

**COUNTY OF SCHUYLER**

**Watkins Glen, New York**

**FINANCIAL STATEMENTS**

**December 31, 2007**

COUNTY OF SCHUYLER  
TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Independent Auditor's Report .....	1-1a
Required Supplementary Information:	
Management's Discussion and Analysis .....	2-2i
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets .....	3-4
Statement of Activities .....	5-5a
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	6-6a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds ....	8-8a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	9
Statement of Net Assets - Proprietary Fund .....	10
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund .....	11
Statement of Cash Flows - Proprietary Fund .....	12
Statement of Fiduciary Net Assets - Fiduciary Fund .....	13
Notes to Financial Statements .....	14-32
Required Supplementary Information:	
Budgetary Comparison Schedule (Non-GAAP) - General Fund .....	33-33a
Budgetary Comparison Schedule (Non-GAAP) - County Road Fund .....	34-34a
Notes to Required Supplementary Information .....	35
Supplementary Information:	
Combining Balance Sheet - Non-Major Governmental Funds .....	36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds .....	37
Report Required under Government Auditing Standards:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	38-39
Report Required under OMB Circular A-133:	
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	40-41
Schedule of Expenditures of Federal Awards .....	42-44
Notes to Schedule of Expenditures of Federal Awards .....	45
Schedule of Findings and Questioned Costs .....	46-50

---

John H. Dietershagen, C.P.A.  
Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
Patrick S. Jordan, C.P.A.  
Duane R. Shoen, C.P.A.  
Lesley L. Horner, C.P.A.  
D. Leslie Spurgin, C.P.A.

---



**Ciaschi • Dietershagen • Little • Mickelson  
& Company, LLP**

*Certified Public Accountants and Consultants*

---

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Schuyler County Legislature  
County of Schuyler  
Watkins Glen, New York

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, New York, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, New York, as of December 31, 2007, and the respective changes in financial position 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 July 23, 2008 on our consideration of the County of Schuyler, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and the Analysis pages 2-2i and the Budgetary Comparison Schedules and Notes to Required Supplementary Information on pages 33-35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

---

**CORTLAND**

39 Church Street  
Cortland, New York 13045  
607-753-7439  
fax 607-753-7874

---

**ITHACA**

401 East State Street ~ Suite 500  
Ithaca, New York 14850  
607-272-4444  
fax 607-273-8372  
www.cdlim.com

---

**WATKINS GLEN**

108 West Fourth Street  
Watkins Glen, New York 14891  
607-535-4443  
fax 607-535-6220

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Schuyler, New York's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to 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 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 County of Schuyler, 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.

*Rischi, Dietschman, Little, Mihalson & Company LLP*

July 23, 2008  
Ithaca, New York

**COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

Our discussion and analysis of the County of Schuyler's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2007. Please read this information in conjunction with the County's financial statements, which begin on page 3.

**FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$26,858,374 (net assets). Of this amount, \$7,081,644 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's overall net assets decreased by \$492,040, or 1.8%, while unrestricted net assets decreased by \$2,299,678, or 24.5%.
- During the year, the County's revenues increased by \$1,424,039 to \$34,417,092 from \$32,993,053 in 2006.
- Expenses of \$34,909,132 increased by \$4,756,998, from \$30,152,134 in the prior year.
- Expenditures exceeded revenues in the Governmental Funds by \$1,887,061, bringing fund balances to \$9,724,790 at December 31, 2007, largely as a result of increased expenditures.
- The General Fund recorded a decrease of \$2,671,486 in 2007, largely as a result of a \$1,500,000 transfer to the Capital Projects Fund and costs related to the new Human Services Building, and ended the year with a fund balance of \$7,839,665. Of this fund balance, \$2,633,926 was reserved for future expenditures, and \$5,205,739 was unreserved.
- Invested in capital assets, net of debt, increased \$1,359,838 and capital assets increased \$6,846,313, primarily a result of the new Human Services Building.
- The County's long-term obligations at year end were \$11,064,062, a net increase of \$5,987,040 from 2006 primarily as a result of an increase in accreted interest related to the issuance of STASC Bonds in 2005 and bonds issued by the Schuyler County Human Services Development Corporation, an internal service component unit of the County, offset by debt payments.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3 through 5a) provide information about the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 6. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the County's operations in greater detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's Major Fund budgets for the year.

In addition to the basic financial statements, the annual report contains other information in the form of combining statements for those funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements.

**Reporting the County as a Whole**

Analysis of the County as a whole begins on page 3, with the government-wide statements. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer the question of whether the County, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

These two statements report the County's net assets and changes in them. The County's net assets, the difference between assets and liabilities, are one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. One needs to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, the County reports:

**Governmental Activities:** Most of the County's services are reported in this category, including public safety, public health, economic assistance, transportation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

**Component Units:** The County includes four separate legal entities in its report - the Schuyler County Industrial Development Agency, the Soil and Water Conservation District, the Schuyler County Human Services Corporation (HSDC) and the Schuyler Tobacco Asset Securitization Corporation (STASC). The STASC is reported as a blended component unit with the County's Governmental Activities. The HSDC is reported as an internal service fund and blended with the County's Governmental Activities. The other two component units are reported discretely. Although legally separate, these component units are important because the County is financially accountable for them. Complete financial statements for the Industrial Development Agency can be obtained from their administrative office at 2 North Franklin Street, Suite 330, Watkins Glen, New York 14891. Financial statements for the STASC and HSDC can be obtained from Schuyler County, 105 9<sup>th</sup> Street, Watkins Glen, New York 14891. Soil and Water Conservation District financial information may be obtained from Schuyler County Soil and Water Conservation District, 208 Broadway, Montour Falls, New York, 14865.

## Reporting the County's Most Significant Funds

### Fund Financial Statements

Analysis of the County's Major Funds begins on page 6. The fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The County reports its activities in Governmental Funds.

**Governmental Funds:** All of the County's services are reported in the Governmental Funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between *Governmental Activities* (reported in the government-wide statements) and *Governmental Funds* is explained in a reconciliation following the fund financial statements.

**The County as Trustee:** The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 10. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

COUNTY OF SCHUYLER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2007

**THE COUNTY AS A WHOLE**

The County's net assets for fiscal year ended December 31, 2007 decreased \$492,040, from \$27,350,414 to \$26,858,374. In contrast, last year's net assets increased by \$2,840,919.

The largest portion of the County's net assets, \$18,150,502 or (67.6%), reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County'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 by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net assets, \$1,626,228, (6.1%), represents resources subject to external restrictions on how they may be used and are reported as restricted net assets. These net assets consist of unspent funds restricted for public safety, community development and debt service.

The remaining category of total net assets, unrestricted net assets of \$7,081,644, (26.4%) may be used to meet the government's ongoing obligations and services to creditors and citizens. Of these net assets, the County has appropriated \$1,500,000 for 2008 expenses and designated another \$2,245,734 for specific purposes.

Our analysis below focuses on the net assets (Figure 1), and changes in net assets (Figure 2), of the County's Governmental Activities.

**Figure 1 - Net Assets**

	<i>Governmental Activities</i>		<i>Dollar Change</i>
	<i>2006</i>	<i>2007</i>	<i>2006 - 2007</i>
<i>Current assets</i>	\$ 14,073,344	\$ 12,721,164	\$ (1,352,180)
<i>Capital assets, net</i>	19,972,677	26,818,990	6,846,313
<i>Other noncurrent assets</i>	2,076,625	2,847,703	771,078
<b><i>Total Assets</i></b>	<b>26,122,646</b>	<b>22,387,857</b>	<b>3,734,789</b>
<i>Current liabilities</i>	3,873,428	4,671,797	798,369
<i>Noncurrent liabilities</i>	4,898,804	10,857,686	5,958,882
<b><i>Total Liabilities</i></b>	<b>8,772,232</b>	<b>15,529,483</b>	<b>6,757,251</b>
<i>Invested in capital assets, net of debt</i>	16,790,664	18,150,502	1,359,838
<i>Restricted</i>	1,178,428	1,626,228	447,800
<i>Unrestricted</i>	9,381,322	7,081,644	(2,299,678)
<b><i>Total Net Assets</i></b>	<b>\$ 27,350,414</b>	<b>\$ 26,858,374</b>	<b>\$ (492,040)</b>

The County's current assets decreased \$(1,352,180), or 9.6% due to an increase in expenses greater than the increase in revenues. Capital assets, net, increased \$6,846,313, or 34.3% primarily due to the purchase and reconstruction of the Human Services Building, less depreciation expense.

Other noncurrent assets increased \$771,078 primarily due to an increase in unamortized bond issue costs related to the HSDC bond issue. Current liabilities increased \$798,369 primarily due to an increase in accounts payable at December 31, 2007. Noncurrent liabilities increased \$5,958,882 due to the HSDC bond issue.

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

The County's total revenues increased by 4.3%, while the total cost of all programs and services increased by 15.8%, with the addition of the HSDC this year. Our analysis in Figure 2 separately considers the operations of Governmental Activities.

**Figure 2 - Changes in Net Assets**

	<i>Governmental Activities</i>		<i>Dollar Change</i>
	<i>2006</i>	<i>2007</i>	<i>2006 - 2007</i>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
Charges for services	\$ 4,876,788	\$ 5,733,427	\$ 856,639
Operating grants and contributions	9,343,074	8,713,642	(629,432)
Capital grants	2,008,297	1,643,224	(365,073)
<i>General Revenues:</i>			
Property taxes and tax items	8,854,699	8,979,797	125,098
Sales and other taxes	6,520,708	8,412,809	1,892,101
Tobacco settlement	294,684	302,841	8,157
Use of money and property	582,909	427,639	(155,270)
Other	511,894	203,713	(308,181)
<b>Total Revenues</b>	<b>32,993,053</b>	<b>34,117,892</b>	<b>1,124,839</b>
<b>PROGRAM EXPENSES</b>			
General government	4,311,594	7,231,357	2,919,763
Education	1,073,045	1,320,644	247,599
Public safety	3,875,012	4,063,577	188,565
Public health	4,400,928	4,705,817	304,889
Transportation	4,083,057	4,466,407	383,350
Economic assistance and opportunity	11,071,195	11,508,619	437,424
Culture and recreation	429,800	614,493	184,693
Home and community	590,669	491,732	(98,937)
Interest on long-term debt	316,834	506,486	189,652
<b>Total Expenses</b>	<b>30,162,134</b>	<b>34,909,132</b>	<b>4,746,998</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 2,840,919</b>	<b>\$ (492,040)</b>	<b>\$ (3,332,959)</b>

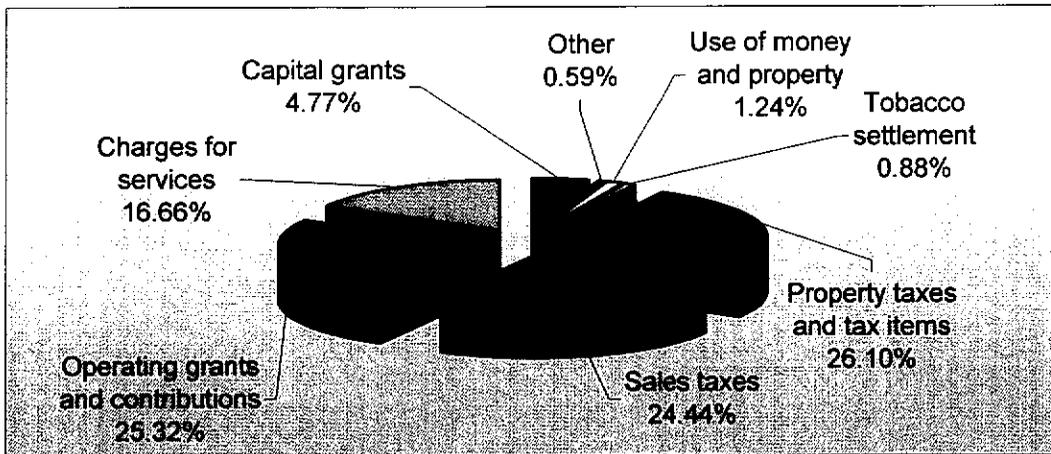
Charges for services were up \$856,639 or 17.6% from 2006 primarily due to the addition of real property tax services to other governments and HSDC rents. Operating and capital grants and contributions, primarily received from State and Federal sources, decreased by \$(994,505), primarily due to the completion of several grants and a decrease in State and Federal funding. Property taxes increased \$125,098 due to an increase in the tax levy in 2007. Sales and other taxes increased \$1,892,101 due to a change in the reporting of sales tax.

Education, public safety, public health, transportation, economic assistance and opportunity, and culture and recreation expenses increased primarily due to increases in compensation rates. General government expenses primarily increased due to the recording of sales tax paid to other governments as an expense.

