

ST. LAWRENCE COUNTY, NEW YORK

Independent Auditors' Report

Financial Statements and
Supplementary Information

Year Ended December 31, 2008



Whittemore, Downen & Ricciardelli, LLP
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ST. LAWRENCE COUNTY, NEW YORK

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INDEPENDENT AUDITORS' REPORT

To The Board of Legislators
St. Lawrence County, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Soil and Water Conservation District (a discretely presented component unit), each major fund and the aggregate remaining information of St. Lawrence County, New York (the "County") as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of St. Lawrence County Industrial Development Agency and Canton Human Services Initiatives, Inc., which together represent 83 percent of the assets of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the reports of the other auditors. The financial statements of The St. Lawrence County Industrial Development Agency – Local Development Corporation (SLC-IDA-LDC) have not been audited, and we were not engaged to audit the SLC-IDA-LDC's financial statements as part of our audit of the County's basic financial statements. SLC-IDA-LDC's financial activities are included in the County's financial statements as a discretely presented component unit and represent 17 percent, 28 percent and 9 percent of the assets, net assets, and revenues, respectively, of the County's aggregate discretely presented component units.

Except as discussed in the following paragraph, 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had SLC-IDA-LDC's financial statements been audited, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information for the County as of December 31, 2008, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the Internal Service Fund of the County has a deficit net asset. The County does not have a formal plan to remedy this deficit.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2009 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and is important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 20 through 21 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 not a required part of the County's basic financial statements. 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.

Whittemore, Dowen & Ricciardelli, LLP

Whittemore, Dowen & Ricciardelli, LLP

October 19, 2009

COUNTY OF ST. LAWRENCE, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED DECEMBER 31, 2008

St. Lawrence County's (the "County") Management Discussion and Analysis ("MD&A") offers readers of the financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional data contained in the financial statements and notes to those statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its' liabilities at the close of 2008 by \$85,159,346 (*net assets*). The unrestricted net deficit for governmental activities was \$4,433,817; for business-type activities (solid waste), the net unrestricted deficit was \$1,771,634. There were no restricted net assets for governmental activities or business-type activities. Assets are restricted if they must be set aside for specific programs or purposes.
- The County's total net assets increased by \$14,022,717, after a prior period adjustment to reflect a change in accounting and correction of calculation errors for the 2007 other post-employment benefit (OPEB) liability.
- At the end of 2008, undesignated fund balance for the general fund was \$7,918,675, or 5.4% of the general fund expenditures.
- The County's outstanding bonds payable decreased by \$585,000 (1.4%). Notes to Financial Statements, p. 37, have the County's total bonded indebtedness, as of December 31, 2008 at \$38,425,000.

OVERVIEW OF FINANCIAL STATEMENTS

The County's basic financial statements have three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. The *government-wide financial statements* present an overall picture of the County's financial position and results of operations. The *fund financial statements* present financial information on the fund basis. The *notes to the financial statements* provide additional information concerning the County's finances that are not disclosed in the government-wide or fund financial statements.

1. The **government-wide financial statements** are the **statement of net assets and the statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental activities are primarily supported by property taxes, sales taxes and federal and state grants. The County Solid Waste Department is an enterprise fund and is self-supporting.

The **statement of net assets** presents information on all assets and liabilities of the County, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Assets, liabilities and net assets are reported for all governmental activities separate from the assets, liabilities and net assets of business-type activities. The County's governmental activities include those accounted for within the General, Bridge and Road, Road Machinery, Special Grant, Capital Project and Internal Service Funds. The County's business-type activities include those accounted for in the Solid Waste Fund.

In addition, assets, liabilities and net assets are reported for the County's component units: the St. Lawrence County Industrial Development Agency, the St. Lawrence County Industrial Development Agency – Local Development Corporation, the St. Lawrence County Soil and Water Conservation District and the Canton Human Services Initiatives, Inc. These units are reported in separate columns, except for Canton Human Services Initiatives, Inc. which is a blended component unit.

The **statement of activities** presents information on all revenues and expenses of the County and the change in net assets. Expenses are reported by major functions and program revenues relating to those functions are reported, providing the net cost of all functions provided by the County. To assist in understanding the County's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the County include Public Safety, Health Services, Transportation, Economic Assistance and Opportunity, Culture and Recreation, Home and Community Services, Education and General Government Services. Business-type activities for the Department of Solid Waste are financed primarily by Tipping Fee revenue. Again, expenses and revenues of the Department of Solid Waste are reported separately from the County's financial information.

2. **Fund Financial Statements** present financial information for governmental funds, proprietary funds, and a fiduciary fund. These statements provide financial information on a fund basis. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenue and expenses), and total economic resources.

Fund financial statements include a **balance sheet** and a **statement of revenues, expenditures and changes in fund balances** for all governmental funds. A **statement of revenues, expenditures and changes in fund balance – budget and actual – major governmental funds**, is provided for the County's General Fund. For the proprietary funds, which includes internal service funds in addition to business-type activities, a **statement of net assets**, a **statement of revenues, expenses and changes in net assets** and a **statement of cash flows** are presented.

Fund financial statements provide more detailed information about the County's activities. Individual funds are established by the County to track revenues that are restricted to certain uses, comply with legal requirements or account for the use of State and Federal Grants.

The government-wide financial statements provide an overall picture of the County's financial standing, split between governmental activities and business-type activities. The statements are comparable to private sector companies and give a good understanding of the County's overall financial health and how the County paid for the various activities, or functions, provided by the County. All assets of the County, including buildings, land, roads and bridges are reported in the **statement of net assets**. All liabilities, including principal outstanding on bonds and future employee benefits obligated but not paid by the County, are included. The **statement of activities** includes depreciation on all long lived assets of the County, but transactions between the different functions of the County have been eliminated in order to avoid "doubling up" the revenues and expenses.

The fund financial statements provide a picture of the major funds of the County and a column for all non-major funds. In the case of governmental activities, outlays for long-lived assets are reported as expenditures, and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the fund financial statement to the government-wide financial statements, reconciliations are provided from the fund financial statements to the government-wide financial statements.

3. **Notes to the financial statements** provide additional detail concerning the financial balances of the County. Additional information about the accounting practices of the County, investments of the County, long-term debt and pension plans are some of the items included in the notes to the financial statements.

The Canton Human Services Initiative, the St. Lawrence County Industrial Development Agency and the St. Lawrence County Industrial Development – Local Development Corporation have separate, audited or reviewed financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

St. Lawrence County Net Assets

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Cash & Cash						
Equivalent/Investments	\$19,200,821	\$44,956,960	\$ 286,148	\$ 451,155	\$19,486,969	\$45,408,115
Receivable Net	33,472,916	30,994,510	104,920	136,074	33,577,836	31,130,584
Other Assets	20,549,429	14,998,140	19,191	18,276	20,568,620	15,016,416
Capital Assets Net	128,453,260	111,221,791	1,921,537	2,078,896	130,374,797	113,300,687
Total Assets	201,676,426	202,171,401	2,331,796	2,684,401	204,008,222	204,855,802
Liabilities:						
Accounts Payable and Accruals	10,367,911	7,939,274	510,251	553,618	10,878,162	8,492,892
Due to Other Govts	14,424,036	14,441,538	-	-	14,424,036	14,441,538
Deferred Revenue	777,970	526,302	-	-	777,970	526,302
Other Liabilities	1,714,356	2,457,993	142,904	121,276	1,857,260	2,579,269
Bonds & Other Long-Term Liabilities	89,382,710	105,647,687	1,528,738	2,031,485	90,911,448	107,679,172
Total Liabilities	116,666,983	131,012,794	2,181,893	2,706,379	118,848,876	133,719,173
Net Assets:						
Invested in Capital Assets (net of related debt) Restricted For Unrestricted (Deficit)	89,443,260 (4,433,817)	72,211,791 (1,053,184)	1,921,537 (1,771,634)	2,078,897 (2,100,875)	91,364,797 (6,205,451)	74,290,688 (3,154,059)
Total Net Assets	\$85,009,443	\$71,158,607	\$ 149,903	\$ (21,978)	\$85,159,346	\$71,136,629

- The County's total liabilities decreased by \$14,870,297, mostly due to an adjustment to Other Post Employment Benefits (OPEB). Due to a change in the basis of the OPEB calculation, as described in the footnotes and a change in accounting method for recognizing the OPEB liability from an actual, to a 30 year amortization, the OPEB decreased from \$42,759,273 in 2007 to \$25,879,438 in 2008.
- At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

St. Lawrence County Change in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for Services	\$ 25,224,077	\$ 23,777,389	\$ 3,563,269	\$ 3,939,538	\$ 28,787,346	\$ 27,716,927
Operating Grants & Contributions	50,381,031	49,173,899	-	-	50,381,031	49,173,899
Capital Grants & Contributions	1,780,873	1,739,975	-	-	1,780,873	1,739,975
Total Program Revenues	77,385,981	74,691,263	3,563,269	3,939,538	80,949,250	78,630,801
General Revenues:						
Property Taxes & Tax Items	38,553,843	37,915,347	-	-	38,553,843	37,915,347
Non-Property Taxes	42,357,597	41,211,416	-	-	42,357,597	41,211,416
Fines and Forfeitures	279,778	65,283	-	-	279,778	65,283
Misc. Local Sources	5,787,031	5,001,493	181,111	185,214	5,968,142	5,186,707
Sale of Property & Compensation for Loss Transfers	2,108,225	2,062,065	6,479	7,739	2,114,704	2,069,804
	-	5	-	-	-	5
Investment Earnings	851,466	2,139,676	8,112	7,839	859,578	2,147,515
Total General Revenues	89,937,940	88,395,285	195,702	200,792	90,133,642	88,596,077
Total Program & General Revenues	167,323,921	163,086,548	3,758,971	4,140,330	171,082,892	167,226,878
Expenses:						
Governmental Activities Expenses:						
General government support	41,497,230	43,864,990	-	-	41,497,230	43,864,990
Education	791,348	638,277	-	-	791,348	638,277
Public Safety	19,231,757	24,027,382	-	-	19,231,757	24,027,382
Health	22,382,274	27,475,086	-	-	22,382,274	27,475,086
Transportation	18,990,608	19,870,056	-	-	18,990,608	19,870,056
Economic Opportunity & Development	73,708,502	80,199,679	-	-	73,708,502	80,199,679
Culture & Recreation	568,326	586,401	-	-	568,326	586,401
Home & Community Services	3,173,359	3,375,550	4,266,334	5,318,845	7,439,693	8,694,395
Interest on Long Term Debt	2,505,449	1,355,391	-	-	2,505,449	1,355,391
Total Expenses	182,848,853	201,392,812	4,266,334	5,318,845	187,115,187	206,711,657
Total Government Activities						

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Net Changes in Net Assets Prior Period Adjustment – Change in OPEB	(15,524,932)	(38,306,264)	(507,363)	(1,178,515)	(16,032,295)	(39,484,779)
Net Assets Beginning, Restated	-	29,375,768	-	679,244	-	30,055,012
Net Assets Ending	100,534,375	109,464,871	657,266	1,156,537	101,191,641	110,621,408
	<u>\$ 85,009,443</u>	<u>\$ 100,534,375</u>	<u>\$ 149,903</u>	<u>\$ 657,266</u>	<u>\$ 85,159,346</u>	<u>\$ 101,191,641</u>

- Total revenue for 2008 increased by \$3,856,014. Significant changes involved an increase in property tax (over 2007) of \$1,215,319. Sales tax revenue increased over 2007 by \$1,011,459.
- On the expenditure side, there was a decrease of \$1,593,646 in home energy assistance programs in the Department of Social Services. This program is now directly paid through New York State.
- The prior period adjustment of \$30,055,012 was made to correct the prior year OPEB liability for a change in the basis of the calculation, as well as to change from the full accrual method to a 30-year amortization.

