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MANAGEMENT COMMENT LETTER

To the Chairperson and
Members of the Legislature
County of Schuyler
Watkins Glen, New York

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler (the County) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

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

CURRENT YEAR FINDINGS

During our current year audit we noted the General Fund and Agency Fund trial balances did not balance. During our audit, it was determined this was caused by an error in the KVS payroll module implemented towards year-end. The Treasurer has since balanced the trial balances and KVS module for payroll is no longer being used. It was also noted during the current year audit that control accounts for revenues, expenditures and encumbrances in the General Fund did not agree with the related subsidiary accounts. The imbalance between revenues and expenditures resulted due to control accounts not being completely closed to fund balance at December 31, 2009. The encumbrance control account balances did not agree with the subsidiary detail information totals due to prior year entries recorded as journal entries, rather than increasing or decreasing specific purchase order amounts. We also noted amounts posted directly to reserve accounts. Amounts which affect reserves need to be posted to the relevant revenue and expenditure accounts, rather than posted directly to reserves. An adjusting entry moving the amounts to/from reserves and from/to unappropriated fund balance should then be done. The above findings result in: incorrect beginning fund balance amounts, incorrect revenue and expenditure totals and erroneous encumbrances carried forward to the subsequent years' budget. Combined, these items lead to inaccurate financial projections and budget to actual reports.

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During our current year audit, we noted grant revenue of \$2,417,231 and grant expenditures of \$2,593,937 were added to the original budget. Of these amounts, \$468,231 added to revenues and expenditures was noted in resolutions. \$307,894 was added to revenues and \$372,254 to expenditures for grants which should have been closed in the prior year or before. The remaining additions were amounts carried forward and added by KVS based on unreceived/unspent amounts from prior years. The Treasurer does not review amounts automatically posted by KVS. In at least one case, these amounts were grossly overstated and in several instances the amounts were negative. The overall result was inflated budgeted revenues of \$854,627 and inflated budgeted expenditures of \$1,031,332, and could have resulted in a significant overexpenditure of the budget. Fortunately, after adjustments for the amounts noted, actual expenditures were \$1,309,982 under the modified budget.

As mentioned below, the Capital Project Fund has sustained a deficit for the past several years, specifically \$(75,759) and \$(2,666,687) for the years ended December 31, 2010 and 2009, respectively. \$2,115,000 of the prior year's deficit was relieved with the issue of serial bonds and receipt of project funding. When questioned regarding whether funding for a specific project was received, the Treasurer did not know and could not specify projects contributing to the deficit fund balance. Upon further questioning and research, it was determined the County's share of the project had not been properly recorded in the Capital Projects Fund and transfers from General Fund reserves for capital had not been done. This resulted in a transfer of \$816,494 to the Capital Projects Fund. The remaining deficit is currently being researched.

During our current year audit, allocations of the County's share of social security taxes and NYS Employees' Retirement System contributions had not been allocated to County Road and Road Machinery Funds. The County Road and Road Machinery share of medical insurance costs had also not been allocated. This resulted in increases to employee benefits expenditures of County Road and Road Machinery Funds of \$146,346 and \$29,895, respectively.

During our current year audit, it was noted that the Treasurer does not track and adjust reserve accounts. Several reserves are outdated and have not changed over many years. Others have been accumulating balances because the respective departments are not aware of the balance of said reserves, and, as such, are not using them. This lack of tracking has resulted in the use of unreserved, unappropriated fund balance when reserves could have been used.

As noted in the past, cash amounts in KVS were not reconciled to the bank statements reconciliation, resulting in significant differences between actual cash balances and the general ledger for all but the Special Grant Fund during the current year audit. In addition, revenues were not correctly posted to receivable accounts and balance sheet accounts were not reconciled at year-end. This resulted in significant reductions to revenues, assets and liabilities and increases to expenditures, as well as requiring extensive audit time to reconcile these accounts. This passive approach in applying accounting principles has created glaring discrepancies between actual amounts and those expected.

In summary, the lack of corrective action implementation to enhance financial accountability has resulted in the recurring findings listed herein. Our current and prior years' findings, along with current status, are explored in further detailed below.

CURRENT AND PRIOR YEARS' FINDINGS

SIGNIFICANT DEFICIENCIES CONSIDERED TO BE MATERIAL WEAKNESSES

General Ledger Oversight

Finding:

It was noted during our current and prior year audits that Due To/Due From and Interfund Revenue and Expenditure accounts did not balance between funds. As such, individual funds are not appropriately reporting sources and uses of revenues and expenditures. This complicates matters at budget time. In addition, encumbrances did not agree with the manual open purchase order listing, affecting budget to actual variances. It was also noted one-time entries were either not made, not made on a timely basis or recorded incorrectly during the year. These omissions produce material errors in reports created from the financial accounting system, both for actual and budget numbers. This includes reports sent to the State, County Administrator, County departments and the Legislature, and requires significant time at year end to correct.

Recommendation:

We recommend all asset and liability accounts be reviewed and reconciled monthly. Any discrepancies should be corrected immediately to ensure accurate and timely financial reporting. Providing training to all Treasurer's Office personnel on municipal accounting, internal controls and use of the County's financial general ledger accounting software is also recommended. In addition, we recommend accounting software be cleared of all purchase orders and all control accounts related to encumbrances be brought to zero at or near year end. When these accounts have been cleared, purchase orders to be carried over into the next year can then be entered into the system.

Current Status:

We again had difficulty reconciling interfund activity and had to adjust encumbrances to a manual listing of open purchase orders maintained by the Purchasing Agent. While the County's computerized general ledger has the ability to track open purchase orders, it has not balanced with the general ledger for many years. Verbal recommendations made by us to investigate and correct the problem have gone unheeded. It is recommended the purchase order module be purged of all purchase orders on December 31, 2011 and all open purchase orders on the manual listing be re-entered as of that date. This will correct several issues and should eliminate the need to maintain two sets of records.

Ledger Oversight

Finding:

It was noted during the prior years' audits general ledger balance sheet accounts were 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 not balancing. This resulted in significant adjusting entries during the audit. Cash balances did not agree with offline records and bank reconciliations, resulting in an increased risk for misappropriated assets not detected timely. In addition, it was noted trial balances did not balance and control accounts did not agree with subsidiary accounts. The above items result in material errors in reports created from the financial accounting system, both for actual and budget numbers, including reports sent to the Legislature. Significant time was required at year end to correct these accounts.

Recommendation:

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

Current Status:

During our current year audit, we noted monthly reconciliations of balance sheet accounts are still not being performed. Also, the General Fund trial balance did not balance and subsidiary accounts did not agree in total with control accounts.

Bank Statement Reconciliations

Finding:

It was noted during current and prior years' audits that County 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 reconciled cash balances, along with requiring significant time at year end to reconcile the two. Also, cash transactions recorded in the check books were not consistently posted to the general ledger and vice-versa.

Recommendation:

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

Current Status:

The majority of bank reconciliations appear to have been prepared monthly and compared to the general ledger. However, discrepancies at December 31, 2010 had not been resolved and adjusted. In addition, an audit adjustment to decrease cash by \$482,018 in the Agency Fund was necessary, as balances of departmental cash accounts are not tracked by the Treasurer's Office on a regular basis. Also, the self-insurance, welfare and general fund accounts had not been reconciled at the time of the audit.

Journal Entries

Finding:

During our current and prior year audits, we noted entries posted incorrectly which were often corrected by several other incorrect entries, and backdated journal entries. 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.

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 date, journal entry number and individual posting the entry. All above information should be attached to the journal entry and maintained in chronological order in a general journal book.

Current Status:

During our current year audit, we noted a continued lack of adequate documentation.

Budgets

Finding:

During our current and prior years' audits, we noted the County's budget, as entered into the financial accounting system, did not balance. This was due to remaining budgeted grant funds from prior year end being recorded as expenditures and not balanced with an entry to the revenue budget, or vice-versa. Many of these grants were closed during the prior year end and funds remained due to incorrect coding of expenditures or revenues. In addition, because encumbrances per the general ledger did not agree with the manual ledger, purchase orders rolled over into the budget were incorrect. We also noted several grants added to the budget more than once.

Recommendation:

It is recommended all departments be urged to properly code grant expenditures and periodically review their respective grant budgets per 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 expenditure status reports should periodically be checked to ensure they balance. Also, budget balances should be checked before expenditures are made to ensure budgets are not over-expended, per GML. In addition, purchase orders rolled over should be checked against the manual open purchase order listing before being added to the budget.

Current Status:

During our current year audit, we noted budgets, as entered into the financial accounting system, did not balance due to prior year encumbrances not being in agreement with the manual open purchase order listing at December 31, 2009. Additionally, grant revenues were not equal to grant expenditures added to the budget. We did not note any grants added to the budget twice during the current year audit.

Preparation of Financial Statements

Finding:

The preparation and assembly of the Schuyler County's financial statements, Schedule of Federal Expenditures and related footnotes were delegated to the audit firm. 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. Statement on Auditing Standards #112 requires us to assess whether the organizations we audit are able to prepare financial statements, Schedule 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. The County administration and the legislative oversight finance committee have taken on the responsibility to review and edit the draft financial statements, disclosures and schedule of federal expenditures.

Recommendation:

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

Current Status:

No change noted.

Audit Adjustments

Finding:

During our current and prior year audits 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 for the current year which have an effect considered material to the financial statements taken as a whole follow:

- Fund Balance of the General Fund: decreased by \$1,790,525
- Fund Balance of the County Road Fund: increased by \$807,848
- Fund Balance of the Road Machinery Fund: decreased by \$44,895
- Fund Balance of the Capital Projects Fund: increased by \$2,316,141
- Fund Balance of the Self-insurance Fund: increased by \$1,000,719

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 County Administrator 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 the County Administrator and Legislature in addition to any financial information they are currently receiving.

Current Status:

No change noted.

OTHER MATTERS

In addition to the above control deficiencies noted during our audit, we became aware of other matters that are opportunities for strengthening policies, procedures, operating efficiency, and County compliance with applicable laws and regulations.

Interim Reporting

Finding:

We discovered during our prior year audit the Legislature is not receiving financial reports from the Treasurer. The County Administrator receives Budget-to-Actual reports monthly. However, the Balance Sheet is not provided to anyone outside the Treasurer's Office until the AUD is filed with New York State. Occasionally, the County Administrator will request a Fund Balance projection, but does not receive a general ledger report. Department heads do receive monthly budget to actual revenue and expenditure status reports.

Recommendation:

Timely, accurate financial reports are a necessity for any individual charged with the responsibility of operating a municipality in order to make fiscally prudent decisions. These reports should include, but are not limited to, monthly revenue and expenditure status reports, which show budget to actual results, and quarterly balance sheets for all funds.

Current Status:

No change was noted during our current year audit.

Deficit Fund Balances

Finding:

During our current and prior year audits, it was noted the Capital Projects Fund had a deficit fund balance. This was due to expenditures exceeding revenue during the prior year. This deficit will be eliminated by the payoff of Bond Anticipation Notes (BANs) either by issue of bonds or appropriations from the General Fund.

Recommendation:

We recommend the County evaluate the funds available and amounts to be received and expended for Capital Projects to ensure amounts spent are within available resources and the deficit does not grow beyond possible funding.

Current Status:

An unreconciled difference of \$(75,759) still exists at December 31, 2010.

NonCurrent Financial Accounting and Inefficient Offline and Manual Records

Finding:

The County based MAS 90 financial general ledger accounting was in a noncurrent status due to the late completion of financial information for the audit of the December 31, 2000 year, which was finalized during mid-year 2003. The next four years were also not yet completely closed out as of the December 31, 2004 report date due to delays in the development and implementation of a strategic plan to regain current status of the financial records and reporting to the State. It was anticipated software upgrades would facilitate improvements in reporting timeliness and reduce the use of offline and manual records mentioned below, and significant improvements were noted during our audit of the year ending December 31, 2005. However, as of May, 2009, ongoing improvements ceased.

We noted many offline manual columnar worksheet schedules being prepared on a relatively current basis to maintain control over cash balances, cash receipts, and other related processes, because the County based MAS 90 general ledger accounting system was not maintained on a current basis, as previously noted. In addition, the MAS 90 System was not utilized for input of point of receipt cash transactions with generation of report writing features. Tabulation of manual spreadsheet entries was used as a basis to input monthly totals.

It is important to note the significant duplication of effort and inefficiencies caused by manual and noncurrent financial reporting. Furthermore, preparation of manual columnar worksheets rather than electronic Excel spreadsheets for various supporting financial records is inefficient and precludes the ability to easily provide supplemental analysis and reporting of certain information.

Accordingly, we recommend these supplemental processes, as necessary or beneficial, be converted to electronic Excel spreadsheets. However, consideration should first be given to whether the current MAS 90 information technology system could be directly utilized for these transactions with special report writing features.

Current Status:

As was noted during our current and prior year audits, manual columnar worksheet schedules continue to be utilized to enter daily activity not run through the cash receipts module. These manual worksheets are also used for all bank account activity and cash disbursements not paid through the warrant process. During 2007, the County upgraded its financial accounting software to include a cash receipts module.

Old Closed Project Funds

Finding:

During our current and prior year audits, it was noted several grants and capital projects have been closed. However, cash related to these projects has not been transferred to the necessary fund and remains "due to other funds." These accounts should be closed and funds transferred to the necessary fund or government.

Recommendation:

We recommend necessary transfers of cash be completed and due to/due from accounts be reviewed and cleared as appropriate.

Current Status:

During the current year, a portion of the cash related to closed grants was transferred as necessary. However, capital project and several grant funds still remain "due to other funds."

Departmental Cash

Finding:

During our current and prior year audits, we noted several departments with specific bank accounts. The majority of these accounts should have zero balances at month end. Also, they should be reconciled monthly and copies of the monthly bank statements and reconciliations sent to the Treasurer's Office. We could not locate reconciliations for several of these accounts. Copies of the monthly bank statements and reconciliations are not being sent to the Treasurer's Office on a regular basis. These accounts are property of the County and should be collateralized, as required by GML. Also, in order to further monitor internal controls over cash, these bank statements should be reviewed by the Treasurer's Office for reasonableness.

Recommendation:

We continue to recommend copies of all monthly department bank accounts, with reconciliations, be received by the Treasurer's Office and reviewed by the Office for reasonableness.

Current Status:

During our current and prior year audits we noted most departments are providing copies of their bank statements and reconciliations to the Treasurer. However, it was necessary to request bank statements and reconciliations from a few of the larger departments.

Stale Dated Checks

Finding:

During our current and prior years' audits, we noted several stale dated checks older than one year. However, the total amount of stale dated checks was immaterial to the basic financial statements.

Recommendation:

We recommend the Treasurer research these checks and attempt to reissue them. If reissue is unsuccessful, the Legislature must take action and consult with the State of New York to determine proper disposition of unclaimed funds in accordance with State laws.

Current Status:

No change was noted during our current year audit.

Prior Year Findings - Resolved

Governmental Accounting Standards Board (GASB) Statement Number 45 Actuarial Valuation

Finding:

During our prior year audit it was noted the County changed its health insurance plans and became self-insured. GASB Statement Number 45 requires an actuarial valuation of the County's other postemployment benefits every two years, unless a significant change in those benefits occurs. A change in funding would constitute a significant change. However, a new valuation was not performed for the current year. Nor was an update of the prior year valuation performed. We were unable to determine the effects on current year liabilities but believe they would be insignificant to the government-wide financial statements.

Resolution:

During our current year audit we noted an actuarial valuation of the County's other postemployment benefits was performed for the current year.

Inventory Control - Highway Department

Finding:

During our prior year department review, it was noted on-hand inventory cannot be reconciled to the inventory software. Returned inventory is not removed from the software, which further contributes to the imbalance.

Resolution:

During our current year audit, we noted a new version of the inventory software had been installed and a physical inventory was taken and reconciled to the software.

Discussion Item

GASB Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions"

This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in Governmental Funds. The initial distinction made in reporting fund balance information is identifying amounts considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of constraints controlling how specific amounts can be spent. Governments are also required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

The definitions of the General Fund, Special Revenue Fund type, Capital Projects Fund type, Debt Service Fund type, and Permanent Fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the Special Revenue Fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds.

We will review the status of these comments during our next audit engagement. We are available at any time to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in formulating any corrective action.

This communication is intended solely for the information and use of the County Legislature and management and is not intended to be and should not be used for anyone other than these specified parties.

Lincoln, Dietershagen, Little, Minkler & Company LLP

July 13, 2011
Ithaca, New York

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COUNTY OF SCHUYLER

Watkins Glen, New York

EXECUTIVE SUMMARY

December 31, 2010

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COUNTY OF SCHUYLER
SUMMARY OF 2010 AUDIT REPORT AND FINDINGS

Financial Statements

Report of Independent Auditors on Basic Financial Statements

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*

Single Audit (OMB Circular A-133) Report

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

Auditor's Communication with Those Charged with Governance

Management Comment Letter

Description of Report and Findings

Unqualified opinion on the County of Schuyler's (the County) basic financial statements for the year ended December 31, 2010.

