38,900	37,008	1,892	23,064	23,064	2,714	20,350
Home and Community Services	26,785	26,885	20,615	6,270	14,160	14,160	16,598	(2,438)
Employee Benefits	82,488	89,788	77,500	12,288	84,873	84,873	85,661	(788)
Debt Service Principal					43,000	43,000	43,000	-
Debt Service Interest	-	-	-	-	110,885	110,885	98,859	12,026
Total Expenditures	<u>467,978</u>	<u>467,978</u>	<u>432,112</u>	<u>35,866</u>	<u>958,741</u>	<u>958,741</u>	<u>816,839</u>	<u>141,902</u>
Excess (Deficiency) of Revenues								
Over Expenditures	<u>(14,200)</u>	<u>(14,200)</u>	<u>38,740</u>	<u>52,940</u>	<u>18,500</u>	<u>18,500</u>	<u>161,674</u>	<u>143,174</u>
Interfund transfers	<u>(13,500)</u>	<u>(13,500)</u>	<u>-</u>	<u>13,500</u>	<u>40,500</u>	<u>40,500</u>	<u>-</u>	<u>40,500</u>
Excess(Deficiency) of Revenues								
Over Expenditures and Transfers	(700)	(700)	38,740	39,440	(22,000)	(22,000)	161,674	183,674
Fund Balances at December 31, 2007	<u>288,898</u>	<u>288,898</u>	<u>288,898</u>	<u>-</u>	<u>112,053</u>	<u>112,053</u>	<u>112,053</u>	<u>-</u>
Fund Balances at December 31, 2008	<u>\$ 288,198</u>	<u>\$ 288,198</u>	<u>\$ 327,638</u>	<u>\$ 39,440</u>	<u>\$ 90,053</u>	<u>\$ 90,053</u>	<u>\$ 273,727</u>	<u>\$ 183,674</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

FIDUCIARY FUNDS

Statement of Fiduciary Net Assets
For the Year Ended December 31, 2008

	<u>Agency</u>	<u>Private Purpose</u>	<u>Permanent</u>
Assets:			
Cash and Cash Equivalents	\$ 9,106	\$ 5,214	\$ 126,076
Due From other Funds	<u>2,468</u>	<u>33,414</u>	<u>-</u>
Total Assets	<u>\$ 11,574</u>	<u>\$ 38,628</u>	<u>\$ 126,076</u>
Liabilities and Net Assets:			
Liabilities:			
Due To other Funds	\$ 3,490	\$ -	\$ 24,414
Other Agency Liabilities	<u>8,084</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>11,574</u>	<u>-</u>	<u>24,414</u>
Net Assets:			
Net Assets	<u>-</u>	<u>38,628</u>	<u>101,662</u>
Total Liabilities and Net Assets	<u>\$ 11,574</u>	<u>\$ 38,628</u>	<u>\$ 126,076</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Assets
For the Year Ended December 31, 2008

	<u>Private Purpose Trust Fund</u>	<u>Permanent Trust Fund</u>
Additions	\$ <u>5,380</u>	\$ <u>498</u>
Deductions	<u>-</u>	<u>-</u>
Change in Net Assets	5,380	498
Net Assets at Beginning of Year	<u>33,248</u>	<u>101,164</u>
Net Assets at End of Year	<u>\$ 38,628</u>	<u>\$ 101,662</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Kendall, New York (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The more significant of the Town's accounting policies are described below.

A) Financial Reporting Entity

The Town of Kendall, which was established in 1837, is located within the County of Orleans, New York. The Town is governed by Town law and other general laws of the State of New York and various local laws. The Town Board is the legislative body responsible for overall operations and the Supervisor serves as chief fiscal officer.

The following basic services are provided on a town-wide basis: municipal court; collection of County and Town real property taxes; snow removal; recreation; street lighting; road construction and maintenance; fire protection; water transmission service; and general administration.

Independently elected officials of the Town consist of the following:

Supervisor	Town Clerk
Councilmen (4)	Superintendent of Highways
Town Justices (2)	

All governmental activities and functions performed for the Town of Kendall are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies (cont.)

B) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effects of interfund activity have been removed from these statements. Government activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is the determination of what is expressed in reporting an entity's financial performance and position, (i.e., expenditures or expenses). A particular measurement focus is accomplished both by considering what resources will be measured and the basis of accounting.

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e., expenditures or expenses.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies (cont.)