St. Lawrence County Capital Assets

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,880,830	\$ 1,880,830	\$ 156,050	\$ 156,050	\$ 2,036,880	\$ 2,036,880
Not Depreciated:						
Construction in Progress	36,326,061	19,787,793	-	-	36,326,061	19,787,793
Depreciated:						
Infrastructure	75,666,931	74,628,581	-	-	75,666,931	74,628,581
Land Improvements	-	-	1,305,029	1,445,601	1,305,029	1,445,601
Buildings & Improvements	9,578,480	10,258,240	-	-	9,578,480	10,258,240
Machinery	4,652,600	4,303,770	460,458	477,245	5,113,058	4,781,015
Bond Financing Costs	348,358	362,577	-	-	348,358	362,577
Total	<u>\$128,453,260</u>	<u>\$111,221,791</u>	<u>\$1,921,537</u>	<u>\$2,078,896</u>	<u>\$130,374,797</u>	<u>\$113,300,687</u>

- In accordance with GASB 34, the County has recorded depreciation expense associated with all of its capital assets, including infrastructure. The County's investment in capital assets for its governmental and business type activities as of December 31, 2008, amounted to \$130,374,797 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.
- The most significant reason for the increase in capital assets for 2008 was due to construction in progress.

St. Lawrence County Outstanding Debt

	Governmental Activities	
	2008	2007
Bonds Payable	\$ 38,425,000	\$ 39,010,000
Workers Comp	23,100,000	22,300,000
OPEB Liability	25,879,438	42,759,273 **
Landfill Post-Closure	941,033	1,065,125
Compensated Absences	2,565,977	2,544,774
Total	\$ 90,911,448	\$ 107,679,172

- The County's outstanding debt decreased by 15.6 % (\$16,767,724) largely due to the change in reporting of the OPEB liability.
- ** The OPEB liability as originally reported. This liability changed by \$30,055,012, as previously noted.
- The Worker's Compensation Fund liability (Exhibit H) increased by \$800,000. The 2008 audit made an adjusting entry to the worker's compensation liability following the Milliman Actuarial Report. The debt due beyond one year in the Worker's Compensation Fund increased from \$22,300,000 as of December 31, 2007 to \$23,100,000 as of December 31, 2008.

OTHER POST-EMPLOYMENT BENEFITS

The County implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions in fiscal year 2007. GASB No. 45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers. Postemployment benefits are part of an exchange of current salaries and benefits for employee services rendered. Prior to GASB No. 45, most OPEB Plans were reported on a pay-as-you-go basis and a government's financial statements did not report the financial effects of these postemployment benefits until paid.

GASB No. 45 requires the financial reports of governments to provide a systematic, accrual-basis measurement of an annual OPEB cost. The following schedule displays the effect of the GASB No. 45 on the County's net expenses as they appear in the Statement of Activities for fiscal year 2008:

Fiscal Year 2008

Programs	Net Expense per Statement of Activities	GASB 45 Expenses	Net Expenses Excluding GASB 45	FY 2007 Net Expenses excluding GASB 45
Gen. Govt.	\$ 31,068,359	\$ 1,608,657	\$ 29,459,702	\$ 27,154,516
Education	95,337	-	95,337	119,812
Public Safety	13,898,252	3,143,146	10,755,106	10,230,100
Health	7,082,225	1,480,782	5,601,443	4,694,317
Transportation	13,892,396	1,861,847	12,030,549	10,200,889
Ec. Opp. & Dev.	35,382,043	4,501,170	30,880,873	30,081,157
Culture & Rec.	395,070	24,296	370,774	405,766
Home & Comm.	1,143,741	167,515	976,226	945,622
Interest on LT Debt	2,505,449	-	2,505,449	1,355,391
Total	\$ 105,462,872	\$ 12,787,413	\$ 92,675,459	\$ 85,187,570
Total OPEB Liability per Armory Associates Report				\$ 13,175,177
Less Solid Waste Full Accrual Enterprise Fund				(300,589)
Less Worker's Compensation				(87,175)
GASB 45 Expenses				\$ 12,787,413

BUDGET VERSUS ACTUAL RESULTS FOR 2008

- Schedule G, p. 17, outlines variances from the 2008 Budget to Actual Results for the General Fund, the County's major Governmental Fund. While County Departments were careful to keep expenditures within budgeted amounts, the County experienced shortfalls in revenues. Payments in Lieu of Taxes (PILOTS) were budgeted at \$750,000. Actual PILOT revenues for 2008 were \$286,335 due to renegotiation of several large PILOT agreements and the termination of other PILOT agreements – in which case the property was transferred to the tax rolls.
- Because of lower interest rates and reduced cash balances interest earnings on cash reserves were \$328,572, a reduction of \$703,628 from the budgeted amount.
- Federal aid was \$1,800,000 less than budgeted due to reimbursement for federally funded bridge projects was not billed or received until 2009.
- Miscellaneous revenues and employee benefit costs show sizeable variances. This is due to the County's indirect cost allocation in which fringe benefits – including health insurance and retirement – are allocated to each department in the operating budget. The fringe benefits (budgeted in 2008 at \$23,810,466) are actually paid out of line items in the Treasurer's operating budget. As noted above, the fringe benefits are also listed in each Department's budget, with an offsetting revenue account in the Treasurer's budget. Each payroll, fringe benefits are charged to each Department, with an offsetting credit to the Treasurer's revenue account. These are inter-departmental charges which permit Departments to charge fringe benefits as part of their administrative costs. The actual revenue received from New York State is recognized by each department as part of their operating income.

OTHER KEY FINANCIAL ANALYSIS

- As of December 31, 2008, total assets of the County (Exhibit A), excluding component units, exceeded total liabilities by \$85,159,346. The unrestricted net deficit for governmental activities was (\$4,433,817); for business-type activities, the net unrestricted deficit was (\$1,771,634), which includes long-term post closure liabilities for landfills of \$941,033. Assets are restricted if they must be set aside for specific programs or purposes. There were no restricted assets for the business-type activities (Solid Waste). Restricted assets (cash) for governmental activities of \$1,411,662 belong to the County's Risk Retention Fund. Net assets invested in capital assets (land, buildings, roads, bridges, machinery), net of accumulated depreciation and related debt, accounts for \$91,364,797. This total represents 107% of the total net assets.
- Unreserved fund balance for the General Fund (Exhibit C) was \$7,918,675, as of the close of the 2008 fiscal year. This is a decrease of \$4,488,531 from the 2007 amount. General fund balance appropriated to offset local cost in the 2008 budget was \$3,970,070. This is a decrease of \$3,227,610 over the 2007 budgeted amount. Total equity of all governmental funds at the close of the 2008 fiscal year was \$18,208,011. This is a decrease of \$21,515,416, over the 2007 total fund equity.
- As of December 31, 2008 total liabilities of the County (Exhibit D), including Canton Human Services Initiatives, Inc. were \$60,595,604. This is an increase of \$4,176,768 over the total liabilities as of December 31, 2007.
- The Worker's Compensation Fund deficit (Exhibit H) decreased by \$343,205. This is the result of the prior period OPEB adjustment that decreased the prior year OPEB liability by \$195,357 and the general change in net assets of \$147,848. The debt due beyond one year in the Worker's Compensation Fund was \$23,100,000 as of December 31, 2008, an increase of \$800,000 over 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County of St. Lawrence finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: County Treasurer, St. Lawrence County, 48 Court Street, Canton, NY 13617.

ST. LAWRENCE COUNTY, NEW YORK

Statement of Net Assets

December 31, 2008

ASSETS	Primary Government		Total	Component Units		
	Governmental	Business-Type		Industrial	Industrial	Soil and
	Activities	Activities		Development	Agency Local	Water
			Agency	Development	Conservation	
				Corporation	District	
Cash and cash equivalents	\$ 6,018,721	\$ 286,148	\$ 6,304,869	\$ 2,952,320	\$ 5,568	\$ 70,251
Investments	13,182,100	-	13,182,100	-	-	-
Taxes receivable (net of allowance for uncollectable accounts of \$400,000)	15,663,250	-	15,663,250	-	-	-
Receivables, net (net of allowance for uncollectable accounts of \$201,749)	17,809,666	104,920	17,914,586	984,441	-	-
Internal balances	182,055	15	182,070	-	-	-
Due from other governments	17,750,733	-	17,750,733	-	-	-
Prepaid expenses	1,204,979	19,176	1,224,155	-	-	-
Restricted Assets:						
Cash	1,411,662	-	1,411,662	2,000,000	462,171	-
Receivables	-	-	-	-	2,037,644	-
Capital assets, net	-	-	-	-	656,236	-
Capital assets, net	128,453,260	1,921,537	130,374,797	3,146,407	-	-
Total Assets	201,676,426	2,331,796	204,008,222	9,083,168	3,161,619	70,251
LIABILITIES						
Accounts payable	4,620,055	82,025	4,702,080	-	-	549
Accrued liabilities	5,747,856	428,226	6,176,082	1,815	-	48,092
Due to other governments	14,424,036	-	14,424,036	-	-	-
Deferred revenue	777,970	-	777,970	438	-	-
Internal balances	45,179	142,904	188,083	-	-	-
Other liabilities	1,669,177	-	1,669,177	31,301	15,984	-
Noncurrent Liabilities:						
Due within one year	3,045,697	130,297	3,175,994	58,353	-	-
Due in more than one year	86,337,013	1,398,441	87,735,454	713,578	-	-
Total Liabilities	116,666,983	2,181,893	118,848,876	805,485	15,984	48,641
NET ASSETS						
Invested in capital assets, net of related debt	89,443,260	1,921,537	91,364,797	2,374,476	656,236	-
Restricted for:						
Other purposes	-	-	-	2,000,000	2,483,831	-
Unrestricted (deficit)	(4,433,817)	(1,771,634)	(6,205,451)	3,903,207	5,568	21,610
Total Net Assets	\$ 85,009,443	\$ 149,903	\$ 85,159,346	\$ 8,277,683	\$ 3,145,635	\$ 21,610

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statement of Activities

Year Ended December 31, 2008

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-Type Activities	Total	Industrial Agency	Develop Agency	IDA-Local Develop Corp	Soil and Water
Primary Government:											
Governmental Activities:											
General government	\$ 41,497,230	\$ 9,414,189	\$ 1,014,682	\$ -	\$ (31,068,359)	\$ -	\$ (31,068,359)	\$ -	\$ -	\$ -	\$ -
Education	791,348	696,011	-	-	(95,337)	-	(95,337)	-	-	-	-
Public safety	19,231,757	865,904	4,467,601	-	(13,898,252)	-	(13,898,252)	-	-	-	-
Health	22,382,274	7,639,654	7,660,395	-	(7,082,225)	-	(7,082,225)	-	-	-	-
Transportation	18,990,608	2,911,141	406,198	1,780,873	(13,892,396)	-	(13,892,396)	-	-	-	-
Economic opportunity and development	73,708,502	3,559,124	34,767,335	-	(35,382,043)	-	(35,382,043)	-	-	-	-
Cultural and recreation	568,326	-	173,256	-	(395,070)	-	(395,070)	-	-	-	-
Home and community services	3,173,359	138,054	1,891,564	-	(1,143,741)	-	(1,143,741)	-	-	-	-
Interest on long-term debt	2,505,449	-	-	-	(2,505,449)	-	(2,505,449)	-	-	-	-
Total Governmental Activities	182,848,853	25,224,077	50,381,031	1,780,873	(105,462,872)	-	(105,462,872)	-	-	-	-
Business-Type Activities:											
Solid waste	4,266,334	3,563,269	-	-	-	(703,065)	(703,065)	-	-	-	-
Total Primary Government	\$ 187,115,187	\$ 28,787,346	\$ 50,381,031	\$ 1,780,873	(105,462,872)	(703,065)	(106,165,937)	\$ -	\$ -	\$ -	\$ -
Component Units:											
Industrial Development Agency	\$ 559,968	\$ 199,288	\$ 125,000	\$ -	-	-	-	\$ (235,680)	\$ -	\$ -	\$ -
IDA - Local Develop Corp	73,941	92,700	-	-	-	-	-	-	18,759	-	-
Soil and Water District	355,241	35,772	68,457	-	-	-	-	-	-	(251,012)	-
Total Component Units	\$ 989,150	\$ 327,760	\$ 193,457	\$ -	-	-	-	(235,680)	18,759	(251,012)	-
General Revenues:											
Real property taxes and tax items					38,553,843	-	38,553,843	-	-	-	-
Non-property taxes					42,357,597	-	42,357,597	-	-	-	-
Fines and forfeitures					279,778	-	279,778	-	-	-	-
Miscellaneous local sources					5,787,031	181,111	5,968,142	46,800	806	48,334	-
Sale of property and compensation for loss					2,108,225	6,479	2,114,704	-	-	-	-
Allocation from County					-	-	-	-	-	-	123,515
Investment earnings					851,466	8,112	859,578	219,397	91,715	318	-
Total General Revenues					89,937,940	195,702	90,133,642	266,197	92,521	172,167	-
Change in Net Assets					(15,524,932)	(507,363)	(16,032,295)	30,517	111,280	(78,845)	-
Net Assets(Deficit) at Beginning of Year					71,158,607	(21,978)	71,136,629	8,247,166	3,034,355	100,455	-
Prior Period Adjustment					29,375,768	679,244	30,055,012	-	-	-	-
Net Assets at Beginning of Year, Restated					100,534,375	657,266	101,191,641	8,247,166	3,034,355	100,455	-
Net Assets at End of Year					\$ 85,009,443	\$ 149,903	\$ 85,159,346	\$ 8,277,683	\$ 3,145,635	\$ 21,610	-