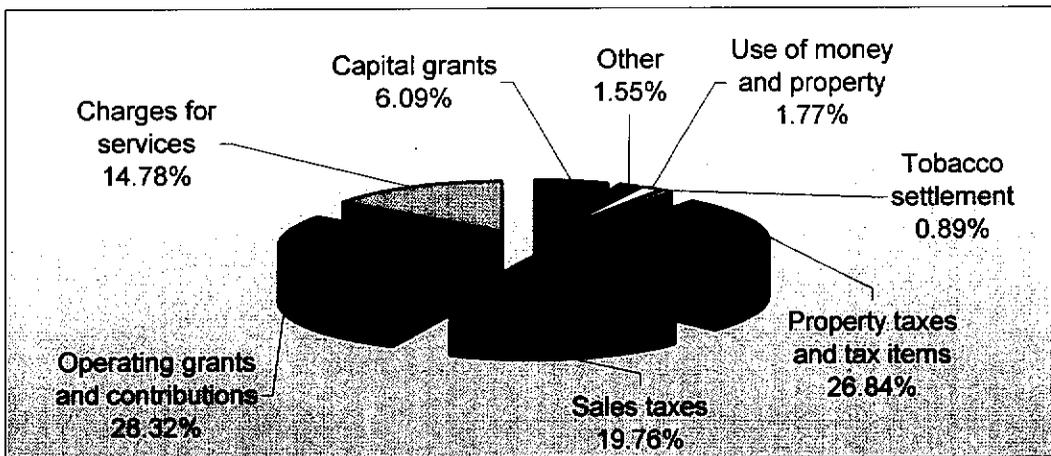
**COUNTY OF SCHUYLER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Figures 3 and 4 show the source of revenues for 2007 and 2006.

**Figure 3 - Revenues by Source**  
**Governmental Activities**  
**2007**



**Figure 4 - Revenues by Source**  
**Governmental Activities**  
**2006**

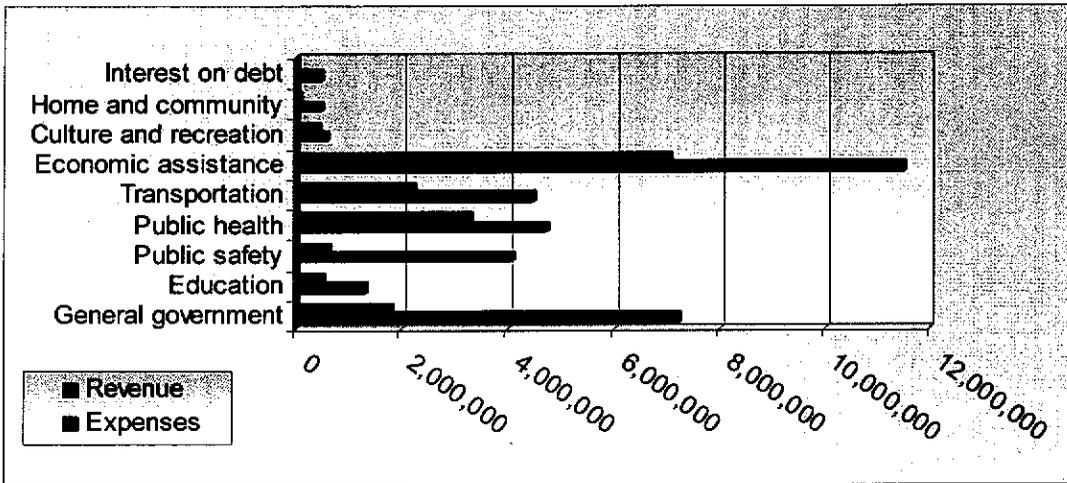


The cost of all Governmental Activities this year was \$34,909,132. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County property and other tax revenues was \$18,818,839, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. In the prior year, the taxpayers ultimately financed \$13,923,975 of the County's Governmental Activities through property and other tax revenue. Overall, the County's governmental program revenues were \$16,090,293.

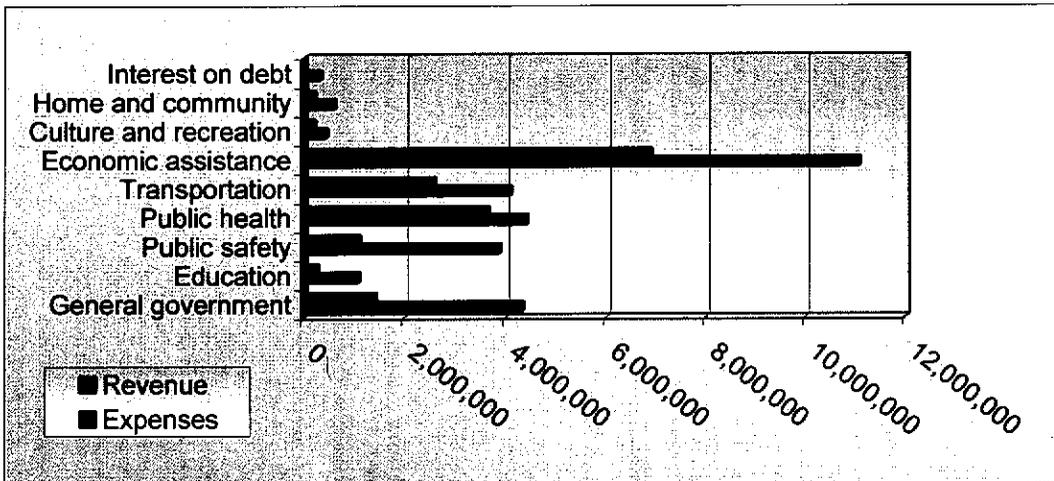
**COUNTY OF SCHUYLER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

The total cost versus revenue generated by activities for the County's largest programs is presented below. The difference between the cost and revenue shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Figure 5 - Net Program Cost**  
**Governmental Activities**  
**2007**



**Figure 6 - Net Program Cost**  
**Governmental Activities**  
**2006**



**COUNTY OF SCHUYLER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**THE COUNTY'S FUNDS**

As the County completed the year, its Governmental Funds, as presented in the balance sheets on pages 6 - 6a reported a combined fund balance of \$9,724,790, which is \$1,887,061, or 16.3%, lower than last year's total fund balance; largely as a result of increased expenditures. Of this amount, \$3,405,362 is reserved for future expenditures and \$1,500,000 is designated for 2008 expenditures, leaving \$4,819,428 in unreserved and undesignated fund balance. Figure 7 shows the changes in fund balance for the County's Governmental Funds.

**Figure 7**  
**Governmental Funds**  
**Fund Balances**

	2006	2007	Dollar Change 2006 - 2007
General Fund	\$ 10,511,151	\$ 7,839,665	\$ (2,671,486)
County Road Fund	377,305	481,816	104,511
Special Grant Fund	75,897	80,876	4,979
Capital Project Fund	(23,203)	600,149	623,352
Road Machinery Fund	(34,280)	(11,611)	22,669
STASC Debt Service Fund	704,981	733,895	28,914
<b>Totals</b>	<b>\$ 11,911,851</b>	<b>\$ 9,724,790</b>	<b>\$ (1,887,061)</b>

This year's total change in fund balance is a decrease of 16.3%, compared to a 15.9% increase in 2006. The primary reason for the 25.4% decrease in the fund balance of General Fund is due to a transfer of \$1,500,000 to the capital project fund and an increase in social services expenditures greater than the increase in fees and grants.

The deficit in the Road Machinery Fund will be reduced upon the transfer of funds from the County Road Fund.

**General Fund Budgetary Highlights**

Over the course of the year, the County Legislature revised the County budget several times. These budget amendments consist of budget transfers between functions, which did not increase the overall budget. In addition to these transfers, the County Legislature increased the overall budget to provide for unspent appropriations from the previous year (encumbrances) and various grants where the majority of the funding came from federal and state sources.

Even with these adjustments, the actual charges to appropriations (expenditures) were below the final budget amounts. The most significant positive variances occurred in the County's Public Health and Economic Assistance and Opportunity accounts. Resources available for appropriation were \$2,029,603 under the final budgeted amount primarily due to additional federal and state grants not received.

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Figure 8**  
**Budgetary Comparison Schedule - General Fund**  
**December 31, 2007**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual Encumbrances</i>	<i>Variance Fav. (Unfav.)</i>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
<i>Real property taxes and tax items</i>	\$ 9,038,084	\$ 9,038,084	\$ 9,273,094	\$ 235,010
<i>Nonproperty tax items</i>	8,543,254	8,578,269	8,412,809	(165,460)
<i>Departmental income and intergovernmental charges</i>	4,718,346	5,070,467	4,828,753	(241,714)
<i>Use of money and property</i>	562,736	562,736	538,282	(24,454)
<i>State sources</i>	4,737,072	5,742,658	4,712,831	(1,029,827)
<i>Federal sources</i>	3,916,369	4,875,049	3,963,442	(911,607)
<i>Other revenues and financing sources</i>	164,196	184,216	292,665	108,449
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 31,680,037</b>	<b>\$ 34,861,479</b>	<b>\$ 32,021,879</b>	<b>\$ (2,839,600)</b>
<b>Appropriated Reserves and Fund Balance</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ -</b>	<b>\$ (1,500,000)</b>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
<i>General government</i>	\$ 6,002,143	\$ 6,288,103	\$ 5,894,346	\$ 393,757
<i>Education</i>	1,225,000	1,375,000	1,320,644	54,356
<i>Public safety</i>	3,119,440	3,317,473	3,076,743	240,730
<i>Public health</i>	3,932,657	4,931,388	4,083,802	847,586
<i>Transportation</i>	187,959	215,580	200,696	14,884
<i>Economic assistance and opportunity</i>	11,161,439	11,689,571	11,317,035	372,536
<i>Culture and recreation</i>	424,174	627,202	508,781	118,421
<i>Home and community</i>	495,203	500,623	460,708	39,915
<i>Employee benefits</i>	3,819,857	3,899,952	3,524,442	375,510
<i>Debt service</i>	49,390	49,390	75,112	(25,722)
<i>Other financing uses</i>	2,762,795	2,762,795	4,291,647	(1,528,852)
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 32,180,057</b>	<b>\$ 35,657,077</b>	<b>\$ 34,753,956</b>	<b>\$ 903,121</b>
<b>Excess of Expenditures and Other Financing Uses</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ (2,732,080)</b>	<b>\$ (1,126,482)</b>

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of December 31, 2007, the County had capital assets of \$26,818,990, net of accumulated depreciation of \$23,295,845, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net increase (including additions and deductions) of \$6,846,313 over last year.

*Figure 9*  
**Capital Assets, Net of Depreciation**

	Governmental Activities		Dollar Change 2006 - 2007
	2006	2007	
Land	\$ 407,000	\$ 447,639	\$ 40,639
Construction-in-progress	1,989,033	662,234	(1,326,799)
Buildings and improvements	3,486,821	8,337,410	4,850,589
Land improvements	1,221,286	2,652,449	1,431,163
Machinery and equipment	1,793,239	2,598,493	805,254
Infrastructure	11,075,298	12,120,765	1,045,467
<b>Totals</b>	<b>\$ 19,972,677</b>	<b>\$ 26,818,990</b>	<b>\$ 6,846,313</b>

This year's additions consisted of:

Construction-in-progress	\$ 1,641,761
HSDC land	40,639
HSDC buildings and improvements	4,775,409
HSDC land improvements	209,851
Buildings and improvements	331,219
Machinery and equipment	1,212,725
Land improvements	1,269,920
Infrastructure	2,480,082
<b>Total Additions</b>	<b>11,961,606</b>
Less: Depreciation	(2,090,489)
HSDC depreciation	(32,469)
Construction-in-progress completed	(2,968,560)
Disposals, net	(23,775)
<b>Total Net Change</b>	<b>\$ 6,846,313</b>

**Debt Administration**

Total long-term liabilities increased in 2007 by \$5,987,040 to \$11,064,062, largely due to bonds payable issued by the HSDC. Of this amount, \$215,000 was subject to the constitutional debt limit and represented .4% of the County's statutory debt limit. Tobacco settlement pass-through bonds are debt of the Schuyler Tobacco Asset Securitization Corporation (STASC), under which the County's future tobacco settlement proceeds were securitized.

**COUNTY OF SCHUYLER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

The County is not responsible for this debt in the event the STASC were to default in repayment of the bonds. The HSDC bonds are debt of the Human Services Corporation. The County is not responsible in the event the HSDC were to default in repayment of the bonds.