Report on the County's compliance with laws and regulations that may have a direct and material effect on the basic financial statements, and on the County's internal control structure policies and procedures based on the auditor's understanding of the internal control structure and assessment of control risk obtained as part of the audit of the basic financial statements. This report identified **material weaknesses in internal control** at the financial statement level.

Report on 1) the County's internal control structure policies and procedures used in administering federal award programs; and 2) compliance requirements with respect to its federal award programs. This report identified **no instances of noncompliance or material internal control weaknesses** regarding compliance in accordance with OMB Circular A-133.

There are several federal award program expenditures that amounted to \$6,400,913.

A letter that specifically addresses certain required communications to the Legislature in accordance with professional standards - there were **no comments of concern** to be reported regarding the following:

- Qualitative Aspects of Accounting Practices
- Difficulties Encountered in Performing the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultations with Other Accountants
- Other Audit Matters or Issues

A letter to Management with any other selected communications. The letter contains several comments, recommendations and current status of prior year comments.

COUNTY OF SCHUYLER
COMPARATIVE BALANCE SHEET
GENERAL FUND
DECEMBER 31,

| <u>ASSETS</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|
| Assets: | | | | | |
| Unrestricted cash | \$ 665,903 | \$ 374,191 | \$ 1,887,795 | \$ 2,787,145 | \$ 2,131,199 |
| Restricted cash | 374,330 | 353,992 | 10,107 | 11,545 | 2,372,624 |
| Taxes receivable, net | 1,921,229 | 1,879,768 | 1,734,242 | 1,612,021 | 1,803,601 |
| Due from other funds | 2,263,492 | 5,125,140 | 4,483,212 | 4,723,535 | 4,771,964 |
| Due from state and federal governments | 3,102,701 | 2,677,901 | 3,414,877 | 3,327,463 | 3,348,039 |
| Due from other governments | 33,196 | 36,758 | 36,122 | 229,479 | 46,466 |
| Prepaid expenses | 295,044 | 186,894 | 198,420 | 210,255 | 210,255 |
| Other receivables, net | 547,344 | 1,405,442 | 891,946 | 736,448 | 696,515 |
| Inventories | 9,567 | 62,358 | 42,698 | 70,016 | 16,576 |
| | <u>9,212,806</u> | <u>12,102,444</u> | <u>12,699,419</u> | <u>13,707,907</u> | <u>15,397,239</u> |
| Total Assets | <u>\$ 9,212,806</u> | <u>\$ 12,102,444</u> | <u>\$ 12,699,419</u> | <u>\$ 13,707,907</u> | <u>\$ 15,397,239</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 779,316 | \$ 901,166 | \$ 926,973 | \$ 1,450,354 | \$ 853,441 |
| Accrued liabilities | 328,373 | 345,468 | 302,871 | 222,699 | 149,851 |
| Due to other funds | 1,515,288 | 2,467,504 | 2,938,998 | 1,269,869 | 675,744 |
| Due to other governments | 1,876,563 | 1,647,507 | 1,658,476 | 1,695,888 | 1,685,326 |
| Overpayments/Other liabilities | 904,247 | 710,535 | 710,537 | 697,430 | 725,082 |
| Deferred revenues | 1,110,592 | 830,924 | 767,952 | 532,002 | 796,644 |
| | <u>6,514,379</u> | <u>6,903,104</u> | <u>7,305,807</u> | <u>5,868,242</u> | <u>4,886,088</u> |
| Total Liabilities | <u>6,514,379</u> | <u>6,903,104</u> | <u>7,305,807</u> | <u>5,868,242</u> | <u>4,886,088</u> |
| Fund Balances: | | | | | |
| Fund Balances - Reserved: | | | | | |
| Reserved for encumbrances | 29,918 | 60,855 | 176,903 | 60,594 | 105,598 |
| Reserved for capital | 573,578 | 271,590 | 1,397,235 | 2,081,333 | 1,504,039 |
| Special reserves | 655,491 | 1,119,327 | 1,055,667 | 755,614 | 916,566 |
| | <u>1,258,987</u> | <u>1,451,772</u> | <u>2,629,805</u> | <u>2,897,541</u> | <u>2,526,203</u> |
| Total Reserved | <u>1,258,987</u> | <u>1,451,772</u> | <u>2,629,805</u> | <u>2,897,541</u> | <u>2,526,203</u> |
| Fund Balances - Unreserved: | | | | | |
| Appropriated - Ensuing year's budget | 750,000 | 750,000 | 1,000,000 | 1,500,000 | 1,500,000 |
| Unappropriated | 689,440 | 2,997,568 | 1,763,807 | 3,442,124 | 6,484,948 |
| | <u>1,439,440</u> | <u>3,747,568</u> | <u>2,763,807</u> | <u>4,942,124</u> | <u>7,984,948</u> |
| Total Unreserved | <u>1,439,440</u> | <u>3,747,568</u> | <u>2,763,807</u> | <u>4,942,124</u> | <u>7,984,948</u> |
| Total Fund Balance | <u>2,698,427</u> | <u>5,199,340</u> | <u>5,393,612</u> | <u>7,839,665</u> | <u>10,511,151</u> |
| Total Liabilities and Fund Balance | <u>\$ 9,212,806</u> | <u>\$ 12,102,444</u> | <u>\$ 12,699,419</u> | <u>\$ 13,707,907</u> | <u>\$ 15,397,239</u> |

Data Presented is Extracted from County's Independent Audit Reports for Purposes of Additional Analysis and is Not to be Used for Any Other Purposes.

Compiled and Presented by: Ciaschi, Dietershagen, Little, Mickelson & Company, LLP

COUNTY OF SCHUYLER
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31,

| REVENUES | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|
| Real property taxes | \$ 9,482,684 | \$ 9,311,895 | \$ 8,629,314 | \$ 8,853,950 | \$ 8,370,758 |
| PERCENT INCREASE IN PROPERTY TAX | 1.8% | 7.9% | -2.5% | 5.8% | -3.3% |
| Real property tax items | 512,575 | 482,405 | 469,491 | 419,144 | 454,862 |
| Nonproperty tax items | 8,780,783 | 9,200,440 | 8,740,207 | 8,412,809 | 6,520,708 |
| Departmental income | 4,660,100 | 4,753,635 | 4,280,307 | 4,347,750 | 4,157,271 |
| Intergovernmental charges | 570,613 | 493,473 | 489,481 | 481,003 | 319,160 |
| Use of money and property | 638,691 | 589,358 | 624,299 | 538,282 | 524,774 |
| Fines and forfeitures | 56,837 | 67,471 | 78,333 | 75,531 | 46,011 |
| Sale of property and compensation for loss | 61,235 | 107,354 | 78,599 | 101,098 | 141,088 |
| Miscellaneous local sources | 65,685 | 52,078 | 17,561 | 116,036 | 168,022 |
| State sources | 5,337,412 | 5,284,946 | 6,249,120 | 4,712,831 | 4,484,231 |
| Federal sources | <u>4,327,808</u> | <u>4,538,016</u> | <u>2,953,771</u> | <u>3,963,442</u> | <u>4,604,502</u> |
| Total Revenues | <u>34,494,423</u> | <u>34,881,071</u> | <u>32,610,483</u> | <u>32,021,876</u> | <u>29,791,387</u> |
| PERCENT (DECREASE) INCREASE IN REVENUES | (1.1)% | 7.0% | 1.8% | 7.5% | 4.8% |
| Other Sources: | | | | | |
| Interfund transfers | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>257</u> |
| Total Revenues and Other Sources | <u>34,494,423</u> | <u>34,881,071</u> | <u>32,610,483</u> | <u>32,021,876</u> | <u>29,791,644</u> |
| EXPENDITURES | | | | | |
| General governmental support | 6,412,645 | 6,475,962 | 6,365,369 | 5,872,848 | 3,307,119 |
| Education | 2,004,446 | 1,785,337 | 1,486,527 | 1,320,644 | 1,073,045 |
| Public safety | 3,118,754 | 3,427,009 | 2,873,103 | 3,076,743 | 3,003,681 |
| Public health | 4,269,665 | 4,315,517 | 4,336,087 | 4,062,227 | 3,669,211 |
| Transportation | 278,520 | 57,623 | 224,354 | 200,696 | 192,726 |
| Economic assistance and opportunity | 11,028,449 | 11,166,729 | 10,503,960 | 11,299,514 | 10,142,369 |
| Culture and recreation | 535,959 | 513,865 | 486,997 | 508,781 | 361,489 |
| Home and community services | 576,641 | 820,075 | 745,630 | 460,708 | 442,904 |
| Employee benefits | 5,508,710 | 3,745,937 | 3,915,688 | 3,524,442 | 3,346,465 |
| Debt service (principal and interest) | <u>129,785</u> | <u>92,643</u> | <u>97,656</u> | <u>75,112</u> | <u>68,823</u> |
| Total Expenditures | <u>33,863,574</u> | <u>32,400,697</u> | <u>31,035,371</u> | <u>30,401,715</u> | <u>25,607,832</u> |
| PERCENT INCREASE IN EXPENDITURES | 4.5% | 4.4% | 2.1% | 18.7% | 4.1% |
| Other Uses: | | | | | |
| Interfund transfers | <u>3,131,762</u> | <u>2,674,646</u> | <u>4,021,165</u> | <u>4,291,647</u> | <u>2,754,174</u> |
| Total Expenditures and Other Uses | <u>36,995,336</u> | <u>35,075,343</u> | <u>35,056,536</u> | <u>34,693,362</u> | <u>28,362,006</u> |
| Excess of (Expenditures) Revenues | <u>(2,500,913)</u> | <u>(194,272)</u> | <u>(2,446,053)</u> | <u>(2,671,486)</u> | <u>1,429,638</u> |
| Fund Balance, Beginning of Year | <u>5,199,340</u> | <u>5,393,612</u> | <u>7,839,665</u> | <u>10,511,151</u> | <u>9,081,513</u> |
| Fund Balance, End of Year | <u>\$ 2,698,427</u> | <u>\$ 5,199,340</u> | <u>\$ 5,393,612</u> | <u>\$ 7,839,665</u> | <u>\$ 10,511,151</u> |

Data Presented is Extracted from County's Independent Audit Reports for Purposes of Additional Analysis and is Not to be Used for Any Other Purposes.

Compiled and Presented by: Ciaschi, Dietershagen, Little, Mickelson & Company, LLP

COUNTY OF SCHUYLER
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PER CAPITA
FOR THE YEAR ENDED DECEMBER 31,

| | 2010 | | |
|--|--------------|-------------------|--|
| <u>REVENUES</u> | \$ | <u>% of Total</u> | <u>Population: 19,000 Per Capita</u> |
| Real property taxes | 9,482,684 | 27.5% | 499 |
| Real property tax items | 512,575 | 1.5% | 27 |
| Nonproperty tax items | 8,780,783 | 25.5% | 462 |
| Departmental income | 4,660,100 | 13.5% | 245 |
| Intergovernmental charges | 570,613 | 1.7% | 30 |
| Use of money and property | 638,691 | 1.9% | 34 |
| Fines and forfeitures | 56,837 | 0.2% | 3 |
| Sale of property and compensation for loss | 61,235 | 0.2% | 3 |
| Miscellaneous local sources | 65,685 | 0.2% | 3 |
| State sources | 5,337,412 | 15.4% | 281 |
| Federal sources | 4,327,808 | 12.4% | 228 |
| Total Revenues | 34,494,423 | | |
| Other Sources: | | | |
| Interfund transfers | -0- | | |
| Total Revenues and Other Sources | 34,494,423 | 100.0% | 1,815 |
| <u>EXPENDITURES</u> | | | |
| General governmental support | 6,412,645 | 17.3% | 338 |
| Education | 2,004,446 | 5.4% | 105 |
| Public safety | 3,118,754 | 8.4% | 164 |
| Public health | 4,269,665 | 11.5% | 225 |
| Transportation | 278,520 | 0.8% | 15 |
| Economic assistance and opportunity | 11,028,449 | 29.8% | 580 |
| Culture and recreation | 535,959 | 1.4% | 28 |
| Home and community services | 576,641 | 1.6% | 30 |
| Employee benefits | 5,508,710 | 14.9% | 290 |
| Debt service (principal and interest) | 129,785 | 0.4% | 7 |
| Total Expenditures | 33,863,574 | | |
| Other Uses: | | | |
| Interfund transfers | 3,131,762 | 8.5% | 165 |
| Total Expenditures and Other Uses | 36,995,336 | 100.0% | 1,947 |
| Excess of (Expenditures) | (2,500,913) | | |
| Fund Balance, Beginning of Year | 5,199,340 | | |
| Fund Balance, End of Year | \$ 2,698,427 | | |

Data Presented is Extracted from County's Independent Audit Reports for Purposes of Additional Analysis and is Not to be Used for Any Other Purposes.

Compiled and Presented by: Ciaschi, Dietershagen, Little, Mickelson & Company, LLP

| 2009 | | | 2008 | | |
|---------------------|-------------------|--|---------------------|-------------------|--|
| | <u>% of Total</u> | <u>Population: 19,000 Per Capita</u> | | <u>% of Total</u> | <u>Population: 19,000 Per Capita</u> |
| \$ 9,311,895 | 26.7% | 490 | \$ 8,629,314 | 26.5% | 454 |
| 482,405 | 1.4% | 25 | 469,491 | 1.4% | 25 |
| 9,200,440 | 26.4% | 484 | 8,740,207 | 26.8% | 460 |
| 4,753,635 | 13.6% | 250 | 4,280,307 | 13.1% | 225 |
| 493,473 | 1.4% | 26 | 489,481 | 1.5% | 26 |
| 589,358 | 1.7% | 31 | 624,299 | 1.9% | 33 |
| 67,471 | 0.2% | 4 | 78,333 | 0.2% | 4 |
| 107,354 | 0.3% | 6 | 78,599 | 0.2% | 4 |
| 52,078 | 0.1% | 3 | 17,561 | 0.1% | 1 |
| 5,284,946 | 15.2% | 278 | 6,249,120 | 19.2% | 329 |
| <u>4,538,016</u> | 13.0% | 239 | <u>2,953,771</u> | 9.1% | 155 |
| <u>34,881,071</u> | | | <u>32,610,483</u> | | |
| <u>-0-</u> | | | | | |
| <u>34,881,071</u> | 100.0% | 1,836 | <u>32,610,483</u> | 100.0% | 1,716 |
| 6,475,962 | 18.5% | 341 | 6,365,369 | 18.2% | 335 |
| 1,785,337 | 5.1% | 94 | 1,486,527 | 4.2% | 78 |
| 3,427,009 | 9.8% | 180 | 2,873,103 | 8.2% | 151 |
| 4,315,517 | 12.3% | 227 | 4,336,087 | 12.4% | 228 |
| 57,623 | 0.2% | 3 | 224,354 | 0.6% | 12 |
| 11,166,729 | 31.7% | 588 | 10,503,960 | 29.9% | 553 |
| 513,865 | 1.5% | 27 | 486,997 | 1.4% | 26 |
| 820,075 | 2.3% | 43 | 745,630 | 2.1% | 39 |
| 3,745,937 | 10.7% | 197 | 3,915,688 | 11.2% | 206 |
| <u>92,643</u> | 0.3% | 5 | <u>97,656</u> | 0.3% | 5 |
| <u>32,400,697</u> | | | <u>31,035,371</u> | | |
| <u>2,674,646</u> | 7.6% | 141 | <u>4,021,165</u> | 11.5% | 212 |
| <u>35,075,343</u> | 100.0% | 1,846 | <u>35,056,536</u> | 100.0% | 1,845 |
| <u>(194,272)</u> | | | <u>(2,446,053)</u> | | |
| <u>5,393,612</u> | | | <u>7,839,665</u> | | |
| \$ <u>5,199,340</u> | | | \$ <u>5,393,612</u> | | |

SCHUYLER COUNTY
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - PER CAPITA (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31,

| | 2007 | | |
|--|---------------------|-------------------|---|
| <u>REVENUES</u> | \$ | <u>% of Total</u> | <u>Population:</u> 19,000 <u>Per Capita</u> |
| Real property taxes | 8,853,950 | 27.6% | 466 |
| Real property tax items | 419,144 | 1.3% | 22 |
| Nonproperty tax items | 8,412,809 | 26.3% | 443 |
| Departmental income | 4,347,750 | 13.6% | 229 |
| Intergovernmental charges | 481,003 | 1.5% | 25 |
| Use of money and property | 538,282 | 1.7% | 28 |
| Fines and forfeitures | 75,531 | 0.2% | 4 |
| Sale of property and compensation for loss | 101,098 | 0.3% | 5 |
| Miscellaneous local sources | 116,036 | 0.4% | 6 |
| State sources | 4,712,831 | 14.7% | 248 |
| Federal sources | <u>3,963,442</u> | 12.4% | 209 |
| Total Revenues | <u>32,021,876</u> | | |
| Other Sources: | | | |
| Interfund transfers | | | |
| Total Revenues and Other Sources | <u>32,021,876</u> | 100.0% | 1,685 |
| <u>EXPENDITURES</u> | | | |
| General governmental support | 5,872,848 | 16.9% | 309 |
| Education | 1,320,644 | 3.8% | 70 |
| Public safety | 3,076,743 | 8.9% | 162 |
| Public health | 4,062,227 | 11.7% | 214 |
| Transportation | 200,696 | 0.6% | 11 |
| Economic assistance and opportunity | 11,299,514 | 32.6% | 595 |
| Culture and recreation | 508,781 | 1.5% | 27 |
| Home and community services | 460,708 | 1.3% | 24 |
| Employee benefits | 3,524,442 | 10.2% | 185 |
| Debt service (principal and interest) | <u>75,112</u> | 0.2% | 4 |
| Total Expenditures | <u>30,401,715</u> | | |
| Other Uses: | | | |
| Interfund transfers | <u>4,291,647</u> | 12.3% | 226 |
| Total Expenditures and Other Uses | <u>34,693,362</u> | 100.0% | 1,827 |
| Excess of (Expenditures) Revenues | <u>(2,671,486)</u> | | |
| Fund Balance, Beginning of Year, Restated | <u>10,511,151</u> | | |
| Fund Balance, End of Year | <u>\$ 7,839,665</u> | | |

Data Presented is Extracted from County's Independent Audit Reports for Purposes of Additional Analysis and is Not to be Used for Any Other Purposes.