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Balance Sheet - Governmental Funds

December 31, 2008

ASSETS	General	County Road	Non-Major Funds	Total Governmental Funds
Cash	\$ 1,354,175	\$ 35,137	\$ 4,447,870	\$ 5,837,182
Investments	5,682,100	750,000	2,500,000	8,932,100
Accounts receivable, (net of allowance for uncollectable accounts of \$199,749)	2,092,847	4,868	1,970	2,099,685
Delinquent taxes receivable (net of uncollectable accounts of \$400,000)	10,858,455	-	-	10,858,455
School taxes receivable	4,804,795	-	-	4,804,795
Due from other governments	16,114,080	1,636,653	-	17,750,733
Prepaid expenses	1,204,979	-	-	1,204,979
Due from other funds	1,670,160	166,024	445,180	2,281,364
Restricted cash	1,411,662	-	-	1,411,662
Total Assets	\$ 45,193,253	\$ 2,592,682	\$ 7,395,020	\$ 55,180,955
LIABILITIES				
Accounts payable	\$ 3,491,664	\$ 52,251	\$ 1,064,245	\$ 4,608,160
Accrued liabilities	2,895,125	241,533	1,751,073	4,887,731
Due to school districts	8,190,766	-	-	8,190,766
Due to cities, towns and villages	1,408,624	-	-	1,408,624
Due to other governments	4,824,646	-	-	4,824,646
Deferred revenues	9,017,939	-	266,540	9,284,479
Other liabilities	1,669,177	-	-	1,669,177
Due to other funds	193,555	1,521,631	384,175	2,099,361
Total Liabilities	31,691,496	1,815,415	3,466,033	36,972,944
FUND BALANCES				
Reserved for encumbrances	304,002	352,879	406,130	1,063,011
Reserved for miscellaneous purposes	1,309,010	-	-	1,309,010
Unreserved fund balance	7,918,675	424,388	2,683,310	11,026,373
Designated for subsequent year's expenditures	3,970,070	-	839,547	4,809,617
Total Fund Balances	13,501,757	777,267	3,928,987	18,208,011
Total Liabilities and Fund Balances	\$ 45,193,253	\$ 2,592,682	\$ 7,395,020	\$ 55,180,955

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds
to the Statement of Net Assets

December 31, 2008

ASSETS	Total Governmental Funds and Activities(1)	Long-term Assets, Liabilities(2)	Reclasses and Eliminations	Statement of Net Assets Totals
Cash and cash equivalents	\$ 6,018,721	\$ -	\$ -	\$ 6,018,721
Investments	13,182,100	-	-	13,182,100
Taxes receivable (net)	15,663,250	-	-	15,663,250
Accounts receivable (net)	17,809,666	-	-	17,809,666
Due from other funds	2,281,416	-	(2,099,361)	182,055
Due from other governments	17,750,733	-	-	17,750,733
Prepaid expenses	1,204,979	-	-	1,204,979
Capital assets, net	-	128,453,260	-	128,453,260
Restricted cash	1,411,662	-	-	1,411,662
Total Assets	\$ 75,322,527	\$ 128,453,260	\$ (2,099,361)	\$ 201,676,426
LIABILITIES				
Accounts payable	\$ 4,620,055	\$ -	\$ -	\$ 4,620,055
Accrued liabilities	4,901,952	845,904	-	5,747,856
Other liabilities	1,669,177	-	-	1,669,177
Bond anticipation notes payable	-	-	-	-
Due to other funds	2,144,540	-	(2,099,361)	45,179
Due to other governments	14,424,036	-	-	14,424,036
Deferred revenues	9,566,091	(8,788,121)	-	777,970
Debt due within one year	-	3,045,697	-	3,045,697
Debt due in more than one year	23,269,753	63,067,260	-	86,337,013
Total Liabilities	60,595,604	58,170,740	(2,099,361)	116,666,983
FUND BALANCES				
Invested in capital assets, net of debt	-	89,443,260	-	89,443,260
Reserved for:				
Encumbrances	1,063,011	-	(1,063,011)	-
Miscellaneous	1,309,010	-	(1,309,010)	-
Unreserved:				
Designated-ensuing year's budget	4,809,617	-	(4,809,617)	-
Undesignated	7,545,285	(19,160,740)	7,181,638	(4,433,817)
Total Fund Balances	14,726,923	70,282,520	-	85,009,443
Total Liabilities and Fund Balances	\$ 75,322,527	\$ 128,453,260	\$ (2,099,361)	\$ 201,676,426

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds
to the Statement of Net Assets

December 31, 2008

(1) County-wide statements combine the Governmental Funds with the Internal Service Fund to present total categories as follows:

	Governmental Funds per Exhibit C	Internal Service Fund per Exhibit H	Total Governmental Funds and Activities per Exhibit D
Total Assets	\$ 55,180,955	\$ 20,141,572	\$ 75,322,527
Total Liabilities	<u>36,972,944</u>	<u>23,622,660</u>	<u>60,595,604</u>
Total Fund Balances	<u>\$ 18,208,011</u>	<u>\$ (3,481,088)</u>	<u>\$ 14,726,923</u>

(2) Details for the above adjustments are as follows:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 200,133,710
Accumulated depreciation	<u>(71,680,450)</u>
Total	<u>\$ 128,453,260</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance.

Adjustment of Deferred Revenue	<u>\$ (8,788,121)</u>
--------------------------------	-----------------------

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds and notes payable	\$ 38,425,000
OPEB liability	25,121,980
Compensated absences	<u>2,565,977</u>
	66,112,957
Due in One Year	<u>(3,045,697)</u>
Due in More Than One Year	<u>\$ 63,067,260</u>
Related accrued bond interest payable	<u>\$ 845,904</u>

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

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

Year Ended December 31, 2008

	General	County Road	Non-Major Funds	Total Governmental Funds
REVENUES				
Real property taxes	\$ 35,496,093	\$ -	\$ -	\$ 35,496,093
Real property tax items	2,178,425	-	-	2,178,425
Non-property tax items	42,357,596	-	-	42,357,596
Departmental income	18,442,965	-	-	18,442,965
Federal aid	18,713,818	1,685,781	2,537,245	22,936,844
State aid	25,799,441	3,371,308	54,311	29,225,060
Intergovernmental revenues	1,508,167	2,642,668	268,473	4,419,308
Use of money and property	407,418	11,266	319,295	737,979
Fines and forfeitures	279,778	-	-	279,778
Licenses and permits	25,500	-	-	25,500
Sale of property and compensation for loss	2,057,147	43,764	7,313	2,108,224
Interfund revenues	392,346	-	2,849,650	3,241,996
Miscellaneous revenues	5,297,420	19,057	46,672	5,363,149
Total Revenues	152,956,114	7,773,844	6,082,959	166,812,917
EXPENDITURES				
General government	36,461,024	-	692,335	37,153,359
Public safety	15,411,135	722,141	14,566,960	30,700,236
Transportation	350,075	14,927,589	7,157,665	22,435,329
Health	20,976,069	-	-	20,976,069
Economic assistance and opportunity	66,721,980	-	2,536,484	69,258,464
Culture and recreation	544,863	-	-	544,863
Education	791,348	-	-	791,348
Home and community services	2,990,262	-	-	2,990,262
Employee benefits - unallocated	432,495	-	-	432,495
Principal and interest	2,530,406	-	515,502	3,045,908
Total Expenditures	147,209,657	15,649,730	25,468,946	188,328,333

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

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

Year Ended December 31, 2008

	General	County Road	Non-Major Funds	Total Governmental Funds
Excess of Revenues Over Expenditures	5,746,457	(7,875,886)	(19,385,987)	(21,515,416)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,146,425	12,862,048	6,267,923	20,276,396
Transfers out	(14,689,687)	(4,260,629)	(1,326,080)	(20,276,396)
Total Other Financing Sources (Uses)	(13,543,262)	8,601,419	4,941,843	-
Net Change in Fund Balance	(7,796,805)	725,533	(14,444,144)	(21,515,416)
Fund Balance at Beginning of Year	21,298,562	51,734	18,373,131	39,723,427
Fund Balance at End of Year	\$ 13,501,757	\$ 777,267	\$ 3,928,987	\$ 18,208,011

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Year Ended December 31, 2008

Total revenues and other financing sources in the governmental funds differ from total revenues for governmental activities in the statement of activities. The differences result primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The main components of the differences are described below.

Total Revenues and Other Financing Sources of the Governmental Funds per Exhibit E	\$ 166,812,917
Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available" revenues in the governmental funds; they are recognized as current revenue in the statement of activities	879,324
Interfunds revenues are used to charge the costs of certain activities, such as equipment rentals to individual funds. These interfund revenues are reported with governmental activities, but eliminated for the statement of activities.	(4,862,158)
An Internal Service Fund is used by management to charge the costs of workers' compensation. The activities of the Internal Service Fund are included in the County-wide governmental statement of net activities.	<u>4,493,838</u>
Total	<u><u>\$ 167,323,921</u></u>

Total revenues of governmental activities in the statement of activities per Exhibit B are comprised of:

Charges for services	\$ 25,224,077
Operating grants and contributions	50,381,031
Capital grants and contributions	1,780,873
General revenues	<u>89,937,940</u>
Total Revenues of Governmental Activities per Exhibit B	<u><u>\$ 167,323,921</u></u>

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Year Ended December 31, 2008

Total expenditures and other financing uses of the governmental funds differ from total expenses of governmental activities in the statement of activities. The difference is attributable primarily to the long-term focus of governmental activities versus the current financial resources focus of governmental funds. The main components of the differences are described below.