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont.)

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 to be used to pay liabilities for the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred except that:

- a) Expenditures for prepaid expenses and inventory-type items are recognized at the time of purchase.
- b) Principal and interest on long-term debt is not recognized as an expenditure until due.
- c) Compensated absences, such as vacation and sick leave which vests or accumulates, are charged as an expenditure

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies (cont.)

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont.)

The Town reports the following major governmental funds:

General Fund - the principal operating 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 following Special Revenue Funds are utilized:

Special Grant Fund - This fund is used to account for the activity relating to economic development.

Highway Fund - This fund is used to record all revenues and expenditures related to maintenance of bridges, highway machinery, brush and weeds, snow removal and services to other governments.

Library Fund - This fund is used to record all activity related to the support of the local library.

Special Districts Fund - This fund records all financial activity of special districts within the Town. A special district represents a limited geographic area within a Town in New York State. It is a separate accounting entity created by statute for specific services such as water, fire protection and lighting.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - **Summary of Significant Accounting Policies (cont.)**

C) **Measurement Focus, Basis of Accounting and Financial Statement Presentation (cont.)**

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

Additionally, the Town reports the following fiduciary fund types that is used to account for assets held by the Town in a custodial capacity:

Agency Fund - used to account for money and property received and held in the capacity of custodian or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. Agency funds, such as payroll withholdings, are reported as liabilities.

Permanent and Private Purpose Trusts - Used to account for donated funds used for the purposes designated by the donors.

Government-wide financial statements apply all applicable Governmental Accounting Standards Board (“GASB”) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict subsequent GASB pronouncements, Statements and Interpretations of the Financial Accounting Standards Board (“FASB”), Accounting Principles Board (“APB”) Opinions, and Accounting Research Bulletins (“ARBs”) of the Committee on Accounting Procedure.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. General revenues are those that cannot be associated directly with program activities.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, and then unrestricted resources as they are needed.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies (cont.)

D) Property Tax Revenue Recognition

The Orleans County Legislature prepares the levy in late December of each year and jointly bills the Town levy with New York State and Orleans County real property taxes. On January 1 of each year, property taxes become a lien on the property. Tax payments are due January 1 to January 31st without penalty; February 1 to 28 a 1% penalty; March 1 to 31 a 2% penalty; April 1 to 30 a 3% penalty, and 5% of base amount and \$1 notice fee thereafter.

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 bill. The County assumes enforcement responsibility for all taxes levied in the Town. The tax roll is returned to the Orleans County Commissioner of Finance after June 30 at which time all unpaid taxes and penalties are payable to that office. Any such taxes remaining unpaid at year-end are re-levied as county taxes in the subsequent year. The County enforces all liens.

E) Budgets and Budgetary Data

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. No later than September 30th the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except the Capital Projects Fund.
- b. After public hearings are conducted to obtain taxpayer comments, no later than November 20th, the Town Board adopts the budget.
- c. All modifications of the budget must be approved by the Town Board.
- d. Budgetary controls for the Special Grant Fund are established by applicable grant agreements that cover a period other than the Town's fiscal year.
- e. Budgetary controls are established for the Capital Projects Fund through Town Board resolutions authorizing individual projects that remain in effect for the life of the projects.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies (cont.)

F) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, and water lines) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost equal to or greater than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives as follows

Building and Improvements	40 years
Machinery and Equipment	10 years
Water Lines	50 years

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period in the government-wide statements. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

G) Insurance

The Town purchases insurance covering liability for most risks including, but not limited to, general liability, vehicle liability, and excess liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred, the amount of loss can be reasonably estimated and the estimated amount of loss exceeds insurance coverage.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies (cont.)

H) Federal Grants

Federal grants are recorded as grants receivable and deferred revenue when the entitlement period occurs. Revenues are recognized using the modified accrual basis of accounting as the Town meets the performance requirements of the grants.

I) Pensions

Nearly all Town employees are members of the New York State Employees' Retirement System. The Town is invoiced annually by the systems for its share of the cost.

J) Post Employment Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Town provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the Town under this program, and there were no participants in the program as of December 31, 2008.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 1 - Summary of Significant Accounting Policies (cont.)

K) Capitalized Interest

The Town generally capitalizes interest during construction as part of the cost of constructing capital projects when material.

L) Restrictions, Reserves and Designations

The government-wide fund financial statements utilize a net assets presentation.