2006

| | <u>% of Total</u> | <u>Population: 19,000 Per Capita</u> |
|-----------------------------|-------------------|--|
| \$ 8,370,758 | 28.0% | 441 |
| 454,862 | 1.5% | 24 |
| 6,520,708 | 21.8% | 343 |
| 4,157,271 | 14.0% | 219 |
| 319,160 | 1.1% | 17 |
| 524,774 | 1.8% | 28 |
| 46,011 | 0.2% | 2 |
| 141,088 | 0.5% | 7 |
| 168,022 | 0.5% | 9 |
| 4,484,231 | 15.1% | 236 |
| <u>4,604,502</u> | 15.5% | 242 |
| <u>29,791,387</u> | | |
| | | |
| <u>257</u> | 0.0% | |
| <u>29,791,644</u> | 100.0% | 1,568 |
| | | |
| 3,307,119 | 11.7% | 174 |
| 1,073,045 | 3.8% | 56 |
| 3,003,681 | 10.6% | 158 |
| 3,669,211 | 12.9% | 193 |
| 192,726 | 0.7% | 10 |
| 10,142,369 | 35.7% | 534 |
| 361,489 | 1.3% | 19 |
| 442,904 | 1.6% | 23 |
| 3,346,465 | 11.8% | 176 |
| 68,823 | 0.2% | 4 |
| <u>25,607,832</u> | | |
| | | |
| <u>2,754,174</u> | 9.7% | 145 |
| <u>28,362,006</u> | 100.0% | 1,492 |
| | | |
| <u>1,429,638</u> | | |
| <u>9,081,513</u> | | |
| \$ <u><u>10,511,151</u></u> | | |

COUNTY OF SCHUYLER
SUMMARY OF AUDIT COMMENTS
DECEMBER 31, 2010

Auditor Reports

- * GASB 34 Reporting on Basic Financial Statements
- * GAGAS Reporting on Compliance and Internal Controls
- * OMB Circular A-133 Reporting on Major Program Compliance

Report on Compliance with Laws and Regulations

- * None Noted

Report on Internal Controls

- * Budgets do not Balance
- * Financial Statement Preparation
- * Excessive Audit Adjustments
- * General Ledger Oversight
- * Journal Entry Approvals and Documentation

Report on Compliance with Laws and Regulations - Federal Programs

- * None Noted

Report on Internal Controls - Federal Programs

- * None Noted

COUNTY OF SCHUYLER
SUMMARY OF AUDIT COMMENTS
DECEMBER 31, 2009

Auditor Reports

- * GASB 34 Reporting on Basic Financial Statements
- * GAGAS Reporting on Compliance and Internal Controls
- * OMB Circular A-133 Reporting on Major Program Compliance

Report on Compliance with Laws and Regulations

- * None Noted

Report on Internal Controls

- * Budgets do not Balance
- * Financial Statement Preparation
- * Excessive Audit Adjustments
- * Sheriff's Department (Improvement Noted)
- * Public and Mental Health
- * General Ledger Oversight
- * Journal Entry Approvals and Documentation

Report on Compliance with Laws and Regulations - Federal Programs

- * None Noted

Report on Internal Controls - Federal Programs

- * None Noted

COUNTY OF SCHUYLER
SUMMARY OF AUDIT COMMENTS
DECEMBER 31, 2008

Auditor Reports

- * GASB 34 Reporting on Basic Financial Statements
- * GAGAS Reporting on Compliance and Internal Controls
- * OMB Circular A-133 Reporting on Major Program Compliance

Report on Compliance with Laws and Regulations

- * None Noted

Report on Internal Controls

- * Budgets do not Balance
- * Financial Statement Preparation
- * Excessive Audit Adjustments
- * Sheriff's Department (Improvement Noted)
- * Public and Mental Health
- * General Ledger Oversight
- * Journal Entry Approvals and Documentation

Report on Compliance with Laws and Regulations - Federal Programs

- * None Noted

Report on Internal Controls - Federal Programs

- * None Noted

COUNTY OF SCHUYLER
SUMMARY OF AUDIT COMMENTS
DECEMBER 31, 2007

Auditor Reports

- * GASB 34 Reporting on Basic Financial Statements
- * GAGAS Reporting on Compliance and Internal Controls
- * OMB Circular A-133 Reporting on Major Program Compliance

Report on Compliance with Laws and Regulations

- * None Noted

Report on Internal Controls

- * Bank Statements not Reconciled to General Ledger
- * Late Filing of Annual Report with State (Improvement Noted)
- * Budgets do not Balance
- * Financial Statement Preparation
- * Excessive Audit Adjustments
- * Sheriff's Department (Improvement Noted)
- * Public and Mental Health
- * General Ledger Oversight
- * Journal Entry Approvals and Documentation
- * Deficit Fund Balances

Report on Compliance with Laws and Regulations - Federal Programs

- * Overpayment of Child Care and Development Block Grant payments

Report on Internal Controls - Federal Programs

- * None Noted

COUNTY OF SCHUYLER
SUMMARY OF AUDIT COMMENTS
DECEMBER 31, 2006

Auditor Reports

- * GASB 34 Reporting on Basic Financial Statements
- * GAGAS Reporting on Compliance and Internal Controls
- * OMB Circular A-133 Reporting on Major Program Compliance

Report on Compliance with Laws and Regulations

- * Uncollateralized Financial Institution Deposits
- * Budgets Overexpended

Report on Internal Controls

- * Bank Statements not Reconciled to General Ledger
- * Late Filing of Annual Report with State (Improvement Noted)
- * Office for the Aging (Improvement Noted)
- * Sheriff's Department
- * Public and Mental Health
- * General Ledger Oversight
- * Journal Entry Approvals and Documentation
- * Deficit Fund Balances

Report on Compliance with Laws and Regulations - Federal Programs

- * Office for the Aging Claims not Filed During Year

Report on Internal Controls - Federal Programs

- * Office for the Aging Claims not Filed During Year

COUNTY OF SCHUYLER
SUMMARY OF AUDIT COMMENTS
DECEMBER 31, 2005

Auditor Reports

- * GASB 34 Reporting on Basic Financial Statements
- * GAGAS Reporting on Compliance and Internal Controls
- * OMB Circular A-133 Reporting on Major Program Compliance

Report on Compliance with Laws and Regulations

- * Uncollateralized Financial Institution Deposits

Report on Internal Controls

- * Several Stale Dated Checks - Older than One Year
- * Late Filing of Annual Report with State (Improvement Noted)
- * Office for the Aging (Improvement Noted)
- * Sheriff's Department

Report on Compliance with Laws and Regulations - Federal Programs

- * None Noted

Report on Internal Controls - Federal Programs

- * None Noted

COUNTY OF SCHUYLER

Watkins Glen, New York

FINANCIAL STATEMENTS

December 31, 2010

COUNTY OF SCHUYLER
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Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and
Members of the Legislature
County of Schuyler
Watkins Glen, New York

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 13, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

- 1 -

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 2 through 2i and 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



July 13, 2011
Ithaca, New York

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Our discussion and analysis of the County of Schuyler's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2010. 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 \$17,281,440 (net assets). Of this amount, \$(3,528,475) is an unrestricted net deficit.
- The County's overall net assets decreased by \$(4,148,325), or 19.36%, while unrestricted net assets decreased by \$(3,493,087) or 9,870.82%.
- During the year, the County's revenues decreased by \$(1,458,328) to \$37,901,952 from \$39,360,280 in 2009.
- Expenses of \$42,050,277 decreased by \$(71,980), from \$42,122,257 in the prior year.
- Revenues exceeded expenditures in the Governmental Funds by \$77,532, bringing fund balances to \$3,586,971 at December 31, 2010, largely as a result of increased self-insurance costs and decreased grant revenue offset by a decrease in capital reconstruction costs.
- The General Fund recorded a decrease of \$(2,500,913) in 2010, largely as a result of the above mentioned insurance costs and reduced aid, and ended the year with a fund balance of \$2,698,427. Of this fund balance, \$2,008,987 was reserved for future expenditures, and \$689,440 was unreserved.
- Invested in capital assets, net of debt, decreased \$719,440 due to a decrease of \$1,006,276 in capital assets and the issue of \$1,500,000 serial bonds, offset by the payoff of \$1,700,000 bond anticipation notes.
- The County's long-term obligations at year end were \$18,194,461, a net increase of \$3,331,923 from 2009 primarily as a result of the recording of the GASB 45 other postemployment benefits liability and expense of \$1,933,577 for the year, an increase in accreted interest related to the issuance of STASC Bonds in 2005 and the issue of serial bonds in the amount of \$1,500,000, all 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. Governmental 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. Governmental 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.

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

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, transportation, economic assistance and opportunity, culture and recreation, home and community services 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 9th 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

Governmental Fund Financial Statements

Analysis of the County's Major Funds begins on page 6. The Governmental 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 financial 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 financial statements) and Governmental *Funds* is explained in a reconciliation following the Governmental Fund financial statements.

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 13. 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.

THE COUNTY AS A WHOLE

The County's net assets for fiscal year ended December 31, 2010 decreased \$(4,148,325), from \$21,429,765 to \$17,281,440, compared to last year's net assets decrease of \$(2,761,977).

The largest portion of the County's net assets, \$19,705,687 or 114.03%, 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 are 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, \$1,104,228 (6.39%), 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 deficit of \$(3,528,475) (-20.42%) may be used to meet the government's ongoing obligations and services to creditors and citizens. Of this net deficit, the County has appropriated \$750,000 for 2011 expenses and designated another \$925,929 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

| | Governmental Activities | | Dollar Change |
|--|--------------------------------|----------------------|-----------------------|
| | 2009 | 2010 | 2009 - 2010 |
| <i>Current assets</i> | \$ 9,887,804 | \$ 8,439,581 | \$ (1,448,223) |
| <i>Capital assets, net</i> | 32,154,103 | 31,147,827 | (1,006,276) |
| <i>Other noncurrent assets</i> | 779,952 | 781,525 | 1,573 |
| Total Assets | 42,821,859 | 40,368,933 | (2,452,926) |
| <i>Current liabilities</i> | 6,904,635 | 5,353,301 | (1,551,334) |
| <i>Noncurrent liabilities</i> | 14,487,459 | 17,734,192 | 3,246,733 |
| Total Liabilities | 21,392,094 | 23,087,493 | 1,695,399 |
| <i>Invested in capital assets, net of debt</i> | 20,425,127 | 19,705,687 | (719,440) |
| <i>Restricted</i> | 1,040,026 | 1,104,228 | 64,202 |
| <i>Unrestricted</i> | (35,388) | (3,528,475) | (3,493,087) |
| Total Net Assets | \$ 21,429,765 | \$ 17,281,440 | \$ (4,148,325) |

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

The County's current assets decreased \$(1,448,223), or 14.65% due to a decrease in current liabilities and the decrease of revenue, resulting in decreased cash. Capital assets, net, decreased \$(1,006,276), or 3.13% primarily due to the sale of property and depreciation expense, offset by additions.

Current liabilities decreased \$(1,551,334) primarily due to the redemption of Bond Anticipation Notes during the year ended December 31, 2010. The increase in noncurrent liabilities is primarily due to the reporting of the County's net Other Postemployment Benefits obligation at December 31, 2010 and issue of serial bonds, offset by the payment of debt principal.

The County's total revenues decreased by 3.71%, while the total cost of all programs and services decreased by 0.17%. Our analysis in Figure 2 separately considers the operations of Governmental Activities.

Figure 2 - Changes in Net Assets

| | Governmental Activities | | Dollar Change |
|-------------------------------------|--------------------------------|-----------------------|-----------------------|
| | 2009 | 2010 | 2009 - 2010 |
| REVENUES | | | |
| <i>Program Revenues:</i> | | | |
| Charges for services | \$ 8,420,295 | \$ 8,439,092 | \$ 18,797 |
| Operating grants and contributions | 9,789,045 | 9,765,470 | (23,575) |
| Capital grants | 1,668,453 | 808,617 | (859,836) |
| <i>General Revenues:</i> | | | |
| Property taxes and tax items | 9,786,045 | 10,123,887 | 337,842 |
| Sales and other taxes | 9,200,440 | 8,780,783 | (419,657) |
| Tobacco settlement | 310,000 | 227,642 | (82,358) |
| Use of money and property | 29,576 | 13,204 | (16,372) |
| Other | 156,426 | (256,743) | (413,169) |
| Total Revenues | 39,360,280 | 37,901,952 | (1,458,328) |
| PROGRAM EXPENSES | | | |
| General government | 8,517,894 | 9,077,059 | 559,165 |
| Education | 1,785,337 | 2,004,446 | 219,109 |
| Public safety | 4,512,592 | 5,023,722 | 511,130 |
| Public health | 5,470,099 | 5,673,644 | 203,545 |
| Transportation | 4,563,356 | 3,978,076 | (585,280) |
| Economic assistance and opportunity | 12,941,419 | 13,143,035 | 201,616 |
| Culture and recreation | 651,727 | 659,229 | 7,502 |
| Home and community services | 820,075 | 599,141 | (220,934) |
| Self-insurance | 2,230,382 | 1,250,923 | (979,459) |
| Interest on long-term debt | 629,376 | 641,002 | 11,626 |
| Total Expenses | 42,122,257 | 42,050,277 | (71,980) |
| (DECREASE) IN NET ASSETS | \$ (2,761,977) | \$ (4,148,325) | \$ (1,386,348) |

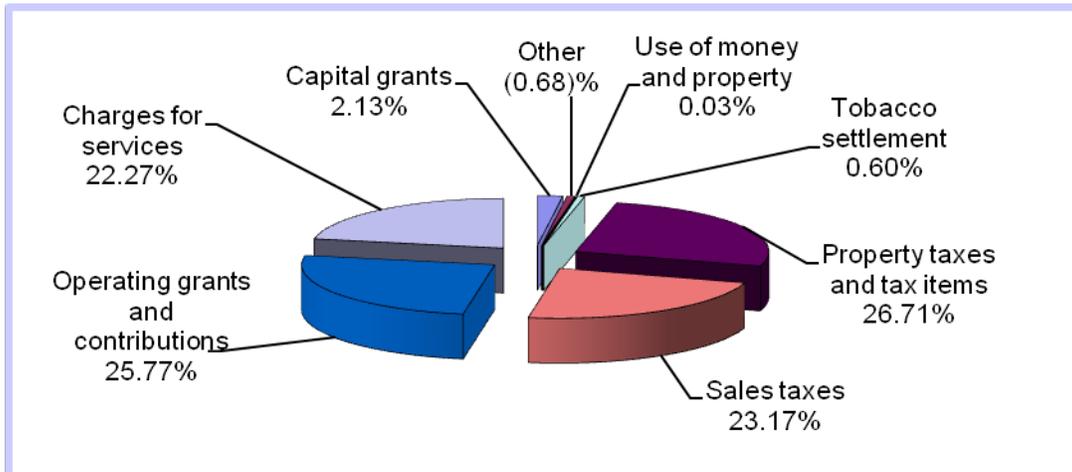
Operating and capital grants and contributions, primarily received from State and Federal sources, decreased by \$(883,411), primarily due to grants received in the prior year which did not renew in the current year. Property taxes increased \$337,842 due to an increase in the tax levy for 2010. Sales and other taxes decreased \$(419,657) due to decreased sales and room tax revenue received. Other revenues decreased \$(413,169) due to a loss on sale of County property during the year ended December 31, 2010.

