

---

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

---



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

*Certified Public Accountants and Consultants*

---

Frederick J. Ciaschi, C.P.A.

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, business-type activity, each major fund, and the aggregate remaining fund information of the County of Schuyler for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the County of Schuyler's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

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

**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 the 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 or not made on a timely basis during the year. These items result in the reports created from the financial accounting system containing material errors, both for actual and budget numbers. This includes reports sent to the State, County Administrator, County departments and the Legislature, and also required significant time at year end to correct these items.

---

**CORTLAND**

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

**ITHACA**

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

**WATKINS GLEN**

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

Recommendation:

We recommend all asset and liability accounts be reviewed and reconciled monthly. Any discrepancies should be corrected at that time to ensure accurate and timely financial reporting. It is also recommended training be provided to all Treasurer's Office personnel on municipal accounting, internal controls and use of the County's financial general ledger accounting software. In addition, we recommend the 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 problems reconciling the 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 agreed with the general ledger for many years. Verbal recommendations made by us to look into the problem and correct it have gone unheeded. It is recommended that the purchase order module be purged of all purchase orders on December 31, 2009 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.

Journal Entries

Finding:

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

Recommendation:

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

Current Status:

During our current year audit improvement was noted. While journal entries are now being reviewed by management, adequate documentation continues to be lacking.

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 budgeted funds remaining at the 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 were remaining due to incorrect coding of expenditures.

Recommendation:

It is recommended that all 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 expenditure status reports should periodically be checked to ensure that they balance. Also, budget balances should be checked before expenditures are made to ensure budgets are not over-expended, per GML.

Current Status:

During our current year audit, it was noted that the budgets, as entered into the financial accounting system, did not balance due to prior year(s) grant revenues received but not spent at December 31, 2007.

Preparation of Financial Statements

Finding:

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

Recommendation:

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

Current Status:

No change noted. In fact, during our current year audit, we noted the Annual Update Document filed with New York State did not match the underlying accounting records.

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 of Schuyler'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 that was considered material to the financial statements taken as a whole follow:

- Fund Balance of the General Fund: decreased by \$991,550
- Fund Balance of the County Road Fund: decreased by \$211,946
- Fund Balance of the Road Machinery Fund: increased by \$69,554
- Fund Balance of the Capital Projects Fund: increased by \$1,320,907
- Fund Balance of the Special Grant Fund: decreased by \$21,230

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.

In addition to the adjusting entries necessary to correct the general ledger, the Annual Update Document (AUD) filed with New York State needs to be adjusted by an additional decrease of \$107,318 in order to agree with the underlying accounting records.

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 along with any financial information they are currently receiving.

## **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 the County's compliance with applicable laws and regulations.

### Interim Reporting

#### Finding:

We discovered during our current year audit that 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.

### Deficit Fund Balances

#### Finding:

During our prior year audits, it was noted the Road Machinery Fund had a deficit fund balance. This was due to expenditures being greater than revenues. This deficit will be eliminated by the transfer of funds from the County Road Fund.

#### Recommendation:

We recommend the County Road Fund reimburse the Road Machinery Fund in order to clear the deficit balance.

#### Current Status:

While Fund Balance in total was no longer a deficit at December 31, 2008, the unreserved Fund Balance in the Road Machinery Fund showed a deficit: \$(21,699) at year end.

### Non Current Financial Accounting and Inefficient Offline and Manual Records

The County based MAS 90 financial general ledger accounting was in a non-current 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 that 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, there was no significant improvement noted over the prior years.

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 non-current 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:

However, as was noted during our current and prior year audit, manual columnar worksheet schedules are still being utilized to enter in daily activity which is 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.

Food Stamps

Finding:

During our current year audit, of 40 files tested, three had applications with no indication of approval, only five authorizations were signed and two individuals were deemed to be underpaid.

Recommendation:

While all of these items have been completed or paid since the date of testing, in order to comply with program regulations, all information requested on food stamp applications and recertifications should be completed and applications/recertifications and authorizations should be reviewed for completeness, including indication of approval and correct payment, on a test basis several times during each year.

Bank Statement Reconciliations

Finding:

It was noted during the prior years' audits that the County's bank accounts are not being reconciled to the general ledger system on a monthly basis, resulting in significant differences between the general ledger balances and the reconciled cash balances, along with significant time needed at year end to reconcile the two. Also, cash transactions recorded in the check books 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 be resolved at that time. Reconciling bank statements to the financial accounting system will increase the County's controls over the safeguarding of assets.

Current Status:

Significant improvement was noted during our current year audit. Bank reconciliations appear to be prepared monthly, compared to the general ledger and discrepancies are being resolved and adjusted in a timely manner. However, an audit adjustment to increase cash by \$125,236 in the Agency Fund was necessary, as balances of departmental cash accounts are not tracked by the Treasurer's Office on a regular basis.

General Ledger Oversight

Finding:

It was noted during our prior years' audits that general ledger balance sheet accounts are not being reviewed or reconciled on a periodic basis, resulting in large negative balances in receivable and payable accounts during the year and trial balances which do not balance. This resulted in significant adjusting entries at the time of the audit. As noted above, 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. All of the above items result in reports created from the financial accounting system containing material errors, both for actual and budget numbers, including reports sent to the Legislature, and 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 at that time 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. However, we did note that an attempt was made to reconcile the Due from State and Federal account in the General Fund. Also, no negative balances were noted in receivable and payable accounts and the trial balances balanced. In addition, control accounts agreed with their respective subsidiary accounts.

Old Closed Project Funds

Finding:

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

Recommendation:

We recommend the necessary transfers of cash be completed and the 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."

Inventory Control - Highway Department

Finding:

During our prior year department review, it was noted that on-hand inventory cannot be reconciled to the inventory software. One reason for this is inventory returned is not removed from the software.

Recommendation:

We recommend a physical inventory be conducted to document the Highway Department inventory at a designated date. Once this listing has been compiled, the computer system should be adjusted to agree with the physical inventory on-hand. Also, we recommend County staff be trained on proper use of the inventory system software. A physical inventory should be conducted yearly and compared with the computer software at that time. These steps will help implement and maintain controls over inventory and help safeguard County assets.

Current Status:

During our current year audit, we noted no changes yet made to improve the inventory system. No physical inventory has been performed and accurate amounts for inventory values could not be generated. Further, the County has purchased a newer version of the inventory software, however, it has not been installed. Training on the new software and a physical inventory are expected to take place during the summer of 2009.

Departmental Cash

Finding:

It was noted during our current and prior year audits that several departments have bank accounts. Most 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, we still needed 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.

### Cash Disbursements

#### Findings:

During our current year audit, of 20 disbursements tested, one did not have a purchase order, two purchase orders were dated after the invoice and six blanket purchase orders were created in the amounts of \$1 or \$-0-.

During our year ended December 31, 2007 audit, of 40 disbursements tested, one purchase order was not authorized, two packing slips were not noted as verified by appropriate personnel, four original purchase orders could not be located, and one requisition could not be located. In addition, we noted blanket purchase orders being created in the amount of \$1 or \$-0-.

During our year ended December 31, 2006 audit, of 40 disbursements tested, one disbursement had sales tax paid to the vendor, two of 40 disbursements were lacking the corresponding invoices and one disbursement had no purchase order, the wrong department and account were charged and a 25% late fee was paid.

#### Recommendations:

We recommend all disbursements have adequate supporting documentation attached. This would include, but not be limited to, an approved purchase order and invoice. Invoices should be reviewed for reasonableness, paid upon receipt so as to reduce the payment of excessive late fees, sales tax should be excluded from payment, and paid invoices should be marked as such to reduce duplicate payment. Also, accounts charged should be reviewed to ensure budgeted funds are available and invoices should be compared with the approved purchase order and any changes noted on the purchase order. In addition, all purchase orders should be created with a reasonable, specified amount and blanket purchase orders should have a specified time frame for which they are applicable. These comments help to ensure public funds are being used appropriately and as specified by the Legislature. In addition, they help to improve budgetary procedures and controls.

#### Current Status:

Towards the end of 2008, a new purchasing agent was hired. It was noted that, for the year ended December 31, 2009, blanket purchase orders were created with estimated amounts, rather than for \$1 or \$-0-. In addition, other than a missing purchase order, none of the findings from our year ended December 31, 2006 audit were noted during the current year.

## **Health Services Department**

### Public and Mental Health Cash Receipts

#### Finding:

During our prior year review of the Health Services Department, we noted Mental Health receipts were logged by the individual that opened the mail, then, after the deposit had been processed, the individual opening the mail reconciled the log to the actual amount taken to the Treasurer's Office. There were no such controls over Public Health receipts. In addition, we noted some redundancy in the Public and Mental Health cash receipts process which, if reduced, would create a more efficient process.

Currently, the Business Services Coordinator copies checks and passes them to the Public Health Billing Clerk. The Public Health Billing Clerk receives the checks, enters the total into receipt spreadsheets and places the checks in a safe. Every two to three days she breaks out the totals on the receipt spreadsheets into their respective categories based on remittance advice attached to the checks. She then copies the checks, creates a "mail list," and reconciles checks to the receipt spreadsheets. Receipt copies for Public Health were torn out of the receipt book and attached to the daily sheets.

Recommendation:

We recommend the Business Services Coordinator create a "mail list" for Public Health (the Watershed Billing Clerk currently prepares a "mail log" for Mental Health receipts), then, the Public Health Billing Clerk enter the receipts into the spreadsheets from the checks and remittance advices together. After the deposit has been taken to the Treasurer's Office, the Business Services Coordinator should reconcile the Public Health "mail list" to the amount receipted by the Treasurer's Office. Copies of checks are deemed unnecessary where remittance advices are present. Also, the mail log created by the Watershed Billing Clerk should be the equivalent of the Mental Health "mail list," therefore, the Public Health Billing Clerk does not need to prepare this listing for Mental Health receipts. We also recommend receipt copies for Public Health be kept in their respective pre-numbered receipt books in order to reconcile receipt numbering and compare receipts to daily deposits more efficiently.

Current Status:

We noted no change during our current year audit.

Segregation of Duties - Watershed

Finding:

During our review, we noted one person picks up cash, deposits cash, enters receipts in the system, reports cash receipts, prepares all billings, and performs all collections for the Watershed Department. When this individual is on vacation, cash receipts are not processed. Any payments received are put in a safe to be processed upon her return. Cash payments are routinely received in advance and acknowledged with a pre-numbered receipt. Prepaid work order water sample analyses are sent directly to the customer. The Watershed Billing Clerk invoices the customer upon receipt of the work order, but does not mail the invoice if prepaid. Work orders and invoices are reconciled by the same Watershed Billing Clerk. Actual monies are physically taken to the Treasurer's office by others.

Recommendation:

We recommend one individual be responsible for receiving the mail, logging receipts, reconciling the log to the amounts deposited and reconciling invoices to the bill received from the outside lab. Another individual would be responsible for creating the deposit, entering deposits into Quickbooks and creating invoices in Quickbooks based on work orders. While the Watershed Billing Clerk is on vacation, cash receipts should be processed by another individual. Minimally, this would involve taking the monies to the Treasurer's office and making a copy of all checks.

Current Status:

We noted no change during our current year audit.

Watershed Billings and Receipts

Finding:

During our review, we noted Watershed billings and deposits were not performed timely, nor were they entered in QuickBooks in a timely fashion. Specifically, of 25 items tested, one was not in QuickBooks or deposited, seven were not billed timely, five were not recorded as paid in QuickBooks timely, and ten were not deposited timely.

We also noted work orders were completed by the Watershed Inspector for all jobs except those performed quarterly. In addition, these work orders were not numbered and could not be easily referenced to a specific invoice. Therefore, it was difficult for the Watershed Billing Clerk to verify all clients had been properly invoiced and all monies collected.

Recommendation:

We recommend duplicate, pre-numbered work orders be used. The work order number should be entered in the log kept by the Watershed Inspector. The invoice and work order number should be the same, in order to facilitate verification that all work orders have been invoiced and collected. We further recommend billings and deposits be processed at least twice a week.

Current Status:

We noted no change during our current year audit.

## **Sheriff's Department**

### Segregation of Duties

#### Finding:

During our year ended December 31, 2005 department review, we noted one person (the Senior Account Clerk Typist) receives cash, prepares the bank deposits, enters receipts in the system, reports cash receipts to the Treasurer, and reconciles the bank statements. Certain compensating controls are in place to mediate this situation. Bank deposits are physically taken to the bank by others. When the Senior Account Clerk Typist is on vacation, cash receipts are not processed. Any payments received are put in a lockbox to be processed upon her return.

#### Recommendation:

We continue to recommend unopened bank statements be delivered directly to the Sheriff to review, and then given to the Senior Account Clerk Typist. Copies of the bank reconciliations should be provided to the County Treasurer on a monthly basis, for her review. While the Senior Account Clerk Typist is on vacation, cash receipts should be processed by another individual. Minimally, this would involve depositing the cash in the bank, making a copy of all checks, noting from whom cash was received, and copying the deposit slip.

#### Current Status:

It was noted during our prior year audit, that bank statements are now being opened by the Sheriff and then given to the Account Clerk Typist and bank accounts were reconciled at year end. However, a procedure for cash receipts when the Clerk is on vacation has not yet been created. We noted no change during our current year audit.

### Cash Receipts

#### Finding:

During our year ended December 31, 2005 department review, it was noted that the Civil Serve software program is not being fully utilized.