**Figure 10**  
**Outstanding Debt at Years Ended**

	<i>Governmental Activities</i>		<i>Debt Change</i>
	<i>2006</i>	<i>2007</i>	<i>2006 - 2007</i>
<i>Serial bonds</i>	\$ 250,000	\$ 6,146,430	\$ 5,896,430
<i>Capital lease</i>	42,200	36,667	(5,533)
<i>Compensated absences</i>	412,379	474,972	62,593
<i>Tobacco settlement pass-through bonds, net</i>	4,372,443	4,405,993	33,550
<b><i>Totals</i></b>	<b>\$ 5,077,022</b>	<b>\$ 11,064,992</b>	<b>\$ 5,987,970</b>

The County's Moody's bond rating is currently A, which did not change from the prior year. More detailed information about the County's long-term liabilities is presented in Note 2-B-2 to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

While growth in the leading economic indicators can reasonably be expected to increase the tax base, the County is heavily dependent on grant funding to lower the property tax burden. Funding sources will continue to need to be monitored and the County should be prepared to make adjustments in spending, should this revenue source not be sustainable. It should continue to be a goal to fund any mandated increases without increasing property taxes.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the County of Schuyler's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Margaret Starbuck, Treasurer, Schuyler County, 105 9th Street, Watkins Glen, New York 14891.

COUNTY OF SCHUYLER  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

	Primary Government	Component Units	
	Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 4,441,676	\$ 164,357	\$ 427,785
Restricted cash	1,396,130		343,096
Taxes receivable, net	1,612,021		
Accounts receivable, net	1,128,497	6,018	
Loans receivable - Current portion	106,891		58,005
Due from state and federal governments	3,699,122		
Due from other governments	46,662		
Prepaid expenses	214,778	10,449	
Inventories	70,016		
Other	5,371		
Total Current Assets	<u>12,721,164</u>	<u>180,824</u>	<u>828,886</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	2,385,460		
Loans receivable, long-term portion			21,389
Unamortized bond issue costs	462,243		
Land and construction in progress	1,109,873		
Depreciable capital assets, net	25,709,117	25,183	
Total Noncurrent Assets	<u>29,666,693</u>	<u>25,183</u>	<u>21,389</u>
Total Assets	<u>42,387,857</u>	<u>206,007</u>	<u>850,275</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable	1,641,189		
Accrued liabilities	244,951	14,926	
Interest payable	58,978		667
Due to other governments	1,746,151		38,684
Retained percentages	30,000		
Overpayments	697,430		
Deferred revenue	46,722		
Long-term obligations due within one year:			
Loans payable		5,541	6,089
Lease payable	25,624		
Bonds payable	133,255		
Compensated absences	47,497		
Total Current Liabilities	<u>4,671,797</u>	<u>20,467</u>	<u>45,440</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF NET ASSETS  
(CONTINUED)  
DECEMBER 31, 2007

	Primary Government	Component Units	
	Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
Total current liabilities brought forward	\$ 4,671,797	\$ 20,467	\$ 45,440
Noncurrent Liabilities:			
Long-term obligations due after one year:			
Accreted interest payable	234,609		
Lease payable	11,043	10,619	
Bonds payable	10,184,559		
Compensated absences	427,475		
Total Noncurrent Liabilities	10,857,686	10,619	-0-
Total Liabilities	15,529,483	31,086	45,440
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	18,150,502	7,948	
Restricted for:			
Community development	80,876		343,096
Debt service	1,157,160		
Public safety	388,192		
Unrestricted	7,081,644	166,973	461,739
Total Net Assets	\$ 26,858,374	\$ 174,921	\$ 804,835

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b><u>FUNCTIONS/PROGRAMS</u></b>				
Primary Government:				
Governmental Activities:				
General governmental support	\$ 7,231,357	\$ 1,290,231	\$ 504,816	\$ _____
Education	1,320,644	115,734	427,270	_____
Public safety	4,063,577	442,841	198,243	_____
Public health	4,705,817	2,282,761	1,003,726	_____
Transportation	4,466,407	489,306	140,685	1,612,200
Economic assistance and opportunity	11,508,619	813,581	6,222,332	_____
Culture and recreation	614,493	252,208	214,131	_____
Home and community services	491,732	46,765	2,439	31,024
Interest on debt	506,486	_____	_____	_____
Total Governmental Activities	\$ 34,909,132	\$ 5,733,427	\$ 8,713,642	\$ 1,643,224
Component Units:				
Soil and Water Conservation	\$ 565,500	\$ 48,084	\$ 493,747	\$ _____
Industrial Development Agency	90,581	335,208	_____	_____
Total Component Units	\$ 656,081	\$ 383,292	\$ 493,747	\$ -0-

Net (Expense) and Changes in Net Assets brought forward

**GENERAL REVENUES:**

Taxes:

- Property taxes, levied for general purposes
- Property tax items
- Sales and other taxes
- Tobacco settlement payments
- Use of money and property
- Miscellaneous
- Sale of property and compensation for loss

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government	Component Units	
Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
\$ (5,436,310)	\$	\$
(777,640)		
(3,422,493)		
(1,419,330)		
(2,224,216)		
(4,472,706)		
(148,154)		
(411,504)		
(506,486)		
(18,818,839)		
	(23,669)	
		244,627
	(23,669)	244,627
(18,818,839)	(23,669)	244,627
8,560,653		
419,144		
8,412,809		
302,841		
427,639	970	28,513
143,676		6,769
60,037	172	
18,326,799	1,142	35,282
(492,040)	(22,527)	279,909
27,350,414	197,448	524,926
\$ 26,858,374	\$ 174,921	\$ 804,835

COUNTY OF SCHUYLER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

Major Funds

	General Fund	Special Revenue Fund County Road Fund
<b><u>ASSETS</u></b>		
Assets:		
Cash and cash equivalents - Unrestricted	\$ 2,787,145	\$ 691,928
- Restricted	11,545	
Taxes receivable (net)	1,612,021	
Due from other funds	4,723,535	1,278,792
Due from State and Federal governments	3,327,463	233,668
Due from other governments	229,479	
Other receivables, net	736,448	2,767
Prepaid expenses	210,255	
Inventories	70,016	
Loans receivable		
Total Assets	\$ 13,707,907	\$ 2,207,155
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities:		
Accounts payable	\$ 1,450,354	\$ 29,598
Accrued liabilities	222,699	19,574
Due to other funds	1,269,869	1,669,467
Due to other governments	1,695,888	6,700
Retained percentages		
Overpayments	697,430	
Deferred revenues	532,002	
Total Liabilities	5,868,242	1,725,339
Fund Balances:		
Fund Balances - Reserved:		
Encumbrances	60,594	
Miscellaneous special reserves	996,722	
Debt service		
Capital	1,576,610	
Total Reserved	2,633,926	-0-
Fund Balances - Unreserved, Appropriated, Reported in:		
General Fund	1,500,000	
Fund Balances - Unreserved, Reported in:		
General Fund	3,705,739	
Special Revenue Funds		481,816
Capital Projects Funds		
Total Unreserved	5,205,739	481,816
Total Fund Balances	7,839,665	481,816
Total Liabilities and Fund Balances	\$ 13,707,907	\$ 2,207,155

See Independent Auditor's Report and Notes to Financial Statements

<u>Major Funds</u>		
<u>Capital Project Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 3,226,501	\$ 79,627	\$ 6,785,201
	984,910	996,455
		1,612,021
157,316	212,387	6,372,030
48,871	89,120	3,699,122
		229,479
	331,356	1,070,571
	4,523	214,778
		70,016
	106,891	106,891
<u>\$ 3,432,688</u>	<u>\$ 1,808,814</u>	<u>\$ 21,156,564</u>
\$ 118,014	\$ 211,244	\$ 1,809,210
	2,678	244,951
2,683,234	749,460	6,372,030
1,291	42,272	1,746,151
30,000		30,000
		697,430
		532,002
2,832,539	1,005,654	11,431,774
		60,594
	37,541	1,034,263
	733,895	733,895
		1,576,610
-0-	771,436	3,405,362
		1,500,000
		3,705,739
	31,724	513,540
600,149		600,149
600,149	31,724	6,319,428
600,149	803,160	9,724,790
<u>\$ 3,432,688</u>	<u>\$ 1,808,814</u>	<u>\$ 21,156,564</u>

COUNTY OF SCHUYLER  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

Total Governmental Fund Balances		\$ <u>9,724,790</u>
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation of \$23,263,376 used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.</p>		<u>21,825,560</u>
<p>Certain accrued expenses, such as interest on debt, reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds. Similarly, unamortized bond issue costs are not recognized as assets in the fund financial statements.</p>		
<p>Accrued interest payable</p>	\$ (13,859)	
<p>Accreted interest payable</p>	(234,609)	
<p>Unamortized bond issuance costs - STASC</p>	<u>118,251</u>	<u>(130,217)</u>
<p>Certain revenues are deferred in Governmental Funds due to applying the "availability criterion" to receivables for the modified accrual basis of accounting. However, these deferred revenues are considered revenues in the Statement of Activities due to applying the full accrual basis of accounting.</p>		<u>485,280</u>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. See Note 2-B-2.</p>		
<p>Serial bonds payable</p>	\$ (215,000)	
<p>Lease payable</p>	(36,667)	
<p>Tobacco settlement pass-through bonds, net of unamortized bond discount</p>	(4,171,384)	
<p>Compensated absences</p>	<u>(474,972)</u>	<u>(4,898,023)</u>
<p>The assets and liabilities of the Internal Service Fund component unit are included in Governmental Activities in the Statement of Net Assets.</p>		<u>(149,016)</u>
<p>Net Assets of Governmental Activities</p>		\$ <u><u>26,858,374</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Major Funds	
	General Fund	Special Revenue Fund County Road Fund
<b><u>REVENUES</u></b>		
Real property taxes	\$ 8,853,950	\$
Real property tax items	419,144	
Nonproperty tax items	8,412,809	
Departmental income	4,347,750	
Intergovernmental charges	481,003	
Use of money and property	538,282	15,483
Fines and forfeitures	75,531	1,400
Sale of property and compensation for loss	101,098	4,522
Miscellaneous local sources	116,036	1,021
Interfund revenues		
State sources	4,712,831	836,649
Federal sources	3,963,442	686,431
Total Revenues	32,021,876	1,545,506
<b><u>EXPENDITURES</u></b>		
General governmental support	5,872,848	
Education	1,320,644	
Public safety	3,076,743	
Public health	4,062,227	
Transportation	200,696	3,194,631
Economic assistance and opportunity	11,299,514	
Culture and recreation	508,781	
Home and community services	460,708	
Employee benefits	3,524,442	375,002
Debt service - Principal and interest	75,112	
Capital outlay		
Total Expenditures	30,401,715	3,569,633
Excess of Revenues (Expenditures)	1,620,161	(2,024,127)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Interfund transfers in		2,128,638
Interfund transfers (out)	(4,291,647)	
Total Other Financing (Uses) Sources	(4,291,647)	2,128,638
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	(2,671,486)	104,511
Fund Balances, Beginning	10,511,151	377,305
Fund Balances, Ending	\$ 7,839,665	\$ 481,816

See Independent Auditor's Report and Notes to Financial Statements

Major Funds		Total Governmental Funds
Capital Project Fund	Non-Major Funds	
\$	\$	\$ 8,853,950
		419,144
		8,412,809
		4,347,750
	307,906	788,909
90,611	31,625	676,001
		76,931
	1,817	107,437
345,944	302,841	765,842
	180,000	180,000
	120,144	5,669,624
		4,649,873
436,555	944,333	34,948,270
	31,052	5,903,900
		1,320,644
		3,076,743
		4,062,227
	1,122,095	4,517,422
		11,299,514
		508,781
	31,024	491,732
	69,340	3,968,784
	268,417	343,529
1,342,055		1,342,055
1,342,055	1,521,928	36,835,331
(905,500)	(577,595)	(1,887,061)
1,528,852	634,157	4,291,647
		(4,291,647)
1,528,852	634,157	-0-
623,352	56,562	(1,887,061)
(23,203)	746,598	11,611,851
\$ 600,149	\$ 803,160	\$ 9,724,790

COUNTY OF SCHUYLER  
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (1,887,061)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

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

Capital outlay, net of disposals	\$ 3,768,184	
Depreciation, net of disposals	<u>(1,915,301)</u>	<u>1,852,883</u>

Revenues and expenses in the Statement of Activities that do not provide current financial resources are not reported as revenues and expenses in the funds.

Deferred revenue		<u>(248,718)</u>
------------------	--	------------------

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The amortization of bond issuance costs and bond discounts are expenditures in the Statement of Activities and reduce liabilities.

Bond and capital lease repayments	\$ 147,791	
Capital lease vehicle reported in capital outlay	(17,258)	
Bond issuance costs amortization	(5,324)	
Bond discount amortization	<u>(6,745)</u>	<u>118,464</u>

The net expense of the Internal Service Fund component unit is reported with Governmental Activities.		<u>(149,016)</u>
---	--	------------------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds. These expenses include the change in compensated absences and the change in interest payable.