COUNTY OF SCHUYLER
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2010

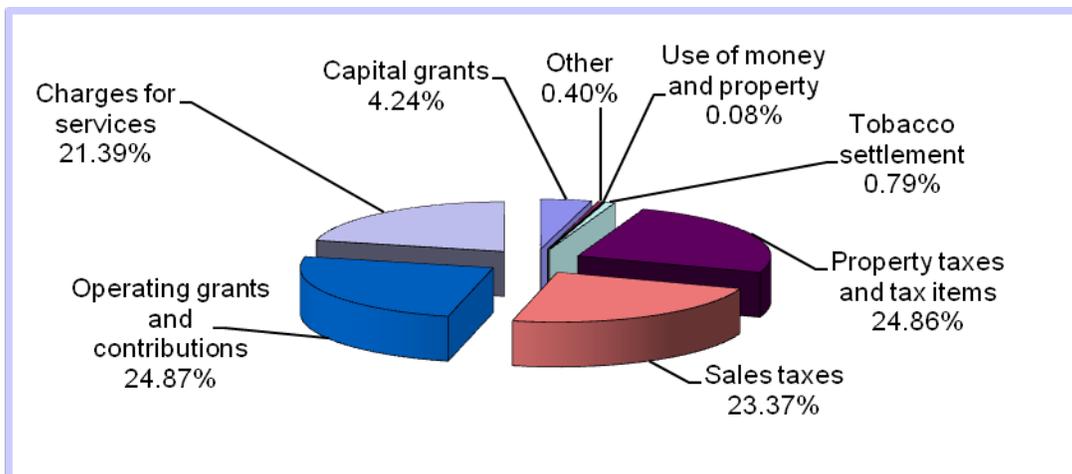
General government, education, public safety, public health, economic assistance and opportunity and culture and recreation expenses increased primarily due to increases in compensation rates and the increase in other postemployment benefits. Interest on long-term debt increased primarily due to the accrual of bond interest due. The decrease in transportation expense is the result of decreased highway projects, while the decrease in home and community services expenses is due to Lamoka-Wanetta Lakes rehabilitation and protection expense incurred in the prior year and not duplicated during the year ended December 31, 2010. The decrease in self-insurance expenses is the result of reduced outside participants during the year.

Figures 3 and 4 show the sources of revenue for 2010 and 2009.

**Figure 3 - Revenues by Source
 Governmental Activities
 2010**



**Figure 4 - Revenues by Source
 Governmental Activities
 2009**

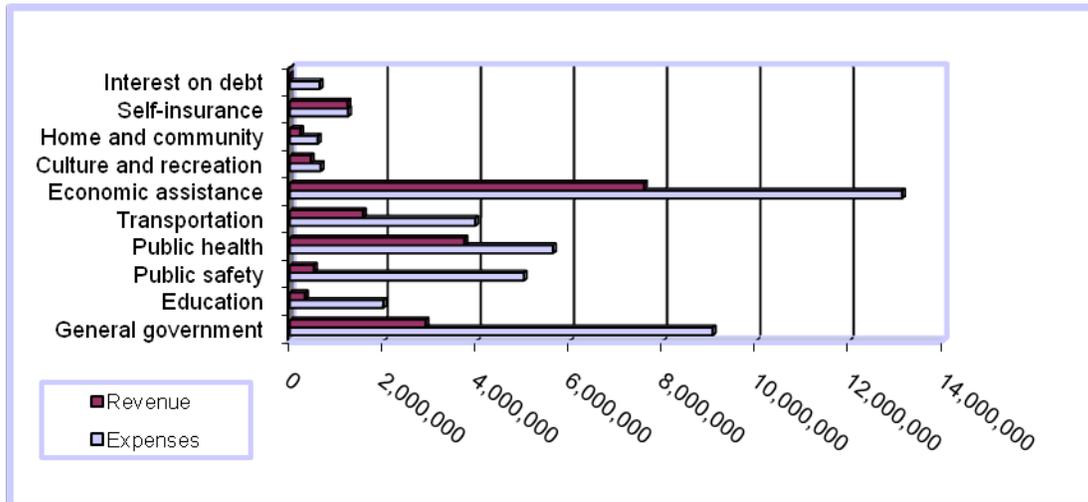


COUNTY OF SCHUYLER
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2010

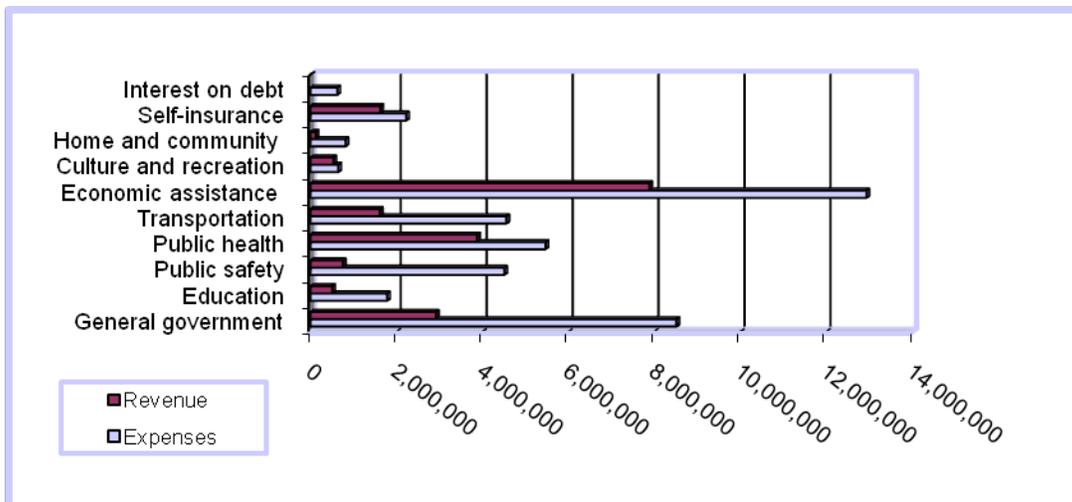
The cost of all Governmental Activities this year was \$42,050,277. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County property and other tax revenues was \$23,037,098, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues were \$19,013,179.

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
 2010**



**Figure 6 - Net Program Cost
 Governmental Activities
 2009**



COUNTY OF SCHUYLER
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 \$3,586,971, which is \$77,532, or 2.21%, higher than last year's total fund balance; largely as a result of increased self-insurance costs and reduced grants, offset by decreased capital projects. Of this amount, \$1,946,075 is reserved for future expenditures and \$750,000 is designated for 2011 expenditures, leaving \$890,896 in unreserved and undesignated fund deficit. Figure 7 shows the changes in fund balance for the County's Governmental Funds.

**Figure 7
 Governmental Funds
 Fund Balances**

| | | | <i>Dollar Change</i> |
|--------------------------------|---------------------|---------------------|----------------------|
| | 2009 | 2010 | 2009 - 2010 |
| <i>Major Funds:</i> | | | |
| <i>General Fund</i> | \$ 5,199,340 | \$ 2,698,427 | \$ (2,500,913) |
| <i>Special Revenue Fund:</i> | | | |
| <i>County Road Fund</i> | 182,765 | 74,180 | (108,585) |
| <i>Capital Project Fund</i> | (2,666,687) | (75,759) | 2,590,928 |
| <i>Nonmajor Funds:</i> | | | |
| <i>Special Revenue Funds:</i> | | | |
| <i>Special Grant Fund</i> | 17,174 | 65,383 | 48,209 |
| <i>Road Machinery Fund</i> | 106,699 | 185,193 | 78,494 |
| <i>STASC Debt Service Fund</i> | 670,148 | 639,547 | (30,601) |
| Totals | \$ 3,509,439 | \$ 3,586,971 | \$ 77,532 |

This year's total change in fund balance is a increase of 2.21%, compared to a 54.09% decrease in 2009. The primary reason for the 48.10% decrease in the fund balance of General Fund is due to an increase in self-insurance costs of \$1,852,829. The increase in the fund balance of Capital Project Fund is due to the issue of serial bonds in the amount of \$1,500,000, redemption of \$1,700,000 BANs, transfers from capital reserves and reduced project costs.

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 by \$1,167,275. The most significant positive variances occurred in the County's public safety, public health, transportation, economic assistance and opportunity, and culture and recreation accounts. These significant variances are due to cross period grants included in the budget for which no expenditures have been made. Resources available for appropriation were \$2,477,257 under the final budgeted amount primarily due to departmental income and state aid revenues not received.

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Figure 8
Budgetary Comparison Schedule - General Fund
December 31, 2010

| | Original Budget | Final Budget | Actual Encumbrances | Variance Fav.(Unfav.) |
|--|----------------------------|-------------------------|--------------------------------|----------------------------------|
| <u>REVENUES AND OTHER FINANCING SOURCES</u> | | | | |
| <i>Real property taxes and tax items</i> | \$ 10,269,235 | \$ 10,269,235 | \$ 9,995,259 | \$ (273,976) |
| <i>Nonproperty tax items</i> | 9,237,565 | 9,237,565 | 8,780,783 | (456,782) |
| <i>Departmental income and intergovernmental charges</i> | 6,100,309 | 6,154,301 | 5,230,713 | (923,588) |
| <i>Use of money and property</i> | 618,797 | 618,797 | 638,691 | 19,894 |
| <i>State sources</i> | 5,011,141 | 5,867,362 | 5,337,412 | (529,950) |
| <i>Federal sources</i> | 4,051,048 | 4,649,560 | 4,327,808 | (321,752) |
| <i>Other revenues and financing sources</i> | 174,860 | 174,860 | 183,757 | 8,897 |
| Total Revenues and Other Financing Sources | \$ 35,462,955 | \$ 36,971,680 | \$ 34,494,423 | \$ (2,477,257) |
| Appropriated Reserves and Fund Balance | \$ 750,000 | \$ 1,220,849 | \$ -0- | \$ (1,220,849) |
| <u>EXPENDITURES AND OTHER FINANCING USES</u> | | | | |
| <i>General government</i> | \$ 6,952,438 | \$ 6,471,555 | \$ 6,430,227 | \$ 41,328 |
| <i>Education</i> | 1,755,000 | 2,004,446 | 2,004,446 | -0- |
| <i>Public safety</i> | 3,223,273 | 3,322,473 | 3,128,616 | 193,857 |
| <i>Public health</i> | 4,216,740 | 4,371,472 | 4,269,665 | 101,807 |
| <i>Transportation</i> | 50,000 | 445,000 | 278,520 | 166,480 |
| <i>Economic assistance and opportunity</i> | 11,688,602 | 11,386,539 | 11,028,449 | 358,090 |
| <i>Culture and recreation</i> | 435,252 | 706,204 | 535,959 | 170,245 |
| <i>Home and community services</i> | 628,218 | 645,990 | 579,115 | 66,875 |
| <i>Employee benefits</i> | 2,351,343 | 5,577,302 | 5,508,710 | 68,592 |
| <i>Debt service</i> | 81,095 | 129,786 | 129,785 | 1 |
| <i>Other financing uses</i> | 4,830,994 | 3,131,762 | 3,131,762 | -0- |
| Total Expenditures and Other Financing Uses | \$ 36,212,955 | \$ 38,192,529 | \$ 37,025,254 | \$ 1,167,275 |
| <i>Excess of Expenditures and Other Financing Uses</i> | \$ (750,000) | \$ (1,220,849) | \$ (2,530,831) | \$ (1,309,982) |

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2010, the County had capital assets of \$31,147,827, net of accumulated depreciation of \$26,150,844, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net decrease (including additions and deductions) of \$1,006,276 from last year.

Figure 9
Capital Assets, Net of Depreciation

| | Governmental Activities | | Dollar Change |
|-----------------------------------|--------------------------------|----------------------|-----------------------|
| | 2009 | 2010 | 2009 - 2010 |
| <i>Land</i> | \$ 447,639 | \$ 447,639 | \$ -0- |
| <i>Construction-in-progress</i> | 2,885,412 | 85,092 | (2,800,320) |
| <i>Buildings and improvements</i> | 10,639,560 | 12,614,918 | 1,975,358 |
| <i>Land improvements</i> | 2,566,163 | 2,475,837 | (90,326) |
| <i>Machinery and equipment</i> | 2,835,816 | 2,648,950 | (186,866) |
| <i>Infrastructure</i> | 12,779,513 | 12,875,391 | 95,878 |
| Totals | \$ 32,154,103 | \$ 31,147,827 | \$ (1,006,276) |

This year's additions consisted of:

| | |
|------------------------------------|-----------------------|
| Construction-in-progress | \$ 79,332 |
| Buildings and improvements | 2,967,665 |
| Machinery and equipment | 422,255 |
| Land improvements | 174,635 |
| Infrastructure | 789,011 |
| Total Additions | <u>4,432,898</u> |
| Less: Depreciation | 2,001,721 |
| HSDC depreciation | 130,277 |
| Construction-in-progress completed | 2,879,652 |
| Loss on sale of property | <u>427,524</u> |
| Total Net Change | <u>\$ (1,006,276)</u> |

Debt Administration

Total long-term liabilities increased in 2010 by \$3,331,923 to \$18,194,461. Of this amount, \$105,000 was subject to the constitutional debt limit and represented 2.11% of the County's statutory debt limit. The recording of other postemployment benefits liability and expense of \$1,933,577 and issue of serial bonds in the amount of \$1,500,000 were the most significant changes in 2010.

COUNTY OF SCHUYLER
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Tobacco settlement pass-through bonds are debt of STASC, under which the County's future tobacco settlement proceeds were securitized. 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

| | Governmental Activities | | Dollar Change |
|--|--------------------------------|----------------------|----------------------|
| | 2009 | 2010 | 2009 - 2010 |
| <i>Serial bonds</i> | \$ 9,501,778 | \$ 10,774,176 | \$ 1,272,398 |
| <i>Capital lease</i> | 54,369 | 51,904 | (2,465) |
| <i>Compensated absences</i> | 572,092 | 557,274 | (14,818) |
| <i>Retiree Health Insurance payable</i> | 4,261,470 | 6,195,047 | 1,933,577 |
| <i>Tobacco settlement pass-through bonds accreted interest</i> | 472,829 | 616,060 | 143,231 |
| Totals | \$ 14,862,538 | \$ 18,194,461 | \$ 3,331,923 |

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.3 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'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, 2010

| | Primary Government | Component Units | |
|--|----------------------------|--|-------------------------------------|
| | Governmental Activities | Soil and Water Conservation District | Industrial Development Agency |
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 749,194 | \$ 290,027 | \$ 566,503 |
| Restricted cash | 1,294,453 | 1,257,773 | 61,266 |
| Taxes receivable, net | 1,921,229 | | |
| Accounts receivable, net | 961,173 | 56,655 | |
| Loans receivable - Current portion | | | 45,443 |
| Due from state and federal governments | 3,171,885 | | |
| Due from other governments | 33,196 | | |
| Prepaid expenses | 296,905 | 5,398 | |
| Inventories | 9,567 | | |
| Other | 1,979 | | |
| Total Current Assets | 8,439,581 | 1,609,853 | 673,212 |
| Noncurrent Assets: | | | |
| Restricted cash and cash equivalents | 685,245 | | |
| Loans receivable, long-term portion | | | 369,085 |
| Unamortized bond issue costs | 96,280 | | |
| Land and construction-in-progress | 532,731 | | |
| Depreciable capital assets, net | 30,615,096 | 71,026 | |
| Total Noncurrent Assets | 31,929,352 | 71,026 | 369,085 |
| Total Assets | 40,368,933 | 1,680,879 | 1,042,297 |
| <u>LIABILITIES</u> | | | |
| Current Liabilities: | | | |
| Accounts payable | 1,486,355 | | |
| Accrued liabilities | 362,079 | 24,810 | |
| Interest payable | 108,992 | | |
| Due to other governments | 1,884,554 | | |
| Retained percentages | 20,000 | | |
| Overpayments | 904,247 | | |
| Deferred revenue | 126,805 | 1,252,801 | 42,000 |
| Bond Anticipation Note payable | | | |
| Long-term obligations due within one year: | | | |
| Loans payable | | | |
| Lease payable | 36,941 | | |
| Bonds payable | 367,601 | | |
| Compensated absences | 55,727 | | |
| Total Current Liabilities | 5,353,301 | 1,277,611 | 42,000 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF NET ASSETS
(CONTINUED)
DECEMBER 31, 2010

| | Primary Government | Component Units | |
|--|----------------------------|--|-------------------------------------|
| | Governmental Activities | Soil and Water Conservation District | Industrial Development Agency |
| Total current liabilities brought forward | \$ 5,353,301 | \$ 1,277,611 | \$ 42,000 |
| Noncurrent Liabilities: | | | |
| Long-term obligations due after one year: | | | |
| Accreted interest payable | 616,060 | _____ | _____ |
| Lease payable | 14,963 | _____ | _____ |
| Bonds payable | 10,406,575 | _____ | _____ |
| Other postemployment benefits payable | 6,195,047 | _____ | _____ |
| Compensated absences | 501,547 | _____ | _____ |
| Total Noncurrent Liabilities | 17,734,192 | -0- | -0- |
| Total Liabilities | 23,087,493 | 1,277,611 | 42,000 |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 19,705,687 | 71,026 | _____ |
| Restricted for: | | | |
| Community development | 65,383 | _____ | 61,266 |
| Debt service | 685,245 | _____ | _____ |
| Public safety | 353,600 | _____ | _____ |
| Unrestricted | (3,528,475) | 332,242 | 939,031 |
| Total Net Assets | \$ 17,281,440 | \$ 403,268 | \$ 1,000,297 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

| <u>FUNCTIONS/PROGRAMS</u> | Program Revenues | | | |
|--|-------------------------|--|--|------------|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General governmental support | \$ 9,077,059 | \$ 2,487,247 | \$ 427,210 | \$ |
| Education | 2,004,446 | 102,455 | 701,063 | |
| Public safety | 5,023,722 | 410,547 | 108,123 | |
| Public health | 5,673,644 | 2,279,198 | 1,416,882 | |
| Transportation | 3,978,076 | 508,841 | 254,526 | 808,617 |
| Economic assistance and opportunity | 13,143,035 | 1,114,582 | 6,488,742 | |
| Culture and recreation | 659,229 | 219,554 | 227,514 | |
| Home and community services | 599,141 | 81,497 | 141,410 | |
| Self-insurance | 1,250,923 | 1,235,171 | | |
| Interest on debt | 641,002 | | | |
| Total Governmental Activities | \$ 42,050,277 | \$ 8,439,092 | \$ 9,765,470 | \$ 808,617 |
| Component Units: | | | | |
| Soil and Water Conservation | \$ 534,914 | \$ 62,089 | \$ 512,615 | \$ |
| Industrial Development Agency | 30,440 | 11,754 | | |
| Total Component Units | \$ 565,354 | \$ 73,843 | \$ 512,615 | \$ -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