#### Recommendation:

We continue to recommend the Civil Serve software program be utilized. This software has the ability to summarize deposits for a specific period of time. This summary is very detailed and could be used in place of (or to supplement) the manual spreadsheet.

#### Current Status:

During our prior year review, we noted no improvement in efficient use of the Civil Serve software. Management is investigating the ability of the Civil Serve software to track banking deposits, but this only applies to civil transactions and would not track other banking transactions. We noted no change during our current year audit.

## **Prior Year Findings - Resolved**

### Cash Receipts

#### Findings:

During our prior years' audits we noted instances where receipts were backdated, the receipt number did not agree with the general ledger receipt number, or the receipt was not recorded in the general ledger. In addition, two were not deposited timely and one did not have adequate support.

#### Resolution:

We did not note any cash receipts backdated, not recorded, untimely deposited or without adequate support during our current year test of cash receipts.

### Budget

#### Finding:

During our prior year audits, certain expenditure function totals in the General Fund were over-expended at December 31, 2007 and 2006. Certain expenditure function totals in the County Road Fund were over-expended at December 31, 2006.

#### Resolution:

During our current year audit we did not note any over-expended expenditure functions.

### Payroll 941 Filing

#### Finding:

It was noted during our prior year audit, three of the four 941s filed with the IRS had errors. Information was written on incorrect lines and numbers were missing digits. Additionally, the IRS sent the County notices regarding incorrect withholdings and is requesting taxes due plus interest.

#### Resolution:

We did not note any errors on the 941s filed during the current year audit.

### Food Stamps Applications

#### Finding:

During our prior year audit we noted that, of 40 files tested, 15 contained applications or recertifications which were incomplete. They were missing names, case numbers, dates and other required items.

#### Resolution:

During our current year audit we did not note any incomplete applications.

### Overpayment of Child Care and Development Block Grant Funds

#### Finding:

During our prior year audit it was noted that, of 55 Child Care and Development Block Grant files tested, four showed overpayments to childcare providers. These overpayments, when projected over the population of individuals receiving benefits under this grant, total \$12,030.

#### Resolution:

We did not note any overpayments to childcare providers during our current year test of the Child Care and Development Block Grant Funds.

### Late Filing of Annual Report

#### Finding:

We noted during our prior years' audits that the annual report (AUD) filed with the State of New York was filed past the deadline date for the previous 8 fiscal years.

#### Resolution:

During our current year audit it was noted that the AUD was filed on time. However, as noted above, it did not match the underlying accounting records.

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 report is intended solely for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used for anyone other than these specified parties.



June 17, 2009  
Ithaca, New York

---

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

---



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

*Certified Public Accountants and Consultants*

---

Frederick J. Ciaschi, C.P.A.

**COUNTY OF SCHUYLER**

**Watkins Glen, New York**

**EXECUTIVE SUMMARY**

**December 31, 2008**

---

**CORTLAND**

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

**ITHACA**

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

**WATKINS GLEN**

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

COUNTY OF SCHUYLER

SUMMARY OF 2008 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 Letter

**Description of Report and Findings**

**Unqualified opinion** on the County's basic financial statements for the year ended December 31, 2008.

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 **significant deficiencies and 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 \$8,988,057.

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:

- Planned Scope and Timing of the Audit
- 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,

<b><u>ASSETS</u></b>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Assets:</b>					
Unrestricted cash	\$ 1,887,795	\$ 2,787,145	\$ 2,131,199	\$ 3,787,618	\$ 2,598,347
Restricted cash	10,107	11,545	2,372,624	382,488	19,130
Taxes receivable, net	1,734,242	1,612,021	1,803,601	1,798,572	2,115,089
Due from other funds	4,483,212	4,723,535	4,771,964	2,935,322	2,873,578
Due from state and federal governments	3,414,877	3,327,463	3,348,039	3,364,054	2,153,054
Due from other governments	36,122	229,479	46,466	240,254	28,176
Prepaid expenses	198,420	210,255	210,255	210,255	215,368
Other receivables, net	891,946	736,448	696,515	630,978	1,227,384
Inventories	42,698	70,016	16,576	27,279	27,669
	<u>                    </u>				
Total Assets	\$ <u>12,699,419</u>	\$ <u>13,707,907</u>	\$ <u>15,397,239</u>	\$ <u>13,376,820</u>	\$ <u>11,257,795</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities:</b>					
Accounts payable	\$ 926,973	\$ 1,450,354	\$ 853,441	\$ 618,156	\$ 710,667
Accrued liabilities	302,871	222,699	149,851	220,680	688,578
Due to other funds	2,938,998	1,269,869	675,744	662,562	821,189
Due to other governments	1,658,476	1,695,888	1,685,326	1,646,398	1,471,537
Overpayments/Other liabilities	710,537	697,430	725,082	467,414	469,946
Deferred revenues	767,952	532,002	796,644	680,097	1,186,409
	<u>                    </u>				
Total Liabilities	<u>7,305,807</u>	<u>5,868,242</u>	<u>4,886,088</u>	<u>4,295,307</u>	<u>5,348,326</u>
<b>Fund Balances:</b>					
<b>Fund Balances - Reserved:</b>					
Reserved for encumbrances	176,903	60,594	105,598	43,268	85,220
Reserved for debt	-0-	-0-	-0-	-0-	40,524
Reserved for capital	1,111,074	1,576,610	1,504,039	-0-	-0-
Special reserves	1,055,667	996,722	402,763	382,488	416,888
	<u>                    </u>				
Total Reserved	<u>2,343,644</u>	<u>2,633,926</u>	<u>2,012,400</u>	<u>425,756</u>	<u>542,632</u>
<b>Fund Balances - Unreserved:</b>					
Appropriated - Ensuing year's budget	1,000,000	1,500,000	1,500,000	1,196,226	900,000
Unappropriated	2,049,968	3,705,739	6,998,751	7,459,531	4,466,837
	<u>                    </u>				
Total Unreserved	<u>3,049,968</u>	<u>5,205,739</u>	<u>8,498,751</u>	<u>8,655,757</u>	<u>5,366,837</u>
	<u>                    </u>				
Total Fund Balance	<u>5,393,612</u>	<u>7,839,665</u>	<u>10,511,151</u>	<u>9,081,513</u>	<u>5,909,469</u>
	<u>                    </u>				
Total Liabilities and Fund Balance	\$ <u>12,699,419</u>	\$ <u>13,707,907</u>	\$ <u>15,397,239</u>	\$ <u>13,376,820</u>	\$ <u>11,257,795</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,

<b>REVENUES</b>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Real property taxes	\$ 8,629,314	\$ 8,853,950	\$ 8,370,758	\$ 8,652,528	\$ 7,762,064
<b>PERCENT INCREASE IN PROPERTY TAX</b>	<b>-2.5%</b>	<b>5.8%</b>	<b>-3.3%</b>	<b>11.5%</b>	<b>17.2%</b>
Real property tax items	469,491	419,144	454,862	570,523	396,033
Nonproperty tax items	8,740,207	8,412,809	6,520,708	6,096,835	5,908,441
Departmental income	4,280,307	4,347,750	4,157,271	4,037,986	3,542,428
Intergovernmental charges	489,481	481,003	319,160	207,186	176,986
Use of money and property	624,299	538,282	524,774	321,590	267,333
Fines and forfeitures	78,333	75,531	46,011	79,229	66,562
Sale of property and compensation for loss	78,599	101,098	141,088	128,801	292,638
Miscellaneous local sources	17,561	116,036	168,022	17,226	36,422
State sources	6,249,120	4,712,831	4,484,231	4,571,656	4,853,057
Federal sources	<u>2,953,771</u>	<u>3,963,442</u>	<u>4,604,502</u>	<u>3,742,693</u>	<u>3,230,274</u>
Total Revenues	<u>32,610,483</u>	<u>32,021,876</u>	<u>29,791,387</u>	<u>28,426,253</u>	<u>26,532,238</u>
<b>PERCENT INCREASE IN REVENUES</b>	<b>1.8%</b>	<b>7.5%</b>	<b>4.8%</b>	<b>7.1%</b>	<b>6.2%</b>
Other Sources:					
Interfund transfers	<u>-0-</u>	<u>-0-</u>	<u>257</u>	<u>1,450,735</u>	<u>-0-</u>
Total Revenues and Other Sources	<u>32,610,483</u>	<u>32,021,876</u>	<u>29,791,644</u>	<u>29,876,988</u>	<u>26,532,238</u>
<b>EXPENDITURES</b>					
General governmental support	6,365,369	5,872,848	3,307,119	3,128,724	2,715,786
Education	1,486,527	1,320,644	1,073,045	1,125,577	1,084,440
Public safety	2,873,103	3,076,743	3,003,681	2,742,300	2,452,077
Public health	4,336,087	4,062,227	3,669,211	3,653,055	3,466,467
Transportation	224,354	200,696	192,726	187,977	183,465
Economic assistance and opportunity	10,503,960	11,299,514	10,142,369	9,912,902	9,969,555
Culture and recreation	486,997	508,781	361,489	222,841	212,817
Home and community services	745,630	460,708	442,904	408,585	394,628
Employee benefits	3,915,688	3,524,442	3,346,465	3,170,805	3,085,730
Debt service (principal and interest)	<u>97,656</u>	<u>75,112</u>	<u>68,823</u>	<u>53,310</u>	<u>55,849</u>
Total Expenditures	<u>31,035,371</u>	<u>30,401,715</u>	<u>25,607,832</u>	<u>24,606,076</u>	<u>23,620,814</u>
<b>PERCENT INCREASE IN EXPENDITURES</b>	<b>2.1%</b>	<b>18.7%</b>	<b>4.1%</b>	<b>4.2%</b>	<b>5.4%</b>
Other Uses:					
Interfund transfers	<u>4,021,165</u>	<u>4,291,647</u>	<u>2,754,174</u>	<u>2,098,868</u>	<u>3,091,022</u>
Total Expenditures and Other Uses	<u>35,056,536</u>	<u>34,693,362</u>	<u>28,362,006</u>	<u>26,704,944</u>	<u>26,711,836</u>
Excess of (Expenditures) Revenues	<u>(2,446,053)</u>	<u>(2,671,486)</u>	<u>1,429,638</u>	<u>3,172,044</u>	<u>(179,598)</u>
Fund Balance, Beginning of Year, (Restated 2005)	<u>7,839,665</u>	<u>10,511,151</u>	<u>9,081,513</u>	<u>5,909,469</u>	<u>6,089,067</u>
Fund Balance, End of Year	<u>\$ 5,393,612</u>	<u>\$ 7,839,665</u>	<u>\$ 10,511,151</u>	<u>\$ 9,081,513</u>	<u>\$ 5,909,469</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

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

	2008		Population: 19,000
<u>REVENUES</u>	\$	% of Total	Per Capita
Real property taxes	8,629,314	26.5%	454
Real property tax items	469,491	1.4%	25
Nonproperty tax items	8,740,207	26.8%	460
Departmental income	4,280,307	13.1%	225
Intergovernmental charges	489,481	1.5%	26
Use of money and property	624,299	1.9%	33
Fines and forfeitures	78,333	0.2%	4
Sale of property and compensation for loss	78,599	0.2%	4
Miscellaneous local sources	17,561	0.1%	1
State sources	6,249,120	19.2%	329
Federal sources	2,953,771	9.1%	155
Total Revenues	32,610,483		
Other Sources:			
Interfund transfers	-0-		
Total Revenues and Other Sources	32,610,483	100.0%	1,716
<u>EXPENDITURES</u>			
General governmental support	6,365,369	18.2%	335
Education	1,486,527	4.2%	78
Public safety	2,873,103	8.2%	151
Public health	4,336,087	12.4%	228
Transportation	224,354	0.6%	12
Economic assistance and opportunity	10,503,960	29.9%	553
Culture and recreation	486,997	1.4%	26
Home and community services	745,630	2.1%	39
Employee benefits	3,915,688	11.2%	206
Debt service (principal and interest)	97,656	0.3%	5
Total Expenditures	31,035,371		
Other Uses:			
Interfund transfers	4,021,165	11.5%	212
Total Expenditures and Other Uses	35,056,536	100.0%	1,845
Excess of (Expenditures) Revenues	(2,446,053)		
Fund Balance, Beginning of Year	7,839,665		
Fund Balance, End of Year	\$ 5,393,612		