Compensated absences	\$ (62,593)	
Change in accrued interest payable	806	
Change in accreted interest payable	<u>(116,805)</u>	<u>(178,592)</u>

Change in Net Assets of Governmental Activities		<u>\$ (492,040)</u>
---	--	---------------------

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
DECEMBER 31, 2007

	<u>Internal Service Fund</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and cash equivalents - Unrestricted	\$ 13,220
- Restricted	596,411
Accounts receivable	56,842
Rents receivable	1,084
Total Current Assets	<u>667,557</u>
Noncurrent Assets:	
Organizational costs, net of accumulated amortization	5,371
Unamortized bond issue costs	343,992
Capital Assets:	
Land	40,639
Depreciable capital assets, net	4,952,791
Total Noncurrent Assets	<u>5,342,793</u>
Total Assets	<u>6,010,350</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Due to other governments	182,817
Accrued interest payable	45,119
Total Current Liabilities	<u>227,936</u>
Noncurrent Liabilities:	
Bonds payable	5,931,430
Total Noncurrent Liabilities	<u>5,931,430</u>
Total Liabilities	<u>6,159,366</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	(580,960)
Restricted for debt service	423,265
Unrestricted	8,679
Total Net Deficit	<u>\$ (149,016)</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Internal Service Fund</u>
Operating Revenues:	
Rent	\$ <u>18,298</u>
Total Operating Revenues	<u>18,298</u>
Operating Expenses:	
Contractual expenses	<u>4,620</u>
Total Operating Expenses	<u>4,620</u>
Operating Income	<u>13,678</u>
Nonoperating Income (Expense):	
Interest and dividends	58,062
Depreciation and amortization (expenses)	(32,752)
Interest (expense)	<u>(188,004)</u>
Total Nonoperating Loss	<u>(162,694)</u>
Total Net Loss	(149,016)
Net Assets, January 1, 2007	<u>-0-</u>
Net (Deficit), December 31, 2007	<u>\$ (149,016)</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received from providing services	\$ 17,214
Cash payments - Contractual expenses	<u>(4,620)</u>
Net Cash Provided by Operating Activities	<u>12,594</u>
Cash Flows from Noncapital Financing Activities:	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities:	
Cash received bond payable	5,725,000
Cash received bond premium	212,085
Cash payments - Bond issue costs	(353,416)
Cash received from other governments	413,836
Cash payments - Interest expense	(139,116)
Cash payments - Organizational costs	(5,654)
Cash payments - Purchase of land and building, net of \$100,000 deposit in 2006	(1,400,000)
Cash payments - Land and building improvements	(3,369,540)
Cash payments - Leasehold improvements on behalf of Schuyler County	(374,713)
Cash payments - Capitalized closing costs	<u>(169,507)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>538,975</u>
Cash Flows from Investing Activities:	
Interest and dividend income received	<u>58,062</u>
Net Cash Provided by Investing Activities	<u>58,062</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	609,631
Cash and Cash Equivalents, January 1, 2007	<u>-0-</u>
Cash and Cash Equivalents, December 31, 2007	<u>\$ 609,631</u>
Reconciliation of net income to net cash provided by operating activities:	
Operating income	\$ 13,678
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) in rents receivable	<u>(1,084)</u>
Net Cash Provided by Operating Activities	<u>\$ 12,594</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
DECEMBER 31, 2007

		<u>Agency Funds</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents - Unrestricted	\$	809,135
- Restricted		8,072
Due from other governments		<u>266</u>
 Total Assets	 \$	 <u><u>817,473</u></u>
<b><u>LIABILITIES</u></b>		
Agency liabilities	\$	647,102
Due to other governments		<u>170,371</u>
 Total Liabilities	 \$	 <u><u>817,473</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note 1 - Summary of Significant Accounting Policies

The financial statements of the County of Schuyler have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the County's accounting policies are described below.

A. Financial Reporting Entity

The County of Schuyler, which was incorporated in 1854, is governed by County Law and other laws of the State of New York and various local laws and ordinances. The County Legislature, which is the legislative body responsible for the overall operation of the County, consists of eight legislators. The Chairman of the Legislature serves as Chief Executive Officer of the County and the Treasurer serves as Chief Fiscal Officer.

The County provides the following basic services: public safety (including district attorney, assigned counsel, sheriff, probation, and jail), education (partial tuition to community colleges and tuition and transportation of handicapped children), public health, mental health, social services, highway maintenance, culture, and recreation programs.

All Governmental Activities and functions performed for the County of Schuyler are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the County of Schuyler, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's statements to be misleading or incomplete, as set forth in GASB Statement No. 14, "The Financial Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

The decision to include a component unit in the County's reporting entity is based on several criteria set forth in GASB Statement No. 14, "The Financial Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County of Schuyler's reporting entity.

1. Included in the Reporting Entity

Based on the foregoing criteria and the significant factors presented below, the following organizations are included in the reporting entity:

The Schuyler County Industrial Development Agency

The Schuyler County Industrial Development Agency was created in 1971 by the Schuyler County Legislature under the provisions of Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth in Schuyler County. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the Schuyler County Legislature, is a separate entity and operates independently of the County. A separate audit report dated February 17, 2007 has been issued for the Schuyler County Industrial Development Agency for the year ended December 31, 2007. The Agency is considered a component unit of the County and is discretely presented. Complete financial statements for Schuyler County Industrial Development Agency may be obtained by writing their administrative office at 2 North Franklin Street, Suite 330, Watkins Glen, NY 14891.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Section 870 of General Municipal Law indicates that the bonds or notes and other obligations of the Schuyler County Industrial Development Agency are not the debt of the County, and the payment of such is payable out of the funds of the Schuyler County Industrial Development Agency.

The Schuyler County Soil and Water Conservation District

The Schuyler County Soil and Water Conservation District was established in October, 1940, in accordance with the Soil and Water Conservation District's Law, to provide for the conservation of soil and water resources. Members of the District's Board of Directors are appointed by the County Board of Supervisors and 25% of the District's General Fund revenue is provided through a County appropriation. The District is considered a component unit of the County and is discretely presented. Complete financial information for the Schuyler County Soil and Water Conservation District may be obtained by writing their administrative office at 208 Broadway, Montour Falls, NY 14865.

The Schuyler Tobacco Asset Securitization Corporation

The Schuyler Tobacco Asset Securitization Corporation (STASC) is a local development corporation organized pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York. The STASC is one of 17 New York County TASC's created in 2000 for the purpose of purchasing the tobacco settlement rights from each respective county with the net proceeds of bonds issued to the New York Counties Tobacco Trust I (NYCTT). The trust in-turn issued \$227,130,000 aggregate principal amounts of Tobacco Settlement Pass-Through Bonds - Series 2000, dated December 7, 2000. The Trust bonds represent a direct, pass-through interest in the corresponding TASC bonds. All payments of the TASC bonds will be made directly by the Trust with the future proceeds of the Tobacco Settlement Revenues.

The STASC, along with 23 other TASCs created a trust known as the New York Counties Tobacco Trust V (NYCTTV) in order to issue \$199,375,348 aggregate principal amount of Tobacco Settlement Pass-Through Bonds (Series 2005 NYCTT Bonds). Series 2005 NYCTT Bonds, issued on November 29, 2005, represent a direct, pass-through interest in corresponding TASC bonds held by the trust and are subordinate to the prior bonds issued. The Series 2005 TASC bonds are subject to the rights of holders of the prior bonds, payable solely from, and secured solely by, the Collections and the funds and accounts pledged by the respective TASC Indenture. The Collections of the STASC will be comprised of the TSRs remaining after payment of the prior bonds and investment earnings on funds and accounts established under the STASC's Indenture. The STASC Series 2005 TASC Bonds are also payable from certain amounts released from Liquidity Reserve Accounts upon retirement of the prior bonds and amounts released from Trapping Accounts.

The STASC is controlled by a group of four directors who are appointed by the Chair of the Schuyler County Legislature. At this time, two directors are members of the County Legislature, one of whom is a member of the management team of the County and one who has no affiliation with the County. The Corporation is deemed to be a component unit of Schuyler County and is presented in the annual financial statements of the County as a blended component unit, reported as a Non-Major Debt Service Fund. A separate audit report dated May 30, 2008 has been issued for the STASC for the year ended December 31, 2007. Complete financial statements for STASC may be obtained from Schuyler County, 105 9<sup>th</sup> Street, Watkins Glen, NY 14891.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

The Schuyler County Human Services Development Corporation

The Corporation (HSDC) was created in 2006 by the Schuyler County Legislature under the provisions of Section 1411 of the Not-For-Profit Corporation Law of the State of New York for the purpose of encouraging economic growth in Schuyler County. The Corporation is exempt from federal, state, and local income taxes. The Corporation, although established by the Schuyler County Board of Legislators, is a separate entity and operates independently of the County. The Corporation is considered a component unit of the County and is presented in the annual financial statements of the County as an internal service fund. A separate audit report dated March 5, 2008 has been issued for the HSDC for the year ended December 31, 2007. Complete financial statements for HSDC may be obtained from Schuyler County, 105 9<sup>th</sup> Street, Watkins Glen, NY 14891.

2. Excluded from the Reporting Entity

The Counties of Steuben, Chemung, and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that each county's share of the cost shall be prorated as agreed upon by the member counties. In 2007, Schuyler County's share aggregated \$35,000. As none of the member counties have sole control over the Board's operation, the activity of the Board is excluded from the reporting entity of all member counties. Complete financial statements for the Southern Tier Central Regional Planning and Development Board may be obtained by writing their administrative office at 145 Village Square, Painted Post, NY 14870.

B. Basic Financial Statements

The County's basic financial statements include both Government-wide (reporting the County as a whole) and fund financial statements (reporting the County's Major Funds.) Both the Government-wide and fund financial statements categorize primary activities as either governmental or business type. The County's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities.

1. Government-wide Statements

The Government-wide statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of activities for the primary government and for the County's discretely presented component units.

Government-wide financial statements do not include the activities reported in the Fiduciary Funds or fiduciary component units. This Government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

In the Government-wide Statement of Net Assets, the Governmental Activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

The Statement of Activities reports both the gross and net cost for each of the County's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the County.

The County does not allocate indirect costs. Indirect costs are reported in the function entitled "general government."

2. Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The County records its transactions in the fund types described below:

Governmental Funds

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

Major Funds

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

Special Revenue Fund:

County Road Fund - The County Road Fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.

Capital Project Fund - The Capital Project Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities.

Non-Major Funds

Special Revenue Funds:

Road Machinery Fund - The Road Machinery Fund is used to account for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of the Highway Law.

Special Grant Fund - The Special Grant Fund is used to account for activities under the Housing and Community Development Act of 1974.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Debt Service Fund:

STASC Debt Service Fund - The STASC Debt Service Fund is used to account for the accumulation of resources from tobacco settlement payments and for the payment of principal and interest on the tobacco settlement pass-through bonds.

Proprietary Fund

Internal Service Fund:

HSDC Internal Service Fund - The HSDC Internal Service Fund is used to account for the accumulation of rent and interest revenue and the payment of principal and interest on the Human Services Development Corporation bonds.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the County in a trustee or custodial capacity, which therefore are not available to support the County's programs.

Agency Funds - The Agency Funds are used to account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Funds are custodial in nature and do not involve measurement of results of operations. The most significant of the County's Agency Funds are mortgage tax and social service trust funds.

C. Basis of Accounting/Measurement Focus

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.

1. Accrual Basis

The Government-wide financial statements and the Proprietary and Fiduciary Fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual Basis

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The County considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

D. Property Taxes

The authority of levying taxes for the support of County and town governments, inclusive of special districts, and for re-levying unpaid school taxes, has been delegated by the State Legislature to the governing board of the County through various provisions of the Real Property Tax Law. For purposes of both County and town taxes, the value of real property is listed and established by the towns for each parcel of real property therein. Amounts to be raised by tax are determined from balanced budgets of the towns and the County and levied on or before December 31, each year. Unpaid school taxes are purchased from each school district and added to tax levies and, until paid, are counted among the assets of the County; the County thus acquires all rights, title, and interest in any unpaid school taxes. Any such taxes remaining unpaid at the time of the tax sale are sold along with any other unpaid taxes subject to County enforcement.

Property taxes are levied each December 31, on the assessed value of all real property located within the County and become a lien on January 1. Taxes are payable during January without penalty. Beginning in February a 1% penalty is added. Property tax payments may be made in installments, which carry a 1% fee, payable on January 30, and on or before July 1. The initial responsibility of collecting County property taxes rests with the towns located within the County. The tax rolls are delivered to the Treasurer on or before the 15th of April at which time a 5% fee plus 12% per annum from February 1, to date of payment are added. The towns retain the full amount of their related town levy and remit the balance of collected taxes to the County. Responsibility for collection of delinquent taxes is then transferred to the County.