Loss on sale of property

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 |
| \$ (6,162,602) | \$ | \$ |
| (1,200,928) | | |
| (4,505,052) | | |
| (1,977,564) | | |
| (2,406,092) | | |
| (5,539,711) | | |
| (212,161) | | |
| (376,234) | | |
| (15,752) | | |
| (641,002) | | |
| (23,037,098) | | |
| | 39,790 | |
| | | (18,686) |
| | 39,790 | (18,686) |
| (23,037,098) | 39,790 | (18,686) |
| 9,611,312 | | |
| 512,575 | | |
| 8,780,783 | | |
| 227,642 | | |
| 13,204 | 1,360 | 18,982 |
| 109,705 | 59,019 | 13,008 |
| 61,076 | 5,510 | |
| (427,524) | | |
| 18,888,773 | 65,889 | 31,990 |
| (4,148,325) | 105,679 | 13,304 |
| 21,429,765 | 297,589 | 986,993 |
| \$ 17,281,440 | \$ 403,268 | \$ 1,000,297 |

COUNTY OF SCHUYLER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

| | Major Funds | |
|--|-----------------|--|
| | General Fund | Special Revenue Fund County Road Fund |
| <u>ASSETS</u> | | |
| Assets: | | |
| Cash and cash equivalents - Unrestricted | \$ 665,903 | \$ 260,666 |
| - Restricted | 374,330 | |
| Taxes receivable (net) | 1,921,229 | |
| Due from other funds | 2,263,492 | 1,015,000 |
| Due from State and Federal governments | 3,102,701 | 69,184 |
| Due from other governments | 33,196 | |
| Other receivables, net | 547,344 | 6,331 |
| Prepaid expenses | 295,044 | |
| Inventories | 9,567 | |
| Total Assets | \$ 9,212,806 | \$ 1,351,181 |
| <u>LIABILITIES AND FUND BALANCES</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 779,316 | \$ 73,626 |
| Accrued liabilities | 328,373 | 28,432 |
| Due to other funds | 1,515,288 | 1,168,243 |
| Due to other governments | 1,876,563 | 6,700 |
| Retained percentages | | |
| Overpayments | 904,247 | |
| Deferred revenues | 1,110,592 | |
| Total Liabilities | 6,514,379 | 1,277,001 |
| Fund Balances: | | |
| Fund Balances - Reserved: | | |
| Encumbrances | 29,918 | 10,000 |
| Miscellaneous special reserves | 655,491 | |
| Debt service | | |
| Capital | 573,578 | |
| Total Reserved | 1,258,987 | 10,000 |
| Fund Balances - Unreserved, Appropriated, Reported in: | | |
| General Fund | 750,000 | |
| Fund Balances - Unreserved, Reported in: | | |
| General Fund | 689,440 | |
| Special Revenue Funds | | 64,180 |
| Capital Projects Funds | | |
| Total Unreserved | 1,439,440 | 64,180 |
| Total Fund Balances | 2,698,427 | 74,180 |
| Total Liabilities and Fund Balances | \$ 9,212,806 | \$ 1,351,181 |

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> |
| \$ 422,169 | \$ 373,483 | \$ 1,722,221 |
| | 272,245 | 646,575 |
| | | 1,921,229 |
| 335,919 | 250,162 | 3,864,573 |
| | | 3,171,885 |
| | | 33,196 |
| | 289,320 | 842,995 |
| | 1,861 | 296,905 |
| | | 9,567 |
| <u>\$ 758,088</u> | <u>\$ 1,187,071</u> | <u>\$ 12,509,146</u> |
| | | |
| \$ 13,076 | \$ 70,660 | \$ 936,678 |
| | 5,274 | 362,079 |
| 799,480 | 221,014 | 3,704,025 |
| 1,291 | | 1,884,554 |
| 20,000 | | 20,000 |
| | | 904,247 |
| | | 1,110,592 |
| 833,847 | 296,948 | 8,922,175 |
| | | 39,918 |
| | 37,541 | 693,032 |
| | 639,547 | 639,547 |
| | | 573,578 |
| -0- | 677,088 | 1,946,075 |
| | | 750,000 |
| | | 689,440 |
| | 213,035 | 277,215 |
| (75,759) | | (75,759) |
| (75,759) | 213,035 | 1,640,896 |
| (75,759) | 890,123 | 3,586,971 |
| <u>\$ 758,088</u> | <u>\$ 1,187,071</u> | <u>\$ 12,509,146</u> |

COUNTY OF SCHUYLER
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

Total Governmental Fund Balances \$ 3,586,971

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

Capital assets of the Governmental Funds, net of accumulated depreciation of \$25,728,342 used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. 26,544,430

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 Governmental Fund financial statements.

| | | | |
|---|----|---------------|------------------|
| Accrued interest payable | \$ | (65,773) | |
| Accreted interest payable | | (616,060) | |
| Unamortized bond issuance costs - STASC | | <u>96,280</u> | <u>(585,553)</u> |

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. 983,787

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 and 2.B.3.

| | | | |
|---|----|------------------|---------------------|
| Serial bonds payable | \$ | (1,605,000) | |
| Lease payable | | (51,904) | |
| Tobacco settlement pass-through bonds, net of unamortized bond discount | | (3,849,779) | |
| Other postemployment benefits payable | | (6,195,047) | |
| Compensated absences | | <u>(557,274)</u> | <u>(12,259,004)</u> |

The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Assets. (989,191)

Net Assets of Governmental Activities \$ 17,281,440

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, 2010

| | Major Funds | |
|---|---------------------|--|
| | General Fund | Special Revenue Fund County Road Fund |
| <u>REVENUES</u> | | |
| Real property taxes | \$ 9,482,684 | \$ _____ |
| Real property tax items | 512,575 | _____ |
| Nonproperty tax items | 8,780,783 | _____ |
| Departmental income | 4,660,100 | 29,432 |
| Intergovernmental charges | 570,613 | _____ |
| Use of money and property | 638,691 | 2,557 |
| Fines and forfeitures | 56,837 | 300 |
| Sale of property and compensation for loss | 61,235 | 2,000 |
| Miscellaneous local sources | 65,685 | 162 |
| Interfund revenues | _____ | _____ |
| State sources | 5,337,412 | 740,333 |
| Federal sources | 4,327,808 | 68,284 |
| Total Revenues | <u>34,494,423</u> | <u>843,068</u> |
| <u>EXPENDITURES</u> | | |
| General governmental support | 6,412,645 | _____ |
| Education | 2,004,446 | _____ |
| Public safety | 3,118,754 | _____ |
| Public health | 4,269,665 | _____ |
| Transportation | 278,520 | 2,437,779 |
| Economic assistance and opportunity | 11,028,449 | _____ |
| Culture and recreation | 535,959 | _____ |
| Home and community services | 576,641 | _____ |
| Employee benefits | 5,508,710 | 372,522 |
| Debt service - Principal and interest | 129,785 | _____ |
| Capital outlay | _____ | _____ |
| Total Expenditures | <u>33,863,574</u> | <u>2,810,301</u> |
| Excess of Revenues (Expenditures) | 630,849 | (1,967,233) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Proceeds of bonds | _____ | _____ |
| Premium on obligations | _____ | _____ |
| Interfund transfers in | _____ | 1,858,648 |
| Interfund transfers (out) | (3,131,762) | _____ |
| Total Other Financing Sources (Uses) | <u>(3,131,762)</u> | <u>1,858,648</u> |
| Excess of (Expenditures) Revenues and Other Financing (Uses) Sources | <u>(2,500,913)</u> | <u>(108,585)</u> |
| Fund Balances, Beginning | 5,199,340 | 182,765 |
| Fund Balances, Ending | \$ <u>2,698,427</u> | \$ <u>74,180</u> |

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> |
| \$ _____ | \$ _____ | \$ 9,482,684 |
| _____ | _____ | 512,575 |
| _____ | _____ | 8,780,783 |
| _____ | _____ | 4,689,532 |
| _____ | 299,109 | 869,722 |
| 895 | 619 | 642,762 |
| _____ | _____ | 57,137 |
| _____ | 7,076 | 70,311 |
| 415,712 | 227,642 | 709,201 |
| _____ | 180,000 | 180,000 |
| _____ | 22,501 | 6,100,246 |
| _____ | 47,892 | 4,443,984 |
| 416,607 | 784,839 | 36,538,937 |
| _____ | 37,096 | 6,449,741 |
| _____ | _____ | 2,004,446 |
| _____ | _____ | 3,118,754 |
| _____ | _____ | 4,269,665 |
| _____ | 793,105 | 3,509,404 |
| _____ | _____ | 11,028,449 |
| _____ | _____ | 535,959 |
| _____ | 22,500 | 599,141 |
| _____ | 71,378 | 5,952,610 |
| _____ | 221,278 | 351,063 |
| 143,278 | _____ | 143,278 |
| 143,278 | 1,145,357 | 37,962,510 |
| 273,329 | (360,518) | (1,423,573) |
| 1,500,000 | _____ | 1,500,000 |
| 1,105 | _____ | 1,105 |
| 816,494 | 456,620 | 3,131,762 |
| _____ | _____ | (3,131,762) |
| 2,317,599 | 456,620 | 1,501,105 |
| 2,590,928 | 96,102 | 77,532 |
| (2,666,687) | 794,021 | 3,509,439 |
| \$ <u>(75,759)</u> | \$ <u>890,123</u> | \$ <u>3,586,971</u> |

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 77,532

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 depreciation exceeded capital outlay in the current period.

| | | |
|--|--------------------|------------------|
| Capital outlay, net of disposal adjustments of \$1,306,585 | \$ 246,661 | |
| Depreciation expense of \$2,001,721, net of disposal adjustments | <u>(1,122,660)</u> | <u>(875,999)</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>199,585</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 | \$ 140,669 | |
| Bond proceeds | (1,500,000) | |
| Proceeds of capital leases | (43,204) | |
| Bond issuance costs amortization | <u>(12,069)</u> | <u>(1,414,604)</u> |

| | |
|---|-----------------|
| The net expense of the Internal Service Fund component unit is reported with Governmental Activities. | <u>(58,012)</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 changes in compensated absences and interest payable.

| | | |
|---------------------------------------|------------------|--------------------|
| Compensated absences | \$ 14,818 | |
| Other postemployment benefits payable | (1,933,577) | |
| Change in accrued interest payable | (14,837) | |
| Change in accreted interest payable | <u>(143,231)</u> | <u>(2,076,827)</u> |

| | |
|---|-----------------------|
| Change in Net Assets of Governmental Activities | <u>\$ (4,148,325)</u> |
|---|-----------------------|

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

| | Internal Service Funds | |
|---|------------------------|------------------------|
| | Component Unit | |
| | HSDC Fund | Self-Insurance Fund |
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents - Unrestricted | \$ 22,759 | \$ (75,663) |
| - Restricted | 413,000 | |
| Due from other funds | | 164,317 |
| Accounts receivable | | 118,178 |
| Total Current Assets | 435,759 | 206,832 |
| Noncurrent Assets: | | |
| Organizational costs, net of accumulated amortization | 1,979 | |
| Capital Assets: | | |
| Land | 40,639 | |
| Depreciable capital assets, net | 4,562,758 | |
| Total Noncurrent Assets | 4,605,376 | -0- |
| Total Assets | 5,041,135 | 206,832 |
| <u>LIABILITIES</u> | | |
| Current Liabilities: | | |
| Accounts payable | | 549,677 |
| Due to other funds | | 324,865 |
| Accrued interest payable | 43,219 | |
| Bonds payable, current | 144,346 | |
| Total Current Liabilities | 187,565 | 874,542 |
| Noncurrent Liabilities: | | |
| Bonds payable | 5,175,051 | |
| Total Noncurrent Liabilities | 5,175,051 | -0- |
| Total Liabilities | 5,362,616 | 874,542 |
| <u>NET ASSETS</u> | | |
| Invested in capital assets, net of related debt | 716,000 | |
| Restricted for debt service | 1,129,000 | |
| Unrestricted | (2,166,481) | (667,710) |
| Total Net Deficit | \$ (321,481) | \$ (667,710) |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Internal Service Funds | |
|--------------------------------------|------------------------|------------------------|
| | Component Unit | |
| | HSDC Fund | Self-Insurance Fund |
| Operating Revenues: | | |
| Participant assessments | \$ | \$ 4,978,982 |
| Rent | 418,699 | |
| Refund of prior year expenses | | 41,256 |
| | 418,699 | 5,020,238 |
| Total Operating Revenues | | |
| Operating Expenses: | | |
| Contractual expenses | 8,970 | |
| Employee benefit payments | | 5,089,959 |
| Depreciation and amortization income | 131,408 | |
| | 140,378 | 5,089,959 |
| Total Operating Expenses | | |
| Operating Income (Loss) | 278,321 | (69,721) |
| Nonoperating (Expense) Income: | | |
| Interest and dividends | 75 | 213 |
| Interest (expense) | (266,900) | |
| | (266,825) | 213 |
| Total Nonoperating (Loss) Income | | |
| Total Net Income (Loss) | 11,496 | (69,508) |
| Net (Deficiency), January 1, 2010 | (332,977) | (598,202) |
| Net (Deficiency), December 31, 2010 | \$ (321,481) | \$ (667,710) |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Internal Service Funds | |
|---|------------------------|------------------------|
| | Component Unit | |
| | HSDC Fund | Self-Insurance Fund |
| Cash Flows from Operating Activities: | | |
| Cash received from providing services | \$ 418,825 | \$ 4,932,431 |
| Cash payments - Contractual expenses | (8,970) | (5,047,483) |
| Net Cash Provided (Used) by Operating Activities | 409,855 | (115,052) |
| Cash Flows from Noncapital Financing Activities | -0- | -0- |
| Cash Flows from Capital and Related Financing Activities: | | |
| Cash payments - Interest expense | (262,213) | |
| Cash payments - Bond principal | (145,000) | |
| Net Cash (Used) by Capital and Related Financing Activities | (407,213) | |
| Cash Flows from Investing Activities: | | |
| Interest and dividend income received | 75 | 213 |
| Net Cash Provided by Investing Activities | 75 | 213 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,717 | (114,839) |
| Cash and Cash Equivalents, January 1, 2010 | 433,042 | 39,176 |
| Cash and Cash Equivalents, December 31, 2010 | \$ 435,759 | \$ (75,663) |
| Reconciliation of net operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ 278,321 | \$ (69,721) |
| Adjustments to reconcile net operating income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 131,408 | |
| Decrease in accounts receivable | 126 | 117,766 |
| (Increase) in due from other funds | | (164,317) |
| Increase in accounts payable | | 35,677 |
| (Decrease) in due to other funds | | (34,457) |
| Net Cash Provided (Used) by Operating Activities | \$ 409,855 | \$ (115,052) |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
DECEMBER 31, 2010

| | | <u>Agency Funds</u> |
|--|--------|---------------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents - Unrestricted | \$ | 594,223 |
| - Restricted | | 15,417 |
| Due from other governments | | <u>55,497</u> |
| Total Assets | \$ | <u><u>665,137</u></u> |
| <u>LIABILITIES</u> | | |
| Agency liabilities | \$ | 609,646 |
| Due to other governments | | <u>55,491</u> |
| Total Liabilities | \$ | <u><u>665,137</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, 2010

Note 1 - Summary of Significant Accounting Policies

The financial statements of the County of Schuyler (the County) 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, 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 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, (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 Number 14, "The Financial Entity," as amended by GASB Statement Number 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 Number 14, "The Financial Entity," as amended by GASB Statement Number 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'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.

a. The Schuyler County Industrial Development Agency

The Schuyler County Industrial Development Agency (the 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 March 17, 2011 has been issued for the Agency for the year ended December 31, 2010. The Agency is considered a component unit of the County and is discretely presented. Complete financial statements for the 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
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FOR THE YEAR ENDED DECEMBER 31, 2010

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

b. The Schuyler County Soil and Water Conservation District

The Schuyler County Soil and Water Conservation District (the 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 17% 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.

c. 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. STASC is deemed to be a component unit of the 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 March 24, 2011 has been issued for the STASC for the year ended December 31, 2010. Complete financial statements for Schuyler Tobacco Asset Securitization Corporation may be obtained from Schuyler County, 105 9th Street, Watkins Glen, NY 14891.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

d. The Schuyler County Human Services Development Corporation

The Schuyler County Human Services Development 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. HSDC is exempt from federal, state, and local income taxes. HSDC, although established by the Schuyler County Board of Legislators, is a separate entity and operates independently of the County. HSDC 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 4, 2011 has been issued for the HSDC for the year ended December 31, 2010. Complete financial statements for Human Services Development Corporation may be obtained from Schuyler County, 105 9th 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 2010, the 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 8 Denison Parkway East, Suite 310, Corning, NY 14830.