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

2007			2006		
	<u>% of Total</u>	<u>Population: 19,000 Per Capita</u>		<u>% of Total</u>	<u>Population: 19,000 Per Capita</u>
\$ 8,853,950	27.6%	466	\$ 8,370,758	28.1%	441
419,144	1.3%	22	454,862	1.5%	24
8,412,809	26.3%	443	6,520,708	21.9%	343
4,347,750	13.5%	229	4,157,271	14.0%	219
481,003	1.5%	25	319,160	1.1%	17
538,282	1.7%	28	524,774	1.8%	28
75,531	0.2%	4	46,011	0.2%	2
101,098	0.3%	5	141,088	0.5%	7
116,036	0.3%	6	168,022	0.5%	9
4,712,831	14.6%	248	4,484,231	15.1%	236
3,963,442	12.4%	209	4,604,502	15.5%	242
<u>32,021,876</u>			<u>29,791,387</u>		
<u>-0-</u>			<u>257</u>	0.0%	0
<u>32,021,876</u>	100.0%	1,685	<u>29,791,644</u>	100.0%	1,569
5,872,848	16.9%	309	3,307,119	11.7%	174
1,320,644	3.8%	71	1,073,045	3.8%	56
3,076,743	8.9%	162	3,003,681	10.6%	158
4,062,227	11.7%	214	3,669,211	12.9%	193
200,696	0.6%	11	192,726	0.7%	10
11,299,514	32.5%	595	10,142,369	35.8%	534
508,781	1.5%	27	361,489	1.3%	19
460,708	1.3%	24	442,904	1.6%	23
3,524,442	10.2%	185	3,346,465	11.8%	176
75,112	0.2%	4	68,823	0.2%	4
<u>30,401,715</u>			<u>25,607,832</u>		
<u>4,291,647</u>	12.4%	226	<u>2,754,174</u>	9.7%	145
<u>34,693,362</u>	100.0%	1,826	<u>28,362,006</u>	100.0%	1,493
<u>(2,671,486)</u>			<u>1,429,638</u>		
<u>10,511,151</u>			<u>9,081,513</u>		
\$ <u>7,839,665</u>			\$ <u>10,511,151</u>		

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

	2005		Population: 19,000
<u>REVENUES</u>	\$	% of Total	Per Capita
Real property taxes	8,652,528	29.0%	455
Real property tax items	570,523	1.9%	30
Nonproperty tax items	6,096,835	20.4%	321
Departmental income	4,037,986	13.5%	213
Intergovernmental charges	207,186	0.7%	11
Use of money and property	321,590	1.1%	17
Fines and forfeitures	79,229	0.3%	4
Sale of property and compensation for loss	128,801	0.4%	7
Miscellaneous local sources	17,226	0.1%	1
State sources	4,571,656	15.3%	241
Federal sources	3,742,693	12.5%	197
Total Revenues	28,426,253		
Other Sources:			
Interfund transfers	1,450,735	4.9%	76
Total Revenues and Other Sources	29,876,988	100.0%	1,573
<u>EXPENDITURES</u>			
General governmental support	3,128,724	11.7%	165
Education	1,125,577	4.2%	59
Public safety	2,742,300	10.3%	144
Public health	3,653,055	13.7%	192
Transportation	187,977	0.7%	10
Economic assistance and opportunity	9,912,902	37.1%	522
Culture and recreation	222,841	0.8%	12
Home and community services	408,585	1.5%	22
Employee benefits	3,170,805	11.9%	167
Debt service (principal and interest)	53,310	0.2%	3
Total Expenditures	24,606,076		
Other Uses:			
Interfund transfers	2,098,868	7.9%	110
Total Expenditures and Other Uses	26,704,944	100.0%	1,406
Excess of Revenues (Expenditures)	3,172,044		
Fund Balance, Beginning of Year, Restated	5,909,469		
Fund Balance, End of Year	\$ 9,081,513		\$

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

2004

	<u>% of Total</u>	<u>Population: 19,000 Per Capita</u>
7,762,064	29.3%	409
396,033	1.5%	21
5,908,441	22.3%	311
3,542,428	13.4%	186
176,986	0.7%	9
267,333	1.0%	14
66,562	0.3%	4
292,638	0.9%	15
36,422	0.1%	2
4,853,057	18.3%	255
3,230,274	12.2%	170
<u>26,532,238</u>		
<u>-0-</u>		
<u>26,532,238</u>	100.0%	1,396
2,715,786	10.2%	143
1,084,440	4.1%	57
2,452,077	9.2%	129
3,466,467	13.0%	182
183,465	0.7%	10
9,969,555	37.3%	525
212,817	0.8%	11
394,628	1.5%	21
3,085,730	11.6%	162
55,849	0.2%	3
<u>23,620,814</u>		
<u>3,091,022</u>	11.4%	163
<u>26,711,836</u>	100.0%	1,406
<u>(179,598)</u>		
<u>6,089,067</u>		
<u>5,909,469</u>		

SCHUYLER COUNTY  
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

SCHUYLER COUNTY  
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

SCHUYLER COUNTY  
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

SCHUYLER COUNTY  
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

SCHUYLER COUNTY  
SUMMARY OF AUDIT COMMENTS  
DECEMBER 31, 2004

**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
- \* Late Filing of Form 941

**Report on Internal Controls**

- \* Tax Sale Certificates Date Back a Number of Years (Improvement Noted)
- \* Balances in Delinquent Property Tax Accounts Unchanged (Improvement Noted)
- \* Several Stale Dated Checks - Older than One Year
- \* Late Filing of Annual Report with State
- \* Office for the Aging

**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, 2008**

COUNTY OF SCHUYLER  
TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

Independent Auditor's Report .....	1-1a
Required Supplementary Information:	
Management's Discussion and Analysis .....	2-2i
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets .....	3-4
Statement of Activities .....	5-5a
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	6-6a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds ....	8-8a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	9
Statement of Net Assets - Proprietary Fund .....	10
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund .....	11
Statement of Cash Flows - Proprietary Fund .....	12
Statement of Fiduciary Net Assets - Fiduciary Fund .....	13
Notes to Financial Statements .....	14-34
Required Supplementary Information:	
Budgetary Comparison Schedule (Non-GAAP) - General Fund .....	35-35a
Budgetary Comparison Schedule (Non-GAAP) - County Road Fund .....	36-36a
Schedule of Funding Progress .....	37
Notes to Required Supplementary Information .....	38
Supplementary Information:	
Combining Balance Sheet - Non-Major Governmental Funds .....	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds .....	40
Report Required under Government Auditing Standards:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	41-42
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	43-44
Schedule of Expenditures of Federal Awards .....	45-47
Notes to Schedule of Expenditures of Federal Awards .....	48
Schedule of Findings and Questioned Costs .....	49-53

---

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

---



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

*Certified Public Accountants and Consultants*

---

Frederick J. Ciaschi, C.P.A.

### INDEPENDENT AUDITOR'S REPORT

Schuyler County Legislature  
County of Schuyler  
Watkins Glen, New York

We have audited the accompanying financial statements of the governmental activities, business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2008, the County of Schuyler changed its method of accounting for other postemployment benefits in accordance with GASB 45 requirements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2009 on our consideration of the County of Schuyler internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and the Analysis pages 2-2i and the Budgetary Comparison Schedules and Notes to Required Supplementary Information on pages 35-38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

---

#### CORTLAND

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

#### ITHACA

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

#### WATKINS GLEN

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

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

*Linchi, Dietershagen, Little, Minkler & Company, CPAs*

June 17, 2009  
Ithaca, New York

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

Our discussion and analysis of the County of Schuyler's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2008. 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 \$24,191,742 (net assets). Of this amount, \$3,291,822 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's overall net assets decreased by \$2,660,632, or 9.91%, while unrestricted net assets decreased by \$3,789,822, or 53.52%.
- During the year, the County's revenues increased by \$1,161,442 to \$35,578,534 from \$34,417,092 in 2007.
- Expenses of \$38,239,166 increased by \$3,330,034, from \$34,909,132 in the prior year.
- Expenditures exceeded revenues in the Governmental Funds by \$2,080,876, bringing fund balances to \$7,643,914 at December 31, 2008, largely as a result of budgeted transfers to special revenue funds and a transfer of capital reserves.
- The General Fund recorded a decrease of \$2,446,053 in 2008, largely as a result of the above mentioned transfers, and ended the year with a fund balance of \$5,393,612. Of this fund balance, \$2,343,644 was reserved for future expenditures, and \$3,049,968 was unreserved.
- Invested in capital assets, net of debt, increased \$1,104,705 and capital assets increased \$1,429,688, primarily as a result of completed road projects.
- The County's long-term obligations at year end were \$13,235,077, a net increase of \$2,171,015 from 2007 primarily as a result of the recording of the GASB 45 other postemployment benefits liability and expense of \$2,130,735, an increase in accreted interest related to the issuance of STASC Bonds in 2005, increase in compensated absences, which were offset by debt payments.

#### **USING THIS ANNUAL REPORT**

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

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

#### **Reporting the County as a Whole**

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

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

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

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

## Reporting the County's Most Significant Funds

### Fund Financial Statements

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

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

**The County as Trustee:** The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 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.

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

**THE COUNTY AS A WHOLE**

The County's net assets for fiscal year ended December 31, 2008 decreased \$2,660,632, from \$26,852,374 to \$24,191,742. In contrast, last year's net assets decreased by \$492,040.

The largest portion of the County's net assets, \$19,255,207 or (79.59%), reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net assets, \$1,644,713, (6.80%), represents resources subject to external restrictions on how they may be used and are reported as restricted net assets. These net assets consist of unspent funds restricted for public safety, community development and debt service.

The remaining category of total net assets, unrestricted net assets of \$3,291,822, (13.61%) may be used to meet the government's ongoing obligations and services to creditors and citizens. Of these net assets, the County has appropriated \$1,000,000 for 2009 expenses and designated another \$1,957,525 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**

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>RESTATED 2007</b>	<b>2008</b>	<b>2007 - 2008</b>
<i>Current assets</i>	\$ 12,721,164	\$ 11,938,985	\$ (782,179)
<i>Capital assets, net</i>	26,818,990	28,248,678	1,429,688
<i>Other noncurrent assets</i>	2,847,703	1,204,718	(1,642,985)
<b>Total Assets</b>	<b>42,387,857</b>	<b>41,392,381</b>	<b>(995,476)</b>
<i>Current liabilities</i>	4,671,797	4,314,627	(357,170)
<i>Noncurrent liabilities</i>	10,857,686	12,886,012	2,028,326
<b>Total Liabilities</b>	<b>15,529,483</b>	<b>17,200,639</b>	<b>1,671,156</b>
<i>Invested in capital assets, net of debt</i>	18,150,502	19,255,207	1,104,705
<i>Restricted</i>	1,620,228	1,644,713	24,485
<i>Unrestricted</i>	7,081,644	3,291,822	(3,789,822)
<b>Total Net Assets</b>	<b>\$ 26,852,374</b>	<b>\$ 24,191,742</b>	<b>\$ (2,660,632)</b>

The County's current assets decreased \$782,179, or 6.15% due to an increase in receivables and decrease in payables, resulting in decreased cash. Capital assets, net, increased \$1,429,688, or 5.33% primarily due to the reconstruction of several roads, less depreciation expense.

Other noncurrent assets decreased \$1,642,985 primarily due to a decrease in restricted cash. Current liabilities decreased \$357,170 primarily due to a decrease in accounts payable at December 31, 2008. The increase in noncurrent liabilities is primarily due to the reporting of the County's net Other Postemployment Benefits obligation at December 31, 2008, offset by the payment of debt principal.

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

The County's total revenues increased by 3.37%, while the total cost of all programs and services increased by 9.54%. Our analysis in Figure 2 separately considers the operations of Governmental Activities.

**Figure 2 - Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2007</b>	<b>2008</b>	<b>2007 - 2008</b>
<b>REVENUES</b>			
<i>Program Revenues:</i>			
Charges for services	\$ 5,733,427	\$ 6,264,244	\$ 530,817
Operating grants and contributions	8,713,642	9,123,269	409,627
Capital grants	1,643,224	1,591,682	(51,542)
<i>General Revenues:</i>			
Property taxes and tax items	8,979,797	9,247,348	267,551
Sales and other taxes	8,412,809	8,740,207	327,398
Tobacco settlement	302,841	337,466	34,625
Use of money and property	427,639	136,261	(291,378)
Other	203,713	138,057	(65,656)
<b>Total Revenues</b>	<b>34,417,092</b>	<b>35,578,534</b>	<b>1,161,442</b>
<b>PROGRAM EXPENSES</b>			
General government	7,231,357	7,929,021	697,664
Education	1,320,644	1,486,527	165,883
Public safety	4,063,577	4,360,076	296,499
Public health	4,705,817	5,577,189	871,372
Transportation	4,466,407	4,510,069	43,662
Economic assistance and opportunity	11,508,619	12,263,473	754,854
Culture and recreation	614,493	617,744	3,251
Home and community	491,732	895,201	403,469
Interest on long-term debt	506,486	599,866	93,380
<b>Total Expenses</b>	<b>34,909,132</b>	<b>38,239,166</b>	<b>3,330,034</b>
<b>(DECREASE) IN NET ASSETS</b>	<b>\$ (492,040)</b>	<b>\$ (2,660,632)</b>	<b>\$ (2,168,592)</b>

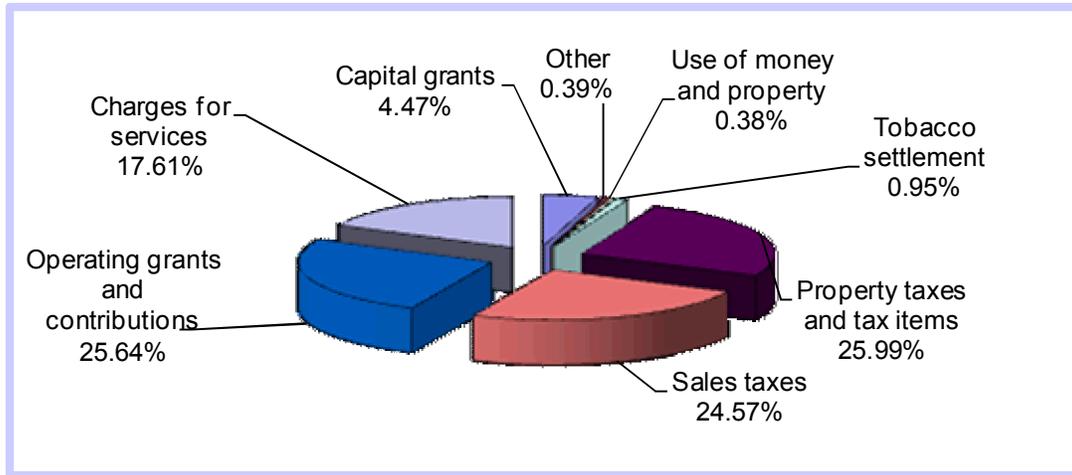
Charges for services were up \$530,817, or 9.26% from 2007 primarily due to the addition of real property tax services to other governments and HSDC rents. Operating and capital grants and contributions, primarily received from State and Federal sources, increased by \$358,085, primarily due to new grants received during the year. Property taxes increased \$267,551 due to an increase in the tax levy in 2008. Sales and other taxes increased \$327,398 due to increased sales and room tax revenue received.