Net assets are categorized as invested in:

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This category represents net assets of the Town not restricted for any project or other purpose.

In the fund financial statements, designations are not legally required segregations, but are segregated for a specific purpose by the Town. Designations at December 31, 2008 were as follows:

Designated for Subsequent Years' Expenditures - representing available fund balances being appropriated to meet future years' expenditure requirements.

Designated for Celebrations - representing available fund balances being appropriated for future celebrations.

Designated for Recreation - representing available fund balances being appropriated for future recreation expenditures.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 2 - Reporting on Budgetary Basis

The Town reports its budgetary status with the actual data as charges against budget appropriations. In addition, budgetary comparison information is not presented for certain Special Revenue Funds because they are not considered part of the Town's annual budgetary plan. Accordingly, the budgetary status does not include the activity of the Special Grant Special Revenue Fund. There were no encumbrances in the previous year or the current year.

Budgetary control of the General Fund is minimally exercised at the department and account level. There were no excesses of expenditures/expenses over appropriations at the established control level.

Note 3 - Cash and Cash Equivalents

New York State law authorizes the Town to invest in certificates of deposit, repurchase agreements, savings accounts, money market accounts, NOW checking accounts and other available bank investments, provided that approved securities are pledged to secure those funds on deposit in amounts equal to those funds. In addition, the Town can invest in direct debt securities of the United States, the State of New York, other New York State municipalities, public authorities and agencies. At December 31, 2008, cash and cash equivalents include certificates of deposit with original maturities of three months or less.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

Note 3 - Cash and Cash Equivalents (cont.)

Collateral is required for all deposits in excess of the amount insured by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

At December 31, 2008, the carrying amount of the Town's deposits (checking, savings, money market accounts and certificates of deposit) was \$839,468, and the bank balance was \$858,769. Of the bank balance, \$280,929 was covered by federal depository insurance and \$577,840 was collateralized by pledged securities.

Note 4 - Pension Plans

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS) 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, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

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. Effective October 1, 2000, the 3% contribution is waived for employees who have achieved 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 contributions required to be made by employers to the pension accumulation fund.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 4 - Pension Plans (cont.)

Funding Policy (cont.)

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

2008	\$	24,812
2007		11,322
2006		15,628

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

Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

Note 5 - Short-term Debt

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

State law requires that BAN's issued for capital purpose 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 Town had one outstanding bond anticipation note at December 31, 2008. The bond anticipation note was issued July 10, 2008 for \$190,000 with an interest rate of 3.05%.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 6 - Long-term Debt

General Obligation Serial Bonds

The Town borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

These long-term liabilities are supported by the full faith and credit debt of the local government. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

General Obligation Serial Bonds Transactions

The following is a summary of general obligation serial bond transactions of the Town for the year ended December 31, 2008:

<u>Description</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance January 1, 2008</u>	<u>Issued</u>	<u>Payments</u>	<u>Balance December 31, 2008</u>
Water Districts:							
Water District No. 2	1996	2033	5.000%	\$ 202,000	\$ -	\$ 6,000	\$ 196,000
Water District No. 3	1997	2037	4.250%	339,000		6,000	333,000
Water District No. 4	2001	2041	4.250%	1,235,000		16,000	1,219,000
Water District No. 5	2007	2043	4.125%	281,000		8,000	273,000
Water District No. 5	2007	2043	4.125%	<u>249,000</u>	<u>-</u>	<u>7,000</u>	<u>242,000</u>
Grand Total				<u>\$ 2,306,000</u>	<u>\$ -</u>	<u>\$ 43,000</u>	<u>\$ 2,263,000</u>

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 6 - Long-term Debt (cont.)

Long-term Debt Maturity Schedule

The following schedule sets forth the remaining annual maturities and annual interest payments on serial bonds at December 31, 2008:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 46,000	\$ 97,004	\$ 143,004
2010	46,000	95,014	141,014
2011	48,000	93,027	141,027
2012	49,000	100,952	149,952
2013	49,000	88,637	137,637
2014-2018	267,000	412,066	679,066
2019-2023	283,000	339,878	622,878
2024-2028	356,000	226,160	582,160
2029-2033	414,000	197,441	611,441
2034 and Thereafter	<u>705,000</u>	<u>183,929</u>	<u>-</u>
	<u>\$ 2,263,000</u>	<u>\$ 1,834,108</u>	<u>\$ 3,208,179</u>

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 7 - Fund Equity

The fund equity at December 31, 2008 is as follows:

	<u>Townwide</u>
Governmental Fund Type:	
General Fund	\$ 327,638
Special Revenue Funds:	
Special Grant	25,525
Highway Fund	201,237
Library Fund	8,584
Special Districts:	
Water Districts	37,578
Lighting District	803
Capital Projects	<u>(107,040)</u>
Total	<u>\$ 494,325</u>

Designations

Designations are not legally required segregations but are segregated for a specific purpose by the Town at December 31, 2008 and consist of the following

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 7 - Fund Equity (cont.)