B. Basic Financial Statements

The County's basic financial statements include both Government-wide (reporting the County as a whole) and Governmental Fund financial statements (reporting the County's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either governmental or business type. The County's general governmental support, education, public safety, public health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. The County currently has no funds classified as Business-type Activities.

1. Government-wide Financial Statements

The Government-wide financial 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, 2010

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, 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. Governmental Fund Financial Statements

The financial transactions of the County are reported in individual funds in the Governmental 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.

a. 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.

(1) Major Funds

General Fund - Principal operating fund and includes all operations not required to be recorded in other funds.

Special Revenue Fund:

(a) County Road Fund - Accounts for expenditures for highway purposes authorized by Section 114 of the Highway Law.

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

(2) Non-Major Funds

Special Revenue Funds:

(a) Road Machinery Fund - Accounts for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of the Highway Law.

(b) Special Grant Fund - Accounts 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, 2010

(c) Debt Service Fund:

STASC Debt Service Fund - Accounts for accumulation of resources from tobacco settlement payments and payment of principal and interest on the tobacco settlement pass-through bonds.

(3) Proprietary Funds

Internal Service Funds:

(a) Self-Insurance Fund - Accounts for payment of health claims and accumulation of participant payments.

(b) HSDC Internal Service Fund - Accounts for accumulation of rent and interest revenue and payment of principal and interest on Human Services Development Corporation bonds.

(4) 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 - 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.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

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 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.

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.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 County-wide 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.

The County's constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2010 is computed as follows:

| | |
|--|-------------------------|
| Five-Year Average Full Valuation of Taxable Real Estate (2005-2009) | <u>\$ 1,014,063,377</u> |
| Tax limit @ 1.5% | \$ 15,210,951 |
| Less : | |
| Tax levy | 9,677,835 |
| Less exclusions | <u>(365,453)</u> |
| Tax levy subject to tax limit | <u>9,312,382</u> |
| Tax Margin | <u>\$ 5,898,569</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 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.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

H. Cash and Cash Equivalents

For financial statement purposes, the County 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.

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 provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. 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. See more detailed information related to the GASB Statement Number 45 information in Note 2.

M. Sales Tax

Pursuant to local law, the County levies a 4% 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.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

N. Revenues

Substantially all Governmental Fund revenues are accrued. In applying GASB Statement Number 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 Statement Number. 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 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.

R. Equity Classifications

1. Government-wide Financial 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."

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

2. Governmental Fund Financial 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**
Represents amount of outstanding encumbrances at the end of the fiscal year. This reserve is accounted for in the General Fund, County Road Fund, and Road Machinery Fund.
- **Miscellaneous Special Reserve**
Accounts for funds restricted for miscellaneous projects, as authorized by County Resolution. This reserve is further outlined in Note 7, and accounted for in the General Fund and Road Machinery Fund.
- **Mandatory Reserve for Debt Service**
Used to establish a reserve for the purpose of retiring outstanding obligations upon the sale of County property or capital improvement financed by obligations which remain outstanding at the time of sale (GMC§ 6-1). The funding of the reserve is from the proceeds of the sale of County property or capital improvement. This reserve is accounted for in the General Fund and STASC Debt Service Fund.
- **Capital Reserve**
Provides funds for financing of all or part of the cost of: a) construction, reconstruction or acquisition of a specific capital improvement or acquisition of a specific item or specific items of equipment, or b) construction, reconstruction or acquisition of a type of capital improvement or acquisition of a type of equipment. This reserve is accounted for in the General Fund.

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

The County's investment policies are governed by state statutes. In addition, the County has its own written investment policy. The County's monies must be deposited in Federal Deposit Insurance Corporation (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.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
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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, 2010, per the bank, were \$3,186,720, \$635,182 and \$2,186,201 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- | \$ 3,186,720 | \$ -0- | \$ 2,728,892 |
| Fiduciary Fund | \$ -0- | \$ 635,182 | \$ -0- | \$ 609,640 |
| Soil and Water District | \$ -0- | \$ 1,558,311 | \$ -0- | \$ 1,549,097 |
| Industrial Development Agency | \$ -0- | \$ 627,890 | \$ -0- | \$ 627,769 |

Restricted cash and cash equivalents at December 31, 2010 consisted of the following:

| <u>Activity</u> | <u>Amount</u> |
|--------------------------------------|---------------|
| Governmental Activities: | |
| Public Safety Funds | \$ 353,600 |
| STASC Debt Service Fund | 272,245 |
| HSDC Funds | 413,000 |
| Community Development Fund | 65,383 |
| Central Garage Reserve | 259 |
| Sick Bank Reserve | 8,195 |
| Community Services Board Reserve | 6,044 |
| Facilities & Grounds Capital Reserve | 573,578 |
| Voice & Data Reserve Funds | 207,665 |
| Lamoka-Waneta Lakes District Funds | 79,729 |
| Total Governmental Activities | \$ 1,979,698 |

2. Property Taxes

Property taxes levied for 2010 are recorded as revenue and receivables, net of estimated uncollectible amounts. In the fund financial statements, the net receivables collected during 2010 and expected to be collected within the first sixty days of 2011 are recognized as revenues in 2010.

Net receivables estimated to be collectible subsequent to the first sixty days of 2010 are reflected as deferred revenue. At December 31, 2010, the County had deferred \$1,050,310 of real property tax revenue.

Taxes receivable at December 31, 2010 are summarized as follows:

| | |
|------------------------------------|--------------|
| Tax sale certificates | \$ 15,125 |
| School taxes | 753,905 |
| Taxes receivable - City and school | 23,633 |
| Taxes receivable - Overdue | 1,105,118 |
| Other | 121,333 |
| Allowance for uncollectible taxes | (97,885) |
| Taxes Receivable | \$ 1,921,229 |

COUNTY OF SCHUYLER
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(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 levied for schools in the amount of \$777,538 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, 2010 consisted of the following, which are stated at net realizable value. The County has deemed the amounts to be fully collectible.

| | Description | Amount |
|---------------------|-----------------------|----------------|
| General Fund | County Clerk | \$ 66,066 |
| | Public health fees | 69,944 |
| | Mental health fees | 119,818 |
| | Public safety fees | 64,731 |
| | Emergency management | 80 |
| | Social services fees | 45,283 |
| | Central services fees | 83,323 |
| | Youth Bureau | 38,255 |
| | Due from agency | 55,491 |
| | Other | 4,353 |
| | | <u>547,344</u> |
| County Road Fund | Billed services | 6,331 |
| Road Machinery Fund | Billed services | 27,495 |
| Self-insurance Fund | Billed services | 118,178 |
| STASC Fund | TSR receivable | 261,825 |
| | | <u>961,173</u> |

4. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

| | Balance at 12/31/09 | Additions | Deletions | Balance at 12/31/10 |
|---|------------------------|---------------------|-----------------------|------------------------|
| Governmental Activities: | | | | |
| Land | \$ 407,000 | \$ | \$ | \$ 407,000 |
| Construction in progress | 2,885,412 | 79,332 | (2,879,652) | 85,092 |
| Total Non-depreciable Capital Assets | <u>3,292,412</u> | <u>79,332</u> | <u>(2,879,652)</u> | <u>492,092</u> |
| Buildings | 11,338,336 | 2,967,665 | (1,228,754) | 13,077,247 |
| Machinery and equipment | 7,002,084 | 422,255 | (77,831) | 7,346,508 |
| Land improvements | 3,044,955 | 174,635 | | 3,219,590 |
| Infrastructure | 27,348,324 | 789,011 | | 28,137,335 |
| Total Depreciable Capital Assets | <u>48,733,699</u> | <u>4,353,566</u> | <u>(1,306,585)</u> | <u>51,780,680</u> |
| Total Historical Cost | <u>52,026,111</u> | <u>4,432,898</u> | <u>(4,186,237)</u> | <u>52,272,772</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (5,205,568) | (445,211) | 801,230 | (4,849,549) |
| Machinery and equipment | (4,166,268) | (609,121) | 77,831 | (4,697,558) |
| Land improvements | (665,035) | (254,256) | | (919,291) |
| Infrastructure | (14,568,811) | (693,133) | | (15,261,944) |
| Total Accumulated Depreciation | <u>(24,605,682)</u> | <u>(2,001,721)</u> | <u>879,061</u> | <u>(25,728,342)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 27,420,429</u> | <u>\$ 2,431,177</u> | <u>\$ (3,307,176)</u> | <u>\$ 26,544,430</u> |

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED DECEMBER 31, 2010

Depreciation expense was charged to functions as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| General government support | \$ 684,638 |
| Public safety | 129,856 |
| Public health | 18,482 |
| Transportation | 900,739 |
| Economic assistance and opportunity | 99,631 |
| Culture and recreation | <u>168,375</u> |
| Total Governmental Activities Depreciation Expense | <u>\$ 2,001,721</u> |

| | Balance at 12/31/09 | Additions | Deletions | Balance at 12/31/10 |
|---|------------------------|---------------------|---------------|------------------------|
| Business-Type Activity: | | | | |
| Land | \$ 40,639 | \$ | \$ | \$ 40,639 |
| Total Non-depreciable Capital Assets | <u>40,639</u> | <u>-0-</u> | <u>-0-</u> | <u>40,639</u> |
| Buildings | 4,775,409 | | | 4,775,409 |
| Land improvements | 209,851 | | | 209,851 |
| Total Depreciable Capital Assets | <u>4,985,260</u> | <u>-0-</u> | <u>-0-</u> | <u>4,985,260</u> |
| Total Historical Cost | <u>5,025,899</u> | <u>-0-</u> | <u>-0-</u> | <u>5,025,899</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (268,617) | (119,572) | | (388,189) |
| Land improvements | <u>(23,608)</u> | <u>(10,705)</u> | | <u>(34,313)</u> |
| Total Accumulated Depreciation | <u>(292,225)</u> | <u>(130,277)</u> | <u>-0-</u> | <u>(422,502)</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 4,733,674</u> | <u>\$ (130,277)</u> | <u>\$ -0-</u> | <u>\$ 4,603,397</u> |

Depreciation expense for the year ended December 31, 2010 and 2009 for the Internal Service Fund totaled \$130,277 and \$129,877, respectively, and was charged to economic assistance and opportunity in the Statement of Activities.

B. Liabilities

1. Pension Plans

a. Plan Description

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

These are cost-sharing multiple-employer 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.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

b. Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 and have fewer than ten years of credited service. These members contribute 3% of their salary. Prior to October 2000, all County employees who joined after July 27, 1976 were required to contribute 3%, but the laws were modified to forgive the 3% contribution for those with ten or more years of service time. 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 the employer to the Pension Accumulation Fund.

The County 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> |
|-------------|--------------|
| 2010 | \$ 1,180,176 |
| 2009 | 784,206 |
| 2008 | 830,310 |

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

The County's contributions made to the System were equal to 100% of the contributions required for each of the years. The System's pension relief legislation (New York State Chapter 620, Laws of 2004) was enacted to provide employers with relief in payment of their annual ERS cost. This legislation provides several options to employers, including delaying their payments from December 15 to February 6 of the ensuing year, payment of a portion of their cost over an amortized period, and the means to issue serial bonds to provide funding for the employers liability. In addition, the employer was given the option of making full payment on December 15, at a discounted amount. The County exercised its option of making payment on December 15, 2009, equal to 100% of the contributions required for the year.

The New York State Legislature has authorized local governments to make available retirement incentive programs. The County participates in early retirement programs when they are offered and has elected to pay the related cost over a five year amortization period, which includes interest at rates ranging from 8% to 8.5%. There is no remaining liability for these incentive programs at December 31, 2010.

2. Other Postemployment Benefits

In 2008, the County adopted GASB Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the County reported the cost of retiree health care on a "pay-as-you-go" basis.

An actuarial valuation of the Schuyler County Postretirement Medical Plan (The Plan) was performed as of December 31, 2010 for the fiscal year ending December 31, 2010. The Plan is a single-employer defined benefit Other Postemployment Benefit Plan administered by the County. The Plan provides for the continuation of medical insurance benefits for certain retirees and their spouses. The County assigns the authority to establish and amend benefit provisions to the County Legislature. The Plan does not issue a stand-alone financial report.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

The contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2010 the County contributed \$461,502 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation to the County of Schuyler Postretirement Medical Plan:

| | |
|---|------------------|
| Normal cost | \$ 1,200,129 |
| Amortization of UAAL | 1,175,891 |
| Total Annual Required Contribution | 2,376,020 |
| Interest on net OPEB obligation | 265,500 |
| Adjustment to annual required contribution | (246,441) |
| Annual OPEB Cost (Expense) | 2,395,079 |
| Contributions made on behalf of 67 retirees | (461,502) |
| Increase in Net OPEB Obligation | 1,933,577 |
| Net OPEB Obligation - January 1, 2010 | 4,261,470 |
| Net OPEB Obligation - December 31, 2010 | \$ 6,195,047 |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| 12/31/08 | \$ 2,461,073 | 13.6% | \$ 2,130,735 |
| 12/31/09 | \$ 2,461,073 | 13.6% | \$ 4,261,470 |
| 12/31/10 | \$ 2,395,079 | 19.3% | \$ 6,195,047 |

As of December 31, 2010, the Plan was not funded. The actuarial accrued liability for benefits was \$21,146,864; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,082,718 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 209.7 percent.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposed are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 12 percent initially reduced by decrements to an ultimate rate of 5 percent after five years. The rate included a 4 percent inflation assumption.