General government, education, public safety, public health, transportation and economic assistance and opportunity 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 a full year of interest paid on HSDC bonds. The increase in home and community expenses is related to two grants received in 2008 for Lamoka/Wanetta Lakes capital projects.

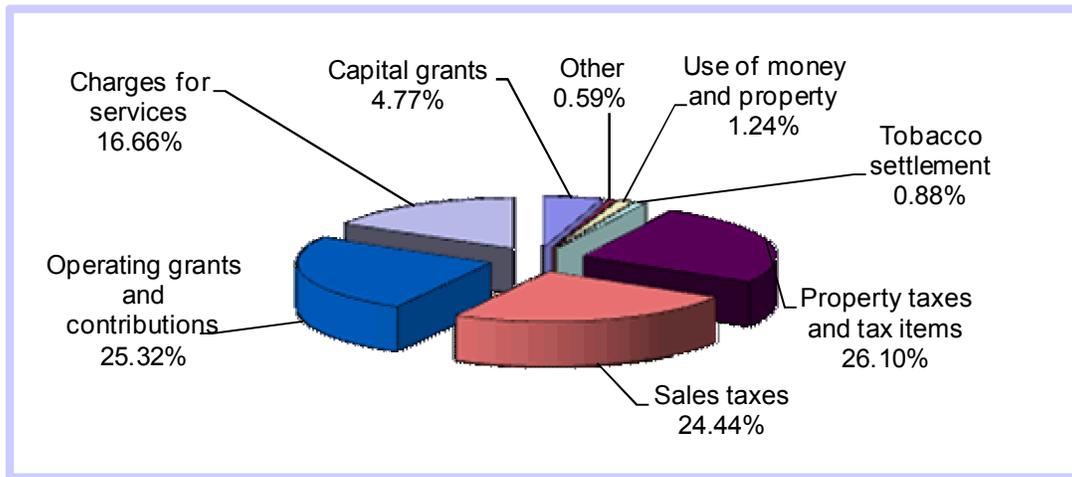
COUNTY OF SCHUYLER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

Figures 3 and 4 show the source of revenues for 2008 and 2007.

**Figure 3 - Revenues by Source  
 Governmental Activities  
 2008**



**Figure 4 - Revenues by Source  
 Governmental Activities  
 2007**

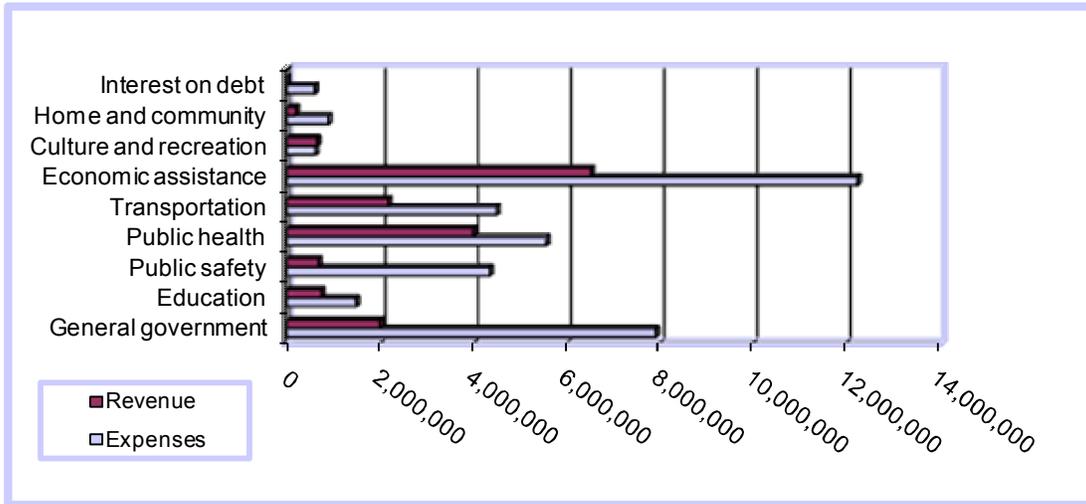


The cost of all Governmental Activities this year was \$38,239,166. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County property and other tax revenues was \$21,259,971, because some of the cost was paid by those who 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 \$16,979,195.

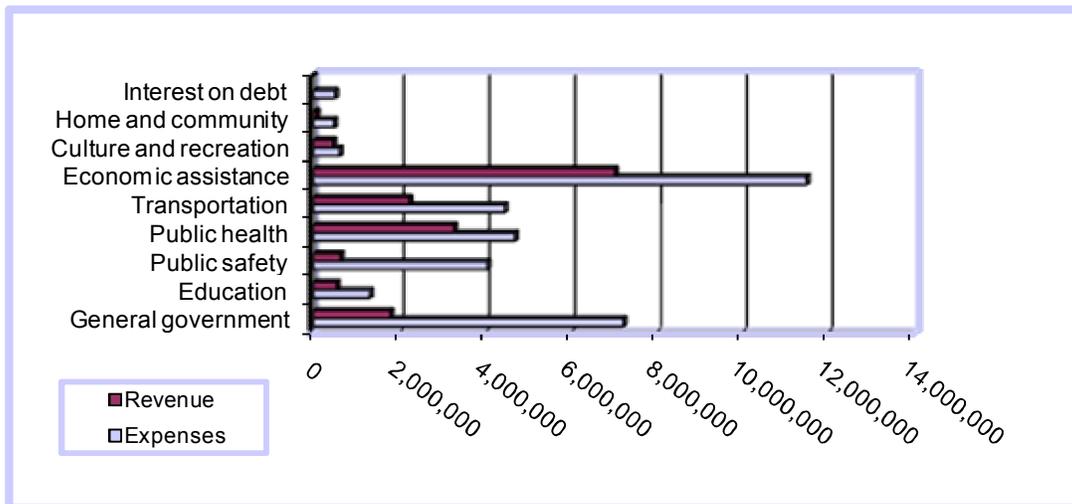
COUNTY OF SCHUYLER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

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  
 2008**



**Figure 6 - Net Program Cost  
 Governmental Activities  
 2007**



COUNTY OF SCHUYLER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

**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 \$7,643,914, which is \$2,080,876, or 21.40%, lower than last year's total fund balance; largely as a result of transfers to special revenue and capital projects funds. Of this amount, \$3,172,219 is reserved for future expenditures and \$1,000,000 is designated for 2009 expenditures, leaving \$3,471,695 in unreserved and undesignated fund balance. Figure 7 shows the changes in fund balance for the County's Governmental Funds.

**Figure 7  
 Governmental Funds  
 Fund Balances**

			<b>Dollar Change</b>
	<b>2007</b>	<b>2008</b>	<b>2007 - 2008</b>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 7,839,665	\$ 5,393,612	\$ (2,446,053)
<i>Special Revenue Fund:</i>			
<i>County Road Fund</i>	481,816	430,814	(51,002)
<i>Capital Project Fund</i>	600,149	1,000,186	400,037
<i>Non-Major Funds:</i>			
<i>Special Revenue Funds:</i>			
<i>Special Grant Fund</i>	80,876	16,855	(64,021)
<i>Road Machinery Fund</i>	(11,611)	15,842	27,453
<i>STASC Debt Service Fund</i>	733,895	786,605	52,710
<b>Totals</b>	<b>\$ 9,724,790</b>	<b>\$ 7,643,914</b>	<b>\$ (2,080,876)</b>

This year's total change in fund balance is a decrease of 21.40%, compared to a 16.25% decrease in 2007. The primary reason for the 13.74% decrease in the fund balance of General Fund is due to a transfer of \$2,167,767 to the county road fund and a transfer of \$1,369,120 to the capital project fund.

**General Fund Budgetary Highlights**

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

Even with these adjustments, the actual charges to appropriations (expenditures) were below the final budget amounts by \$3,249,577. The most significant positive variances occurred in the County's Public Health and Economic Assistance and Opportunity accounts. Resources available for appropriation were \$2,724,569 under the final budgeted amount primarily due to federal grants and tax revenues not received.

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Figure 8**  
**Budgetary Comparison Schedule - General Fund**  
**December 31, 2008**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Encumbrances</b>	<b>Variance Fav. (Unfav.)</b>
<b>REVENUES AND OTHER FINANCING</b>				
<b><u>SOURCES</u></b>				
<i>Real property taxes and tax items</i>	\$ 9,307,321	\$ 9,307,321	\$ 9,098,805	\$ (208,516)
<i>Nonproperty tax items</i>	8,613,254	8,613,254	8,740,207	126,953
<i>Departmental income and intergovernmental charges</i>	4,925,653	5,065,050	4,769,788	(295,262)
<i>Use of money and property</i>	778,694	796,994	624,299	(172,695)
<i>State sources</i>	5,068,440	6,219,851	6,249,120	29,269
<i>Federal sources</i>	4,243,247	5,098,507	2,953,771	(2,144,736)
<i>Other revenues and financing sources</i>	218,006	234,075	174,493	(59,582)
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 33,154,615</b>	<b>\$ 35,335,052</b>	<b>\$ 32,610,483</b>	<b>\$ (2,724,569)</b>
<b>Appropriated Reserves and Fund Balance</b>	<b>\$ 1,500,000</b>	<b>\$ 3,147,964</b>	<b>\$ -0-</b>	<b>\$ (3,147,964)</b>
<b>EXPENDITURES AND OTHER FINANCING</b>				
<b><u>USES</u></b>				
<i>General government</i>	\$ 6,245,212	\$ 6,709,031	\$ 6,394,427	\$ 314,604
<i>Education</i>	1,145,000	1,486,527	1,486,527	-0-
<i>Public safety</i>	3,116,863	3,240,357	2,873,103	367,254
<i>Public health</i>	4,243,371	5,245,687	4,336,087	909,600
<i>Transportation</i>	187,959	224,354	224,354	-0-
<i>Economic assistance and opportunity</i>	12,114,703	12,015,635	10,651,805	1,363,830
<i>Culture and recreation</i>	412,031	682,941	486,997	195,944
<i>Home and community</i>	572,745	783,500	745,630	37,870
<i>Employee benefits</i>	3,912,256	3,976,163	3,915,688	60,475
<i>Debt service</i>	52,430	97,656	97,656	-0-
<i>Other financing uses</i>	2,652,045	4,021,165	4,021,165	-0-
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 34,654,615</b>	<b>\$ 38,483,016</b>	<b>\$ 35,233,439</b>	<b>\$ 3,249,577</b>
<i>Excess of Expenditures and Other Financing Uses</i>	\$ (1,500,000)	\$ (3,147,964)	\$ (2,622,956)	\$ 525,008

COUNTY OF SCHUYLER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of December 31, 2008, the County had capital assets of \$28,248,678, net of accumulated depreciation of \$24,630,268, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net increase (including additions and deductions) of \$1,429,688 over last year.

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

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2007</b>	<b>2008</b>	<b>2007 - 2008</b>
<i>Land</i>	\$ 447,639	\$ 447,639	\$ -0-
<i>Construction-in-progress</i>	662,234	800,705	138,471
<i>Buildings and improvements</i>	8,337,410	8,916,980	579,570
<i>Land improvements</i>	2,652,449	2,609,305	(43,144)
<i>Machinery and equipment</i>	2,598,493	2,949,101	350,608
<i>Infrastructure</i>	12,120,765	12,524,948	404,183
<b>Totals</b>	<b>\$ 26,818,990</b>	<b>\$ 28,248,678</b>	<b>\$ 1,429,688</b>

This year's additions consisted of:

Construction-in-progress	\$ 1,103,040
Buildings and improvements	919,569
Machinery and equipment	949,033
Infrastructure	<u>1,328,289</u>
Total Additions	4,299,931
Less: Depreciation	(1,741,235)
HSDC depreciation	(129,879)
Construction-in-progress completed	(964,569)
Disposals, net	<u>(34,560)</u>
Total Net Change	<u>\$ 1,429,688</u>

**Debt Administration**

Total long-term liabilities increased in 2008 by \$2,171,015 to \$13,235,077. Of this amount, \$175,000 was subject to the constitutional debt limit and represented .20% of the County's statutory debt limit. Tobacco settlement pass-through bonds are debt of the Schuyler Tobacco Asset Securitization Corporation (STASC), under which the County's future tobacco settlement proceeds were securitized. The implementation of GASB 45 for other postemployment benefits liability and expense of \$2,130,735 is the most significant change in 2008.