Designations (cont.)

Designated for subsequent years' expenditures represents available fund balances that have been appropriated as a financing source for fiscal year ended December 31, 2009 expenditures and consist of the following:

Government Fund Types:		
General Fund	\$	23,500
Special Revenue Fund Types:		
Highway Fund		<u>3,000</u>
Total	\$	<u>26,500</u>

The following amounts were designated at December 31, 2008 for the purposes specified:

Government Fund Type:		
General Fund:		
Celebrations	\$	1,595
Recreation:		<u>1,915</u>
Total	\$	<u>3,510</u>

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

<u>Type</u>	<u>Balance at January 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2008</u>
Capital Assets Not Being Depreciated:				
Land	\$ 74,900	\$ -	\$ -	\$ 74,900
Work in Progress	-	492,115	-	492,115
	<u>74,900</u>	<u>492,115</u>	<u>-</u>	<u>567,015</u>
Capital Assets Being Depreciated:				
Building and Improvements	952,000			952,000
Machinery and Equipment	770,261			770,261
Waterlines	2,740,000	-	-	2,740,000
	<u>4,462,261</u>	<u>-</u>	<u>-</u>	<u>4,462,261</u>
Less: Accumulated Depreciation for:				
Building and Improvements	(638,140)	(27,592)		(665,732)
Machinery and Equipment	(622,551)	(33,336)		(655,887)
Waterlines	(475,880)	(54,800)	-	(530,680)
	<u>(1,736,571)</u>	<u>(115,728)</u>	<u>-</u>	<u>(1,852,299)</u>
Total Capital Assets Being Depreciated, Net	<u>2,725,690</u>	<u>(115,728)</u>	<u>-</u>	<u>2,609,962</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 2,800,590</u></u>	<u><u>\$ 376,387</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,176,977</u></u>

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 9 - Contingencies

The Town receives financial assistance from federal and state governments agencies in the form of grants and loans. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although the Town expects such amounts to be immaterial to the Town's financial statements.

The Town is a member of the Orleans County Workers' Compensation Self-Insurance Plan ("the Plan"). Current membership of the Plan includes participants from which various municipal entities. The plan is administered by Orleans County and utilizes a third party administrator who is responsible for processing claims, estimating liabilities, and providing actuarial services. The plan participants are charged an annual assessment which is allocated in light of comparative experience and relative exposure based on the estimated total liability of the participating members actuarially computed each year. The plan annually purchases stop-loss insurance to limit the exposure for claims paid.

The Plan establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses. Because actual claim costs depend on complex factors, the process used in computing claim liabilities does not result in an exact amount. Estimates are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, claims that have been incurred but not reported.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 10 - Joint Venture

The Town of Kendall and the Town of Hamlin entered into an agreement for a joint water district. The United States Department of Agriculture (“USDA”) Rural Utility Services (“Rural Development”) required that serial bonds issued for the joint water district be issued solely in the name of the Town of Kendall. Therefore, the agreement details the obligation of the Town of Hamlin to remit annual special assessments collected from district users to the Town of Kendall. These assessments are used by the Town of Kendall to make annual principal and interest payments to USDA.

The financial statements of this joint venture are not included in the combined statements of either of the participants, but are presented in a separate report.

The following is unaudited financial information for the year ended December 31, 2008:

Total Assets	\$308,687
Total Liabilities	\$ -
Joint Venture Equity	\$308,687
Total Revenues	\$ 82,930
Total Expenses	\$ 51,424

Note 11 - Water Agreement

The Town of Kendall entered into an agreement with the Monroe County Water Authority (the “Authority”). This agreement allows the Town to purchase bulk water from the Authority for resale to customers and for the Authority to operate the Town’s water districts. The effective date of this agreement is August 1, 2006 and the term is 40 years.