Property taxes are recorded as receivables and revenues at the time the tax levy is billed. Uncollected amounts estimated to be collected subsequent to the first 60 days after year end are recorded as deferred revenues in the Governmental Funds Balance Sheet.

Non-city school district taxes are turned over to the County for enforcement on November 15. The County collects the second installment of school taxes on or before November 30. Payment to school districts for second installments is required to be remitted within ten days of collection. On December 1, any such taxes remaining unpaid are relieved as County taxes in the subsequent year. The balance of uncollected school taxes is required to be remitted by April 1.

City school district taxes are turned over to the County for enforcement on April 15, and are enforced as a separate tax until the time of tax sale at which time they become part of the County's lien. The balance of uncollected city school taxes is remitted by December 31.

E. Constitutional Tax Limit

The amount that may be raised by the Countywide tax levy on real estate in any fiscal year (for purposes other than debt service on County indebtedness) is limited to one and one-half per centum (subject to increase up to two per centum by resolution of the County Legislature) of the five-year average full valuation of taxable real estate of the County, per New York State statutes.

COUNTY OF SCHUYLER  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

The County of Schuyler's constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2007 is computed as follows:

Five-Year Average Full Valuation of Taxable -Real Estate (2002-2006)	\$ <u>782,493,589</u>
Tax limit @ 1.5%	\$ 11,737,404
Less :	
Tax levy	8,565,784
Less exclusions	<u>(609,451)</u>
Tax levy subject to tax limit	<u>7,956,333</u>
Tax Margin	\$ <u>3,781,071</u>

F. Receivables

Amounts due from state and federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs. Other receivables represent amounts owed to the County for billed services, health insurance, and medical loans. No provision has been made for uncollectible accounts for amounts reported as Other Receivables as it is believed that such amounts would be immaterial.

G. Vacation and Sick Leave and Compensatory Absences

Pursuant to contractual agreements, County employees are entitled to accrue a maximum of 165 days of sick leave and 30 days of vacation leave. An individual who leaves the employ of the County is entitled to be paid for unused vacation leave credits.

Estimated vacation accumulated by Governmental Fund type employees has been recorded in the Government-wide financial statements.

Payment of vacation recorded in the Government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation when such payment becomes due.

H. Cash and Cash Equivalents

For financial statement purposes, the County of Schuyler considers all highly liquid investments of three months or less as cash equivalents.

I. Investments

Investments are valued at fair value.

J. Inventory

Inventory is recorded at cost on a first-in, first-out basis.

K. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Governmental capital assets purchased or acquired with an original cost of over \$5,000 and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

Buildings	50 years
Machinery and equipment	3 - 20 years
Infrastructure	10 - 50 years

L. Postemployment Benefits

In addition to providing pension benefits, the County of Schuyler provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the County of Schuyler's employees may become eligible for these benefits if they reach normal retirement age while working for the County of Schuyler. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County offers the benefit, with related premiums funded 50% by participating retirees. The retiree also pays 65% of the premium covering the retiree's spouse. A total of 77 retirees are covered. The County recognized \$262,185 as an expenditure in 2007 for its share of the benefit premiums.

M. Sales Tax

Pursuant to local law, the County levies a four percent tax in accordance with the Tax Law, Section 1210. The County retains 3/4 of such taxes for County purposes and distributes the remainder to the towns and villages in the County.

N. Revenues

Substantially all Governmental Fund revenues are accrued. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Subsidies and grants to Proprietary Funds that finance either capital or current operations are reported as nonoperating revenue based on GASB No. 33.

O. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the County's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

P. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between Governmental or Proprietary Funds are netted as part of the reconciliation to the Government-wide financial statements.

Q. Insurance

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

R. Equity Classifications

1. Government-wide Statements

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. Fund Statements

Governmental Fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further classified as designated and undesignated. The County reports the following reserve accounts:

- Encumbrance Reserve  
The Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. This reserve is accounted for in the General Fund and Road Machinery Fund.
- Miscellaneous Special Reserve  
The Miscellaneous Special Reserve is used to account for funds restricted for miscellaneous projects, as authorized by county resolution. This reserve is accounted for in the General Fund and Road Machinery Fund.
- Mandatory Reserve for Debt Service  
The Mandatory Reserve for Debt Service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of County property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of County property or capital improvement and the issue of STASC debt. This reserve is accounted for in the General Fund and STASC Debt Service Fund.
- Capital Reserve  
The Capital reserve provides funds for the financing of all or part of the cost of: a) the construction, reconstruction or acquisition of a specific capital improvement or the acquisition of a specific item or specific items of equipment, or b) the construction, reconstruction or acquisition of a type of capital improvement or the acquisition of a type of equipment. This reserve is accounted for in the General Fund.

S. Future Impacts of Accounting Pronouncements

The County has not completed the process of evaluating the impact that will result from adopting the GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," effective for the year ending December 31, 2008. The County is, therefore, unable to disclose the impact adopting GASB Statement No. 45 will have on its financial position and results of operations when such statement is adopted.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

The County of Schuyler's investment policies are governed by state statutes. In addition, the County of Schuyler has its own written investment policy. The County of Schuyler's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral (security) is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts, obligations of Puerto Rico, obligations of municipalities of other states, obligations of domestic corporations, mortgage related securities, commercial paper and bankers acceptances, and zero coupon obligations of the United States.

Deposits are valued at cost or cost plus interest, and are categorized as both uninsured and either (1) uncollateralized, (2) collateralized by securities held by the pledging financial institution or (3) collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor-government's name.

Total financial institution (bank) balances at December 31, 2007, per the bank, were \$9,482,557, \$927,470 and \$1,008,721 for the primary government, fiduciary funds and component units, respectively. These deposits are categorized as follows:

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>
Primary Government and Blended Component Unit	\$ -0-	\$ 8,920,396	\$ -0-	\$ 8,223,266
Fiduciary Fund	\$ -0-	\$ 813,175	\$ -0-	\$ 817,207
Soil and Water District	\$ -0-	\$ 72,250	\$ -0-	\$ 164,357
Industrial Development Agency	\$ -0-	\$ 421,095	\$ -0-	\$ 770,881

Restricted cash and cash equivalents at December 31, 2007 consisted of the following:

<u>Activity</u>	<u>Amount</u>
Governmental Activities:	
Public Safety Funds	\$ 388,192
STASC Debt Service Fund	350,645
HSDC Funds	596,411
Community Development Fund	80,876
Capital Projects Reserve	1,576,867
Capital Projects Funds	600,149
Lamoka-Waneta Lakes District Funds	188,450
Total Governmental Activities	<u>\$ 3,781,590</u>

2. Property Taxes

Property taxes levied for 2007 are recorded as revenue and receivables, net of estimated uncollectible amounts. In the fund financial statements, the net receivables collected during 2007 and expected to be collected within the first sixty days of 2008 are recognized as revenues in 2007.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Net receivables estimated to be collectible subsequent to the first sixty days of 2007 are reflected as deferred revenue. At December 31, 2007, the County had deferred \$485,280 of real property tax revenue.

Taxes receivable at December 31, 2007 are summarized as follows:

Tax sale certificates	\$	15,125
School taxes		850,726
Taxes receivable - City and school		29,801
Taxes receivable - Overdue		818,226
Other		58,208
Allowance for uncollectible taxes		<u>(160,065)</u>
<b>Taxes Receivable</b>	<b>\$</b>	<b><u>1,612,021</u></b>

Uncollected school taxes assumed by the County as a result of settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable that represents taxes relieved for schools in the amount of \$880,527 is reflected as part of a liability, due to other governments, in the accompanying basic financial statements.

3. Other Receivables

Other receivables at December 31, 2007 consisted of the following, which are stated at net realizable value. The County has deemed the amounts to be fully collectible.

	<u>Description</u>	<u>Amount</u>
General Fund	County Clerk	\$ 41,262
	Public health fees	161,122
	Mental health fees	161,563
	Sales and use taxes	7,233
	Public safety fees	84,206
	Emergency management	9,214
	Social services fees	14,171
	Central services fees	51,265
	Workers' compensation reimbursement	16,108
	Office for the Aging	5,754
	Youth Bureau	5,546
	Due from agency	170,371
	Other	<u>8,633</u>
<b>Total General Fund</b>		<u>736,448</u>
County Road Fund	Billed services	2,767
Road Machinery Fund	Billed services	29,756
STASC Fund	TSR receivable	300,547
	Accrued interest	<u>1,053</u>
<b>Total STASC</b>		<u>301,600</u>
Internal Service Fund	Rent receivable	1,084
	Refund of expenses	<u>56,842</u>
<b>Total Internal Service Fund</b>		<u>57,926</u>
<b>Total Other Receivables</b>		<b>\$ <u>1,128,497</u></b>

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

4. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance at 12/31/06	Additions	Deletions	Balance at 12/31/07
<b>Governmental Activities:</b>				
Land	\$ 407,000	\$ 40,639		\$ 447,639
Construction in progress	1,989,033	1,641,761	(2,968,560)	662,234
Total Non-depreciable Capital Assets	<u>2,396,033</u>	<u>1,682,400</u>	<u>(2,968,560)</u>	<u>1,109,873</u>
Buildings	7,967,112	5,106,628		13,073,740
Machinery and equipment	5,550,284	1,212,725	(198,963)	6,564,046
Land improvements	1,775,035	1,479,771		3,254,806
Infrastructure	23,632,288	2,480,082		26,112,370
Total Depreciable Capital Assets	<u>38,924,719</u>	<u>10,279,206</u>	<u>(198,963)</u>	<u>49,004,962</u>
Total Historical Cost	<u>41,320,752</u>	<u>11,961,606</u>	<u>(3,167,523)</u>	<u>50,114,835</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(4,480,291)	(256,039)		(4,736,330)
Machinery and equipment	(3,757,045)	(383,696)	175,188	(3,965,553)
Land improvements	(553,749)	(48,608)		(602,357)
Infrastructure	(12,556,990)	(1,434,615)		(13,991,605)
Total Accumulated Depreciation	<u>(21,348,075)</u>	<u>(2,122,958)</u>	<u>175,188</u>	<u>(23,295,845)</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,972,677</u>	<u>\$ 9,838,648</u>	<u>\$ (2,992,335)</u>	<u>\$ 26,818,990</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
General government support	\$ 265,637
Public safety	114,188
Public health	4,826
Transportation	1,629,953
Economic assistance and opportunity	58,473
Culture and recreation	<u>49,881</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,122,958</u>

Depreciation expense for the year ended December 31, 2007 for the internal service fund totaled \$32,469 and was charged to economic assistance and opportunity in the Statement of Activities.

B. Liabilities

1. Pension Plans

a. Plan Description

The County of Schuyler participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems).

COUNTY OF SCHUYLER  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

**b. Funding Policy**

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

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

<u>Year</u>	<u>ERS</u>
2007	\$ 851,933
2006	851,966
2005	841,022

The County of Schuyler'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, while amortizing existing unpaid amounts relating to the Systems' fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The County of Schuyler elected to make full payment on December 15, 1989.

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

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1<sup>st</sup> (e.g. billings due February 2007 would be based on the pension value as of March 31, 2006).
- Allows one-time financing of State fiscal year 2004-2005 pension cost by permitting local governments to bond, over five years, any required contribution in excess of 7% of estimated salaries or to amortize required contributions in excess of 7% over a five year period. [Superseded by Chapter 260 of the Laws of 2004. See below.]

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

On July 30, 2004, Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to ten years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- For SFY 2006-07, the amount in excess of 10.5% of employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007. The County has opted not to amortize.

2. Debt

a. Constitutional Debt Limit

At December 31, 2007, the total outstanding indebtedness of the County aggregated \$10,589,090. Of this amount, \$215,000 was subject to the constitutional limitations on indebtedness and represented .39% of the County's statutory debt limit.

b. Serial Bonds

The County of Schuyler 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, which are full faith and credit debt of the local government, are recorded in the Statement of Net Assets.

c. Bond Anticipation Notes

Liabilities for bond anticipation notes (BANs) are generally accounted for in the Capital Project Funds. Principal payments on BANs must be made annually.

State law requires that BANs issued for capital purposes be converted to long-term obligations within 5 years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The County neither redeemed nor issued BANs during the year ended December 31, 2007.

d. Other Debt

In addition to the above debt, the County had the following liability:

Compensated Absences - Represents the unfunded value of the liability for accumulated vacation. This liability is liquidated from the General, County Road and Road Machinery Funds.