COUNTY OF SCHUYLER  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

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**

	<b>Governmental Activities</b>		<b>Dollar Change</b>
	<b>2007</b>	<b>2008</b>	<b>2007 - 2008</b>
<i>Serial bonds</i>	\$ 6,146,430	\$ 6,097,946	\$ (48,484)
<i>Capital lease</i>	36,667	30,342	(6,325)
<i>Compensated absences</i>	474,972	538,510	63,538
<i>OPEB payable</i>	-0-	2,130,735	2,130,735
<i>Tobacco settlement pass-through bonds, net</i>	4,405,993	4,437,544	31,551
<b>Totals</b>	<b>\$ 11,064,062</b>	<b>\$ 13,235,077</b>	<b>\$ 2,171,015</b>

The County's Moody's bond rating is currently A, which did not change from the prior year. More detailed information about the County's long-term liabilities is presented in Note 2-B-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 of Schuyler's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Margaret Starbuck, Treasurer, Schuyler County, 105 9th Street, Watkins Glen, New York 14891.

COUNTY OF SCHUYLER  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	Primary Government	Component Units	
	Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 3,042,365	\$ 1,400,199	\$ 532,454
Restricted cash	1,846,905		244,334
Taxes receivable, net	1,734,242		
Accounts receivable, net	1,288,574	118	
Loans receivable - Current portion			24,369
Due from state and federal governments	3,743,559	17,500	
Due from other governments	36,122		
Prepaid expenses	200,279	4,593	
Inventories	42,698		
Other	4,241		
Total Current Assets	11,938,985	1,422,410	801,157
Noncurrent Assets:			
Restricted cash and cash equivalents	767,936		
Loans receivable, long-term portion			216,087
Unamortized bond issue costs	436,782		
Land and construction in progress	1,248,344		
Depreciable capital assets, net	27,000,334	22,207	
Total Noncurrent Assets	29,453,396	22,207	216,087
Total Assets	41,392,381	1,444,617	1,017,244
<b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts payable	1,111,647	3,373	
Accrued liabilities	330,215		
Interest payable	61,694		667
Due to other governments	1,666,467		
Retained percentages	38,280		
Overpayments	710,537		
Deferred revenue	46,722	1,170,465	
Long-term obligations due within one year:			
Loans payable			6,089
Lease payable	21,959	5,918	
Bonds payable	273,255		
Compensated absences	53,851	16,990	
Total Current Liabilities	4,314,627	1,196,746	6,756

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF NET ASSETS  
(CONTINUED)  
DECEMBER 31, 2008

	Primary Government	Component Units	
	Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
Total current liabilities brought forward	\$ 4,314,627	\$ 1,196,746	\$ 6,756
Noncurrent Liabilities:			
Long-term obligations due after one year:			
Accreted interest payable	359,415		
Lease payable	8,383	4,701	
Bonds payable	9,902,820		
Other postemployment benefits payable	2,130,735		
Compensated absences	484,659		
Total Noncurrent Liabilities	12,886,012	4,701	-0-
Total Liabilities	17,200,639	1,201,447	6,756
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	19,255,207	11,588	
Restricted for:			
Community development	16,855		244,334
Debt service	1,199,769		
Public safety	428,089		
Unrestricted	3,291,822	231,582	766,154
Total Net Assets	\$ 24,191,742	\$ 243,170	\$ 1,010,488

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

<u><b>FUNCTIONS/PROGRAMS</b></u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:				
Governmental Activities:				
General governmental support	\$ 7,929,021	\$ 1,459,242	\$ 527,624	\$ 12,023
Education	<u>1,486,527</u>	<u>144,969</u>	<u>600,680</u>	
Public safety	<u>4,360,076</u>	<u>486,967</u>	<u>194,489</u>	
Public health	<u>5,577,189</u>	<u>2,267,708</u>	<u>1,729,335</u>	
Transportation	<u>4,510,069</u>	<u>585,939</u>	<u>294,345</u>	<u>1,298,530</u>
Economic assistance and opportunity	<u>12,263,473</u>	<u>974,831</u>	<u>5,555,365</u>	
Culture and recreation	<u>617,744</u>	<u>254,765</u>	<u>200,663</u>	<u>197,149</u>
Home and community services	<u>895,201</u>	<u>89,823</u>	<u>20,768</u>	<u>83,980</u>
Interest on debt	<u>599,866</u>			
Total Governmental Activities	<u>\$ 38,239,166</u>	<u>\$ 6,264,244</u>	<u>\$ 9,123,269</u>	<u>\$ 1,591,682</u>
Component Units:				
Soil and Water Conservation	\$ 380,135	\$ 36,298	\$ 409,351	\$
Industrial Development Agency	<u>69,584</u>	<u>194,940</u>	<u>62,000</u>	
Total Component Units	<u>\$ 449,719</u>	<u>\$ 231,238</u>	<u>\$ 471,351</u>	<u>\$ -0-</u>

Net (Expense) and Changes in Net Assets brought forward

**GENERAL REVENUES:**

Taxes:

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

Total General Revenues

Change in Net Assets

Net Assets - Beginning - RESTATED

Net Assets - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government	Component Units	
Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
\$ (5,930,132)	\$ _____	\$ _____
(740,878)	_____	_____
(3,678,620)	_____	_____
(1,580,146)	_____	_____
(2,331,255)	_____	_____
(5,733,277)	_____	_____
34,833	_____	_____
(700,630)	_____	_____
(599,866)	_____	_____
(21,259,971)	_____	_____
_____	65,514	_____
_____	_____	187,356
_____	65,514	187,356
(21,259,971)	65,514	187,356
8,777,857	_____	_____
469,491	_____	_____
8,740,207	_____	_____
337,466	_____	_____
136,261	2,735	18,063
27,127	_____	234
110,930	_____	_____
18,599,339	2,735	18,297
(2,660,632)	68,249	205,653
26,852,374	174,921	804,835
\$ 24,191,742	\$ 243,170	\$ 1,010,488

COUNTY OF SCHUYLER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

		Major Funds	
		General Fund	Special Revenue Fund County Road Fund
<b><u>ASSETS</u></b>			
Assets:			
Cash and cash equivalents	- Unrestricted	\$ 1,887,795	\$ 318,400
	- Restricted	10,107	
Taxes receivable (net)		1,734,242	
Due from other funds		4,483,212	1,771,939
Due from State and Federal governments		3,414,877	54,811
Due from other governments		36,122	
Other receivables, net		891,946	2,809
Prepaid expenses		198,420	
Inventories		42,698	
Total Assets		\$ 12,699,419	\$ 2,147,959
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable		\$ 926,973	\$ 20,618
Accrued liabilities		302,871	22,547
Due to other funds		2,938,998	1,667,280
Due to other governments		1,658,476	6,700
Retained percentages			
Overpayments		710,537	
Deferred revenues		767,952	
Total Liabilities		7,305,807	1,717,145
Fund Balances:			
Fund Balances - Reserved:			
Encumbrances		176,903	
Miscellaneous special reserves		1,055,667	
Debt service			
Capital		1,111,074	
Total Reserved		2,343,644	-0-
Fund Balances - Unreserved, Appropriated, Reported in:			
General Fund		1,000,000	
Fund Balances - Unreserved, Reported in:			
General Fund		2,049,968	
Special Revenue Funds			430,814
Capital Projects Funds			
Total Unreserved		3,049,968	430,814
Total Fund Balances		5,393,612	430,814
Total Liabilities and Fund Balances		\$ 12,699,419	\$ 2,147,959

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>
\$ 2,341,583	\$ 116,842	\$ 4,664,620
	548,811	558,918
		1,734,242
1,393,206	191,507	7,839,864
123,871	150,000	3,743,559
		36,122
	393,819	1,288,574
	1,859	200,279
		42,698
<u>\$ 3,858,660</u>	<u>\$ 1,402,838</u>	<u>\$ 20,108,876</u>
\$ 136,960	\$ 27,096	\$ 1,111,647
	4,797	330,215
2,681,943	551,643	7,839,864
1,291		1,666,467
38,280		38,280
		710,537
		767,952
<u>2,858,474</u>	<u>583,536</u>	<u>12,464,962</u>
4,429		181,332
	37,541	1,093,208
	786,605	786,605
		1,111,074
<u>4,429</u>	<u>824,146</u>	<u>3,172,219</u>
		1,000,000
		2,049,968
	(4,844)	425,970
995,757		995,757
995,757	(4,844)	4,471,695
1,000,186	819,302	7,643,914
<u>\$ 3,858,660</u>	<u>\$ 1,402,838</u>	<u>\$ 20,108,876</u>

COUNTY OF SCHUYLER  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

Total Governmental Fund Balances \$ 7,643,914

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 \$24,467,920 used in Governmental Activities are not financial resources and, therefore, are not reported 23,385,127

Certain accrued expenses, such as interest on debt, reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds. Similarly, unamortized bond issue costs are not recognized as assets in the fund financial statements.

Accrued interest payable	\$	(16,575)	
Accreted interest payable		(359,415)	
Unamortized bond issuance costs - STASC		<u>106,927</u>	<u>(269,063)</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. 721,230

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	\$	(175,000)	
Lease payable		(30,342)	
Tobacco settlement pass-through bonds, net of unamortized bond discount		(4,078,129)	
Other postemployment benefits payable		(2,130,735)	
Compensated absences		<u>(538,510)</u>	<u>(6,952,716)</u>

The assets and liabilities of the Internal Service Fund component unit are included in Governmental Activities in the Statement of Net Assets. (336,750)

Net Assets of Governmental Activities \$ 24,191,742

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, 2008

	Major Funds	
	General Fund	Special Revenue Fund County Road Fund
<b><u>REVENUES</u></b>		
Real property taxes	\$ 8,629,314	\$
Real property tax items	469,491	
Nonproperty tax items	8,740,207	
Departmental income	4,280,307	7,518
Intergovernmental charges	489,481	
Use of money and property	624,299	4,172
Fines and forfeitures	78,333	350
Sale of property and compensation for loss	78,599	4,390
Miscellaneous local sources	17,561	178
Interfund revenues		
State sources	6,249,120	741,263
Federal sources	2,953,771	458,243
Total Revenues	<u>32,610,483</u>	<u>1,216,114</u>
<b><u>EXPENDITURES</u></b>		
General governmental support	6,365,369	
Education	1,486,527	
Public safety	2,873,103	
Public health	4,336,087	
Transportation	224,354	3,029,912
Economic assistance and opportunity	10,503,960	
Culture and recreation	486,997	
Home and community services	745,630	
Employee benefits	3,915,688	374,408
Debt service - Principal and interest	97,656	
Capital outlay		
Total Expenditures	<u>31,035,371</u>	<u>3,404,320</u>
Excess of Revenues (Expenditures)	<u>1,575,112</u>	<u>(2,188,206)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Interfund transfers in		2,167,767
Interfund transfers (out)	(4,021,165)	(30,563)
Total Other Financing (Uses) Sources	<u>(4,021,165)</u>	<u>2,137,204</u>
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	<u>(2,446,053)</u>	<u>(51,002)</u>
Fund Balances, Beginning	<u>7,839,665</u>	<u>481,816</u>
Fund Balances, Ending	<u>\$ 5,393,612</u>	<u>\$ 430,814</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>
\$	\$	\$ 8,629,314
		469,491
		8,740,207
		4,287,825
	397,598	887,079
43,784	21,445	693,700
		78,683
	62,501	145,490
5,137	337,466	360,342
	180,000	180,000
87,023	269,980	7,347,386
		3,412,014
135,944	1,268,990	35,231,531
	31,328	6,396,697
		1,486,527
		2,873,103
		4,336,087
	1,248,372	4,502,638
		10,503,960
		486,997
	149,571	895,201
	65,829	4,355,925
	272,589	370,245
1,105,027		1,105,027
1,105,027	1,767,689	37,312,407
(969,083)	(498,699)	(2,080,876)
1,369,120	514,841	4,051,728
		(4,051,728)
1,369,120	514,841	-0-
400,037	16,142	(2,080,876)
600,149	803,160	9,724,790
\$ 1,000,186	\$ 819,302	\$ 7,643,914

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, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (2,080,876)

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

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

Capital outlay, net of disposal adjustments of \$571,251	\$ 2,764,111	
Depreciation expense of \$1,871,114 net of disposal adjustments	<u>(1,204,544)</u>	<u>1,559,567</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>235,950</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	\$ 181,011	
Capital leases payable	(34,686)	
Bond issuance costs amortization	(5,324)	
Bond discount amortization	<u>(6,745)</u>	<u>134,256</u>

The net expense of the Internal Service Fund component unit is reported with Governmental Activities.	<u>(187,734)</u>
---	------------------

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

Compensated absences	\$ (63,538)	
Other postemployment benefits payable	(2,130,735)	
Change in accrued interest payable	(2,716)	
Change in accreted interest payable	<u>(124,806)</u>	<u>(2,321,795)</u>

Change in Net Assets of Governmental Activities	<u>\$ (2,660,632)</u>
---	-----------------------

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
DECEMBER 31, 2008

Internal  
Service  
Fund

**ASSETS**

Current Assets:		
Cash and cash equivalents - Unrestricted	\$	20,504
- Restricted		413,164
Total Current Assets		433,668
Noncurrent Assets:		
Organizational costs, net of accumulated amortization		4,241
Unamortized bond issue costs		329,855
Capital Assets:		
Land		40,639
Depreciable capital assets, net		4,822,912
Total Noncurrent Assets		5,197,647
Total Assets		5,631,315