TOWN OF KENDALL, NEW YORK

Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 12 - Small Cities Grant

In 2005 the Town received a New York State Small Cities Program Community Development Block Grant (“Small Cities”) to promote economic development in the town. The grant money was loaned to Eagle Creek Marina (“the Marina”) for an expansion project. The project was completed during the year. The Town approved expenditures made by the Marina for expansion and submitted them to Small Cities, the Town pays the invoices. The Town and the Marina entered into a mortgage agreement on October 19, 2005 for \$562,000, at 1% interest. Monthly principal and interest payments of \$2,584 are due for twenty-year term which commenced July 1, 2008.

TOWN OF KENDALL, NEW YORK

SPECIAL REVENUE FUNDS

Combining Balance Sheet
For the Year Ended December 31, 2008

	Special Grant Fund	Highway Fund	Library Fund	Special Districts Fund	Totals <u>December 31,</u>	
<u>ASSETS</u>					<u>2008</u>	<u>2007</u>
Cash	\$ 25,525	\$ 181,615	\$ 9,484	\$ 48,284	\$ 264,908	\$ 122,904
Accounts receivable		12,742			12,742	395
Loans receivable	547,149				547,149	383,794
Prepaid expense		3,750			3,750	2,831
Due from State and Federal					-	70,358
Due from Other Funds	-	20,520	-	-	20,520	20,520
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 572,674</u>	<u>\$ 218,627</u>	<u>\$ 9,484</u>	<u>\$ 48,284</u>	<u>\$ 849,069</u>	<u>\$ 600,802</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Accounts Payable	\$ -	\$ 17,390	\$ 900	\$ 891	\$ 19,181	\$ 24,761
Accrued liabilities						9,835
Due to other funds				9,012	9,012	
Deferred Revenues	547,149	-	-	-	547,149	454,153
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	547,149	17,390	900	9,903	575,342	488,749
Fund Equity:						
Fund Balance:						
Unreserved:						
Designated for Subsequent Years' Expenditures		3,000			3,000	
Undesignated	25,525	198,237	8,584	38,381	270,727	112,053
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity	25,525	201,237	8,584	38,381	273,727	112,053
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Equity	<u>\$ 572,674</u>	<u>\$ 218,627</u>	<u>\$ 9,484</u>	<u>\$ 48,284</u>	<u>\$ 849,069</u>	<u>\$ 600,802</u>

See Independent Auditor's Report.

TOWN OF KENDALL, NEW YORK

SPECIAL REVENUE FUNDS

Combining Balance Sheet
For the Year Ended December 31, 2008

	Special Grant Fund	Highway Fund	Library Fund	Special Districts Funds	Totals <u>December 31,</u>	
					<u>2008</u>	<u>2007</u>
Revenues:						
Real Property Taxes	\$ -	\$ 310,705	\$ -	\$ 345,125	\$ 655,830	\$ 639,235
Nonproperty Tax Items		31,611			31,611	30,000
Departmental Income	14,851	-		2,245	17,096	-
Intergovernmental Charges		189,870		17,271	207,141	202,292
Use of Money and Property	5,213	4,080	4,183	88	13,564	24,468
Miscellaneous Revenues		395		423	818	712
State Aid	-	52,453	-	-	52,453	43,104
Total Revenues	<u>20,064</u>	<u>589,114</u>	<u>4,183</u>	<u>365,152</u>	<u>978,513</u>	<u>939,811</u>

See Independent Auditor's Report.

TOWN OF KENDALL, NEW YORK

SPECIAL REVENUE FUNDS

Combining Balance Sheet
For the Year Ended December 31, 2008

	<u>Special</u>	<u>Highway</u>	<u>Library</u>	<u>Special</u>	<u>Totals</u>	
	<u>Grant</u>	<u>Fund</u>	<u>Fund</u>	<u>Districts</u>	<u>December 31,</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>2008</u>	<u>2007</u>
Expenditures:						
Current:						
General Government Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety				160,266	160,266	160,173
Transportation		400,272		9,469	409,741	515,635
Health					-	-
Culture and Recreation			2,714		2,714	2,813
Home and Community Services					-	7,206
Employee Benefits		50,359		35,302	85,661	72,864
Debt Service:						
Principal				59,598	59,598	91,700
Interest	-	-	-	98,859	98,859	85,468
Total Expenditures	<u>-</u>	<u>450,631</u>	<u>2,714</u>	<u>363,494</u>	<u>816,839</u>	<u>935,859</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>20,064</u>	<u>138,483</u>	<u>1,469</u>	<u>1,658</u>	<u>161,674</u>	<u>3,952</u>
Fund Balances at Beginning of Year	<u>5,461</u>	<u>62,754</u>	<u>7,115</u>	<u>36,723</u>	<u>112,053</u>	<u>108,101</u>
Fund Balances at End of Year	<u>\$ 25,525</u>	<u>\$ 201,237</u>	<u>\$ 8,584</u>	<u>\$ 38,381</u>	<u>\$ 273,727</u>	<u>\$ 112,053</u>

