

COUNTY OF GREENE, NEW YORK

FINANCIAL STATEMENTS

December 31, 2002

COUNTY OF GREENE, NEW YORK

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INDEPENDENT AUDITORS' REPORT

To the County Legislature of
County of Greene, New York:

We have audited the accompanying general-purpose financial statements of County of Greene, New York, as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of County of Greene, New York's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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 provides a reasonable basis for our opinion.

The County failed to record its long-term liability resulting from the settlement of a personal injury lawsuit. In our opinion, existing liabilities known and measurable require valuation and recording in the financial statements to conform with accounting principles generally accepted in the United States of America. The effect on the financial statements of this departure from accounting principles generally accepted in the United States of America is not reasonably determinable at the present time.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of County of Greene, New York as of December 31, 2002, and the results of its operations and the cash flows of its private purpose trust fund and proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2003 on our consideration of County of Greene, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Patterson Hosley
a/k/a PC.*

Catskill, New York
September 3, 2003

COUNTY OF GREENE, NEW YORK
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2002

	GOVERNMENTAL FUND TYPES			PROPRIETARY	FIDUCIARY	NON-CURRENT			TOTAL		TOTAL (Memorandum only) Reporting Entity
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	FUND TYPE	FUND TYPE	GOVERN- MENT ASSETS	GOVERN- MENT LIABILITIES	(Memorandum only) Primary Government	COMPONENT UNITS		
				INTERNAL SERVICE FUND	TRUST AND AGENCY						
ASSETS											
Cash	\$5,369,043	\$1,290,004	\$10,448,757	\$1,203,581	\$574,579	\$0	\$0	\$18,885,964	\$2,340,186	\$21,226,150	
Cash - restricted	847,894	0	0	500,000	277,944	0	0	1,625,838	390,567	2,016,405	
Taxes receivable - net	9,011,828	0	0	0	0	0	0	9,011,828	0	9,011,828	
State and federal receivables	8,706,602	738,301	595,250	0	0	0	0	10,040,153	196,630	10,236,783	
Accounts receivable	1,019,476	3,090,914	0	1,053,388	0	0	0	5,163,778	47,166	5,210,944	
Note receivable	0	0	0	0	0	0	0	0	0	0	
unamortized discount	460,977	0	0	0	0	0	0	460,977	0	460,977	
Due from other funds	3,776,628	47,446	89,062	0	0	0	0	3,913,136	0	3,913,136	
Due from other governments	531,296	0	0	0	0	0	0	531,296	0	531,296	
Land, building and equipment:										0	
Land	0	0	0	0	0	2,992,505	0	2,992,505	1,737,836	4,730,341	
Building	0	0	0	0	0	9,955,524	0	9,955,524	0	9,955,524	
Equipment	0	0	0	0	0	12,232,156	0	12,232,156	278,582	12,510,738	
Other assets - inventory	0	0	0	0	0	0	0	0	3,654	3,654	
Amounts to be provided for retirement of general long-term debt	0	0	0	0	0	0	9,775,212	9,775,212	0	9,775,212	
Total assets	\$29,723,744	\$5,166,665	\$11,133,069	\$2,756,969	\$852,523	\$25,180,185	\$9,775,212	\$84,588,367	\$4,994,621	\$89,582,988	

See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)
December 31, 2002

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	NON-CURRENT		TOTAL	COMPONENT	TOTAL
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	INTERNAL SERVICE FUND	TRUST AND AGENCY	GOVERN- MENT ASSETS	GOVERN- MENT LIABILITIES	(Memorandum only) Primary Government	UNITS	(Memorandum only) Reporting Entity
LIABILITIES AND FUND EQUITY										
Liabilities:										
Accounts payable	\$1,065,240	\$218,515	\$2,118,893	\$773	\$0	\$0	\$0	\$3,403,421	\$96,790	\$3,500,211
Other liabilities	947,910	0	0	1,515,948	0	0	0	2,463,858	6,742	2,470,600
Agency liabilities	0	0	0	0	840,494	0	0	840,494	0	840,494
Retained percentage	0	0	398,193	0	0	0	0	398,193	0	398,193
Due to other governments	6,125,306	9,246	0	0	0	0	0	6,134,552	376,651	6,511,203
Due to other funds	42,984	641,127	3,229,025	0	0	0	0	3,913,136	0	3,913,136
Compensated absences	0	0	0	0	0	0	2,589,778	2,589,778	0	2,589,778
Bond and long-term debt	0	0	0	0	0	0	7,185,434	7,185,434	0	7,185,434
Deferred revenues	9,709,671	3,053,674	0	0	0	0	0	12,763,345	95,972	12,859,317
BANS and notes payable	0	85,000	8,460,000	0	0	0	0	8,545,000	0	8,545,000
Total liabilities	17,891,111	4,007,562	14,206,111	1,516,721	840,494	0	9,775,212	48,237,211	576,155	48,813,366
Fund Equity:										
Investment in general fixed assets	0	0	0	0	0	25,180,185	0	25,180,185	267,681	25,447,866
Fund balances reserved:										
Reserve for encumbrances	402,852	78,818	0	0	0	0	0	481,670	0	481,670
Reserve for indebtedness	0	40,588	0	0	0	0	0	40,588	0	40,588
Reserve for risk retention	967,119	0	0	0	0	0	0	967,119	0	967,119
Expendable trust funds	0	0	0	0	0	0	0	0	0	0
Non-expendable trust funds	0	0	0	0	0	0	0	0	0	0
Miscellaneous reserves	346,273	200,000	0	500,000	0	0	0	1,046,273	1,321,751	2,368,024
Fund balance - unreserved:										
Designated	0	0	(3,073,042)	0	12,029	0	0	(3,061,013)	0	(3,061,013)
Appropriated-ensuing year's budget	2,505,000	250,000	0	0	0	0	0	2,755,000	0	2,755,000
Unappropriated	7,611,389	589,697	0	740,248	0	0	0	8,941,334	2,829,034	11,770,368
Contributed capital	0	0	0	0	0	0	0	0	0	0
Retained earnings	0	0	0	0	0	0	0	0	0	0
Total fund equity	11,832,633	1,159,103	(3,073,042)	1,240,248	12,029	25,180,185	0	36,351,156	4,418,466	40,769,622
Total liabilities and fund equity	\$29,723,744	\$5,166,665	\$11,133,069	\$2,756,969	\$852,523	\$25,180,185	\$9,775,212	\$84,588,367	\$4,994,621	\$89,582,988