Capital Lease - Represents principal balance of equipment lease. This liability is liquidated from the General Fund.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

e. Summary of Debt

The following is a statement of serial bonds and capital leases payable with corresponding maturity schedules:

Description	Original Date of Issue	Original Amount	Interest Rate	Date of Final Maturity	Balance December 31,
Serial Bonds:					
Courthouse/Office Reconstruction	04/94	\$ 2,300,000	5.50-5.80%	10/13	\$ 215,000
STASC Pass-through Bonds:					
Tobacco Settlement Bonds (2000)	12/00	3,280,000	5.25-6.30%	6/23	2,730,000
Less: Unamortized bond discount					(91,703)
Carrying Value of Series 2000 Bonds					2,638,297
Tobacco Settlement Bonds (2005)	11/05	1,573,852	6.00-7.85%	6/60	1,573,852
Less: Unamortized bond discount					(40,765)
Add: Interest accretion					234,609
Carrying Value of Series 2005 Bonds					1,767,696
HSDC 2007 Tax-exempt Revenue Bonds	04/07	5,725,000	3.50-5.00%	5/32	5,725,000
Add: Unamortized bond premium					206,430
Carrying Value of HSDC Bonds					5,931,430
Capital Lease	04/06	57,198	6.65%	3/09	23,475
Capital Lease	04/07	17,258	6.80%	3/10	13,192
<b>Total</b>					<b>\$ 10,589,090</b>

f. Change in Indebtedness

The following represents changes in the County's indebtedness during the year ended December 31, 2007:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due Within One Year
Serial Bonds	\$ 250,000	\$	\$ (35,000)	\$ 215,000	\$ 40,000
STASC Bonds	4,393,852		(90,000)	4,303,852	100,000
Add: Accreted interest payable	117,804	116,805		234,609	-0-
Less: Unamortized bond discount	(139,213)		6,745	(132,468)	(6,745)
HSDC Bonds	-0-	5,725,000		5,725,000	-0-
Add: Unamortized bond premium	-0-	206,430		206,430	-0-
Capital lease	42,200	17,258	(22,791)	36,667	25,624
Compensated absences	412,379	62,593		474,972	47,497
<b>Totals</b>	<b>\$ 5,077,022</b>	<b>\$ 6,128,086</b>	<b>\$ (141,046)</b>	<b>\$ 11,064,062</b>	<b>\$ 206,376</b>

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Additions and deletions to compensated absences are shown net, as it is impractical to determine these amounts separately. The County paid \$17,321 in interest on Bonds and capital leases during the year. The Schuyler TASC paid \$178,417 in interest on Bonds during the year. The Schuyler HSDC paid \$142,885 in interest on Bonds during the year. Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

Cash paid	\$ 338,623
Less interest accrued in prior year	(14,665)
Less prior year accreted interest	(117,804)
Add current year accreted interest	234,609
Add interest accrued in current year	58,978
Add amortization of bond discount	<u>6,745</u>
Total	<u>\$ 506,486</u>

g. Debt Service Requirements

The following tables summarize the County's future debt service requirements as of December 31, 2007:

Year	County Serial Bonds		Governmental Activities Capital Lease		TASC Bonds		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 40,000	\$ 12,430	\$ 25,624	\$ 1,683	\$ 100,000	\$ 172,590	\$ 165,624	\$ 186,703
2009	35,000	10,150	9,476	359	105,000	166,303	149,476	176,812
2010	35,000	8,120	1,567	18	120,000	159,403	156,567	167,541
2011	35,000	6,090			125,000	151,897	160,000	157,987
2012	35,000	4,060			130,000	144,028	165,000	148,088
2013-2017	35,000	2,030			916,242	734,869	951,242	736,899
2018-2022					1,517,115	721,575	1,517,115	721,575
2023-2027					788,159	1,445,136	788,159	1,445,136
2028-2032					305,312	1,701,759	305,312	1,701,759
2033-2037					197,024	1,673,450	197,024	1,673,450
Total	<u>\$ 215,000</u>	<u>\$ 42,880</u>	<u>\$ 36,667</u>	<u>\$ 2,060</u>	<u>\$ 4,303,852</u>	<u>\$ 7,071,010</u>	<u>\$ 4,555,519</u>	<u>\$ 7,115,950</u>

Year	SCHSDC		Total
	Principal	Interest	
2008	\$ -0-	\$ 270,713	\$ 270,713
2009	140,000	267,912	407,912
2010	145,000	262,213	407,213
2011	150,000	256,687	406,687
2012	155,000	251,350	406,350
2013-2017	875,000	1,161,919	2,036,919
2018-2022	1,095,000	933,375	2,028,375
2023-2027	1,390,000	624,250	2,014,250
2028-2032	1,775,000	230,375	2,005,375
Total	<u>\$ 5,725,000</u>	<u>\$ 4,258,794</u>	<u>\$ 9,983,794</u>

COUNTY OF SCHUYLER  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

h. STASC Bonds

The County's future right, title, and interest in the Tobacco Settlement Revenues were financed through the issuance of Bonds in the amount of \$3,280,000 and bearing interest rates ranging from 5.25% to 6.3% in December 2000. The TASC elected the 25 year flexible amortization option.

The TASC Series 2005 bonds are capital appreciation bonds, upon which the investment return on the initial principal amount is reinvested at a compounded rate until maturity. There are no scheduled principal and interest payments on the Series 2005 bonds other than on their respective maturity dates, at which time a single payment is made representing both the initial principal amount and the total investment return.

The Series 2005 bonds are subject to redemption prior to maturity through turbo redemption payments which are to be made from surplus collections on deposit, as provided in the Bond Indenture. The amounts and timing of the turbo redemption payments are based on projections of future tobacco settlement receipts less amounts needed to satisfy debt service on the Series 2000 bonds and to satisfy operating requirements. Failure to make such turbo redemption payments will not, however, constitute an event of default.

C. Interfund Receivables and Payables

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to subsidize other funds. The Governmental Funds financial statements generally reflect such transactions as transfers. Interfund receivables and payables and interfund transfer revenues and expenditures at December 31, 2007 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 4,723,535	\$ 1,269,869
County Road Fund	1,278,792	1,669,467
Capital Projects Fund	157,316	2,683,234
Non-Major Funds	212,387	749,460
Total	\$ 6,372,030	\$ 6,372,030
	Interfund Revenues	Interfund Expenditures
General Fund	\$ -0-	\$ 4,291,647
County Road Fund	2,128,638	-0-
Capital Project Fund	1,528,852	-0-
Non-Major Funds	634,157	-0-
Total	\$ 4,291,647	\$ 4,291,647

Note 3 - Stewardship, Compliance, and Accountability

The Road Machinery Fund had a deficit of \$11,611. This deficit will be reduced by a transfer from the County Road Fund. In addition, the General Fund overexpended the debt service and Interfund transfers out budget lines.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note 4 - Summary of Significant Commitments and Contingencies

A. State and Federally Assisted Programs

The County receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory, and/or contractual requirements. The County makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the County will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. County officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the financial statements.

B. Other Litigation

The County and/or its agencies are named in several minor lawsuits arising in the ordinary course of the County's operations. These claims and lawsuits, in the opinion of management, are either adequately covered by insurance or will not result in a material impact on the financial position of the County and therefore, are not reflected in the accompanying financial statements. In the past three years, no settlements exceeded insurance coverage.

Note 5 - Other Disclosures

A. Schuyler County Community Services Board

The Schuyler County Community Services Board was formed under Mental Hygiene Law, Section 41, to enable and encourage the County to develop preventive, rehabilitative and treatment services for the mentally ill, the mentally retarded and the developmentally disabled, and those suffering from the diseases of alcoholism and substance abuse in the community.

The Board was formed to be a policy-making body with regards to the services provided to the community. During 1996, the Board applied for and received funding to build a new building. The bonding was obtained through the Local Government Services Corporation (LGSC) and various other state grants were received to supplement the funding stream. Because the bonding was obtained through the LGSC, the LGSC will retain title to the building for the life of the bonds. Therefore, no asset has been recorded on the County's fixed asset records.

Note 6 - Other Contingencies

During 1999, New York State and its localities achieved final approval of the Master Settlement Agreement (MSA) with the tobacco industry. The Settlement represents reimbursement to the State for medical costs incurred, primarily paid by Medicaid, for treating smoking-related illnesses. The State and its localities are expected to receive approximately \$25,000,000,000 over the next 25 years. There are a number of risks associated with the tobacco settlement that may cause the settlement amount to change. These risks include inflating adjustments, adjustments for consumption of cigarettes, bankruptcy by tobacco companies, federal litigation and individual and class action lawsuits. The STASC is considered a component unit of the County and is blended in the financial statements.

Note 7 - Transactions with Component Units

- A. Schuyler County Industrial Development Agency (IDA) - During the year ended December 31, 2007, the County of Schuyler paid \$5,000 in administration fees to the IDA.
- B. Schuyler County Soil and Water Conservation District - The County contributed \$137,700 to the Soil and Water Conservation District during the year ended December 31, 2007.
- C. HSDC - The County contributed \$413,836 towards the purchase and reconstruction of the Human Services Building, of which the County will be refunded \$182,817. Also, the County provides administrative services and pays rent to the HSDC.

COUNTY OF SCHUYLER  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Note 8 - Net Assets - Statement of Net Assets**

Of the \$7,081,644 reported as unrestricted net assets of the Governmental Activities in the Government-wide Statement of Net Assets, the County Legislature has designated funds to be set aside for certain purposes or contingencies, as follows:

Unrestricted Net Assets	\$ 7,081,644
Designated for:	
Ensuing year's budget	1,500,000
Carry-over of prior year's commitments (encumbrances)	60,594
Miscellaneous Special Reserves:	
Sick bank	8,175
Central garage	256
Buildings and grounds capital	241,128
Voice and data	353,202
Capital improvements	1,576,610
Repairs	<u>5,769</u>
Total Unrestricted, Designated Net Assets	<u>3,745,734</u>
Total Unrestricted, Undesignated Net Assets	<u>\$ 3,335,910</u>

COUNTY OF SCHUYLER  
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget
<b><u>REVENUES</u></b>		
Real property taxes	\$ 8,610,584	\$ 8,610,584
Real property tax items	427,500	427,500
Nonproperty tax items	8,543,254	8,578,269
Departmental income	4,209,908	4,576,189
Intergovernmental charges	508,438	494,278
Use of money and property	562,736	562,736
Fines and forfeitures	50,200	60,200
Sale of property and compensation for loss	101,196	101,196
Miscellaneous local sources	12,800	22,820
State sources	4,737,072	5,742,658
Federal sources	3,916,369	4,875,049
Total Revenues	31,680,057	34,051,479
<b><u>EXPENDITURES</u></b>		
General governmental support	6,002,143	6,288,103
Education	1,225,000	1,375,000
Public safety	3,119,440	3,317,473
Public health	3,932,657	4,931,388
Transportation	187,959	215,580
Economic assistance and opportunity	11,161,439	11,689,571
Culture and recreation	424,174	627,202
Home and community services	495,203	500,623
Employee benefits	3,819,857	3,899,952
Debt service - Principal and interest	49,390	49,390
Total Expenditures	30,417,262	32,894,282
Excess of Revenues	1,262,795	1,157,197
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Interfund transfers (out)	(2,762,795)	(2,762,795)
Total Other Financing (Uses)	(2,762,795)	(2,762,795)
Excess of (Expenditures) and Other Financing Sources (Uses)	(1,500,000)	(1,605,598)
Appropriated Reserves		
Appropriated Fund Balances	1,500,000	1,605,598
Net Increase (Decrease)	\$ -0-	\$ -0-
Fund Balance, Beginning		
Fund Balance, Ending		

See Independent Auditor's Report and Notes to Required Supplementary Information

Actual	Encumbrances	Variance Favorable- (Unfavorable)
\$ 8,853,950	\$	\$ 243,366
419,144		(8,356)
8,412,809		(165,460)
4,347,750		(228,439)
481,003		(13,275)
538,282		(24,454)
75,531		15,331
101,098		(98)
116,036		93,216
4,712,831		(1,029,827)
3,963,442		(911,607)
32,021,876	-0-	(2,029,603)
5,872,848	21,498	393,757
1,320,644		54,356
3,076,743		240,730
4,062,227	21,575	847,586
200,696		14,884
11,299,514	17,521	372,536
508,781		118,421
460,708		39,915
3,524,442		375,510
75,112		(25,722)
30,401,715	60,594	2,431,973
1,620,161	(60,594)	402,370
(4,291,647)		(1,528,852)
(4,291,647)	-0-	(1,528,852)
(2,671,486)	\$ (60,594)	\$ (1,126,482)
10,511,151		
\$ 7,839,665		