**LIABILITIES**

Current Liabilities:		
Accrued interest payable		45,119
Bonds payable, current		148,483
Total Current Liabilities		193,602
Noncurrent Liabilities:		
Bonds payable		5,774,463
Total Noncurrent Liabilities		5,774,463
Total Liabilities		5,968,065

**NET ASSETS**

Invested in capital assets, net of related debt		(729,540)
Restricted for debt service		413,164
Unrestricted		(20,374)
Total Net Deficit	\$	(336,750)

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Internal Service Fund
Operating Revenues:	
Rent	\$ <u>228,154</u>
Total Operating Revenues	<u>228,154</u>
Operating Expenses:	
Contractual expenses	17,526
Depreciation and amortization (expenses)	<u>131,010</u>
Total Operating Expenses	<u>148,536</u>
Operating Income	<u>79,618</u>
Nonoperating Income (Expense):	
Interest and dividends	9,013
Interest (expense)	<u>(276,365)</u>
Total Nonoperating Loss	<u>(267,352)</u>
Total Net Loss	(187,734)
Net (Deficiency), January 1, 2008	<u>(149,016)</u>
Net (Deficiency), December 31, 2008	<u>\$ <u>(336,750)</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received from providing services	\$ 229,238
Cash payments - Contractual expenses	<u>(17,527)</u>
Net Cash Provided by Operating Activities	<u>211,711</u>
Cash Flows from Noncapital Financing Activities:	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities:	
Cash payments - Interest expense	(270,712)
Cash paid to other governments	(182,817)
Cash received - Land and building improvements	<u>56,842</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(396,687)</u>
Cash Flows from Investing Activities:	
Interest and dividend income received	<u>9,013</u>
Net Cash Provided by Investing Activities	<u>9,013</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(175,963)
Cash and Cash Equivalents, January 1, 2008	<u>609,631</u>
Cash and Cash Equivalents, December 31, 2008	<u>\$ 433,668</u>
Reconciliation of net income to net cash provided by operating activities:	
Operating income	\$ 79,618
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	131,009
Decrease in rents receivable	<u>1,084</u>
Net Cash Provided by Operating Activities	<u>\$ 211,711</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
DECEMBER 31, 2008

		Agency Funds
<b><u>ASSETS</u></b>		
Cash and cash equivalents - Unrestricted	\$	850,213
- Restricted		<u>15,352</u>
 Total Assets	 \$	 <u><u>865,565</u></u>
<b><u>LIABILITIES</u></b>		
Agency liabilities	\$	623,783
Due to other governments		<u>241,782</u>
 Total Liabilities	 \$	 <u><u>865,565</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, 2008

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

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

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

1. Included in the Reporting Entity

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

The Schuyler County Industrial Development Agency

The Schuyler County Industrial Development Agency was created in 1971 by the Schuyler County Legislature under the provisions of Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth in Schuyler County. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the Schuyler County Legislature, is a separate entity and operates independently of the County. A separate audit report dated April 8, 2009 has been issued for the Schuyler County Industrial Development Agency for the year ended December 31, 2008. The Agency is considered a component unit of the County and is discretely presented. Complete financial statements for Schuyler County Industrial Development Agency may be obtained by writing their administrative office at 2 North Franklin Street, Suite 330, Watkins Glen, NY 14891.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

The Schuyler County Soil and Water Conservation District

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

The Schuyler Tobacco Asset Securitization Corporation

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

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

The STASC is controlled by a group of four directors who are appointed by the Chair of the Schuyler County Legislature. At this time, two directors are members of the County Legislature, one of whom is a member of the management team of the County and one who has no affiliation with the County. The Corporation is deemed to be a component unit of Schuyler County and is presented in the annual financial statements of the County as a blended component unit, reported as a Non-Major Debt Service Fund. A separate audit report dated May 26, 2009 has been issued for the STASC for the year ended December 31, 2008. Complete financial statements for STASC may be obtained from Schuyler County, 105 9<sup>th</sup> Street, Watkins Glen, NY 14891.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

The Schuyler County Human Services Development Corporation

The Corporation (HSDC) was created in 2006 by the Schuyler County Legislature under the provisions of Section 1411 of the Not-For-Profit Corporation Law of the State of New York for the purpose of encouraging economic growth in Schuyler County. The Corporation is exempt from federal, state, and local income taxes. The Corporation, although established by the Schuyler County Board of Legislators, is a separate entity and operates independently of the County. The Corporation is considered a component unit of the County and is presented in the annual financial statements of the County as an internal service fund. A separate audit report dated February 10, 2009 has been issued for the HSDC for the year ended December 31, 2008. Complete financial statements for HSDC may be obtained from Schuyler County, 105 9<sup>th</sup> Street, Watkins Glen, NY 14891.

2. Excluded from the Reporting Entity

The Counties of Steuben, Chemung, and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that each county's share of the cost shall be prorated as agreed upon by the member counties. In 2008, Schuyler County's share aggregated \$39,325. 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 fund financial statements (reporting the County's Major Funds.) Both the Government-wide and fund financial statements categorize primary activities as either governmental or business type. The County's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. The County currently has a component unit which is a Business-type Activity.

1. Government-wide Statements

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

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

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

2. Fund Financial Statements

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

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

Governmental Funds

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

Major Funds

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

Special Revenue Fund:

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

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

Non-Major Funds

Special Revenue Funds:

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

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

Debt Service Fund:

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

Proprietary Fund

Internal Service Fund:

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

Fiduciary Funds

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

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

C. Basis of Accounting/Measurement Focus

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

1. Accrual Basis

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

2. Modified Accrual Basis

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

D. Property Taxes

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

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

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

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

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

E. Constitutional Tax Limit

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

The County of Schuyler's constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2008 is computed as follows:

Five-Year Average Full Valuation of Taxable Real Estate (2003-2007)	\$ <u>859,205,061</u>
Tax limit @ 1.5%	\$ 12,888,076
Less :	
Tax levy	8,777,857
Less exclusions	<u>(575,909)</u>
Tax levy subject to tax limit	<u>8,201,948</u>
Tax Margin	\$ <u>4,686,128</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.

H. Cash and Cash Equivalents

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

I. Investments

Investments are valued at fair value.

J. Inventory

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

K. Capital Assets

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

L. Postemployment Benefits

In addition to providing pension benefits, the County of Schuyler provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the County of Schuyler's employees may become eligible for these benefits if they reach normal retirement age while working for the County of Schuyler. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County offers the benefit, with related premiums funded 50% by participating retirees. The retiree also pays 65% of the premium covering the retiree's spouse. See more detailed information related to the GASB 45 information in Note 1.B.2.

M. Sales Tax

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

N. Revenues

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

O. Restricted Resources

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

P. Interfund Activity

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

Q. Insurance

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

R. Equity Classifications

1. Government-wide Statements

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

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

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

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

2. Fund Statements

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

- Encumbrance Reserve  
The Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. This reserve is accounted for in the General Fund and Road Machinery Fund.
- Miscellaneous Special Reserve  
The Miscellaneous Special Reserve is used to account for funds restricted for miscellaneous projects, as authorized by county resolution. This reserve is further outlined in Note 8. This reserve is accounted for in the General Fund and Road Machinery Fund.
- Mandatory Reserve for Debt Service  
The Mandatory Reserve for Debt Service (GML §6-1) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of County property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of County property or capital improvement. This reserve is accounted for in the General Fund and STASC Debt Service Fund.
- Capital Reserve  
The Capital reserve provides funds for the financing of all or part of the cost of:  
a) the construction, reconstruction or acquisition of a specific capital improvement or the acquisition of a specific item or specific items of equipment, or b) the construction, reconstruction or acquisition of a type of capital improvement or the acquisition of a type of equipment. This reserve is accounted for in the General Fund.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

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

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

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

Total financial institution (bank) balances at December 31, 2008, per the bank, were \$6,250,481, \$890,955 and \$2,184,713 for the primary government, fiduciary funds and component units, respectively. These deposits are categorized as follows:

	1	2	3	Carrying Value
Primary Government and Blended Component Unit	\$ -0-	\$ 4,074,803	\$ -0-	\$ 5,657,206
Fiduciary Fund	\$ -0-	\$ 344,827	\$ -0-	\$ 865,565
Soil and Water District	\$ -0-	\$ 1,156,038	\$ -0-	\$ 1,400,199
Industrial Development Agency	\$ -0-	\$ 52,534	\$ -0-	\$ 776,788

Restricted cash and cash equivalents at December 31, 2008 consisted of the following:

Activity	Amount
<u>Governmental Activities:</u>	
Public Safety Funds	\$ 428,089
STASC Debt Service Fund	354,639
HSDC Funds	413,164
Community Development Fund	16,855
Capital Projects reserve	1,212,946
Lamoka-Waneta Lakes District Funds	189,148
Total Governmental Activities	<u>\$ 2,614,841</u>

2. Property Taxes

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

Net receivables estimated to be collectible subsequent to the first sixty days of 2009 are reflected as deferred revenue. At December 31, 2008, the County had deferred \$721,230 of real property tax revenue.

Taxes receivable at December 31, 2008 are summarized as follows:

Tax sale certificates	\$	15,125
School taxes		853,759
Taxes receivable - City and school		48,230
Taxes receivable - Overdue		862,907
Other		71,203
Allowance for uncollectible taxes		<u>(116,982)</u>
<b>Taxes Receivable</b>	<b>\$</b>	<b><u>1,734,242</u></b>

Uncollected school taxes assumed by the County as a result of settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable that represents taxes relieved for schools in the amount of \$901,989 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, 2008 consisted of the following, which are stated at net realizable value. The County has deemed the amounts to be fully collectible.

	<u>Description</u>	<u>Amount</u>
General Fund	County Clerk	\$ 44,765
	Public health fees	193,326
	Mental health fees	163,266
	Sales and use taxes	2,488
	Public safety fees	102,893
	Emergency management	4,680
	Social services fees	78,638
	Central services fees	9,210
	Workers' compensation reimbursement	332
	Office for the Aging	7,250
	Youth Bureau	17,976
	Due from agency	240,757
	Other	<u>26,365</u>
<b>Total General Fund</b>		<u>891,946</u>
County Road Fund	Billed services	2,809
Road Machinery Fund	Billed services	62,388
STASC Fund	TSR receivable	<u>331,431</u>
<b>Total Other Receivables</b>		<b>\$ <u>1,288,574</u></b>

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

4. Capital Assets

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

	Balance at 12/31/07	Additions	Deletions	Balance at 12/31/08
<b>Governmental Activities:</b>				
Land	\$ 407,000	\$	\$	\$ 407,000
Construction in progress	662,234	1,103,040	(964,569)	800,705
Total Non-depreciable Capital Assets	<u>1,069,234</u>	<u>1,103,040</u>	<u>( 964,569)</u>	<u>1,207,705</u>
Buildings	8,298,331	919,569		9,217,900
Machinery and equipment	6,564,046	949,033	(544,751)	6,968,328
Land improvements	3,044,955			3,044,955
Infrastructure	26,112,370	1,328,289	(26,500)	27,414,159
Total Depreciable Capital Assets	<u>44,019,702</u>	<u>3,196,891</u>	<u>(571,251)</u>	<u>46,645,342</u>
Total Historical Cost	<u>45,088,936</u>	<u>4,299,931</u>	<u>(1,535,820)</u>	<u>47,853,047</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(4,706,484)	(220,613)		(4,927,097)
Machinery and equipment	(3,965,553)	(572,365)	518,691	(4,019,227)
Land improvements	(599,734)	(32,651)		(632,385)
Infrastructure	(13,991,605)	(915,606)	18,000	(14,889,211)
Total Accumulated Depreciation	<u>(23,263,376)</u>	<u>(1,741,235)</u>	<u>536,691</u>	<u>(24,467,920)</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,825,560</u>	<u>\$ 2,558,696</u>	<u>\$ (999,129)</u>	<u>\$ 23,385,127</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
General government support	\$ 367,087
Public safety	77,336
Public health	19,233
Transportation	1,149,042
Economic assistance and opportunity	225,274
Culture and recreation	33,142
Total Governmental Activities Depreciation Expense	<u>\$ 1,871,114</u>

	Balance at 12/31/07	Additions	Deletions	Balance at 12/31/08
<b>Business-Type Activity:</b>				
Land	\$ 40,639	\$	\$	\$ 40,639
Total Non-depreciable Capital Assets	<u>40,639</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>4,985,260</u>
Total Historical Cost	<u>5,025,899</u>		<u>-0-</u>	<u>5,025,899</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	(29,846)	(119,386)		(149,232)
Land improvements	(2,623)	(10,493)		(13,116)
Total Accumulated Depreciation	<u>(32,469)</u>	<u>(129,879)</u>	<u>-0-</u>	<u>(162,348)</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,993,430</u>	<u>\$ (129,879)</u>	<u>\$ -0-</u>	<u>\$ 4,863,551</u>

COUNTY OF SCHUYLER  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

Depreciation expense for the year ended December 31, 2008 and 2007 for the internal service fund totaled \$129,879 and \$32,469, respectively, and was charged to economic assistance and opportunity in the Statement of Activities.

B. Liabilities

1. Pension Plans

a. Plan Description

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

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

b. Funding Policy

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

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

Year	ERS
2008	\$ 830,310
2007	851,933
2006	851,966

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

Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the Systems' fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The County of Schuyler elected to make full payment on December 15, 1989.