Total Expenditure of the Governmental Funds per Exhibit E	\$ 188,328,333
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount which depreciation (\$3,177,440) was exceeded by capital expenditures (\$20,408,907) in the current period.	(17,231,467)
Interfund expenditures are eliminated against the respective interfund revenues.	(4,862,160)
Repayment of bond principal is reported as an expenditure in governmental funds. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.	(585,000)
Internal Service Fund expenditures are recognized in the County-wide financial statements.	4,345,990
Accrued interest is not recognized in the governmental funds statement of revenues and expenditures, but is recognized in the County-wide statement of activities.	44,541
The recording of the County's actuarially calculated liability for retiree health insurance benefits (OPEB expense) is not recognized in the governmental funds, but is recognized in the County-wide financial statements.	12,787,413
To recognize compensated absences expense for current year change in liability.	<u>21,203</u>
Total Expenses of Governmental Activities per Exhibit B	<u><u>\$ 182,848,853</u></u>

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Major Governmental Fund

Year Ended December 31, 2008

General Fund

	Original Budget	Final Budget	Budgetary Actual	Favorable (Unfavorable) Variance
REVENUES				
Real property taxes	\$ 380,000	\$ 36,794,660	\$ 35,496,093	\$ (1,298,567)
Real property tax items	2,493,000	2,493,000	2,178,425	(314,575)
Non-property tax items	40,695,000	42,363,164	42,357,596	(5,568)
Departmental income	18,312,878	19,361,960	18,442,965	(918,995)
Federal aid	16,556,213	20,513,978	18,713,818	(1,800,160)
State aid	22,690,396	25,894,832	25,799,441	(95,391)
Intergovernmental revenues	1,440,740	1,452,510	1,508,167	55,657
Use of money and property	1,084,600	1,084,600	407,418	(677,182)
Fines and forfeitures	1,500	1,500	279,778	278,278
Licenses and permits	24,750	24,750	25,500	750
Sale of property and compensation for loss	1,996,991	1,996,991	2,057,147	60,156
Interfund revenues	392,341	392,341	392,346	5
Miscellaneous revenues	26,246,806	26,842,702	5,297,420	(21,545,282)
Total Revenues	132,315,215	179,216,988	152,956,114	(26,260,874)
EXPENDITURES				
General government	37,863,463	37,070,375	36,490,073	580,302
Public safety	14,774,079	16,627,224	15,612,353	1,014,871
Transportation	351,354	351,354	352,982	(1,628)
Health	21,051,206	21,841,333	20,979,442	861,891
Economic assistance and opportunity	63,349,794	69,147,760	66,789,319	2,358,441
Culture and recreation	324,008	629,157	544,863	84,294
Education	707,350	871,720	791,348	80,372
Home and community services	1,197,599	3,027,099	2,990,379	36,720
Employee benefits - unallocated	22,392,888	23,223,298	432,495	22,790,803
Principal and interest	2,530,407	2,530,407	2,530,406	1
Total Expenditures	164,542,148	175,319,727	147,513,660	27,806,067

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Combined Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Major Governmental Fund

Year Ended December 31, 2008

	General Fund			
	Original Budget	Final Budget	Budgetary Actual	Favorable (Unfavorable) Variance
Excess of Revenues Over Expenditures	(32,226,933)	3,897,261	5,442,454	1,545,193
OTHER FINANCING SOURCES (USES):				
Transfers in	1,100,000	1,176,651	1,146,426	(30,225)
Transfers out	(14,096,842)	(14,689,688)	(14,689,687)	1
Total Other Financing Sources (Uses)	12,996,842	13,513,037	13,543,261	(30,224)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses-Budget Basis	\$ (45,223,775)	\$ (9,615,776)	(8,100,807)	\$ 1,514,969
Encumbrances Included in Actual			304,002	
Net Change in Fund Balance			(7,796,805)	
Fund Balance at Beginning of Year			21,298,562	
Fund Balance at End of Year			\$ 13,501,757	

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK
Statement of Nets Assets - Proprietary Funds
December 31, 2008

ASSETS	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity - Internal Service Fund
Cash	\$ 286,148	\$ 181,539
Investments	-	4,250,000
Receivables (net of allowance for uncollectible accounts of \$2,000)	104,920	15,709,981
Prepaid expenses	19,176	-
Due from other funds	15	52
Capital assets - net of accumulated depreciation	1,921,537	-
Total Assets	<u>2,331,796</u>	<u>20,141,572</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	82,025	11,895
Accrued liabilities	428,226	14,221
Deferred income	-	281,612
Due to other funds	142,904	45,179
Total Current Liabilities	<u>653,155</u>	<u>352,907</u>
Non-Current Liabilities:		
OPEB liability	587,705	169,753
Due within one year	130,297	-
Due beyond one year	810,736	23,100,000
Total Non-Current Liabilities	<u>1,528,738</u>	<u>23,269,753</u>
Total Liabilities	<u>2,181,893</u>	<u>23,622,660</u>
NET ASSETS (DEFICIT)		
Invested in capital assets-net of related debt	1,921,537	-
Unrestricted deficit	(1,771,799)	(3,481,088)
Reserved for encumbrances	165	-
Total Net Assets (Deficit)	<u>\$ 149,903</u>	<u>\$ (3,481,088)</u>

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statement of Cash Flows - Proprietary Funds

Year Ended December 31, 2008

	Business-Type Activity Enterprise Funds Solid Waste	Governmental Activity - Internal Service Fund
	<u> </u>	<u> </u>
Cash Flows From Operating Activities:		
Cash received for services	\$ 3,594,423	\$ 4,000,000
Cash paid to suppliers for goods and services	(2,407,811)	(762,525)
Cash paid to employees for services	(1,379,821)	(259,342)
Cash received from (paid to) other funds-net	21,613	(52)
Cash paid for workers' compensation benefits	-	(2,912,730)
Other operating revenue	191,288	661,962
	<u>19,692</u>	<u>727,313</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase of property and equipment	(68,718)	-
Reduction of long-term liability	(124,093)	-
	<u>(192,811)</u>	<u>-</u>
Cash Flows From Investing Activities:		
Interest and dividends received	8,112	121,517
Sales (purchases) of investments	-	(750,000)
	<u>8,112</u>	<u>(628,483)</u>
Net Change in Cash and Cash Equivalents	(165,007)	98,830
Cash and Cash Equivalents at Beginning of Year	<u>451,155</u>	<u>82,709</u>
Cash and Cash Equivalents at End of Year	<u>\$ 286,148</u>	<u>\$ 181,539</u>

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statement of Cash Flows - Proprietary Funds

Year Ended December 31, 2008

	Business-Type Activity Enterprise Funds Solid Waste	Governmental Activity - Internal Service Fund
	<u> </u>	<u> </u>
Operating Income (Loss)	\$ (515,475)	\$ 34,361
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	222,378	-
Change in workers' compensation long-term liability	-	800,000
Change in OPEB costs	300,589	87,175
Loss on abandoned assets	3,699	-
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	31,154	(469,045)
Prepaid expenses	(900)	-
Due from other funds	(15)	(52)
Increase (Decrease) in:		
Accounts payable	(74,678)	(15,511)
Accrued liabilities	31,312	2,953
Deferred revenue	-	281,612
Due to other funds	21,628	5,820
	<u>535,167</u>	<u>692,952</u>
Total Adjustments	535,167	692,952
Net Cash Provided (Used) by Operating Activities	<u>\$ 19,692</u>	<u>\$ 727,313</u>
Non-cash Investing and Financing Transactions:		
Prior Period Adjustment Due to Change in Actuarial Accounting for the 2007 OPEB Liability:		
Noncurrent Liabilities Due In More Than One Year	\$ (679,244)	\$ (195,357)
Unrestricted Net Assets	<u>679,244</u>	<u>195,357</u>
Net Cash Used	<u>\$ -</u>	<u>\$ -</u>

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK
Statement of Net Assets - Fiduciary Funds
December 31, 2008

	ASSETS	Trust and Agency	Expendable Trust
		<u> </u>	<u> </u>
Cash		\$ 1,483,359	\$ 6,750
Investments		-	35,000
Receivables		-	15
Due from other funds		6,012	-
	Total Assets	<u>1,489,371</u>	<u>41,765</u>
	LIABILITIES		
Accounts payable		50	-
Other liabilities		1,489,321	-
	Total Liabilities	<u>1,489,371</u>	<u>-</u>
	NET ASSETS		
Restricted net assets		<u>\$ -</u>	<u>\$ 41,765</u>

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK
Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2008

	Expendable Trust
Additions:	
New York Power Authority deposits	\$ 2,000,000
Interest earned	1,086
Total Additions	2,001,086
Deductions:	
Transfers to other entities	2,000,000
Total Deductions	2,000,000
Change in Net Assets	1,086
Net Assets at Beginning of Year	40,679
Net Assets at End of Year	\$ 41,765

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies

The basic financial statements of St. Lawrence County, New York (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Financial Reporting Entity

The County is governed by County Law, other general laws of the State of New York, and various local laws and ordinances. The County Board of Legislators (the "Board"), which is a legislative body responsible for overall operation of the County, consists of fifteen legislators. The County Administrator serves as chief administrative officer and the County Treasurer serves as chief fiscal officer of the County.

The County provides the following basic services: highway construction and maintenance, economic assistance and opportunity, cultural and recreational programs, public safety and law enforcement and public health.

The financial reporting entity consists of (a) the primary government, (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 their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial reporting is in accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. This statement became effective for the year ended December 31, 2004 and provided additional guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

Discretely Presented Component Units

The following organizations are included within the reporting entity as discretely presented component units. These component units are reported in separate columns to emphasize that they are legally separate from the County:

The St. Lawrence County Industrial Development Agency ("IDA") - IDA is a public benefit corporation created by state legislation to promote the economic welfare, opportunities, and property of the County's inhabitants. Members of the IDA are appointed by the County Board of Legislators. IDA revenues are generated by bonds secured by the assets acquired for the related project. The County is not liable for any IDA indebtedness. Separate financial statements for the IDA may be obtained by contacting the IDA directly, which is located in Canton, New York.

The St. Lawrence County Industrial Development Agency – Local Development Corporation ("IDA-LDC") - IDA-LDC is a public benefit corporation established by the St. Lawrence County Industrial Development Agency to collect loan repayments from Community Development Block Grant Projects, and establish a county-wide revolving loan fund. Members of IDA-LDC are appointed by the County Board of Legislators. IDA-LDC revenues are generated from the collection of interest on loans made from Community Development Block Projects. The County is not liable for any IDA-LDC indebtedness. Separate audited financial statements of the IDA-LDC may be obtained by contacting the IDA-LDC directly, which is located in Canton, New York.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Discretely Presented Component Units – Continued

The St. Lawrence County Soil and Water Conservation District (“the District”) - the District was established by the County Board of Legislators on January 21, 1957. The District is responsible for the conservation of soil and water resources and control and prevention of soil erosion and prevention of floodwater and sediment damages. The County Board of Legislators appoints seven members to the District and appropriates funds for the operation of the Soil and Water Conservation District. The District does not have separate audited financial statements but financial information may be obtained by contacting the District directly which is located in Canton, New York.

Blended Component Unit

The following component unit is a legally separate entity from the County but is, in substance, part of the County’s operations and therefore data from this unit is combined with data of the primary government.

Canton Human Service Initiatives, Inc. (“CHSI”) is a not-for-profit corporation that was established in 2001 to finance, build and rent a health service facility to the County. Although legally separate and independent of the County, CHSI is considered an affiliated organization under GASB Statement No. 39 for determining whether certain organizations are component units and is reported as a blended component unit of the County. Therefore, rental income and rent expense of \$552,000 have been eliminated from the statement of activities.

Separate audited financial statements of CHSI may be obtained by contacting CHSI in Syracuse, New York.

Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the County. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of governmental activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses have been included as part of the program expenses reported for the various functional activities. Program revenues include (1) charges to those who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using economic resources measurement of focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when the underlying exchange transaction has occurred and the resources are available. For this purpose, the County considers revenues to be available if the County has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. There were no significant revenues considered as not subject to accrual.

Revenues from Federal, State or other grants designated for payment of specific County expenditures, are recognized when the related expenditures are incurred. At fiscal year-end, excess receipts over expenditures are recorded as deferred revenue. Any excess expenditures over receipts are recorded as accounts receivable.

The County considers the following governmental funds as major funds:

General Fund – This fund is the principal operating fund of the County and is used to account for all financial resources except those required to be accounted for in other funds.

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

The County has one major proprietary fund as follows:

Enterprise Fund – Solid Waste Fund – This fund is used to account for operations which provide goods or services to the general public. These ongoing activities are similar to those found in the private sector; therefore, the determination of net income is necessary to sound financial administration. The County maintains one enterprise fund to account for the solid waste operations of the County.