COUNTY OF SCHUYLER  
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)  
 COUNTY ROAD FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>
<b><u>REVENUES</u></b>		
Use of money and property	\$ 305	\$ 300
Fines and forfeitures	700	700
Sale of property and compensation for loss	1,800	1,800
Miscellaneous local sources	6,850	6,850
State sources	731,225	807,132
Federal sources	925,200	1,155,096
Total Revenues	<u>1,666,080</u>	<u>1,971,878</u>
<b><u>EXPENDITURES</u></b>		
Transportation	3,370,359	3,706,603
Employee benefits	424,359	429,557
Total Expenditures	<u>3,794,718</u>	<u>4,136,160</u>
Excess of (Expenditures)	<u>(2,128,638)</u>	<u>(2,164,282)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Interfund transfers in	2,128,638	2,128,638
Total Other Financing Sources (Uses)	<u>2,128,638</u>	<u>2,128,638</u>
Excess of (Expenditures) and Other Financing Sources (Uses)	<u>-0-</u>	<u>(35,644)</u>
Appropriated Fund Balances		<u>35,644</u>
Net Increase	<u>\$ -0-</u>	<u>\$ -0-</u>
Fund Balance, Beginning		
Fund Balance, Ending		

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable- (Unfavorable)</u>
\$ 15,483	\$	\$ 15,183
1,400		700
4,522		2,722
1,021		(5,829)
836,649		29,517
686,431		(468,665)
1,545,506	-0-	(426,372)
3,194,631		511,972
375,002		54,555
3,569,633	-0-	566,527
(2,024,127)	-0-	140,155
2,128,638		
2,128,638	-0-	-0-
104,511	\$ -0-	\$ 140,155
377,305		
\$ 481,816		

COUNTY OF SCHUYLER  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note 1 - Budgetary Data

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

- a. No later than November 15, the budget officer submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the following funds:
  - General Fund
  - County Road Fund
  - Road Machinery Fund
- b. After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the County Legislature. During 2007, the budget was modified for unanticipated grants and revenues, anticipated bond revenue and carryover encumbrances.
- d. Appropriations are adopted at the functional level by department.
- e. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the project.
- f. An annual legal budget is not adopted for the Special Grant Fund, which is a Special Revenue Fund. Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements.
- g. Appropriations lapse at year end.

2. Encumbrances

Encumbrances are recorded to reserve a portion of fund balance for outstanding commitments to be financed from current appropriations. Encumbrance accounting, under which contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the General and Special Revenue Funds. Encumbrances are reported as reservations of fund balances, as they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America for the General, County Road, and Road Machinery Funds. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered disbursements in the financial plan or expenditures in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded. The accompanying Budgetary Comparison Schedules for the budgeted major Governmental Funds, General and County Road Fund, present comparisons of the legally adopted budget with actual data.

Note 2 - Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

COUNTY OF SCHUYLER  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	Special Revenue Funds		STASC	Total
	Special Grant Fund	Road Machinery Fund	Debt Service Fund	Non-Major Governmental Funds
<b><u>ASSETS</u></b>				
Assets:				
Cash and cash equivalents - Unrestricted	\$	\$	\$ 79,627	\$ 79,627
- Restricted	634,265		350,645	984,910
Due from other funds		212,387		212,387
Due from state and federal governments		89,120		89,120
Other receivables, net		29,756	301,600	331,356
Prepaid expenses			4,523	4,523
Loans receivable	106,891			106,891
 Total Assets	\$ 741,156	\$ 331,263	\$ 736,395	\$ 1,808,814
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$	\$ 208,744	\$ 2,500	\$ 211,244
Accrued liabilities		2,678		2,678
Due to other funds	618,008	131,452		749,460
Due to other governments	42,272			42,272
 Total Liabilities	660,280	342,874	2,500	1,005,654
Fund Balances:				
Fund Balances - Reserved:				
Miscellaneous special reserve		37,541		37,541
Debt service			733,895	733,895
Total Reserved	-0-	37,541	733,895	771,436
Fund Balances - Unreserved, Reported in:				
Special Revenue Funds	80,876	(49,152)		31,724
 Total Fund Balances	80,876	(11,611)	733,895	803,160
 Total Liabilities and Fund Balances	\$ 741,156	\$ 331,263	\$ 736,395	\$ 1,808,814

See Independent Auditor's Report

COUNTY OF SCHUYLER  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	<u>Special Revenue Funds</u>		STASC	Total
	<u>Special Grant Fund</u>	<u>Road Machinery Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>
<b><u>REVENUES</u></b>				
Intergovernmental charges	\$	\$ 307,906	\$	\$ 307,906
Use of money and property	4,979	1,104	25,542	31,625
Sale of property and compensation for loss		1,817		1,817
Miscellaneous local sources			302,841	302,841
Interfund revenues		180,000		180,000
State sources	31,024	89,120		120,144
Total Revenues	<u>36,003</u>	<u>579,947</u>	<u>328,383</u>	<u>944,333</u>
<b><u>EXPENDITURES</u></b>				
General governmental support			31,052	31,052
Transportation		1,122,095		1,122,095
Home and community services	31,024			31,024
Employee benefits		69,340		69,340
Debt service (principal and interest)			268,417	268,417
Total Expenditures	<u>31,024</u>	<u>1,191,435</u>	<u>299,469</u>	<u>1,521,928</u>
Excess of Revenues (Expenditures)	<u>4,979</u>	<u>(611,488)</u>	<u>28,914</u>	<u>(577,595)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Interfund transfers in		634,157		634,157
Total Other Financing Sources	<u>-0-</u>	<u>634,157</u>	<u>-0-</u>	<u>634,157</u>
Excess of (Expenditures) Revenues and Other Financing Sources (Uses)	<u>4,979</u>	<u>22,669</u>	<u>28,914</u>	<u>56,562</u>
Fund Balances, Beginning	<u>75,897</u>	<u>(34,280)</u>	<u>704,981</u>	<u>746,598</u>
Fund Balances, Ending	<u>\$ 80,876</u>	<u>\$ (11,611)</u>	<u>\$ 733,895</u>	<u>\$ 803,160</u>

See Independent Auditor's Report

---

John H. Dietershagen, C.P.A.  
Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
Patrick S. Jordan, C.P.A.  
Duane R. Shoen, C.P.A.  
Lesley L. Homer, C.P.A.  
D. Leslie Spurgin, C.P.A.

---



**Ciaschi • Dietershagen • Little • Mickelson  
& Company, LLP**

*Certified Public Accountants and Consultants*

---

Frederick J. Ciaschi, C.P.A.

**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**

County Legislature  
County of Schuyler  
Watkins Glen, New York

We have audited the financial statements of the County of Schuyler as of and for the year ended December 31, 2007, and have issued our report thereon dated July 23, 2008. 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 County of Schuyler'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 County of Schuyler's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County'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 County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 07-3, 07-4, 07-5, 07-7 and 07-8 to be significant deficiencies in internal control over financial reporting.

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 entity's internal control.

- 38 -

---

**CORTLAND**

39 Church Street  
Cortland, New York 13045  
607-753-7439  
fax 607-753-7874

---

**ITHACA**

401 East State Street ~ Suite 500  
Ithaca, New York 14850  
607-272-4444  
fax 607-273-8372  
[www.cdlim.com](http://www.cdlim.com)

---

**WATKINS GLEN**

108 West Fourth Street  
Watkins Glen, New York 14891  
607-535-4443  
fax 607-535-6220

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies in internal controls over financial reporting described in the accompanying schedule of findings and questioned costs, we consider items 07-1, 07-2, 07-3, 07-5, 07-7 and 07-8 to be material weaknesses.

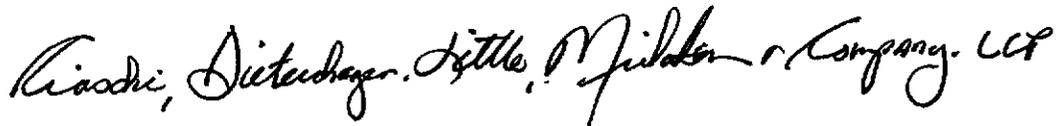
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Schuyler'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*.

We noted certain matters that we reported to management of the County of Schuyler in a separate letter dated July 23, 2008.

The County of Schuyler's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County of Schuyler's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, 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.



July 23, 2008  
Ithaca, New York

---

John H. Dietershagen, C.P.A.  
Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
Patrick S. Jordan, C.P.A.  
Duane R. Shoen, C.P.A.  
Lesley L. Horner, C.P.A.  
D. Leslie Spurgin, C.P.A.

---



**Ciaschi • Dietershagen • Little • Mickelson  
& Company, LLP**

*Certified Public Accountants and Consultants*

---

Frederick J. Ciaschi, C.P.A.

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

County Legislature  
County of Schuyler  
Watkins Glen, New York

**Compliance**

We have audited the compliance of the County of Schuyler 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, 2007. The County of Schuyler'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 County of Schuyler's management. Our responsibility is to express an opinion on the County of Schuyler's compliance based on our audit.

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

In our opinion, the County of Schuyler 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, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-6.

**Internal Control Over Compliance**

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

- 40 -

---

**CORTLAND**

39 Church Street  
Cortland, New York 13045  
607-753-7439  
fax 607-753-7874

**ITHACA**

401 East State Street ~ Suite 500  
Ithaca, New York 14850  
607-272-4444  
fax 607-273-8372  
[www.cdlim.com](http://www.cdlim.com)

**WATKINS GLEN**

108 West Fourth Street  
Watkins Glen, New York 14891  
607-535-4443  
fax 607-535-8220

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. We identified no deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

The County of Schuyler's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County of Schuyler's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of, management, the audit committee, 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.



July 23, 2008  
Ithaca, New York

COUNTY OF SCHUYLER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal Catalog #	Pass - Through Grantor #	Expenditures
<u>Department of Agriculture</u>			
Passed Through NYS Department of Social Services:			
Food Stamps	10.551	(1)	\$ 1,980,133
Passed Through NYS Department of Education:			
School Breakfast Program	10.553	550301100001	3,489
National School Lunch Program	10.555	550301100001	5,366
Passed Through National Fish and Wildlife Foundation:			
Soil and Water Conservation	10.902	2005-0001-024	13,889
Passed Through Upper Susquehanna Coalition:			
Environmental Quality Incentives Program	10.912	(1)	6,414
Direct:			
Soil and Water Conservation	10.902	N/A	<u>18,062</u>
Total Department of Agriculture			<u>2,027,353</u>
<u>Department of Criminal Justice Services</u>			
Passed Through NYS Division of Criminal Justice Services:			
Byrne Formula Grant Program	16.579	C820835	12,276
Byrne Formula Grant Program	16.579	T847032	6,652
Violence Against Women Formula Grants	16.588	T565630	27,750
Passed Through NYS Crime Victims Board:			
Crime Victim Assistance	16.575	C402002	50,424
Direct:			
Bulletproof Vest Partnership Program	16.607	N/A	<u>1,063</u>
Total Department of Criminal Justice Services			<u>98,165</u>
<u>Department of Labor</u>			
Passed Through NYS Office of Children & Family Services:			
WIA Youth Activities	17.259	C024736	<u>101,452</u>
Total Department of Labor			<u>101,452</u>
<u>Department of Transportation</u>			
Passed Through NYS Department of Transportation:			
Highway Planning and Construction	20.205	D022133	23,428
Highway Planning and Construction	20.205	D024544	<u>663,002</u>
Total Department of Transportation			<u>686,430</u>
Subtotal			<u>2,913,400</u>

(1) Denotes - Unable to Obtain from Pass - Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SCHUYLER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>Federal Catalog #</u>	<u>Pass - Through Grantor #</u>	<u>Expenditures</u>
Subtotal Carried Forward			\$ <u>2,913,400</u>
<u>Department of Environmental Conservation</u>			
Passed Through Upper Susquehanna Coalition:			
Targeted Watersheds Grants	66.439	(1)	13,246
Passed Through Finger Lakes Association, Inc.:			
Water Quality Management Planning	66.454	C302810-0506	25,693
Water Quality Management Planning	66.454	C302810-0607	33,812
Passed Through National Fish and Wildlife Foundation:			
Surveys, Studies, Investigations and Special Purpose Grants	66.606	2005-0001-024	<u>15,000</u>
Total Department of Environmental Conservation			<u>87,751</u>
<u>Department of Education</u>			
Passed Through NYS Department of Health:			
Special Education - Grants for Infants and Families with Disabilities	84.181A	C-021820	<u>25,434</u>
Total Department of Education			<u>25,434</u>
<u>Department of Health and Human Services</u>			
Passed Through NYS Office for the Aging:			
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	(1)	3,029
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(1)	44,844
Title III, Part C - Nutrition Services	93.045	(1)	93,618
National Family Caregiver Support	93.052	(1)	58,963
Nutrition Services Incentive	93.053	(1)	26,080
Low-Income Home Energy Assistance	93.568	(1)	25,139
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	(1)	29,079
Passed Through NYS Dept. of Health:			
Immunization Grants	93.268	C-018686	9,873
Maternal and Child Health Services Block Grant to the States	93.994	C-020630	10,957
Maternal and Child Health Services Block Grant to the States	93.994	C-021578	13,825
Passed Through Health Research, Inc.:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	001609-05	55,194
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	001609-06	<u>14,533</u>
Subtotal			<u>3,411,719</u>