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

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1<sup>st</sup> (e.g. billings due February 2008 would be based on the pension value as of March 31, 2007).
- Allows one-time financing of State fiscal year 2004-2005 pension cost by permitting local governments to bond, over five years, any required contribution in excess of 7% of estimated salaries or to amortize required contributions in excess of 7% over a five year period. [Superseded by Chapter 260 of the Laws of 2004. See below.]

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

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

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

2. Other Post-employment Benefits

In 2008, the County adopted Government Accounting Standards Board (GASB) Statement No. 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, 2008 for the fiscal year ending December 31, 2008. The Plan is a single-employer defined benefit Other Postemployment Benefit Plan administered by the County of Schuyler. The Plan provides for the continuation of medical insurance benefits for certain retirees and their spouses. The County of Schuyler assigns the authority to establish and amend benefit provisions to the County Legislature. The Plan does not issue a stand-alone financial report.

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, 2008 the County contributed \$334,262 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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 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	\$ 1,241,919
Amortization of UAAL	1,128,270
Total Annual Required Contribution	2,370,189
Interest on net OPEB obligation	94,808
Adjustment to annual required contribution	-0-
Annual OPEB Cost (Expense)	2,464,997
Contributions made on behalf of 61 retirees	(334,262)
Increase in Net OPEB Obligation	2,130,735
 Net OPEB Obligation - January 1, 2008	 -0-
 Net OPEB Obligation - December 31, 2008	 \$ 2,130,735

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/08	\$ 2,464,997	13.6%	\$ 2,130,735

The year ended December 31, 2008 is the first year that the OPEB obligation has been actuarially determined.

As of December 31, 2008, the Plan was not funded. The actuarial accrued liability for benefits was \$20,290,478; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$9,776,623 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 207.5 percent.

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.

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

*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, 2008 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.

At December 31, 2008 there were a total of 80 retirees and the County recognized \$310,752 as an expenditure in 2008 for its share of the benefit premiums.

3. Debt

a. Constitutional Debt Limit

At December 31, 2008, the total outstanding indebtedness of the County aggregated \$13,235,077. Of this amount, \$175,000 was subject to the constitutional limitations on indebtedness and represented .20% of the County's statutory debt limit.

b. Serial Bonds

The County of Schuyler borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Assets.

c. Bond Anticipation Notes

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

State law requires that BANs issued for capital purposes be converted to long-term obligations within 5 years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The County neither redeemed nor issued BANs during the year ended December 31, 2008.

d. Other Debt

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

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

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

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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	\$ 175,000
STASC Pass-through Bonds:					
Tobacco Settlement Bonds (2000)	12/00	3,280,000	5.25-6.30%	6/2023	2,630,000
Less: Unamortized bond discount					(86,594)
Carrying Value of Series 2000 Bonds					2,543,406
Tobacco Settlement Bonds (2005)	11/05	1,573,852	6.00-7.85%	6/2060	1,573,852
Less: Unamortized bond discount					(39,129)
Add: Interest accretion					359,415
Carrying Value of Series 2005 Bonds					1,894,138
HSDC 2007 Tax-exempt Revenue Bonds	04/07	5,725,000	3.50-5.00%	5/2032	5,725,000
Add: Unamortized bond premium					197,946
Carrying Value of HSDC Bonds					5,922,946
Capital Lease	02/07	14,219	6.80%	2/2010	7,343
Capital Lease	05/08	20,467	5.95%	5/2010	13,247
Capital Lease	04/06	57,198	6.65%	3/2009	2,175
Capital Lease	04/07	17,258	6.80%	3/2010	7,577
<b>Total</b>					<b>\$ 10,565,832</b>

f. Change in Indebtedness

The following represents changes in the County's indebtedness during the year ended December 31, 2008:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due Within One Year
Serial Bonds	\$ 215,000	\$	\$ (40,000)	\$ 175,000	\$ 35,000
STASC Bonds	4,303,852		(100,000)	4,203,852	105,000
Add: Accreted interest payable	234,609	124,806		359,415	-0-
Less: Unamortized bond discount	(132,468)		6,745	(125,723)	(6,745)
HSDC Bonds	5,725,000			5,725,000	140,000
Add: Unamortized bond premium	206,430		(8,484)	197,946	-0-
Capital lease	36,667	34,686	(41,011)	30,342	21,959
Compensated absences	474,972	63,538		538,510	53,851
<b>Totals</b>	<b>\$ 11,064,062</b>	<b>\$ 223,030</b>	<b>\$ (182,750)</b>	<b>\$ 11,104,342</b>	<b>\$ 349,065</b>

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

Additions and deletions to compensated absences are shown net, as it is impractical to determine these amounts separately. The County paid \$16,645 in interest on bonds and capital leases during the year. The Schuyler TASC paid \$172,589 in interest on bonds during the year. The Schuyler HSDC paid \$276,365 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	\$ 465,599
Less interest accrued in prior year	(58,978)
Less prior year accreted interest	(234,609)
Add current year accreted interest	359,415
Add interest accrued in current year	61,694
Add amortization of bond discount	<u>6,745</u>
 Total	 \$ <u>599,866</u>

g. Debt Service Requirements

The following tables summarize the County's future debt service requirements as of December 31, 2008:

Year	County Serial Bonds		Governmental Activities Capital Lease		TASC Bonds		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 35,000	\$ 10,150	\$ 21,959	\$ 1,636	\$ 105,000	\$ 166,303	\$ 161,959	\$ 178,089
2010	35,000	8,120	8,383	423	120,000	159,403	163,383	167,946
2011	35,000	6,090			125,000	151,897	160,000	157,987
2012	35,000	4,060			130,000	144,028	165,000	148,088
2013	35,000	2,030			135,000	135,698	170,000	137,728
2014-2018					991,242	684,717	991,242	684,717
2019-2023					1,522,115	643,153	1,522,115	643,153
2024-2028					573,159	1,438,015	573,159	1,438,015
2029-2033					305,312	1,701,759	305,312	1,701,759
2034-2037					197,024	1,673,450	197,024	1,673,450
 Total	 \$ <u>175,000</u>	 \$ <u>30,450</u>	 \$ <u>30,342</u>	 \$ <u>2,059</u>	 \$ <u>4,203,852</u>	 \$ <u>6,898,423</u>	 \$ <u>4,409,194</u>	 \$ <u>6,930,932</u>

Year	Business-Type Activity		Total
	Principal	Interest	
2009	\$ 140,000	\$ 267,912	\$ 407,912
2010	145,000	262,213	407,213
2011	150,000	256,687	406,687
2012	155,000	251,350	406,350
2013	160,000	245,637	405,637
2014-2018	915,000	1,124,281	2,039,281
2019-2023	1,145,000	877,375	2,022,375
2024-2028	1,460,000	553,000	2,013,000
2029-2032	1,455,000	149,625	1,604,625
 Total	 \$ <u>5,725,000</u>	 \$ <u>3,988,081</u>	 \$ <u>9,713,081</u>

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

h. STASC Bonds

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

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

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

C. Interfund Receivables and Payables

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to subsidize other funds. The Governmental Funds financial statements generally reflect such transactions as transfers. Interfund receivables and payables and interfund transfer revenues and expenditures at December 31, 2008 were as follows:

	Interfund Receivables	Interfund Payables	
General Fund	\$ 4,483,212	\$ 2,938,998	
County Road Fund	1,771,939	1,667,280	
Capital Projects Fund	1,393,206	2,681,943	
Non-Major Fund	191,507	551,643	
Total	\$ 7,839,864	\$ 7,839,864	
	Interfund Revenues	Interfund Expenditures	
General Fund	\$ -0-	\$ 4,021,165	
County Road Fund	2,167,767	30,563	
Capital Projects Fund	1,369,120	-0-	
Non-Major Fund	514,841	-0-	
Total	\$ 4,051,728	\$ 4,051,728	

COUNTY OF SCHUYLER  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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. The bonding was obtained through the Local Government Services Corporation (LGSC) and various other state grants were received to supplement the funding stream. Because the bonding was obtained through the LGSC, the LGSC will retain title to the building for the life of the bonds. Therefore, no asset has been recorded on the County's fixed asset records.

Note 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. The 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 (IDA) - During the year ended December 31, 2008, the County of Schuyler paid \$1,000 in administration fees to the IDA.
- B. Schuyler County Soil and Water Conservation District - The County contributed \$146,193 to the Soil and Water Conservation District during the year ended December 31, 2008.

COUNTY OF SCHUYLER  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 7 - Net Assets - Statement of Net Assets

Of the \$3,291,822 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	\$ 3,291,822
Designated for:	
Ensuing year's budget	1,000,000
Carry-over of prior year's commitments (encumbrances)	181,332
Miscellaneous special reserves	659,351
Capital improvements	1,111,074
Repairs	<u>5,768</u>
Total Unrestricted, Designated Net Assets	<u>2,957,525</u>
Total Unrestricted, Undesignated Net Assets	<u>\$ 334,297</u>

Note 8 - Prior Period Adjustment

Fund balance, net assets, and bond issue costs have been restated by reducing each amount by \$6,000 as of December 31, 2007 to account for returned bond issue costs.

COUNTY OF SCHUYLER  
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)  
 GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>
<b><u>REVENUES</u></b>		
Real property taxes	\$ 8,852,321	\$ 8,852,321
Real property tax items	455,000	455,000
Nonproperty tax items	8,613,254	8,613,254
Departmental income	4,385,628	4,525,025
Intergovernmental charges	540,025	540,025
Use of money and property	778,694	796,994
Fines and forfeitures	83,046	93,046
Sale of property and compensation for loss	124,160	124,160
Miscellaneous local sources	10,800	16,869
State sources	5,068,440	6,219,851
Federal sources	4,243,247	5,098,507
Total Revenues	33,154,615	35,335,052
<b><u>EXPENDITURES</u></b>		
Current:		
General governmental support	6,245,212	6,709,031
Education	1,145,000	1,486,527
Public safety	3,116,863	3,240,357
Public health	4,243,371	5,245,687
Transportation	187,959	224,354
Economic assistance and opportunity	12,114,703	12,015,635
Culture and recreation	412,031	682,941
Home and community services	572,745	783,500
Employee benefits	3,912,256	3,976,163
Debt service - Principal and interest	52,430	97,656
Total Expenditures	32,002,570	34,461,851
Excess of Revenues	1,152,045	873,201
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Interfund transfers (out)	(2,652,045)	(4,021,165)
Total Other Financing (Uses)	(2,652,045)	(4,021,165)
Excess of (Expenditures) and Other Financing Sources (Uses)	(1,500,000)	(3,147,964)
Appropriated Reserves		
Appropriated Fund Balances	1,500,000	3,147,964
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)
\$ 8,629,314	\$	\$ (223,007)
469,491		14,491
8,740,207		126,953
4,280,307		(244,718)
489,481		(50,544)
624,299		(172,695)
78,333		(14,713)
78,599		(45,561)
17,561		692
6,249,120		29,269
2,953,771		(2,144,736)
32,610,483	-0-	(2,724,569)
6,365,369	29,058	314,604
1,486,527		-0-
2,873,103		367,254
4,336,087		909,600
224,354		-0-
10,503,960	147,845	1,363,830
486,997		195,944
745,630		37,870
3,915,688		60,475
97,656		-0-
31,035,371	176,903	3,249,577
1,575,112	(176,903)	525,008
(4,021,165)		-0-
(4,021,165)	-0-	-0-
(2,446,053)	\$ (176,903)	\$ 525,008

7,839,665  
\$ 5,393,612

COUNTY OF SCHUYLER  
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)  
 COUNTY ROAD FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>
<b><u>REVENUES</u></b>		
Departmental income	\$ 6,680	\$ 6,680
Use of money and property	10,000	10,000
Fines and forfeitures	200	200
Sale of property and compensation for loss	1,800	1,800
Miscellaneous local sources	500	500
State sources	683,093	825,660
Federal sources	599,880	599,880
Total Revenues	<u>1,302,153</u>	<u>1,444,720</u>
<b><u>EXPENDITURES</u></b>		
Transportation	3,018,555	3,274,228
Employee benefits	451,365	451,365
Total Expenditures	<u>3,469,920</u>	<u>3,725,593</u>
Excess of (Expenditures)	<u>(2,167,767)</u>	<u>(2,280,873)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Interfund transfers in	2,167,767	2,167,767
Interfund transfers (out)		(30,563)
Total Other Financing Sources (Uses)	<u>2,167,767</u>	<u>2,137,204</u>
Excess of (Expenditures) and Other Financing Sources (Uses)	<u>-0-</u>	<u>(143,669)</u>
Appropriated Fund Balances		<u>143,669</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>
\$ 7,518	\$	\$ 838
4,172		(5,828)
350		150
4,390		2,590
178		(322)
741,263		(84,397)
458,243		(141,637)
1,216,114	-0-	(228,606)
3,029,912		244,316
374,408		76,957
3,404,320	-0-	321,273
(2,188,206)	-0-	92,667
2,167,767		
(30,563)		-0-
2,137,204	-0-	-0-
(51,002)	\$ -0-	\$ 92,667
481,816		
\$ 430,814		

COUNTY OF SCHUYLER  
 SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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, 2008

Note 1 - Budgetary Data

1. Budget Policies - The budget policies are as follows:
  - a. No later than November 15, the budget officer submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the following funds:
    - General Fund
    - County Road Fund
    - Road Machinery Fund
  - b. After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.
  - c. All modifications of the budget must be approved by the County Legislature. During 2008, the budget was modified for unanticipated grants and revenues, anticipated bond revenue and carryover encumbrances.
  - d. Appropriations are adopted at the functional level by department.
  - e. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the project.
  - f. An annual legal budget is not adopted for the Special Grant Fund, which is a Special Revenue Fund. Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements.
  - g. Appropriations lapse at year end.