Additionally, the County reports the following fund types:

Capital Project Funds – These funds are used to account for financial resources to be used for the acquisition or construction of capital facilities and equipment other than those financed by the Enterprise Fund.

Internal Service Fund – This fund is used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis.

The County maintains the following internal service fund:

Self Insurance Fund - This fund is used to account for the County's self-insurance program for workers' compensation benefits.

The County maintains two fiduciary funds:

Agency Fund - This fund is used to account for assets held by the County as an agent for other governments or other funds, such as payroll withholdings.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The Expendable Trust Fund accounts for New York Power Authority Grants.

The proprietary fund activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB") Opinion and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to residents for services. Operating expenses for the enterprise and internal service funds include the cost of the services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

The County's annual procedures in establishing the budgetary data reflected in the basic financial statements are as follows:

- Prior to October 15th of the year, the County Administrator/Budget Officer, submits to the Board of Legislators a tentative budget for the fiscal year commencing the following January 1st.
- The tentative budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments.
- The Board of Legislators acts on the tentative budget prior to December 20th.
- The County Administrator is authorized to approve all budget transfer requests \$1,000 or less except for personal service transfers and interdepartmental and interfund transfers, which must be approved by the Board of Legislators.
- Formal annual budgetary accounts are adopted and employed for control of all governmental funds except for capital project funds. Budgetary control over individual capital projects is provided by Legislative approval or bond authorizations and provision of bond indebtedness.
- Total expenditures for each object may not legally exceed the total appropriations for that object. Encumbrances outstanding at year-end are accounted for by a reservation of fund balance. During the year ended December 31, 2008, supplemental appropriations were made, but not considered material.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Budgets and Budgetary Accounting – Continued

- These budgets are adopted on a basis consistent with GAAP except that encumbrances are treated as budgetary expenditures in the year of occurrence of the commitment to purchase. Open encumbrances authorized by appropriation from the previous year's budget, after review and approval by the County Treasurer, are added to the current year's budget approved by the Board of Legislators. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. Encumbrances outstanding at year-end are reported as reservation of fund balances since they do not constitute expenditures or liabilities.

Cash and Investments

Investments are stated at fair value. Cash and cash equivalents include amounts in demand deposits and money market funds, as well as short-term investments with a maturity date within three months of the date acquired by the County. During 2008, the County limited its investments to certificates of deposit.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g. roads, bridges, culverts and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as an asset with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are incurred.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building improvements	20 years
Land improvements	20 years
Infrastructure:	
Bridges and culverts	70 years
Roads	60 years
Traffic control systems	40 years
Machinery and Equipment:	
Office equipment and furniture	10 years
Heavy equipment	10 years
Other	5 years
Vehicles	5-7 years
Computers	3 years

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Property Tax Revenue Recognition

The County-wide property tax is levied by the County Legislature effective January 1st of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on January 1st of the year for which they are levied. In the fund financial statements, property tax is only recognized as revenue in the year for which the property tax is made and to the extent that such taxes are received within the reporting period or sixty days thereafter.

Compensated Absences

According to various union contracts, County employees are entitled to personal leave, sick leave and vacations annually as follows:

- All employees hired before January 1, 1998 shall accrue vacation leave, up to 400 hours, based on the number of years employed up to 104 hours for 1-5 years of service, 136 hours for 6-10 years of service, 152 hours for 11-19 years of service and 200 for 20 or more years of service. Upon separation of service, the employee may elect to receive the value of that accumulated unused vacation time.
- All employees hired after January 1, 1998, shall accrue vacation leave based on the number of years employed up to 70 hours for 1-5 years of service, 136 hours for 6-10 years of service, 152 hours for 11-19 years of service and 200 hours for 20 or more years of service. Those employees who leave County employment for any reason before their first anniversary lose all vacation accruals.
- In case of death, the employer shall pay the value of the decedent's accumulated unused vacation time to the employee's beneficiaries as designated on the employee's group life insurance card.
- All County employees hired before January 1, 1998 shall earn sick leave credit at five hours per payroll period accumulated to 2,000 hours. All employees hired on or after January 1, 1998 shall accrue sick leave credit at three hours per payroll during the first five years of employment. After five years of employment they shall receive five hours per payroll to a maximum of 2,000 hours.
- Personal time will be credited with twenty-four hours of personal leave per year. Personal leave is non-accumulative and unused time will terminate on anniversary dates.
- Accordingly, liabilities for compensated balances of \$2,565,977 are recorded in long-term debt in the government-wide financial statements. These payments are also budgeted annually without accrual and an expenditure will be recorded when paid.

Insurance

The County assumes the liability for most risk including, but not limited to, workers' compensation. Asserted and incurred but not reported claims and judgments 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. Such recording is consistent with the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.

Governmental fund type estimated current contingent liabilities (i.e., those to be liquidated with available financial resources in the ensuing year) for property damage and personal injury liability are recorded in the General Fund. The long-term portion (i.e., liabilities to be paid from future resources) is recorded in the general long-term debt in the government-wide financial statements.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Reserves

Portions of the governmental fund equity are reserved for specific purposes, and are therefore not available as spendable resources.

Pensions

Nearly all County employees are members of various New York State retirement systems. The County is invoiced annually by the systems for its share of the costs.

Interfund Revenues

The County allocates general fund costs incurred in the general administration of the County to other funds based on their proportionate benefit of the total costs allocated. In 2008, the County has reported interfund revenues in the general fund of \$374,314 which represents an allocation of casualty and liability insurance charges to various other funds. The amounts are reported as general government support expenditures in the general fund as well as in the benefitting funds. In 2008 the County has reported interfund revenues in the road and machinery fund of \$2,297,650 which represents an allocation of machinery and equipment rental and repair to various other funds. The amounts for the county road and road machinery fund are reported as transportation expenditures in the funds.

Use of Estimates

The preparation of the financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

Cash and Investments

The County investment policies are governed by State law and various resolutions of the County Board of Legislators. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the US Treasury and US government agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations which 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.

The County's December 31, 2008 bank balances were collateralized and insured as follows:

Total on deposit	\$ 22,921,981
Insured by FDIC	(1,470,221)
Collateralized by pledged securities held by the financial institutions	<u>(21,397,213)</u>
Uninsured and uncollateralized	<u>\$ 54,547</u>

Other non-major governmental funds include cash and cash equivalents of CHSI in the amount of \$888,555. CHSI deposits were insured up to FDIC limits; the remaining amounts were uncollateralized at December 31, 2008.

Industrial Development Agency Component Unit – Cash and cash equivalents totaled \$4,952,320 and were fully insured or collateralized at December 31, 2008.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Cash and Investments – Continued

Industrial Development Agency – Local Development Corporation Component Unit – Deposits totaled \$467,739 at various banks and were insured up to FDIC limits. Any balances in excess of FDIC insurance were uncollateralized at December 31, 2008.

Soil and Water Conservation District Component Unit – Deposits totaled \$75,979 and were fully insured at December 31, 2008.

Restricted Cash

General Fund cash of \$1,411,662 has been restricted for risk retention liabilities involving unemployment and general liability insurance risks. The County’s policy is to first apply budgeted unrestricted resources for these expenditures before applying restricted cash.

Accounts Receivable

\$15,709,981 of the accounts receivable totaling \$17,809,666 for the primary government is comprised of amounts recorded in the Workers’ Compensation (Internal Service) Fund, which is due from other participating municipalities to cover their share of the actuarially computed workers’ compensation benefits liability; see “Risk Management” note.

Capital Assets

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

	Balance 01/01/2008	Additions	Reclass- ifications and Retirements	Balance 12/31/08
Governmental Activities:				
Capital Assets – not being depreciated:				
Land	\$ 1,880,830	\$ -	\$ -	\$ 1,880,830
Construction-in- process	19,787,793	16,538,268	-	36,326,061
Total capital assets – not being depreciated	21,668,623	16,538,268	-	38,206,891
Capital Assets – being depreciated:				
Infrastructure	124,709,101	2,719,912	(61,769)	127,367,244
Buildings and improvements	21,777,514	-	-	21,777,514
Machinery and equipment	11,329,180	1,238,628	(240,747)	12,327,061
Bond financing costs	455,000	-	-	455,000

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Capital Assets – Continued

	Balance 01/01/2008	Additions	Reclass- ifications and Retirements	Balance 12/31/08
Total capital assets – being depreciated	158,270,795	3,958,540	(302,516)	161,926,819
Less: Accumulated Depreciation for:				
Infrastructure	50,080,520	1,681,562	(61,769)	51,700,313
Buildings and improvements	11,519,274	679,760	-	12,199,034
Machinery and equipment	7,025,410	801,898	(152,847)	7,674,461
Bond financing costs	92,423	14,219	-	106,642
Total accumulated depreciation	68,717,627	3,177,439	(214,616)	71,680,450
Total capital assets - being depreciated - net	89,553,168	781,101	(87,900)	90,246,369
Total governmental activities capital assets - net	<u>\$111,221,791</u>	<u>\$17,319,369</u>	<u>\$ (87,900)</u>	<u>\$128,453,260</u>
Business-Type Activities (Solid Waste):				
Capital Assets – not being depreciated - Land	\$ 156,050	\$ -	\$ -	\$ 156,050
Capital Assets - being depreciated:				
Land improvements	3,440,897	-	-	3,440,897
Buildings and improvements	9,272	-	-	9,272
Machinery and equipment	1,709,891	68,718	(7,974)	1,770,635
Total capital assets - being depreciated	5,160,060	68,718	(7,974)	5,220,804
Less: Accumulated Depreciation for:				
Land improvements	1,995,296	140,572	-	2,135,868
Buildings and improvements	9,272	-	-	9,272
Machinery and equipment	1,232,646	81,806	(4,275)	1,310,177

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Capital Assets – Continued

	Balance 01/01/2008	Additions	Reclass- ifications and Retirements	Balance 12/31/08
Total accumulated depreciation	<u>3,237,214</u>	<u>222,378</u>	<u>(4,275)</u>	<u>3,455,317</u>
Total capital assets being depreciated - net	<u>1,922,846</u>	<u>(153,660)</u>	<u>(3,699)</u>	<u>1,765,487</u>
Total business – type activities capital assets - net	<u>\$ 2,078,896</u>	<u>\$ (153,660)</u>	<u>\$ (3,699)</u>	<u>\$ 1,921,537</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General governmental support	\$ 630,301
Public safety	217,309
Transportation	2,245,993
Economic assistance and opportunity	78,776
Health and sanitation	<u>5,060</u>
Total depreciation expense – governmental activities	<u>\$ 3,177,439</u>

Business-Type Activities:

Solid waste	<u>\$ 222,378</u>
-------------	-------------------

Governmental Activities Asset Purchases in 2008 were as follows:

General governmental support	\$ 57,252
Public safety	14,918,743
Transportation	73,091
Economic assistance and opportunity	5,297,842
Home and community	<u>149,880</u>
Total	<u>\$20,496,808</u>

Discretely Presented Component Units Capital Assets – A summary of discretely presented component unit capital assets by major classification follows:

	Balance 12/31/08
Industrial Development Agency:	
Land and land improvements	\$ 163,104
Buildings and improvements	3,563,213
Automotive equipment	95,291
Office equipment and furnishings	<u>49,211</u>
Total capital assets	3,870,819

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Capital Assets – Continued

	<u>Balance 12/31/08</u>
Less: accumulated depreciation	<u>724,412</u>
Total	<u>\$ 3,146,407</u>
	<u>Balance 12/31/08</u>
Industrial Development Agency – Local Development Corporation:	
Land	\$ 30,000
Buildings and improvements	<u>743,523</u>
Total capital assets	773,523
Less: accumulated depreciation	<u>117,287</u>
Total	<u>\$ 656,236</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Long-Term Liabilities