(1) Denotes - Unable to Obtain from Pass - Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SCHUYLER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>Federal Catalog #</u>	<u>Pass - Through Grantor #</u>	<u>Expenditures</u>
Subtotal Carried Forward			\$ <u>3,411,719</u>
<u>Department of Health and Human Services (continued)</u>			
Passed Through NYS Office for Alcohol and Substance Abuse Services:			
Medical Assistance Program	93.778	(1)	200,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(1)	192,041
Passed Through NYS Department of Social Services:			
Temporary Assistance for Needy Families	93.558	(1)	1,189,888
Child Support Enforcement	93.563	(1)	250,730
Low-Income Home Energy Assistance	93.568	(1)	906,120
Child Care and Development Block Grant	93.575	(1)	494,006
Foster Care - Title IV-E	93.658	(1)	184,006
Adoption Assistance	93.659	(1)	34,596
Social Services Block Grant	93.667	(1)	559,386
Chafee Foster Care Independent Living	93.674	(1)	682
State Children's Insurance Program	93.767	(1)	130
Medical Assistance Program	93.778	(1)	<u>224,190</u>
Total Department of Health and Human Services			<u>4,620,909</u>
<u>Department of Homeland Security</u>			
Passed Through NYS Emergency Management Office:			
Emergency Management Performance Grants	97.042	(1)	5,598
Pre-Disaster Mitigation	97.047	(1)	6,030
Passed Through NYS Office of Homeland Security:			
Homeland Security Grant Program	97.067	C839460	11,000
Homeland Security Grant Program	97.067	C839462	<u>9,413</u>
Total Department of Homeland Security			<u>32,041</u>
Total Expenditures of Federal Awards			\$ <u>7,679,535</u>

(1) Denotes - Unable to Obtain from Pass - Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SCHUYLER  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the County of Schuyler, an entity as defined in Note 1 to the County of Schuyler's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

Note 3 - Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

Note 4 - Matching Costs

Matching costs, i.e., the County of Schuyler's share of certain program costs, are not included in the reported expenditures.

Note 5 - Department of Social Services - Administrative Costs

Differences between the amounts reflected in the Schedule of Expenditures of Federal Awards and the Department of Social Service's federal financial reports (RF-2 claims) are due to the allocation of administrative costs to the individual programs.

Note 6 - Non-Monetary Federal Program

The County of Schuyler is the recipient of a federal financial assistance program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended December 31, 2007, the County of Schuyler distributed \$1,583,858 worth of food stamps to eligible persons participating in the Food Stamps Program (CFDA #10.551). This program was considered a major federal financial assistance program in the County of Schuyler's single audit.

COUNTY OF SCHUYLER  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

Section I - **Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  X  yes   none reported

Noncompliance material to financial statements noted?   yes  X  no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?   yes  X  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?   yes  X  none reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.551</u>	<u>Food Stamps</u>
<u>93.558</u>	<u>Temporary Assistance to Needy Families</u>
<u>93.575</u>	<u>Childcare and Development Block Grant</u>
<u>93.563</u>	<u>Child Support Enforcement</u>
<u>93.667</u>	<u>Social Services Block Grant</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>

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

Auditee qualified as low-risk auditee:   yes  X  no

COUNTY OF SCHUYLER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2007

Section II - **Financial Statement Findings**

07-1 Bank Statement Reconciliations

Condition

It is the responsibility of the County to provide accurate and timely information to its constituents and Legislature. During our audits, we have noted the County's bank accounts are not being reconciled to the general ledger system on a monthly basis, resulting in significant differences between the general ledger balances and the reconciled cash balances along with significant time needed at year-end to reconcile the two. Also, cash transactions recorded in the check books are not consistently posted to the general ledger and vice-versa. This results in inaccurate reports being provided to the Legislature.

Recommendation

We recommend all bank accounts be reconciled monthly to the general ledger and any discrepancies be resolved at that time. Reconciling bank statements to the financial accounting system will increase the County's controls over the safeguarding of assets.

Management's Response

As of April 30, 2008, all bank statements have been reconciled to the General Ledger. The County is working on reconciling the General Ledger to the bank reconciliations up to June 30, 2008 as of the date of this letter.

07-2 General Ledger Oversight

Condition

As noted above, it the responsibility of the County to provide accurate and timely financial statements. However, during our audits we have noted that general ledger balance sheet accounts are not being reviewed or reconciled on a periodic basis, resulting in large negative balances in receivable and payable accounts during the year and trial balances which do not balance. As noted above, cash balances did not agree with offline records and bank reconciliations. In addition, Due To/Due From and Interfund revenue and expenditure accounts did not balance between funds and encumbrances did not agree with the manual open purchase order listing. It has also been noted that one-time entries were either not made or not made on a timely basis during the year.

Recommendation

We recommend all asset and liability accounts be reviewed and reconciled monthly. Any discrepancies should be corrected at that time to ensure accurate and timely financial reporting. It is also recommended training be provided to all Treasurer Office's personnel on municipal accounting, internal controls and use of the County's financial general ledger accounting software.

Management's Response

Management is working on reconciling the asset and liability accounts as of June 30, 2008 and will reconcile the accounts monthly after this date.

07-3 Journal Entries

Condition

During our current year audit, we noted journal entries not being reviewed by management, entries posted incorrectly were often corrected by several other incorrect entries, and journal entries being backdated. Also, adequate documentation for journal entries was not, in most instances, attached to the entries. This resulted in difficulty correcting balances at year end, as the actual entry backup could not be located. All journal entries should be maintained in a general journal book in chronological order, approval or review noted on the entry and supporting documentation attached.

COUNTY OF SCHUYLER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2007

Recommendation

It is recommended all journal entries be accompanied by adequate documentation, dated at the time the entry is made or posted to the correct "period," and reviewed by management at the time the entry is made. Any corrections should be made when noted and the incorrect entry should be marked as corrected, noting the date, journal entry number and individual posting the entry. All of the above information should be attached to the journal entry and maintained in chronological order in a general journal book.

Management's Response

Journal entries will be kept in chronological order in a binder with supporting documentation attached. In addition, all journal entries will be reviewed before posting in the system from the date of this report forward.

07-4 Deficit Fund Balances

Condition

It is the responsibility of County management to monitor County funds and ensure monies are being properly recorded and reported, and used in accordance with their approved intent. During our current and prior year audits, it was noted that the Road Machinery Fund had a deficit fund balance. This was due to expenditures being greater than revenues. This deficit will be eliminated by the transfer of funds from the County Road Fund.

Recommendation

We recommend the General Fund reimburse the Capital Projects Fund and the County Road Fund reimburse the Road Machinery Fund in order to clear deficit balances.

Management's Response

As of the date of this report, money has been transferred from the County Road Fund to the Road Machinery Fund to create a positive fund balance in the Road Machinery Fund.

07-5 Budgets

Condition

Per GML, management is responsible for following the approved use of County funds in accordance with an approved budget. During our current year audit, we noted the County's budget, as entered into the financial accounting system, did not balance. This was due to budgeted funds remaining at the prior year-end being recorded as expenditures and not balanced with an entry to the revenue budget. Most of these grants were closed during the prior year-end and funds were remaining because of incorrect coding of expenditures. In addition, certain expenditure function totals in the General and County Road funds were over-expended at year-end.

Recommendation

It is recommended that departments be urged to properly code grant expenditures and periodically review their respective grant budgets per the Treasurer's reports to ensure grant expenditures are being reported properly. In addition, grant funds remaining at year end should be reviewed with Department heads before being added to the current year budget to ensure they are legitimate budget items. Revenue status and expenditures status reports should periodically be checked to ensure that they balance. Also, budget balances should be checked before expenditures are made to ensure budgets are not over-expended, per GML.

Management's Response

As of July 1, 2008, all budget reports are being monitored monthly. Any discrepancies will be investigated and adjustments made as necessary to avoid future problems. In addition, grant codes will be checked to ensure they are in balance and still available for the respective department to utilize.

COUNTY OF SCHUYLER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2007

07-7 Audit Adjustments

Condition

During our current year audit we made numerous audit adjustments. Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Audit adjustments that, either individually or in the aggregate, may have a significant effect on the County's financial reporting process were reviewed, approved and posted by management. The net effect of our proposed adjustments which have an effect that was considered material to the financial statements taken as a whole follow:

- Fund Balance of the County Road Fund: increased by \$30,251
- Fund Balance of the Road Machinery Fund: increased by \$97,983
- Fund Balance of the Capital Projects Fund: increased by \$1,484,519
- After 27 audit adjustments proposed for the General Fund, net effect to Fund Balance: decreased \$1,943,868

Management's lack of accounting ability and knowledge has led to numerous posting errors throughout the fiscal year. These errors have resulted in material financial statement misstatements in reports received by the Legislature prior to our audit adjustments.

Recommendation

We recommend monthly reviews and reconciliations of general ledger balances be performed and reviewed by a responsible official. Differences should be investigated and adjustments made on a timely basis to ensure accurate and timely financial reporting. In addition, we recommend a knowledgeable accountant be hired to perform these monthly accounting functions and a balance sheet be provided to the Legislature along with the financial information they are currently receiving.

Management's Response

By reviewing Asset and Liability accounts monthly, the County should be able to reduce the amount of adjusting entries made by the Auditors.

07-8 Preparation of Financial Statements

Condition

The preparation and assembly of the Schuyler County's financial statements, schedule of federal expenditures and related footnotes were done by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP. While it is common for the auditor to prepare the financial statements for many small organizations, the role of the auditor continues to be expressing an opinion on those financial statements. A new auditing standard which became effective for the current year audit requires us to assess whether the organizations we audit are able to prepare financial statements, schedules of federal expenditures and footnotes in accordance with generally accepted accounting principles. Based on the comments in this letter, it is our opinion that management has not demonstrated the knowledge or ability to prepare such financial statements, schedules of federal expenditures and footnotes in accordance with generally accepted accounting principles.

Recommendation

We recommend the County consider providing training in municipal accounting and internal controls for all Treasurer's office personnel or consider hiring an accounting consultant to prepare the County's financial statements.

Management's Response

The Treasurer's Office welcomes the opportunity to be trained in preparing its own financial statements to help reduce costs. The County will continue to look for where this training is taking place.

COUNTY OF SCHUYLER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2007

**Prior Year Findings Resolved**

06-1 Uncollateralized Bank Deposits

Condition

As required by General Municipal Law, Schuyler County's deposits over the FDIC limit must be collateralized. At December 31, 2006, the County had uncollateralized bank deposits of \$286,863.

Resolution

During our current year audit, we noted no uninsured, uncollateralized financial institution balances at December 31, 2007.

06-2 Office for the Aging

Condition

During our current year review of the Office for the Aging, we noted a lack of compliance with the reporting requirements. State aid claim forms for the year ended December 31, 2006 were not submitted until April 2007.

Resolution

All Office for the Aging state aid claim forms for the year ended December 31, 2007 were submitted on time.

06-6 Deficit Fund Balances

Condition

It is the responsibility of County management to monitor County funds and ensure monies are being properly recorded and reported, and used in accordance with their approved intent. It was noted during our audits that the Capital Projects Fund has had a deficit fund balance dating from at least December 31, 2003. This deficit will be eliminated with the transfer of funds from the General Fund and is due to matching funds not yet transferred.

Resolution

A transfer was done during the year ended December 31, 2007, eliminating the deficit fund balance in the Capital Projects Fund.

**Section III - Federal Award Findings and Questioned Costs**

07-6 93.575, Child Care and Development Block Grant

Condition

In accordance with OMB A-87 and grant allowable cost requirements, a family share is to be deducted from the amount paid by the County for Child Care and Development Block Grant payments. During our current year test of compliance, out of \$18,027 in payments, we noted \$439 overpaid by the County because the family share was not deducted or because the family share was incorrectly calculated.

Recommendation

It is recommended that Child Care and Development Block Grant staff be instructed how to calculate payments and the family share. Also, all payments should be reviewed by a responsible individual for allowability and proper calculation before payment.

Management's Response

First, the Department will recalculate the payments made to providers and initiate collection action for any overpayments. To preclude future occurrences, workers will be re-trained in calculating payments, and the Supervisor will review a selected number to ensure the payments were calculated correctly. Finally, the Department's Para-legal will include Child Care files in her spot-check of Temporary Assistance files, checking for both accuracy as well as completeness.