See Independent Auditor's Report.

TOWN OF KENDALL, NEW YORK

SPECIAL REVENUE FUNDS

Combining Balance Sheet
For the Year Ended December 31, 2008

	<u>Water Districts</u>	<u>Kendall Fire Protection District</u>	<u>Morton Fire Protection District</u>	<u>Lighting District</u>	<u>Totals December 31,</u>	
					<u>2008</u>	<u>2007</u>
<u>ASSETS</u>						
Cash	\$ 46,590	\$ -	\$ -	\$ 1,694	\$ 48,284	\$ 48,448
Total Assets	<u>\$ 46,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,694</u>	<u>\$ 48,284</u>	<u>\$ 48,448</u>
 <u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Due to other funds	\$ 9,012	\$ -	\$ -	\$ -	\$ 9,012	\$ -
Accounts Payable	-	-	-	891	891	9,720
Total Liabilities	9,012	-	-	891	9,903	9,720
Fund Equity:						
Fund Balance:						
Unreserved:						
Undesignated	37,578	-	-	803	38,381	38,728
Total Fund Equity	37,578	-	-	803	38,381	38,728
Total Liabilities and Fund Equity	<u>\$ 46,590</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,694</u>	<u>\$ 48,284</u>	<u>\$ 48,448</u>

See Independent Auditor's Report.

TOWN OF KENDALL, NEW YORK

SPECIAL REVENUE FUNDS

Combining Balance Sheet
For the Year Ended December 31, 2008

	Water	Kendall	Morton	Lighting	Totals	
	<u>Districts</u>	<u>Fire</u>	<u>Fire</u>	<u>District</u>	<u>December 31,</u>	
		<u>District</u>	<u>District</u>	<u>District</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Real Property Taxes	\$ 136,661	\$ 137,012	\$ 58,556	\$ 12,896	\$ 345,125	\$ 335,264
Departmental Income	2,245				2,245	6,226
Intergovernmental Charges	17,271				17,271	9,012
Use of Money and Property				88	88	
Miscellaneous Revenues	423	-	-	-	423	-
Total Revenues	156,600	137,012	58,556	12,984	365,152	350,502
Expenditures:						
Public Safety		101,710	58,556		160,266	160,173
Transportation				9,469	9,469	9,667
Home and Community	16,598				16,598	7,206
Employee Benefits		35,302			35,302	28,666
Debt Service:						
Principal	43,000				43,000	67,700
Interest	98,859	-	-	-	98,859	84,439
Total Expenditures	158,457	137,012	58,556	9,469	363,494	357,851
Excess of Revenues Over Expenditures	(1,857)	-	-	3,515	1,658	(7,349)
Fund Balances (Deficit) at Beginning of Year	39,435	-	-	(2,712)	36,723	46,077
Fund Balances at End of Year	\$ 37,578	\$ -	\$ -	\$ 803	\$ 38,381	\$ 38,728

See Independent Auditor's Report.

**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**

Honorable Town Board
Town of Kendall
Kendall, New York

We have audited the financial statements of the governmental activities of the Town of Kendall, New York as of and for the year ended December 31, 2008, which comprise the Town of Kendall's basic financial statements and have issued our report thereon dated May 5, 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 Kendall, 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 or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

**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 (Cont.)**

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Kendall'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 of Kendall'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 of Kendall'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 Kendall, New York's basic 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 that are required to be reported under *Government Auditing Standards*.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Town of Kendall, New York 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.

**Tonawanda, New York
May 5, 2009**

**Report on Compliance with Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance with OMB Circular A-133**

Honorable Town Board
Town of Kendall
Kendall, New York

Compliance

We have audited the compliance of the Town of Kendall, 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 each of its major federal programs for the year ended December 31, 2008. The Town of Kendall, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Kendall, New York's management. Our responsibility is to express an opinion on the Town of Kendall, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Kendall, 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 on the Town of Kendall, New York's compliance with those requirements.