The following is a summary of changes in general long-term liabilities:

Primary Government:

	Balance 01/01/2008	Increase/ Accretions	Decrease/ Payments	Balance 12/31/08	Due In One Year	Due Beyond One Year
Bonds payable	\$ 39,010,000	\$ -	\$ (585,000)	\$ 38,425,000	\$ 1,185,000	\$ 37,240,000
Workers' Compensation	22,300,000	800,000	-	23,100,000	-	23,100,000
OPEB liability	41,792,913	-	(16,501,180)	25,291,733	-	25,291,733
Compensated absences	2,544,774	1,860,697	(1,839,494)	2,565,977	1,860,697	705,280
Subtotal – Primary Government	<u>105,647,687</u>	<u>2,660,697</u>	<u>(18,925,674)</u>	<u>89,382,710</u>	<u>3,045,697</u>	<u>86,337,013</u>
Business-Type Activity Enterprise Fund (Solid Waste):						
Landfill post-closure	1,065,125	-	(124,092)	941,033	130,297	810,736
OPEB liability	966,360	-	(378,655)	587,705	-	587,705
Subtotal – Enterprise Fund	<u>2,031,485</u>	<u>-</u>	<u>(502,747)</u>	<u>1,528,738</u>	<u>130,297</u>	<u>1,398,441</u>
Total	<u>\$ 107,679,172</u>	<u>\$ 2,660,697</u>	<u>\$ (19,428,421)</u>	<u>\$ 90,911,448</u>	<u>\$ 3,175,994</u>	<u>\$ 87,735,454</u>

Interest expense for the year ended December 31, 2008 totaled \$2,505,449.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Long-Term Liabilities – Continued

Other Long-Term Liabilities

Other long-term liabilities consisted of liabilities related to compensated absences, judgments and claims for workers' compensation and landfill post-closure costs. As explained in the notes, the County records the value of governmental fund type compensated absences in the governmental activities. The payment of both compensated absences and judgments and claims is dependent on many factors and, therefore, cannot be reasonably estimated as to further timing of payment. The annual budgets of the operating funds provide for such as amounts become payable.

Bonds Payable

The following is an analysis of the Serial Bonds recorded in the governmental funds as of December 31, 2008:

Description	Original Amount	Balance 01/01/2008	Issued	Payments	Balance 12/31/2008	Due In One Year
Public Improvement – County Courthouse Complex, issued 10/01/91, interest at 6.3% from 2002- 2008 and 6.35% from 2009- 2010 maturing 09/01/2010	\$ 6,650,000	\$ 1,275,000	\$ -	\$ (425,000)	\$ 850,000	\$ 425,000
Public Improvement – Jail, issued 05/15/07, interest at 4% from 2008-2011, 4.25% from 2012-2030, 4.5% from 2031-2035, maturing 05/15/2035	30,975,000	30,975,000	-	(25,000)	30,950,000	625,000
Canton Human Service Initiatives, Inc. issued 09/01/01, interest at 4.5%- 5% from 2001-2011, 5.7% from 2012-2024 and 5.75% from 2025-2032 maturing 09/01/2032	8,010,000	6,760,000	-	(135,000)	6,625,000	135,000
Total		<u>\$ 39,010,000</u>	<u>\$ -</u>	<u>\$ (585,000)</u>	<u>\$ 38,425,000</u>	<u>\$ 1,185,000</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Long-Term Liabilities – Continued

The following is a summary of the annual principal and interest requirements for the bonds listed above:

<u>Year</u>	<u>County Principal</u>	<u>CHSI Principal</u>	<u>Total Principal</u>	<u>County Interest</u>
2009	\$ 1,050,000	\$ 135,000	\$ 1,185,000	\$ 1,373,913
2010	1,075,000	145,000	1,220,000	1,321,425
2011	675,000	150,000	825,000	1,267,938
2012	700,000	160,000	860,000	1,239,563
2013	725,000	170,000	895,000	1,209,281
2014-2018	4,150,000	1,005,000	5,155,000	5,544,375
2019-2023	5,175,000	1,325,000	6,500,000	4,555,719
2024-2028	6,450,000	1,745,000	8,195,000	3,326,938
2029-2033	8,050,000	1,790,000	9,840,000	1,772,094
2034-2035	3,750,000	-	3,750,000	171,000
Total	\$ 31,800,000	\$ 6,625,000	\$ 38,425,000	\$ 21,782,246

Long-Term Debt - Component Units

St. Lawrence County Industrial Development Agency - Long-term debt consisted of the following at December 31, 2008:

	<u>Original Amount</u>	<u>Balance 01/01/2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/2008</u>
St. Lawrence Co. IDA - LDC, interest at 3% maturing 09/01/2010	\$ 250,000	\$ 76,186	\$ -	\$ (76,186)	\$ -
Northern Advanced Technologies Corporation (NATCO), interest at 0% with an indefinite maturity date	145,000	145,000	-	-	145,000
St. Lawrence Co. IDA - LDC, interest at 3-5% maturing 10/01/2013	273,000	96,689	-	(96,689)	-
Greater Massena Economic Development Fund, interest at 3.375% maturing 12/01/2019	600,000	503,120	-	(34,582)	468,538

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Long-Term Liabilities – Continued

	<u>Original Amount</u>	<u>Balance 01/01/2008</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/2008</u>
St. Lawrence County IDA-LDC, interest at 3% maturing 12/01/2015	217,204	<u>178,427</u>	-	<u>(20,034)</u>	<u>158,393</u>
Total		<u>\$ 999,422</u>	<u>\$ -</u>	<u>\$ (227,491)</u>	<u>\$ 771,931</u>

Principal payments due on the outstanding balances of the IDA's long-term debts are as follows and will primarily be made from revenue received when the related buildings are productively leased or sold.

2009	\$ 58,353
2010	60,266
2011	62,243
2012	64,291
2013	64,202
Thereafter	<u>462,576</u>
Total	<u>\$ 771,931</u>

Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the County to perform certain remediation and monitoring functions at its closed landfills for thirty years after closure.

It has been estimated the County may be responsible for \$941,032 in landfill closure and postclosure care costs at Canton, Massena and Ogdensburg. This amount is based on engineering estimates and an annual escalation of 5% of each year. Actual costs may be higher due to inflation, changes in technology, changes in regulations or an inflation rate different than assumed. This liability is recorded in the Solid Waste Enterprise Fund. There were no closure or postclosure care expenditures recognized during 2008.

Lease Agreements and Bond Risk

In 2001, the County and CHSI, Inc., a blended component unit, entered into an operating lease agreement under which the County would lease the health services facility constructed and owned by CSHI through September 2032. Monthly rent approximates \$42,000 throughout the lease term and calls for modifications in the rent should the annual debt service requirements be reduced on the Series 2001 Bonds. The monthly rent approximated \$46,000 for 2008. The County is responsible for maintenance and insurance costs on the facility. The lease agreement is an obligation of the County only to the extent of monies appropriated and available. The success of the health services facility depends on economic conditions in the County. Should the County suffer an adverse financial impact, there can be no assurance that there will be sufficient monies to fund the debt service on the Series 2001 Bonds.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Operating Leases and Commitments

Operating lease obligations are primarily for rental space and equipment. The County has also contracted with Info Quick Solutions, Inc. to provide County Clerk software installation, training and support services for the sum of \$9,725 per month for five years. Lease and service contract expenditures for the year were approximately \$359,000. The future minimum rental payments required by the primary government for noncancellable operating leases and the service contract are:

2009	\$ 344,894
2010	343,272
2011	295,451
2012	91,125
2013	88,725
Thereafter	<u>354,900</u>
Total	<u>\$ 1,518,367</u>

Pension Plan

The County participates in the New York State and Local Employees' Retirement System ("ERS"), and Public Employees' Group Life Insurance Plan (collectively, the "Systems"). This is a cost sharing, multiple-public employer retirement system. 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 (the "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.

The Systems are noncontributory except for employees who joined the System after July 27, 1976 who contribute 3% of their salary. Employee contributions are deducted by employers from employees' paychecks and sent to the System. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed as proportions of payroll of members, which shall be used in computing the employers' contributions required to be made by employers to the pension accumulation fund.

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

2008	\$ 3,232,986
2007	3,237,142
2006	3,943,424

The County's contributions made to the Systems in 2008, 2007, and 2006 were equal to 100% of the contributions required for each year.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Risk Management

The County assumes the liability for most risk including, but not limited to workers' compensation, property damage and personal injury liability. The Workers' Compensation Program is recorded in the Internal Service Fund. Risk management related to general liability is reported in the General Fund and risk related to the Series 2001 Bonds is reported in the Long-Term Liabilities note.

Workers' Compensation Fund

The County has a workers' compensation plan pursuant to Article 5 of the Workers' Compensation Law. This plan includes County employees, and any town, village, city, school district or district corporation wishing to participate. The County's liability for workers' compensation is included in the Internal Service Fund and has been discounted using an interest rate of 6%.

	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability End Of Year</u>
2008	\$ 22,300,000	\$ 3,712,730	\$ (2,912,730)	\$ 23,100,000
2007	22,800,000	2,168,748	(2,668,748)	22,300,000

General Liability Program

The County also self insures for unemployment, as well as certain non-highway vehicle and Sheriff's Department risks. In addition, the County is the defendant in several litigation claims. No responses have been established because management considers such liability estimates to be immaterial.

Other

The County participates in a number of federally assisted grant programs. These programs are subject to compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Postemployment Benefits

In addition to providing pension benefits, the County provides certain health care and life insurance benefits for retired employees. Retiring employees must meet age and retirement criteria to be eligible for the benefits. Accordingly, retired employees receive varying levels of coverage upon retirement.

To be eligible, retirees must meet both of the following criteria. The first is that the employee has completed a minimum of five years of service for the County. The second is that an employee must either be qualified for retirement, be a member of a retirement system administered by the State of New York or one of its civil divisions; or the employee must be at least 55 years of age.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Postemployment Health Care Benefits – Accounting Change

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In prospectively adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2007, the County recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years was recognized in its entirety at December 31, 2007. Subsequent to December 31, 2008, it was determined that the 2007 liability was based upon incorrect assumptions as follows: The 2007 liability was based upon a report that was not an actuarially determined valuation. It was found that the report significantly underestimated the trend factor for claims, as well as the average annual health care premium costs. In addition, it failed to take into consideration that employees of the Sheriff's Department may retire prior to age 55 if they have 20 years of service. When a current valuation was performed correcting the assumptions, the total liability increased from approximately \$44,000,000 to \$168,200,000. It was determined that in correcting the balance for 2007, a 30-year amortization would be used, a method allowed by generally accepted governmental accounting standards. This resulted in a prior period adjustment, as follows:

Governmental Funds	\$ 29,180,411
Internal Service Fund	<u>195,357</u>
Governmental Activities, Exhibit A	29,375,768
Business-Type Activities (Solid Waste Fund)	<u>679,244</u>
Total	<u>\$ 30,055,012</u>

The prior period adjustment increases the total net assets available at January 1, 2008.

Other Post Employment Benefits (OPEB)

Plan Description

The County provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the County. Based on collective bargaining agreements, the retiree and his or her beneficiaries receive this coverage for the life of the retiree. Healthcare benefits for non-union employees are similar to those of union employees.

Currently, St. Lawrence County offers one medical plan through a Self-Insured Medical Plan Administered by APA Partners of Albany, NY.

The St. Lawrence County Medical Plan operates as a single defined benefit Municipality Benefits Plan. The Plan is ERISA exempt and, being a self-insured plan, is not subject to State mandates.