3. Debt

a. Constitutional Debt Limit

At December 31, 2010, the total outstanding indebtedness of the County aggregated \$11,058,917. Of this amount, \$105,000 was subject to the constitutional limitations on indebtedness and represented 2.11% of the County's statutory debt limit.

b. Serial Bonds

The County 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 five 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 redeemed \$1,700,000 in BANs and did not issue any BANs during the year ended December 31, 2010.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

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% | 10/2013 | \$ 105,000 |
| Shared Services Construction | 01/10 | 1,500,000 | 3.50-5.00% | 1/2034 | <u>1,500,000</u> |
| STASC Pass-through Bonds: | | | | | |
| Tobacco Settlement Bonds (2000) | 12/00 | 3,280,000 | 5.25-6.30% | 6/2023 | 2,465,000 |
| Less: Unamortized bond discount | | | | | <u>(76,377)</u> |
| Carrying Value of Series 2000 Bonds | | | | | <u>2,388,623</u> |
| Tobacco Settlement Bonds (2005) | 11/05 | 1,573,852 | 6.00-7.85% | 6/2060 | 1,497,013 |
| Less: Unamortized bond discount | | | | | <u>(35,857)</u> |
| Add: Interest accretion | | | | | <u>616,060</u> |
| Carrying Value of Series 2005 Bonds | | | | | <u>2,077,216</u> |
| HSDC 2007 Tax-exempt Revenue Bonds | 04/07 | 5,725,000 | 3.50-5.00% | 5/2032 | 5,440,000 |
| Less: Unamortized bond issue costs | | | | | <u>(301,582)</u> |
| Add: Unamortized bond premium | | | | | <u>180,979</u> |
| Carrying Value of HSDC Bonds | | | | | <u>5,319,397</u> |
| Capital Lease | 01/09 | 47,183 | 7.20% | 1/2012 | 16,768 |
| Capital Lease | 04/10 | 23,004 | 7.10% | 4/2012 | 14,804 |
| Capital Lease | 02/09 | 19,100 | 7.20% | 2/2012 | 7,332 |
| Capital Lease | 04/10 | 20,200 | 7.10% | 4/2012 | <u>13,000</u> |
| Total | | | | | <u>\$ 11,037,598</u> |

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

f. Change in Indebtedness

The following represents changes in the County's indebtedness during the year ended December 31, 2010:

| | Balance January 1, | Additions | Deletions | Balance December 31, | Amount Due Within One Year |
|------------------------------------|-----------------------|---------------------|---------------------|-------------------------|----------------------------------|
| Serial Bonds | \$ 140,000 | \$ 1,500,000 | \$ (35,000) | \$ 1,605,000 | \$ 45,000 |
| STASC Bonds | 4,022,013 | | (60,000) | 3,962,013 | 185,000 |
| Add: Accreted interest payable | 472,829 | 143,231 | | 616,060 | -0- |
| Less: Unamortized bond discount | (118,979) | 6,745 | | (112,234) | (6,745) |
| HSDC Bonds | 5,585,000 | | (145,000) | 5,440,000 | 150,000 |
| Less: Unamortized bond issue costs | (315,719) | 14,137 | | (301,582) | (14,137) |
| Add: Unamortized bond premium | 189,463 | | (8,484) | 180,979 | 8,483 |
| Capital lease | 54,369 | 43,204 | (45,669) | 51,904 | 36,941 |
| Compensated absences | 572,092 | | (14,818) | 557,274 | 55,727 |
| Totals | \$ 10,601,068 | \$ 1,707,317 | \$ (308,971) | \$ 11,999,414 | \$ 460,269 |

Additions and deletions to compensated absences are shown net, as it is impractical to determine these amounts separately. The County paid \$48,011 in interest on bonds and capital leases during the year. STASC paid \$161,278 in interest on bonds during the year. HSDC paid \$262,213 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 | \$ 471,502 |
| Less interest accrued in prior year | (95,121) |
| Less prior year accreted interest | (472,829) |
| Add current year accreted interest | 616,060 |
| Add interest accrued in current year | 108,992 |
| Add amortization of bond discount | 12,398 |
| Total | \$ 641,002 |

g. Debt Service Requirements

The following tables summarize the County's future debt service requirements as of December 31, 2010:

| Year | Governmental Activities | | | | | | | |
|--------------|-------------------------|---------------------|------------------|-----------------|---------------------|---------------------|---------------------|---------------------|
| | County Serial Bonds | | Capital Lease | | STASC Bonds | | Total Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2011 | \$ 45,000 | \$ 105,384 | \$ 36,941 | \$ 2,944 | \$ 185,000 | \$ 151,898 | \$ 266,941 | \$ 260,226 |
| 2012 | 75,000 | 69,322 | 14,963 | 1,024 | 130,000 | 144,029 | 219,963 | 214,375 |
| 2013 | 75,000 | 65,842 | | | 135,000 | 135,698 | 210,000 | 201,540 |
| 2014 | 40,000 | 62,312 | | | 140,000 | 126,948 | 180,000 | 189,260 |
| 2015 | 45,000 | 60,719 | | | 150,000 | 117,726 | 195,000 | 178,445 |
| 2016-2020 | 250,000 | 274,662 | | | 1,157,461 | 621,836 | 1,407,461 | 896,498 |
| 2021-2025 | 310,000 | 213,450 | | | 1,159,240 | 756,289 | 1,469,240 | 969,739 |
| 2026-2030 | 390,000 | 134,701 | | | 472,160 | 1,444,783 | 862,160 | 1,579,484 |
| 2031-2035 | 375,000 | 37,475 | | | 285,760 | 1,742,562 | 660,760 | 1,780,037 |
| 2036-2037 | | | | | 147,392 | 1,310,417 | 147,392 | 1,310,417 |
| Total | \$ 1,605,000 | \$ 1,023,867 | \$ 51,904 | \$ 3,968 | \$ 3,962,013 | \$ 6,552,186 | \$ 5,618,917 | \$ 7,580,021 |

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

| Year | Business-type Activity | | |
|-----------|------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2011 | \$ 150,000 | \$ 256,687 | \$ 406,687 |
| 2012 | 155,000 | 251,350 | 406,350 |
| 2013 | 160,000 | 245,637 | 405,637 |
| 2014 | 170,000 | 239,450 | 409,450 |
| 2015 | 175,000 | 232,981 | 407,981 |
| 2016-2020 | 995,000 | 1,036,975 | 2,031,975 |
| 2021-2025 | 1,265,000 | 756,875 | 2,021,875 |
| 2026-2030 | 1,610,000 | 399,500 | 2,009,500 |
| 2031-2032 | 760,000 | 38,500 | 798,500 |
| Total | <u>\$ 5,440,000</u> | <u>\$ 3,457,955</u> | <u>\$ 8,897,955</u> |

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. STASC elected the 25 year flexible amortization option.

STASC 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, 2010 were as follows:

| | Interfund Receivables | Interfund Payables |
|-----------------------|--------------------------|-----------------------|
| General Fund | \$ 2,263,492 | \$ 1,515,288 |
| County Road Fund | 1,015,000 | 1,168,243 |
| Capital Projects Fund | 335,919 | 799,480 |
| Non-Major Fund | 250,162 | 221,014 |
| Self-insurance Fund | 164,317 | 324,865 |
| Total | <u>\$ 4,028,890</u> | <u>\$ 4,028,890</u> |

COUNTY OF SCHUYLER
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Interfund Revenues | Interfund Expenditures |
|-----------------------|-----------------------|---------------------------|
| General Fund | \$ | \$ 3,131,762 |
| County Road Fund | 1,858,648 | |
| Capital Projects Fund | 816,494 | |
| Non-Major Fund | 456,620 | |
| Total | \$ 3,131,762 | \$ 3,131,762 |

Note 3 - 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 4 - 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. 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.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 5 - 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. STASC is considered a component unit of the County and is presented as a blended component unit.

Note 6 - Transactions with Component Units

A. Schuyler County Industrial Development Agency

During the year ended December 31, 2010, the County of Schuyler paid \$1,000 in administration fees to the IDA.

B. Schuyler County Soil and Water Conservation District

The County contributed \$144,895 to the Soil and Water Conservation District during the year ended December 31, 2010.

C. Schuyler County Human Services Development Corporation

The HSDC leases office space to Schuyler County. During the year ended December 31, 2010, the County paid \$303,158 and owed \$0- on their lease rental commitment. In addition, the Corporation's records are maintained by County employees at no charge to the Corporation.

Note 7 - Net Assets - Statement of Net Assets

Of the \$(3,528,475) 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 | \$ (3,528,475) |
| Designated for: | |
| Ensuing year's budget | 750,000 |
| Carry-over of prior year's commitments (encumbrances) | 39,918 |
| Miscellaneous special reserves | 295,589 |
| Capital | 573,578 |
| Repairs | <u>43,844</u> |
| Total Unrestricted, Designated Net Assets | <u>1,702,929</u> |
| Total Unrestricted, Undesignated Net Assets | <u>\$ (5,231,404)</u> |

COUNTY OF SCHUYLER
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

| | Original Budget | Final Budget |
|--|--------------------|-----------------|
| <u>REVENUES</u> | | |
| Real property taxes | \$ 9,749,235 | \$ 9,749,235 |
| Real property tax items | 520,000 | 520,000 |
| Nonproperty tax items | 9,237,565 | 9,237,565 |
| Departmental income | 5,548,188 | 5,602,180 |
| Intergovernmental charges | 552,121 | 552,121 |
| Use of money and property | 618,797 | 618,797 |
| Fines and forfeitures | 110,200 | 110,200 |
| Sale of property and compensation for loss | 34,500 | 34,500 |
| Miscellaneous local sources | 30,160 | 30,160 |
| State sources | 5,011,141 | 5,867,362 |
| Federal sources | 4,051,048 | 4,649,560 |
| Total Revenues | 35,462,955 | 36,971,680 |
| <u>EXPENDITURES</u> | | |
| Current: | | |
| General governmental support | 6,952,438 | 6,471,555 |
| Education | 1,755,000 | 2,004,446 |
| Public safety | 3,223,273 | 3,322,473 |
| Public health | 4,216,740 | 4,371,472 |
| Transportation | 50,000 | 445,000 |
| Economic assistance and opportunity | 11,688,602 | 11,386,539 |
| Culture and recreation | 435,252 | 706,204 |
| Home and community services | 628,218 | 645,990 |
| Employee benefits | 2,351,343 | 5,577,302 |
| Debt service - Principal and interest | 81,095 | 129,786 |
| Total Expenditures | 31,381,961 | 35,060,767 |
| Excess of Revenues | 4,080,994 | 1,910,913 |
| <u>OTHER FINANCING (USES)</u> | | |
| Interfund transfers (out) | (4,830,994) | (3,131,762) |
| Total Other Financing (Uses) | (4,830,994) | (3,131,762) |
| Excess of (Expenditures) and Other Financing (Uses) | (750,000) | (1,220,849) |
| Appropriated Reserves | | 470,849 |
| Appropriated Fund Balances | 750,000 | 750,000 |
| Net Increase | \$ -0- | \$ -0- |
| Fund Balance, Beginning | | |
| Fund Balance, Ending | | |

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

| Actual | Encumbrances | Variance Favorable- (Unfavorable) |
|--------------|--------------|---|
| \$ 9,482,684 | \$ | \$ (266,551) |
| 512,575 | | (7,425) |
| 8,780,783 | | (456,782) |
| 4,660,100 | | (942,080) |
| 570,613 | | 18,492 |
| 638,691 | | 19,894 |
| 56,837 | | (53,363) |
| 61,235 | | 26,735 |
| 65,685 | | 35,525 |
| 5,337,412 | | (529,950) |
| 4,327,808 | | (321,752) |
| 34,494,423 | -0- | (2,477,257) |
| 6,412,645 | 17,582 | 41,328 |
| 2,004,446 | | -0- |
| 3,118,754 | 9,862 | 193,857 |
| 4,269,665 | | 101,807 |
| 278,520 | | 166,480 |
| 11,028,449 | | 358,090 |
| 535,959 | | 170,245 |
| 576,641 | 2,474 | 66,875 |
| 5,508,710 | | 68,592 |
| 129,785 | | 1 |
| 33,863,574 | 29,918 | 1,167,275 |
| 630,849 | (29,918) | (1,309,982) |
| (3,131,762) | | -0- |
| (3,131,762) | -0- | -0- |
| (2,500,913) | \$ (29,918) | \$ (1,309,982) |
| 5,199,340 | | |
| \$ 2,698,427 | | |

COUNTY OF SCHUYLER
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
 COUNTY ROAD FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> |
|--|-----------------------------|-------------------------|
| <u>REVENUES</u> | | |
| Departmental income | \$ 70,681 | \$ 70,681 |
| Use of money and property | <u>10,000</u> | <u>10,000</u> |
| Fines and forfeitures | <u>200</u> | <u>200</u> |
| Sale of property and compensation for loss | <u>3,000</u> | <u>3,000</u> |
| Miscellaneous local sources | <u>200</u> | <u>200</u> |
| State sources | <u>829,380</u> | <u>829,380</u> |
| Federal sources | <u>543,200</u> | <u>543,200</u> |
| Total Revenues | <u>1,456,661</u> | <u>1,456,661</u> |
| <u>EXPENDITURES</u> | | |
| Transportation | <u>2,885,204</u> | <u>2,949,656</u> |
| Employee benefits | <u>430,105</u> | <u>430,105</u> |
| Total Expenditures | <u>3,315,309</u> | <u>3,379,761</u> |
| Excess of (Expenditures) | <u>(1,858,648)</u> | <u>(1,923,100)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | |
| Interfund transfers in | <u>1,858,648</u> | <u>1,858,648</u> |
| Total Other Financing Sources (Uses) | <u>1,858,648</u> | <u>1,858,648</u> |
| Excess of (Expenditures) and Other Financing Sources (Uses) | <u>-0-</u> | <u>(64,452)</u> |
| Appropriated Reserves | <u> </u> | <u>64,452</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> |
|--------------------|---------------------|--|
| \$ 29,432 | \$ | \$ (41,249) |
| <u>2,557</u> | | <u>(7,443)</u> |
| 300 | | 100 |
| <u>2,000</u> | | <u>(1,000)</u> |
| 162 | | (38) |
| <u>740,333</u> | | <u>(89,047)</u> |
| <u>68,284</u> | | <u>(474,916)</u> |
| <u>843,068</u> | <u>-0-</u> | <u>(613,593)</u> |
| | | |
| <u>2,437,779</u> | <u>10,000</u> | <u>501,877</u> |
| <u>372,522</u> | | <u>57,583</u> |
| <u>2,810,301</u> | <u>10,000</u> | <u>559,460</u> |
| | | |
| <u>(1,967,233)</u> | <u>(10,000)</u> | <u>(54,133)</u> |
| | | |
| <u>1,858,648</u> | | |
| <u>1,858,648</u> | <u>-0-</u> | <u>-0-</u> |
| | | |
| <u>(108,585)</u> | <u>\$ (10,000)</u> | <u>\$ (54,133)</u> |
| | | |
| <u>182,765</u> | | |
| | | |
| <u>\$ 74,180</u> | | |

COUNTY OF SCHUYLER
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2010

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|----------------------|--|
| 12/31/2010 | \$ <u>-0-</u> | \$ <u>21,146,864</u> | \$ <u>21,146,864</u> | 0.0% | \$ <u>10,082,718</u> | 209.7% |
| 12/31/2008 | \$ <u>-0-</u> | \$ <u>20,290,478</u> | \$ <u>20,290,478</u> | 0.0% | \$ <u>9,776,623</u> | 207.5% |

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

COUNTY OF SCHUYLER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1 - Budgetary Data

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

1. 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
2. After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.
3. All modifications of the budget must be approved by the County Legislature. During 2010, the budget was modified for unanticipated grants and revenues, anticipated bond revenue and carryover encumbrances.
4. Appropriations are adopted at the functional level by department.
5. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the project.
6. 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.
7. Appropriations lapse at year end.

B. 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.

C. 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.

COUNTY OF SCHUYLER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

Note 3 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits. Because the year ended December 31, 2008 was the first year of implementation for the County, only two years of information is presented for the year ending December 31, 2010.

COUNTY OF SCHUYLER
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

| | Special Revenue Funds | | STASC | Total |
|---|--------------------------|---------------------------|-------------------------|------------------------------------|
| | Special Grant Fund | Road Machinery Fund | Debt Service Fund | Non-Major Governmental Funds |
| <u>ASSETS</u> | | | | |
| Assets: | | | | |
| Cash and cash equivalents - Unrestricted | \$ 194,723 | \$ 75,144 | \$ 103,616 | \$ 373,483 |
| - Restricted | | | 272,245 | 272,245 |
| Due from other funds | 47,892 | 202,270 | | 250,162 |
| Other receivables, net | | 27,495 | 261,825 | 289,320 |
| Prepaid expenses | | | 1,861 | 1,861 |
| Total Assets | \$ 242,615 | \$ 304,909 | \$ 639,547 | \$ 1,187,071 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ | 70,660 | \$ | 70,660 |
| Accrued liabilities | | 5,274 | | 5,274 |
| Due to other funds | 177,232 | 43,782 | | 221,014 |
| Total Liabilities | 177,232 | 119,716 | -0- | 296,948 |
| Fund Balances: | | | | |
| Fund Balances - Reserved: | | | | |
| Encumbrances | | | | -0- |
| Miscellaneous special reserve | | 37,541 | | 37,541 |
| Debt service | | | 639,547 | 639,547 |
| Total Reserved | -0- | 37,541 | 639,547 | 677,088 |
| Fund Balances - Unreserved, Reported in: | | | | |
| Special Revenue Funds | 65,383 | 147,652 | | 213,035 |
| Total Fund Balances | 65,383 | 185,193 | 639,547 | 890,123 |
| Total Liabilities and Fund Balances | \$ 242,615 | \$ 304,909 | \$ 639,547 | \$ 1,187,071 |

See Independent Auditor's Report

COUNTY OF SCHUYLER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

| | Special Revenue Funds | | STASC | Total |
|---|--------------------------|---------------------------|-------------------------|------------------------------------|
| | Special Grant Fund | Road Machinery Fund | Debt Service Fund | Non-Major Governmental Funds |
| <u>REVENUES</u> | | | | |
| Intergovernmental charges | \$ | \$ 299,109 | \$ | \$ 299,109 |
| Use of money and property | 316 | 172 | 131 | 619 |
| Sale of property and compensation for loss | | 7,076 | | 7,076 |
| Miscellaneous local sources | | | 227,642 | 227,642 |
| Interfund revenues | | 180,000 | | 180,000 |
| State sources | 22,501 | | | 22,501 |
| Federal sources | 47,892 | | | 47,892 |
| Total Revenues | 70,709 | 486,357 | 227,773 | 784,839 |
| <u>EXPENDITURES</u> | | | | |
| General governmental support | | | 37,096 | 37,096 |
| Transportation | | 793,105 | | 793,105 |
| Home and community services | 22,500 | | | 22,500 |
| Employee benefits | | 71,378 | | 71,378 |
| Debt service (principal and interest) | | | 221,278 | 221,278 |
| Total Expenditures | 22,500 | 864,483 | 258,374 | 1,145,357 |
| Excess of Revenues (Expenditures) | 48,209 | (378,126) | (30,601) | (360,518) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | |
| Interfund transfers in | | 456,620 | | 456,620 |
| Total Other Financing Sources | -0- | 456,620 | -0- | 456,620 |
| Excess of (Expenditures) Revenues and Other Financing Sources (Uses) | 48,209 | 78,494 | (30,601) | 96,102 |
| Fund Balances, Beginning | 17,174 | 106,699 | 670,148 | 794,021 |
| Fund Balances, Ending | \$ 65,383 | \$ 185,193 | \$ 639,547 | \$ 890,123 |

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.
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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 governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 13, 2011. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County'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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses (10-1, 10-2, 10-3, 10-4, 10-5, 10-6).