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

**Report on Compliance with Requirements Applicable to Each Major Program
and Internal Control Over Compliance in Accordance with OMB Circular A-133 (Cont.)**

Internal Control Over Compliance

The management of the Town of Kendall, New York is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Kendall, 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Town of Kendall, New York as of and for the year ended December 31, 2008, and have issued our report thereon dated May 5, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of members of management of the Town of Kendall, New York and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

**Tonawanda, New York
May 5, 2009**

TOWN OF KENDALL, NEW YORK

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identification Number	Federal Expenditures
<u>U.S. Department of Agriculture:</u>			
<u>Water and Water Disposal Systems for Rural Communities:</u>			
Program Expenditures	10.760	N/A	\$ <u>380,152</u>

The accompanying notes are an integral part of this schedule. See Note 1 to the Town of Kendall, New York's Basic Financial Statements with Independent Auditor's Report for the Year Ended December 31, 2008 for Summary of Significant Accounting Policies.

See Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

TOWN OF KENDALL, NEW YORK

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Kendall, New York and is presented on the Modified Accrual Basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the Town of Kendall, New York provided \$-0- of federal awards to subrecipients.

Note 3 - Bonds Outstanding

The following bonds are outstanding relating to the U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities:

	<u>Final Maturity</u> <u>Date</u>	<u>Outstanding</u> <u>1/1/2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding</u> <u>12/31/2008</u>
Bonds Outstanding:					
\$274,000 Rural Development Agency Water System (Serial) Bonds, 1996	2033	\$ 202,000	\$ -	\$ 6,000	\$ 196,000
\$366,000 Rural Development Agency Water System (Serial) Bonds, 1997	2037	339,000		6,000	333,000
\$1,310,000 Rural Development Agency Water System (Serial) Bonds, 2003	2041	1,235,000		16,000	1,219,000

TOWN OF KENDALL, NEW YORK

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

	<u>Final Maturity</u> <u>Date</u>	<u>Outstanding</u> <u>1/1/2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding</u> <u>12/31/2008</u>
Bonds Outstanding (Cont.):					
\$289,000 Rural Development Agency Water System (Serial) Bonds, 2007	2043	\$ 281,000	\$ -	\$ 8,000	\$ 273,000
\$256,000 Rural Development Agency Water System (Serial) Bonds, 2007	2043	<u>249,000</u>	<u>-</u>	<u>7,000</u>	<u>242,000</u>
		<u>\$ 2,306,000</u>	<u>\$ -</u>	<u>\$ 43,000</u>	<u>\$ 2,263,000</u>

TOWN OF KENDALL, NEW YORK

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section I - Summary of Auditor's Results:

Financial Statements:

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material weaknesses identified?	_____	yes	_____	x	no
Significant deficiencies identified that are not considered to be material weaknesses?	_____	yes	_____	x	none reported
Noncompliance material to financial statements noted?	_____	yes	_____	x	no

Federal Awards:

Internal Control Over Major Programs:

Material weaknesses identified?	_____	_____	x	no	
Significant Deficiencies identified that are not considered to be material weaknesses?			_____	x	none reported
Type of Auditor's Report issued on Compliance for Major Programs:				<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 510 (c) of Circular A-133?	_____		_____	x	no

Identification of Major Programs:

CFDA Numbers

10.76

Name of Federal Program or Cluster

USDA Rural Utility Services
Water and Waste Loan

TOWN OF KENDALL, NEW YORK

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section I - Summary of Auditor's Results (Cont.):

Identification of Major Programs (Cont.):

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

 x yes

 no

Section II - Financial Statement Findings:

As of and for the year ended December 31, 2008, the Town of Kendall, New York had no findings that were required to be reported in accordance with GAGAS.

Section III - Federal Award Findings and Questioned Costs:

As of and for the year ended December 31, 2008, the Town of Kendall, New York has no findings that were required to be reported in accordance with Section 510 (a) of Circular A-133.

TOWN OF KENDALL, NEW YORK

Summary of Prior Audit Findings
For the Year Ended December 31, 2008

There were no audit findings included in the prior audit's Schedule of Findings and Questioned Costs relative to federal awards.