The benefits available under the Plan are described in a detailed Plan Document. The Premium Equivalent Rates (PERs) are established by the County on an annual basis. The PER's are subject to annual increases or decreases based on the actual experience of the Plan for the previous year. The PER's of the Plan are used primarily for assessing the employees contribution to the PER's and the calculation of COBRA rates. This analysis will be based on the actual expenses of the Plan rather than the PER's set by the Plan.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Other Post Employment Benefits (OPEB) – Continued

Plan Description – Continued

The coverage under the St. Lawrence County Plan is a Managed Care Plan that utilizes co-payments for preferred providers with basic hospital, medical/surgical and major medical coverage. The in-network benefits have a minimal co-payment with no deductible and no out-of-pocket maximum for in-network preferred providers. If out-of-network providers are utilized, the Plan will pay 80% and the member is responsible for the remaining 20% and has a \$200 individual deductible with a maximum out of pocket of \$800. The family policy has a \$600 deductible with a maximum out of pocket of \$2,400.

At the time of the actuarial analysis, the County's medical plan offers a prescription drug card which includes a retail co-payment of \$5.00 for generic prescriptions and a \$15.00 co-payment for brand name drugs if a generic is available, or \$10.00 for a brand name drug if no generic is available. There is also a mail-order prescription drug option available to covered members under this plan which includes a \$2.00 co-payment for generic medication and a \$5.00 co-payment for brand name drugs.

One of the County's labor units recently converted to a different drug benefit. This new three-tiered co-payment plan has a \$7.00 co-payment for the generic drugs, a \$15.00 co-payment for preferred brand name drugs and a \$30.00 co-payment for the non-preferred brand name drugs. These retail co-pays are for a 30-day supply of prescription drugs. The mail-order portion of the Plan offers a 90-day supply of prescription drugs with a \$7.00 co-payment for generic drugs, a \$30.00 co-payment for the preferred brand name drugs, and a \$60.00 co-payment for the non-preferred brand name drugs.

Shortly after January 1, 2006, the County's largest labor unit, the CSEA, converted over to the new prescription co-payment plan. In addition to this traditional prescription drug plan, the CSEA Unit will also have access to a \$-0- co-payment plan using a firm called CanaRx.

While the time period involved with the actuarial analysis is based on the old Rx benefit, the cost efficiencies of the new drug plan are factored into the trending methodologies used in the analysis.

Funding Policy

The County currently pays for postemployment health care benefits on a pay-as-you-go basis. Although the County may study the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

Accounting Policy

The accrual basis of accounting is used. The fair market value of assets is determined by the market value of assets paid by a willing buyer to a willing seller.

Other Disclosure Information

The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

Amounts are allocated to the Enterprise (Solid Waste) and Internal Service Fund based on a percentage of current payroll dollars for each fund.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Other Post Employment Benefits (OPEB) – Continued

Other Disclosure Information – Continued

Annual OPEB Cost – Fiscal Year Ended December 31, 2008	County	Solid Waste	Internal Service	Total
Normal cost	\$ 5,673,986	\$ 133,018	\$ 38,577	\$ 5,845,581
Past service cost	9,614,950	225,407	65,371	9,905,728
Annual Required Contribution (ARC)	15,288,936	358,425	103,948	15,751,309
Interest on OPEB obligation adjustments to ARC	493,252	11,564	3,354	508,170
OPEB expense	<u>\$15,782,188</u>	<u>\$ 369,989</u>	<u>\$ 107,302</u>	<u>\$16,259,479</u>
Reconciliation of Net OPEB Obligation	County	Solid Waste	Internal Service	Total
Net OPEB obligation at the beginning of the year	\$12,334,567	\$ 287,116	\$ 82,579	\$12,704,262
OPEB expense	15,782,188	369,989	107,302	16,259,479
Net OPEB contributions made during the fiscal year	(2,994,775)	(69,400)	(20,127)	(3,084,302)
Net OPEB obligation at the end of the year	<u>\$25,121,980</u>	<u>\$ 587,705</u>	<u>\$ 169,754</u>	<u>\$25,879,439</u>
Percentage of expense contributed				19%
Schedule of Funding Progress			December 31, 2008	December 31, 2007
Current retired members			\$ 59,925,741	
Current active members			108,310,341	
Actuarial accrued liability			168,236,082	158,602,502
Actuarial value of assets			-	-
Unfunded actuarial accrued liability			<u>\$168,236,082</u>	<u>\$158,602,502</u>
Funded Ratio (Act. accrued liability/Act. value of assets)			0%	0%

The schedule of funding progress shows multiyear trend information showing that the value of plan assets remains \$-0- as the unfunded actuarial accrued liability is increasing each year.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Other Post Employment Benefits (OPEB) – Continued

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes 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 benefit costs between the employer and plan members to that point. Most included coverages are “community-rated” and annual premiums for community-rated coverages were used as a proxy for claims without age adjustment. The actual 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.

As of December 31, 2008, the most recent (initial) actuarial valuation, the liabilities were computed using the projected unit credit method with a thirty year amortization. The actuarial assumptions utilized a 4% discount rate. The valuation assumes a variable medical trend rate ranging from 10% down to 5% and a post retirement benefit increase ranging from 5% to 4.2% per year depending upon the retiree’s age.

Annual Other Postemployment Benefit Cost

For the fiscal year ended December 31, 2008, the County’s OPEB cost (expense) of \$16,259,479 was equal to the annual required contribution. The payment of current health insurance premiums, which totaled \$3,084,302 for 385 retirees and their beneficiaries, resulted in a net OPEB cost of \$13,175,177 for the year ended December 31, 2008. 19% of the total cost was contributed during 2008.

For the fiscal year ended December 31, 2007, the County’s OPEB cost expense of \$15,484,341 was equal to the annual required contribution. The payment of 2007 current health insurance premiums, which totaled \$2,780,081 resulted in a net OPEB cost of \$12,704,261 for the year ended December 31, 2007. 18% of the total cost for 2007 was contributed.

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources to provide services. These transactions are recorded as interfund revenues, interfund transfers and expenditures in the respective funds.

The following schedule summarizes interfund receivables and payables by fund at December 31, 2008 arising from these transactions:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 1,670,160	\$ (193,555)
Other governmental	611,204	(1,905,806)
Enterprise	15	(142,904)
Internal service	52	(45,178)
Agency	6,012	-
	<hr/>	<hr/>
Total	<u>\$ 2,287,443</u>	<u>\$ (2,287,443)</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Interfund Transactions – Continued

The County made the following transfers during 2008:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,146,425	\$ 14,689,687
County Road	12,862,048	4,260,629
Road Machinery	549,693	67,192
Capital Projects Funds	5,718,230	1,258,888
	<u>\$ 20,276,396</u>	<u>\$ 20,276,396</u>

Contingencies

Certain Indian tribes have asserted land claims under federal common law, and under the federal Non-Intercourse Act of 1790 as amended. The effect of these claims thus far has created some uncertainty as to the title to millions of acres of New York State land. Various alleged representatives of the St. Regis Mohawk tribe have made these claims for land in St. Lawrence County. The County has joined with other affected counties in defending the claims, and has also joined in the claims against the State of New York indemnity and for the cost of defense of the Indian claims. The case will be heard in the U.S. District Court. The impact of a decision on lands in St. Lawrence County, and therefore on the County, is indirect and difficult to assess. If the claimants were to succeed fully in their demands, the impact on the County and some of its constituent towns and individual land owners would be extremely severe. The County's counsel is currently unable to appraise the possibility of success or failure.

There are various other claims and legal actions pending against the County for which no provision has been made in the financial statements. In the opinion of the County Attorney and other County officials, liabilities arising from these claims and legal actions, if any, either cannot be estimated at this time, or will not be significant.

Deficit Fund Equity

The Internal Service Fund has an accumulated deficit of the following:

Internal Service Fund (Workers' Compensation)	<u>\$ 3,481,088</u>
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The County plans to raise fees to cover the deficit.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Reconciliation of Budgetary Expenditures

The Jail Capital Project is excluded from the combined statement of revenues, expenditures and changes in fund balance budget and actual – major governmental funds because capital projects budget for the entire project, not annually. A reconciliation for the General Fund follows:

	<u>General Fund Expenditures</u>
Total included in budget comparison – Exhibit G	\$ 147,513,660
Encumbrances	<u>(304,002)</u>
Total included in Exhibit E	<u>\$ 147,209,658</u>

Conduit Debt Obligations

At the date of these financial statements, the St. Lawrence County Industrial Development Agency had participated in forty-nine industrial revenue bond issues in the total original issue amount of \$698,760,700. These issues were made at various times between February, 1973 and December 31, 2008. These issues are not reflected in the financial statements since they are considered to be special obligations of the Agency having no claim on the general assets or general funds of the Agency.

Restricted Net Assets

Net assets of \$2,000,000 are restricted in the Industrial Development Agency because of Federal Community Development Block Grant regulations over their expenditure.

The IDA-LDC has temporarily restricted net assets of \$3,140,067 which represents the amount of Revolving Loan Funds created by St. Lawrence County to stimulate the growth of private sector employment by providing financial assistance to applicants that wish to expand and modernize their business facilities.

Reserved Fund Balances

The governmental funds balance sheet (Exhibit C) includes reserved fund balances for the following purposes:

Sheriff Equitable Sharing	\$ 120,710
Prosecutor	150,462
Tribal State Compact	54,174
Drug Enforcement Agency	22,279
Purchase of Property	525,000
Environmental Remediation	197,527
Various	<u>238,858</u>
Total General Fund Reserves	<u>\$ 1,309,010</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Prior Period Adjustment

A prior period adjustment was included in the Statement of Net Assets for a change in the estimated liability for Other Post Employment Benefit (OPEB) costs in the amount of \$30,055,012 due to the fact that the estimate of 2007 OPEB liability was based upon incorrect assumptions as noted on page 45 of the OPEB disclosures.

Subsequent Events

St. Lawrence County received \$680,000 in 2008 federal economic stimulus payments in 2009. Because it was not measureable or available at December 31, 2008, the payment will be recorded as federal aid in 2009.

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/ Program Title	Federal CFDA Number		Federal Expenditures
U.S. Dept. of Agriculture:			
Passed through the New York State Office of Temporary and Disability:			
SNAP Cluster:			
Assistance - Food Stamp Program	10.551	\$ 1,025,901	
Food Stamps-Supplemental Nutrition Assistance Program	10.561	<u>13,116,876</u>	
Subtotal - SNAP Cluster		14,142,777	
National Education and Training Program	10.564	<u>111,299</u>	
			14,254,076
U.S. Dept. of Housing and Urban Development:			
Passed through the New York State Division of Housing and Community Renewal: Community Development Block Grant - State's Program			
	14.228	<u>1,718,812</u>	
			1,718,812
U.S. Dept. of Justice:			
Passed through the New York State Department of Criminal Justice Services:			
Sex Offender Management and Domestic Violence Grant	16.588	<u>32,599</u>	
			32,599
U.S. Department of Labor:			
Passed through the New York State Office for the Aging: Senior Community Service Employment and Title V			
	17.235	<u>188,847</u>	
Passed through the New York State Department of Labor:			
WIA Cluster:			
WIA Adult Program	17.258	333,317	
WIA Youth Activities	17.259	871,976	
WIA Dislocated Workers	17.260	<u>1,038,490</u>	
Subtotal - WIA Cluster		<u>2,243,783</u>	
WIA Strategic Planning	17.266	<u>72,297</u>	
			<u>2,504,927</u>
Subtotal			18,510,414

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/ Program Title	Federal CFDA Number		Federal Expenditures
Subtotal Forward			18,510,414
U.S. Dept. of Transportation:			
Passed through New York State			
Department of Transportation:			
Highway Planning and Construction	20.205	2,040,564	
Rural Transit System	20.509	<u>169,200</u>	
			2,209,764
U.S. Department of Homeland Security:			
Emergency Management and Disaster Program			
	83.552	189,172	
Homeland Security	97.073	<u>230,200</u>	
			419,372
U.S. Dept. of Education:			
Early intervention			
	84.181	<u>75,360</u>	
			<u>75,360</u>
U.S. Dept. of Health and Human Services:			
Passed through the New York State			
Office for the Aging:			
Aging Cluster:			
Aging - Title III Part B	93.044	121,211	
Aging - Title III Part C	93.045	220,577	
Aging - Administration on Aging	93.053	<u>94,067</u>	
Subtotal - Aging Cluster		<u>435,855</u>	
Aging - Title VII	93.042	13,784	
Aging - Title III Part F	93.043	7,496	
Nation Family Caregiver Support - Title III Part E	93.052	55,797	
Health Care Financing Research Demonstrations and Evaluations - Health Insurance Information Counseling and Assistance Program	93.779	<u>35,092</u>	
Subtotals Forward		548,024	21,214,910