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 13, 2011.

The County'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's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Minkler & Company, CPA". The signature is written in a cursive, flowing style.

July 13, 2011
Ithaca, New York

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
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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 (the County), 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, 2010. The County'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's management. Our responsibility is to express an opinion on the County'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's compliance with those requirements.

In our opinion, the County, 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, 2010.

Internal Control Over Compliance

Management of the County 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'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of County Legislature, management, others within the County, 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.

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Mickelson & Company, LLP". The signature is written in a cursive, flowing style.

July 13, 2011
Ithaca, New York

COUNTY OF SCHUYLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| 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: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | (1) | \$ 457,410 |
| ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | (1) | 30,661 |
| Supplemental Nutrition Assistance Program Cluster Total | | | <u>488,071</u> |
| Passed Through NYS Department of Education: | | | |
| School Breakfast Program | 10.553 | 550301100001 | 417 |
| National School Lunch Program | 10.555 | 550301100001 | 647 |
| Child Nutrition Cluster Total | | | <u>1,064</u> |
| Total Department of Agriculture | | | <u>489,135</u> |
| <u>Department of Housing and Urban Development</u> | | | |
| Passed Through NYS Housing Trust Fund Corporation: | | | |
| Community Development Block Grant - State's Program | 14.228 | (1) | <u>22,500</u> |
| Total Department of Housing and Urban Development | | | <u>22,500</u> |
| <u>Department of Justice</u> | | | |
| Passed Through NYS Division of Criminal Justice Services: | | | |
| Violence Against Women Formula Grants | 16.588 | T565632 | 6,938 |
| Violence Against Women Formula Grants | 16.588 | T565633 | 28,391 |
| ARRA - Violence Against Women Formula Grants | 16.588 | T652030 | 33,645 |
| Violence Against Women Formula Grants Total | | | <u>68,974</u> |
| Passed Through NYS Crime Victims Board: | | | |
| Crime Victim Assistance | 16.575 | C501149 | <u>34,607</u> |
| Total Department of Criminal Justice Services | | | <u>103,581</u> |
| <u>Department of Labor</u> | | | |
| Passed Through NYS Office of Children & Family Services: | | | |
| WIA Youth Activities | 17.259 | C024736 | 109,940 |
| ARRA - WIA Youth Activities | 17.259 | (1) | <u>18,013</u> |
| Total Department of Labor | | | <u>127,953</u> |
| <u>Department of Transportation</u> | | | |
| Passed Through NYS Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | D030087 | 9,157 |
| Highway Planning and Construction | 20.205 | D031724 | 63,466 |
| Highway Planning and Construction Total | | | <u>72,623</u> |
| Formula Grants for Other Than Urbanized Areas | 20.509 | (1) | 52,000 |
| ARRA - Formula Grants for Other Than Urbanized Areas | 20.509 | C003857 | 178,504 |
| Formula Grants for Other Than Urbanized Areas Total | | | <u>230,504</u> |
| Total Department of Transportation | | | <u>303,127</u> |
| <u>Department of Environmental Conservation</u> | | | |
| Passed Through Finger Lakes Resource Conservation and Development Council, Inc.: | | | |
| Chesapeake Bay Program | 66.466 | (1) | <u>20,233</u> |
| Total Department of Environmental Conservation | | | <u>20,233</u> |
| Subtotal | | | <u>1,066,529</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, 2010

| Federal Grantor/ Pass - Through Grantor/ Program Title | Federal Catalog # | Pass - Through Grantor # | Expenditures |
|---|----------------------|-----------------------------|---------------------|
| Subtotal Carried Forward | | | \$ <u>1,066,529</u> |
| <u>Department of Education</u> | | | |
| Passed Through NYS Department of Health: | | | |
| Special Education - Grants for Infants and Families | 84.181 | C-021820 | 27,870 |
| ARRA - Special Education - Grants for Infants and Families | 84.393 | C-025243 | <u>2,522</u> |
| Total Department of Education | | | <u>30,392</u> |
| <u>U.S. Election Assistance Commission</u> | | | |
| Passed Through NYS Board of Elections: | | | |
| Help America Vote Act Requirements Payments | 90.401 | T002569 | <u>5,064</u> |
| Total U.S. Election Assistance Commission | | | <u>5,064</u> |
| <u>Department of Health and Human Services</u> | | | |
| Passed Through National Association of County and City Health Officials: | | | |
| Medical Reserve Corps Small Grant Program | 93.008 | MRC 10 1187 | 5,000 |
| Passed Through NYS Office for the Aging: | | | |
| Title III, Part D - Disease Prevention and Health Promotion Services | 93.043 | (1) | 4,180 |
| Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | (1) | 56,150 |
| Title III, Part C - Nutrition Services | 93.045 | (1) | 90,101 |
| Nutrition Services Incentive | 93.053 | (1) | <u>27,611</u> |
| Aging Cluster Total | | | <u>173,862</u> |
| National Family Caregiver Support | 93.052 | (1) | 25,149 |
| Medicare Enrollment Assistance Program | 93.071 | (1) | 6,000 |
| Low-Income Home Energy Assistance | 93.568 | (1) | 32,208 |
| Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations | 93.779 | (1) | 19,281 |
| Passed Through NYS Dept. of Health: | | | |
| Immunization Grants | 93.268 | C023269 | 10,685 |
| ARRA - Immunization Grants | 93.712 | T025302 | <u>2,985</u> |
| Immunization Grants Total | | | <u>13,670</u> |
| Maternal and Child Health Services Block Grant to the States | 93.994 | C020630 | 11,721 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | C026536 | 2,268 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | C024642 | <u>14,998</u> |
| Maternal and Child Health Services Block Grant to the States Total | | | <u>28,987</u> |
| Passed Through Health Research, Inc.: | | | |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 001609-07 | 40,519 |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 001609-08 | <u>20,788</u> |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance Total | | | <u>61,307</u> |
| Subtotal | | | <u>1,471,629</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, 2010

| Federal Grantor/ Pass - Through Grantor/ <u>Program Title</u> | <u>Federal Catalog #</u> | <u>Pass - Through Grantor #</u> | <u>Expenditures</u> |
|--|------------------------------|-------------------------------------|----------------------------|
| Subtotal Carried Forward | | | \$ <u>1,471,629</u> |
| <u>Department of Health and Human Services (continued)</u> | | | |
| Passed Through NYS Office for Alcohol and Substance Abuse Services: | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | (1) | 204,352 |
| Passed Through NYS Department of Social Services: | | | |
| Promoting Safe and Stable Families | 93.556 | (1) | 4,247 |
| Temporary Assistance for Needy Families | 93.558 | (1) | 1,288,590 |
| Child Support Enforcement | 93.563 | (1) | 218,602 |
| ARRA - Child Support Enforcement | 93.563 | (1) | 29,885 |
| Child Support Enforcement Total | | | <u>248,487</u> |
| Low-Income Home Energy Assistance | 93.568 | (1) | 1,661,391 |
| Child Care and Development Block Grant | 93.575 | (1) | 499,052 |
| Foster Care - Title IV-E | 93.658 | (1) | 255,058 |
| ARRA - Foster Care - Title IV-E | 93.658 | (1) | 4,041 |
| Foster Care - Title IV-E Total | | | <u>259,099</u> |
| Adoption Assistance | 93.659 | (1) | 25,646 |
| ARRA - Adoption Assistance | 93.659 | (1) | 1,831 |
| Adoption Assistance Total | | | <u>27,477</u> |
| Social Services Block Grant | 93.667 | (1) | 360,217 |
| Chafee Foster Care Independent Living | 93.674 | (1) | 440 |
| Medical Assistance Program | 93.778 | (1) | 313,073 |
| | | | <u>5,236,069</u> |
| <u>Department of Homeland Security</u> | | | |
| Passed Through NYS Office of Homeland Security: | | | |
| Emergency Management Performance Grants | 97.042 | (1) | 11,275 |
| Homeland Security Grant Program | 97.067 | T839480 | 4,691 |
| Homeland Security Grant Program | 97.067 | T839490 | 22,717 |
| Homeland Security Grant Program | 97.067 | T839492 | 20,400 |
| Homeland Security Grant Program Total | | | <u>47,808</u> |
| Citizen Corps | 97.053 | (1) | 3,776 |
| | | | <u>62,859</u> |
| Total Expenditures of Federal Awards | | | \$ <u><u>6,400,913</u></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, 2010

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, an entity as defined in Note 1 to the County'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'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.

COUNTY OF SCHUYLER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|--|
| <u>20.509</u> | <u>Formula Grants for Other Than Urbanized Areas</u> |
| <u>93.558</u> | <u>Temporary Assistance for Needy Families</u> |
| <u>93.568</u> | <u>Low-Income Home Energy Assistance</u> |
| <u>93.575</u> | <u>Child Care and Development Block Grant</u> |
| <u>93.667</u> | <u>Social Services Block Grant</u> |

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

Auditee qualified as low-risk auditee: yes no

COUNTY OF SCHUYLER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Section II - **Financial Statement Findings**

10-1 General Ledger Oversight

Condition:

During our current and prior years' audits we have noted general ledger balance sheet accounts 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. 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 one-time entries were either not made or not made on a timely basis during the year.

Criteria:

It is the responsibility of the County to provide accurate and timely financial statements.

Effect:

These items together result in material errors in reports created from the financial accounting system both for actual and budget numbers, including reports sent to New York State, the County Administrator and Department heads. Significant time was also required at year end to correct these errors.

Recommendation:

We recommend all asset and liability accounts be reviewed and reconciled monthly. Any discrepancies should be corrected immediately to ensure accurate and timely financial reporting. We 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.

Corrective Action Plan:

As recommended, we will strive to review and reconcile all asset and liability accounts on a monthly basis, correct discrepancies when found, and research when necessary to ensure accuracy. The general ledger entries are made by the Treasurer and Deputy Treasurer due to the small staff in the Treasurer's Office.

10-2 Journal Entries

Condition:

During our prior years' audits, we noted journal entries not being reviewed by management, entries posted incorrectly which were often corrected by several other incorrect entries, and backdated journal entries. Also, adequate documentation for journal entries was not, in most instances, attached to the entries.

Criteria:

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.

Effect:

This resulted in difficulty correcting balances at year end, as the actual entry backup could not be located.

COUNTY OF SCHUYLER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 immediately after the entry is made. Any corrections should be made when noted and the incorrect entry should be marked as corrected, noting date, journal entry number and individual posting the entry. This information should be attached to the journal entry and maintained in chronological order in a general journal book.

Corrective Action Plan:

The majority of journal entries have supporting documentation with the exception of the direct deposit of sales tax revenue, which the state does not supply, and the recording of daily receipts from manual cash receipts journals. As requested by the auditors, journal entries created from daily receipts journal will be printed and filed in chronological order along with all other journal entries in 3-ring binders.

10-3 Budgets

Condition:

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 remaining budgeted grant funds from the prior year end carrying over, regardless of status, and the expenditures appropriation not agreeing with the related revenue appropriation. Most of these grants were closed during the prior year end and funds were remaining because of incorrect coding of expenditures.

Criteria:

Per GML, management is responsible for following the approved use of County funds in accordance with an approved budget.

Effect:

During our current and prior year audit, the modified budget for the General Fund did not balance. Also, in current and prior years, certain expenditure function totals in the General and County Road Funds were over-expended at year end.

Recommendation:

It is recommended 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 prior to expenditures being made to ensure budgets are not over-expended, per GML.

Corrective Action Plan:

Due to the set-up of the financial accounting software, balances of grants at the end of the prior year are automatically added to (or subtracted from) the current year budget. Because grant revenues do not always agree with expenditures, at year end remaining grant revenue budgets may not agree with remaining grant expenditures budgets, causing the subsequent modified budget to be out of balance. We will attempt to review carryover grant budgets with department heads before adding these amounts to the adopted budget. We will also attempt to periodically review grant budgets, as shown on budget status reports, with department heads to reduce duplicated grants and the carryover of closed grants.

COUNTY OF SCHUYLER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

10-4 Audit Adjustments

Condition:

Management's lack of accounting ability and knowledge has led to numerous posting errors throughout the fiscal years. During our current and prior years' audits 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.

Criteria:

Management is charged with maintaining fiscal integrity and stewardship. This includes reconciling balance sheet accounts, reviewing budgets, reviewing journal entries ensuring they are properly posted and have adequate supporting documentation attached, and ensuring the financial statements presented at any point in time are accurate.

Effect:

These errors have resulted in material financial statement misstatements in reports received by the Legislature prior to our audit adjustments. The net effect of our proposed adjustments which have an effect considered material to the financial statements taken as a whole follow:

- Fund Balance of the General Fund: decreased by \$(1,266,017)
- Fund Balance of the County Road Fund: increased by \$781,084
- Fund Balance of the Road Machinery Fund: decreased by \$(73,506)
- Fund Balance of the Capital Projects Fund: increased by \$2,285,036
- Fund Balance of the Self-insurance Fund: increased by \$689,662

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.

Corrective Action Plan:

As recommended, we will strive to review and reconcile all asset and liability accounts on a monthly basis and correct discrepancies when found, and if necessary, research will be done to ensure accuracy.

10-5 Preparation of Financial Statements

Condition:

The preparation and assembly of the Schuyler County's financial statements, Schedule of Federal Expenditures and related footnotes were delegated to the audit firm. 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.

Criteria:

Statement on Auditing Standards #115 requires us to assess whether the organizations we audit are able to prepare financial statements, Schedule of Federal Expenditures and footnotes in accordance with generally accepted accounting principles.

COUNTY OF SCHUYLER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

Effect:

Based on the comments in this report, it is our opinion that management has not demonstrated the knowledge or ability to prepare such financial statements, SEFA and footnotes in accordance with generally accepted accounting principles. The County administrator and the legislative oversight finance committee have taken on the responsibility to review and edit the draft financial statements, disclosures and schedule of federal expenditures.

Recommendation:

We recommend the County consider hiring an accounting consultant to prepare the County's financial statements.

Corrective Action Plan:

The Treasurer's Office welcomes the opportunity to be trained in preparing its own financial statements to help reduce costs and continues to investigate training options.

10-6 Bank Statement Reconciliation

Condition:

It was noted during current and prior years' audits that the County's bank accounts are not being reconciled to the general ledger system on a monthly basis. Also, cash transactions recorded in the manual check books were not consistently posted to the general ledger and vice-versa.

Criteria:

Bank statements should be reconciled to the general ledger accounting system monthly as a safeguarding of assets control. In addition, activity should be posted to the general ledger daily. Posting to the general ledger daily and reconciling bank statements to the ledger monthly helps insure the County departments, County Administrator and Legislature are receiving accurate and useful financial information.

Effect:

The above condition results in significant differences between general ledger and reconciled cash balances, along with requiring significant time at year end to reconcile the two. In addition, County departments, the County Administrator and Legislature are not receiving accurate and useful financial information. Also, it decreases the County's controls over safeguarding of assets.

Recommendation:

We recommend all bank accounts be reconciled monthly to the general ledger and any discrepancies resolved at that time in order to increase the County's safeguarding of assets controls.

Corrective Action Plan:

Bank accounts now have their own general ledger account and are reconciled to the general ledger and not to a manual checkbook.

Section III - Federal Award Findings and Questioned Costs

None noted.