2. Encumbrances

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

3. Budget Basis of Accounting

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

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

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

COUNTY OF SCHUYLER  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	Special Revenue Funds		STASC	Total
	Special	Road	Debt	Non-Major
	Grant	Machinery	Service	Governmental
	Fund	Fund	Fund	Funds
<b><u>ASSETS</u></b>				
Assets:				
Cash and cash equivalents - Unrestricted	\$	\$ 18,166	\$ 98,676	\$ 116,842
- Restricted	194,172		354,639	548,811
Due from other funds		191,507		191,507
Due from state and federal governments		150,000		150,000
Other receivables, net		62,388	331,431	393,819
Prepaid expenses			1,859	1,859
 Total Assets	 \$ 194,172	 \$ 422,061	 \$ 786,605	 \$ 1,402,838
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$	\$ 27,096	\$	\$ 27,096
Accrued liabilities		4,797		4,797
Due to other funds	177,317	374,326		551,643
 Total Liabilities	 177,317	 406,219	 -0-	 583,536
Fund Balances:				
Fund Balances - Reserved:				
Miscellaneous special reserve		37,541		37,541
Debt service			786,605	786,605
Total Reserved	-0-	37,541	786,605	824,146
Fund Balances - Unreserved, Reported in:				
Special Revenue Funds	16,855	(21,699)		(4,844)
 Total Fund Balances	 16,855	 15,842	 786,605	 819,302
 Total Liabilities and Fund Balances	 \$ 194,172	 \$ 422,061	 \$ 786,605	 \$ 1,402,838

See Independent Auditor's Report

COUNTY OF SCHUYLER  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	<u>Special Revenue Funds</u>		STASC	Total
	<u>Special Grant Fund</u>	<u>Road Machinery Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>
<b><u>REVENUES</u></b>				
Intergovernmental charges	\$	\$ 397,598	\$	\$ 397,598
Use of money and property	1,570	714	19,161	21,445
Sale of property and compensation for loss		62,501		62,501
Miscellaneous local sources			337,466	337,466
Interfund revenues		180,000		180,000
State sources	83,980	186,000		269,980
Total Revenues	<u>85,550</u>	<u>826,813</u>	<u>356,627</u>	<u>1,268,990</u>
<b><u>EXPENDITURES</u></b>				
General governmental support			31,328	31,328
Transportation		1,248,372		1,248,372
Home and community services	149,571			149,571
Employee benefits		65,829		65,829
Debt service (principal and interest)			272,589	272,589
Total Expenditures	<u>149,571</u>	<u>1,314,201</u>	<u>303,917</u>	<u>1,767,689</u>
Excess of (Expenditures) Revenues	<u>(64,021)</u>	<u>(487,388)</u>	<u>52,710</u>	<u>(498,699)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Interfund transfers in		514,841		514,841
Total Other Financing Sources	<u>-0-</u>	<u>514,841</u>	<u>-0-</u>	<u>514,841</u>
Excess of (Expenditures) Revenues and Other Financing Sources (Uses)	<u>(64,021)</u>	<u>27,453</u>	<u>52,710</u>	<u>16,142</u>
Fund Balances, Beginning	<u>80,876</u>	<u>(11,611)</u>	<u>733,895</u>	<u>803,160</u>
Fund Balances, Ending	<u>\$ 16,855</u>	<u>\$ 15,842</u>	<u>\$ 786,605</u>	<u>\$ 819,302</u>

See Independent Auditor's Report

---

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

---



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

*Certified Public Accountants and Consultants*

---

Frederick J. Ciaschi, C.P.A.

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

County Legislature  
County of Schuyler  
Watkins Glen, New York

We have audited the financial statements of the County of Schuyler as of and for the year ended December 31, 2008, and have issued our report thereon dated June 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-1, 08-2, 08-3, 08-4 and 08-5 to be significant deficiencies in internal control over financial reporting.

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

- 41 -

---

**CORTLAND**

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

---

**ITHACA**

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

---

**WATKINS GLEN**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies in internal controls over financial reporting described in the accompanying schedule of findings and questioned costs, we consider items 08-1, 08-2, 08-3, 08-4 and 08-5 to be material weaknesses.

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Schuyler in a separate letter dated June 17, 2009.

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

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



June 17, 2009  
Ithaca, New York

---

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

---



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

*Certified Public Accountants and Consultants*

---

Frederick J. Ciaschi, C.P.A.

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

County Legislature  
County of Schuyler  
Watkins Glen, New York

**Compliance**

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

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

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

**Internal Control Over Compliance**

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

- 43 -

---

**CORTLAND**

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

**ITHACA**

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

**WATKINS GLEN**

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. We 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, management, the audit committee, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

June 17, 2009  
Ithaca, New York

COUNTY OF SCHUYLER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass - Through Grantor/ <u>Program Title</u>	<u>Federal Catalog #</u>	<u>Pass - Through Grantor #</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Passed Through NYS Department of Social Services:			
Food Stamps	10.551	(1)	\$ 2,313,549
Passed Through NYS Department of Education:			
School Breakfast Program	10.553	550301100001	1,984
National School Lunch Program	10.555	550301100001	3,019
Passed Through Tioga County Soil & Water Conservation District:			
Precision Feeding and Management	10.912	(1)	<u>2,700</u>
Total Department of Agriculture			<u>2,321,252</u>
<u>Department of Justice</u>			
Passed Through NYS Division of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	T565630	9,250
Violence Against Women Formula Grants	16.588	C565631	27,750
Edward Byrne Memorial Justice Assistance Grant Program	16.738	T923330	6,193
Edward Byrne Memorial Justice Assistance Grant Program	16.738	T820836	11,836
Passed Through NYS Crime Victims Board:			
Crime Victim Assistance	16.575	C402002	43,125
Direct:			
Bulletproof Vest Partnership Program	16.607	N/A	<u>1,187</u>
Total Department of Criminal Justice Services			<u>99,341</u>
<u>Department of Labor</u>			
Passed Through NYS Office of Children & Family Services:			
WIA Youth Activities	17.259	C024736	<u>118,627</u>
Total Department of Labor			<u>118,627</u>
<u>Department of Transportation</u>			
Passed Through NYS Department of Transportation:			
Highway Planning and Construction	20.205	D030087	73,243
Highway Planning and Construction	20.205	D030381	385,000
Formula Grants for Other than Urbanized Areas	20.509	C003673	<u>140,500</u>
Total Department of Transportation			<u>598,743</u>
<u>Department of Environmental Conservation</u>			
Passed Through Finger Lakes Association, Inc.:			
Water Quality Management Planning	66.454	C302810-0607	36,227
Water Quality Management Planning	66.454	C302810-0708	31,604
Total Department of Environmental Conservation			<u>67,831</u>
Subtotal			<u>3,205,794</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, 2008

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>3,205,794</u>
<u>Department of Education</u>			
Passed Through NYS Department of Health:			
Special Education - Grants for Infants and Families with Disabilities	84.181A	C-021820	<u>35,693</u>
Total Department of Education			<u>35,693</u>
<u>U.S. Election Assistance Commission</u>			
Passed Through NYS Board of Elections:			
Help America Vote Act Requirements Payments	90.401	(1)	<u>2,864</u>
Total U.S. Election Assistance Commission			<u>2,864</u>
<u>Department of Health and Human Services</u>			
Passed Through NYS Office for the Aging:			
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	(1)	5,017
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(1)	46,101
Title III, Part C - Nutrition Services	93.045	(1)	93,803
National Family Caregiver Support	93.052	(1)	33,079
Nutrition Services Incentive	93.053	(1)	28,012
Low-Income Home Energy Assistance	93.568	(1)	20,068
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	(1)	38,879
Passed Through NYS Dept. of Health:			
Immunization Grants	93.268	C023269	11,930
Maternal and Child Health Services Block Grant to the States	93.994	C020630	9,781
Maternal and Child Health Services Block Grant to the States	93.994	C021578	17,594
Passed Through Health Research, Inc.:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	001609-06	45,548
Passed NYS Department of Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	C023355	<u>16,509</u>
Subtotal			<u>3,610,672</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, 2008

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>3,610,672</u>
<u>Department of Health and Human Services (continued)</u>			
Passed Through NYS Office for Alcohol and Substance Abuse Services:			
Medical Assistance Program	93.778	(1)	124,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(1)	197,761
Passed Through NYS Department of Social Services:			
Temporary Assistance for Needy Families	93.558	(1)	1,210,535
Child Support Enforcement	93.563	(1)	222,060
Low-Income Home Energy Assistance	93.568	(1)	1,752,256
Child Care and Development Block Grant	93.575	(1)	526,974
Foster Care - Title IV-E	93.658	(1)	258,334
Adoption Assistance	93.659	(1)	27,800
Social Services Block Grant	93.667	(1)	700,329
Chafee Foster Care Independent Living	93.674	(1)	1,277
Medical Assistance Program	93.778	(1)	<u>341,238</u>
Total Department of Health and Human Services			<u>5,728,885</u>
<u>Department of Homeland Security</u>			
Passed Through NYS Emergency Management Office:			
Emergency Management Performance Grants	97.042	(1)	<u>14,821</u>
Total Department of Homeland Security			<u>14,821</u>
Total Expenditures of Federal Awards			\$ <u><u>8,988,057</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, 2008

Note 1 - Basis of Presentation

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

Note 2 - Basis of Accounting

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

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

Note 3 - Indirect Costs

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

Note 4 - Matching Costs

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

Note 5 - Department of Social Services - Administrative Costs

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

Note 6 - Non-Monetary Federal Program

The County of Schuyler is the recipient of a federal financial assistance program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended December 31, 2008, the County of Schuyler distributed \$1,890,648 worth of food stamps to eligible persons participating in the Food Stamps Program (CFDA #10.551). This program was considered a major federal financial assistance program in the County of Schuyler's single audit.

COUNTY OF SCHUYLER  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   X   yes        no

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

Noncompliance material to financial statements noted?        yes   X   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.551</u>	<u>Food Stamps</u>
<u>93.558</u>	<u>Temporary Assistance to Needy Families</u>
<u>93.568</u>	<u>Low-income Home Energy Assistance</u>

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

Auditee qualified as low-risk auditee:        yes   X   no

COUNTY OF SCHUYLER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2008

Section II - **Financial Statement Findings**

08-1 General Ledger Oversight

Condition

It is the responsibility of the County to provide accurate and timely financial statements. However, 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 that one-time entries were either not made or not made on a timely basis during the year. These items together result in reports created from the financial accounting system containing material errors, both for actual and budget numbers, including reports sent to New York State, the County Administrator and Department heads. This also requires significant time at year end to correct accounts.

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.

Management's Response

As recommended all asset and liability accounts are being reviewed and reconciled on a monthly basis and discrepancies are corrected when found, and if necessary, research done to be sure of accuracy. The general ledger entries are made by the Treasurer and Deputy Treasurer due to the small staff in the Treasurer's Office.

08-2 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 journal entries being backdated. Also, adequate documentation for journal entries was not, in most instances, attached to the entries. This resulted in difficulty correcting balances at year end, as the actual entry backup could not be located. All journal entries should be maintained in a general journal book in chronological order, approval or review noted on the entry and supporting documentation attached.

Recommendation

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

Management's Response

The majority of journal entries have supporting documentation with the exception of direct deposit of sales tax which the state does not supply. Journal entries are kept in a 3-ring binder in chronological order with documentation attached.

COUNTY OF SCHUYLER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2008

08-3 Budgets

Condition

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

Recommendation

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

Management's Response

Grant codes are checked to ensure that they are in balance. Due to the crossing over of years by the grant funds it is almost impossible to ensure they are balanced until the grant has run its full cycle.

08-4 Audit Adjustments

Condition

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. The net effect of our proposed adjustments which have an effect that was considered material to the financial statements taken as a whole follow:

- Fund Balance of the General Fund: decreased by \$991,550
- Fund Balance of the County Road Fund: decreased by \$211,946
- Fund Balance of the Road Machinery Fund: increased by \$69,554
- Fund Balance of the Capital Projects Fund: increased by \$1,320,907
- Fund Balance of the Special Grant Fund: decreased by \$21,230

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

In addition to the above general ledger adjustments, the Annual Update Document filed with New York State needs to be adjusted by an additional \$107,318 decrease in order to agree with the underlying accounting records.

COUNTY OF SCHUYLER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2008

Recommendation

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

Management's Response

By reviewing Asset and Liability accounts monthly, the County has reduced the amount of adjusting entries that were made by the Auditors.

08-5 Preparation of Financial Statements

Condition

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

Recommendation

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

Management's Response

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

COUNTY OF SCHUYLER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2008

**Prior Year Findings Resolved**

07-1 Bank Statement Reconciliations

Condition

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

Resolution

It was noted during our current year audit that all bank accounts were reconciled monthly and agreed to the general ledger.

07-4 Deficit Fund Balances

Condition

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

Resolution

During our current year audit, no deficit fund balances were noted for any funds.

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

None noted