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/ Program Title	Federal CFDA Number		Federal Expenditures
Subtotals Forward		548,024	21,214,910
U.S. Dept. of Health and Human Services, Continued:			
Passed through the New York State			
Department of Health:			
Grants for Dental Sealant Program	93.236	34,807	
Immunization Action Plan	93.268	15,634	
Healthy Living Partnership and Emergency Preparedness	93.283	231,393	
Childhood Lead Poisoning Prevention Program	93.994	15,045	
Passed through the New York State			
Office of Temporary and Disability Assistance:			
Temporary Assistance for Needy Families	93.558	1,612,214	
Child Support Enforcement	93.563	1,103,811	
Home Energy Assistance Block Grant including WRAP	93.568	846,508	
Foster Care - Title IV-E	93.658	1,747,428	
Social Services Block Grant	93.667	1,485,951	
Independent Living	93.674	51,310	
FEMA	93.024	23,312	
Passed through the New York State			
Office of Mental Health:			
CHMS Block Grant	93.958	39,866	
Medicaid Cluster:			
Passed through the New York State			
Office of Temporary and Disability Assistance:			
Medical Assistance Title XIX	93.778	2,964,173	
Passed through the New York State			
Office of Mental Health:			
Federal Salary Sharing	93.778	9,176	
Subtotal Medicaid Cluster		<u>2,973,349</u>	
Passed through the New York State			
Office of Alcoholism and Substance Abuse Services:			
Block Grant for Prevention and Treatment of Substance Abuse	93.959	<u>1,259,351</u>	
			<u>11,988,003</u>
Total			<u>\$ 33,202,913</u>

See Auditors' Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Basis of Accounting

The schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources. Accruals are estimated for pending claims.

Reporting Entity

St. Lawrence County (the "County") for purposes of the schedule of expenditures of federal awards includes all the funds of the primary government. It does not include any component units of the County as follows:

- St. Lawrence County Industrial Development Agency
- St. Lawrence County Industrial Development Agency – Local Development Corporation
- Canton Human Services Initiatives, Inc.
- St. Lawrence County Soil and Water Conservation District

These component units may also receive federal financial assistance, but separately satisfy the audit requirements of OMB Circular A-133.

The County administers certain federal awards programs through subrecipients. Those subrecipients are also not considered part of the County reporting entity; however the federal funds passed through to such subrecipients are included in the schedule of expenditures of federal awards.

Noncash Awards

A significant portion of federal financial assistance related to the Food Stamps program does not involve cash awards to the County. This portion of the program represents the face value of the Food Stamp coupons which amounted to \$13,116,876 for the year ended December 31, 2008. This noncash federal financial assistance is included in federal revenue and expenditures on the schedule of expenditures of federal awards.



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

To The Board of Legislators
St. Lawrence County, New York

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of St. Lawrence County, New York, as of and for the year ended December 31, 2008, which collectively comprise the St. Lawrence County, New York's basic financial statements and have issued our report thereon dated October 19, 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 St. Lawrence County, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Lawrence County, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. Lawrence County, New York'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 St. Lawrence County, New York'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 St. Lawrence County, New York's financial statements that is more than inconsequential will not be prevented or detected by the St. Lawrence County, New York's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items No. 2008-01 through 2008-04.

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 St. Lawrence County New York's internal control.

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, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Lawrence County, New York'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*.

St. Lawrence County, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit St. Lawrence County, New York's response and, accordingly, we express no opinion on it.

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

Whittemore, Dowen & Ricciardelli, LLP

Whittemore, Dowen & Ricciardelli, LLP

October 19, 2009



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

To The Board of Legislators
St. Lawrence County, New York

Compliance

We have audited the compliance of St. Lawrence County, New York, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. St. Lawrence County, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of St. Lawrence County, New York's management. Our responsibility is to express an opinion on St. Lawrence County, New York'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 St. Lawrence County, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of St. Lawrence County, New York's compliance with those requirements.

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

Internal Control Over Compliance

The management of St. Lawrence County, New York, 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 St. Lawrence County, New York'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 St. Lawrence County, New York's internal control over compliance.

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 entity'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 entity's internal control.

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

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

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

October 19, 2009

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2008

Section I - Summary of Auditor's Results

I. Financial Statements

A. Type of auditors' report issued:

1. Unqualified, with an explanatory paragraph regarding deficit net assets in the Internal Service Fund and explanatory language relating to the fact that we did not audit the financial statements of the St. Lawrence County Industrial Development Agency and Canton Human Services Initiative, Inc. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the St. Lawrence County Industrial Development Agency and Canton Human Services Initiative, Inc. is based solely on the reports of the other auditors. The financial statements of the St. Lawrence County Industrial Development Agency – Local Development Corporation have not been audited.

B. Internal control over financial reporting:

- | | | | | |
|--|-------|-----|-------|----|
| 1. Material weaknesses identified? | _____ | Yes | _X_ | No |
| 2. Significant deficiencies identified not considered to be material weaknesses? | _X_ | Yes | _____ | No |
| 3. Noncompliance material to financial statements noted? | _____ | Yes | _X_ | No |

II. Federal Awards

A. Internal control over major programs:

- | | | | | |
|--|-------|-----|-----|----|
| 1. Material weaknesses identified? | _____ | Yes | _X_ | No |
| 2. Significant deficiencies identified not considered to be material weaknesses? | _____ | Yes | _X_ | No |

B. Type of auditors' report issued on compliance for major programs:

Unqualified

- | | | | | |
|---|-------|-----|-----|----|
| 1. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))? | _____ | Yes | _X_ | No |
|---|-------|-----|-----|----|

ST. LAWRENCE COUNTY, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2008

Section I - Summary of Auditor's Results – Continued

II. Federal Awards – Continued

C. The County's major programs were:

	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development: Community Development Block Grant	14.228
U.S. Department of Transportation: Highway Planning and Construction	20.205
U.S. Department of Health and Human Services: Temporary Assistance for Needy Families	93.558
Social Services Block Grant	93.667
Medicaid Cluster	93.778

D. Dollar threshold used to distinguish between Type A and Type B programs is \$996,087.

E. The auditee qualifies as a low-risk auditee.

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2008

Section II - Financial Statement Findings

Number/Finding/NonCompliance

Questioned
Costs

No. 2008-01

N/A

Criteria: Risk of fraud and financial misstatement should be assessed by an entity to assist with the establishment of relevant operating procedures and to ensure sufficient internal controls.

Condition: It was noted that the County has no documented risk assessment in place.

Cause of Condition: This is a new best practice that has not yet been implemented. This finding was also included in the 2007 findings as No. 2007-04.

Effect of Condition: By not analyzing risk and not documenting the study, the County may not detect significant risks of misstatement of the financial statements or possible exposure to fraud.

Recommendation: Management and the Board of Legislators' audit committee should conduct a risk assessment regarding the County's financial operations. The assessment results should be in writing and maintained as part of the County's formal policies and procedures. It should be used to monitor adherence to internal controls and updated as systems and financial positions change over time.

Management Response: Management concurs with this recommendation. The Treasurer will be recommending to the Legislature that an analysis of the risk assessment of financial operations be done, the results put in writing and maintained as part of the County's formal policies and procedures.

No. 2008-02

N/A

Criteria: The New York System of Uniform Accounts required that each approved Capital Project be accounted for in a separate fund.

Condition: All County Capital Projects are co-mingled and accounted for in one fund.

Cause of Condition: Past practices; repeat finding.

Effect of Condition: Improper fund accounting for each project; also, large projects must be shown as a major fund in the County's financial statements, but the necessary information is not readily available to do so.

Recommendation: The Treasurer's Office should account for all Capital Projects in separate, individual funds and general ledgers.

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2008

Section II - Financial Statement Findings – Continued

<u>Number/Finding/NonCompliance</u>	<u>Questioned Costs</u>
<p>No. 2008-02 – Continued</p> <p><u>Management Response:</u> While the County operates with one capital project fund, the various capital projects are segregated into separate accounts and fully accounted for individually. All transactions can (and are) readily available. Interest earnings on bonds sold for the jail project are credited to the jail capital project. The Treasurer’s Office believed it was complying with previous findings regarding this issue, and will discuss this further with the County Auditors.</p>	<p>N/A</p>
<p>No. 2008-03</p> <p><u>Criteria:</u> Accurate records for fixed assets and depreciation should be maintained.</p> <p><u>Condition:</u> It was noted during our audit procedures that the columns on the fixed asset Excel spreadsheet became misaligned resulting in an addition. There was a duplicate posting for equipment additions.</p> <p><u>Cause of Condition:</u> Oversight, as well as failure to reconcile the schedule to the trial balance.</p> <p><u>Effect of Condition:</u> Asset cost and depreciation expense were overstated.</p> <p><u>Recommendation:</u> We recommend that the fixed asset records be reviewed by an individual other than that individual who prepared it and that the amounts on the schedule be agreed to the trial balance.</p> <p><u>Management Response:</u> The Treasurer’s Office will have an individual (other than the Deputy Treasurer) review the Excel spreadsheet and get a more accurate and timely inventory of the Fixed Assets.</p>	<p>N/A</p>
<p>No. 2008-04</p> <p><u>Criteria:</u> Accurate expense and liability recognition.</p> <p><u>Condition:</u> Upon testing of compensated absence accruals, we noted several errors including the failure to account for buy back time, as well as input errors.</p> <p><u>Cause of Condition:</u> The computer generated report was not configured to add buy back time scheduled for the future.</p> <p><u>Effect of Condition:</u> The accrual for compensated absences was understated by approximately \$8,500.</p> <p><u>Recommendation:</u> The compensated absences report should be configured to adjust for buy back time scheduled but not used in the current year. In addition, the year end compensated absence report should be reviewed by an individual not directly involved in preparation of the report.</p>	

ST. LAWRENCE COUNTY, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2008

Section II - Financial Statement Findings – Continued

Number/Finding/NonCompliance

Questioned
Costs

No. 2008-04 – Continued

N/A

Management Response: The IT Department has reviewed and corrected the calculations in the programming for the compensated absences report.

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Prior Year Findings and Questioned Costs

From December 31, 2007 Report

No. 2007-01

Condition: Unpaid 2007 expenses of the County Road Machinery Fund were recorded as 2008 expenses when they were unpaid instead of in 2007 accounts payable.

Status: Accounts payable appeared to be properly recorded for 2008.

No. 2007-02

Condition: The Child Support cash account in the Trust and Agency Fund had not been reconciled.

Status: The account reconciliations were done for 2008.

No. 2007-03

Condition: The County Clerk's Fee Account reporting system did not provide for the sequential numbering of receipts and therefore, there were no controls in place to prevent unauthorized changes to those receipts.

Status: A sequential receipt system was implemented in 2008.

No. 2007-04

Condition: The County did not have a documented risk assessment in place.

Status: This is also a 2008 finding (No. 2008-01).

No. 2007-05

Condition: All County capital projects were co-mingled and accounted for in one fund in opposition to the New York State System of Uniform Accounts that requires that each approved Capital Project be accounted for in a separate fund.

Status: This is a repeat finding in 2008 (No. 2008-02).

No. 2007-06

Condition: Deposits held at HSBC Bank at December 31, 2007 were under collateralized by approximately \$200,000.

Status: The HSBC Bank accounts were properly collateralized at December 31, 2008. Note that the Community Bank accounts were under collateralized at December 31, 2008 by approximately \$55,000. However, this amount is considered immaterial and, therefore, did not warrant a finding in 2008.