See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
for the year ended December 31, 2002

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	TOTAL (Memorandum only) Primary Government	COMPONENT UNITS	TOTAL (Memorandum only) Reporting Entity
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	PRIVATE PURPOSE			
REVENUES AND OTHER SOURCES							
Revenues:							
Real property taxes	\$12,430,715	\$0	\$0	\$0	\$12,430,715	\$0	\$12,430,715
Real property tax items	1,329,818	0	0	0	1,329,818	0	1,329,818
Non-property tax items	19,825,140	0	0	0	19,825,140	0	19,825,140
Departmental income	6,334,381	16,268	0	0	6,350,649	104,293	6,454,942
Intergovernmental charges	434,036	0	0	0	434,036	795,879	1,229,915
Use of money and property	524,970	43,583	0	15	568,568	49,743	618,311
Licenses and permits	22,278	0	0	0	22,278	0	22,278
Fines and forfeitures	212,459	0	0	0	212,459	0	212,459
Sale of property and compensation for loss	85,281	130,693	0	0	215,974	0	215,974
Miscellaneous local sources	399,433	847,182	150,160	10,974	1,407,749	36,932	1,444,681
Interfund revenue	0	1,006,000	0	0	1,006,000	0	1,006,000
State aid	9,300,768	882,009	510,665	0	10,693,442	188,094	10,881,536
Federal aid	9,358,638	268,240	2,625,277	0	12,252,155	42,656	12,294,811
Total revenues	60,257,917	3,193,975	3,286,102	10,989	66,748,983	1,217,597	67,966,580
Other sources:							
BANS redeemed from appropriations	0	0	300,000	0	300,000	0	300,000
Operating transfers	0	6,146,644	389,419	2,800	6,538,863	0	6,538,863
Total other sources	0	6,146,644	689,419	2,800	6,838,863	0	6,838,863
Total revenues and other sources	60,257,917	9,340,619	3,975,521	13,789	73,587,846	1,217,597	74,805,443
EXPENDITURES AND OTHER USES							
Expenditures:							
General government support	5,121,817	0	6,233,186	0	11,355,003	0	11,355,003
Education	4,221,126	0	0	0	4,221,126	0	4,221,126
Public safety	4,596,994	0	0	0	4,596,994	0	4,596,994
Health	5,318,134	0	0	0	5,318,134	0	5,318,134
Transportation	0	6,257,626	5,719,107	0	11,976,733	0	11,976,733
Economic assistance and opportunity	25,032,019	0	15,314	8,335	25,055,668	0	25,055,668
Culture and recreation	394,743	0	0	0	394,743	0	394,743
Home and community services	2,569,811	866,915	30,625	0	3,467,351	1,401,178	4,868,529
Employee benefits	5,505,737	1,066,241	0	0	6,571,978	75,492	6,647,470
Debt service (principal/interest)	810,452	782,868	0	0	1,593,320	0	1,593,320
Total expenditures	53,570,833	8,973,650	11,998,232	8,335	74,551,050	1,476,670	76,027,720
Other uses:							
Operating transfers	6,264,553	271,510	0	0	6,536,063	0	6,536,063
Total other uses	6,264,553	271,510	0	0	6,536,063	0	6,536,063
Total expenditures and other uses	59,835,386	9,245,160	11,998,232	8,335	81,087,113	1,476,670	82,563,783
Excess of revenue (expenditures)	422,531	95,459	(8,022,711)	5,454	0	(259,073)	(259,073)
Fund equity, beginning	11,410,101	1,063,644	4,949,669	6,575	17,429,989	4,386,858	21,816,847
Prior period adjustment	0	0	0	0	0	23,000	23,000
Fund equity, ending	\$11,832,632	\$1,159,103	(\$3,073,042)	\$12,029	\$17,429,989	\$4,150,785	\$21,580,774

COUNTY OF GREENE, NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
for the year ended December 31, 2002

	GENERAL FUND				SPECIAL REVENUE FUND TYPES				TOTALS (MEMORANDUM ONLY)			
	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance Favorable (Unfavorable)	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance Favorable (Unfavorable)	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance Favorable (Unfavorable)
REVENUES AND OTHER SOURCES												
Revenues:												
Real property taxes	\$12,663,341	\$12,430,715	\$0	(\$232,626)	\$0	\$0	\$0	\$0	\$12,663,341	\$12,430,715	\$0	(\$232,626)
Real property tax items	1,076,075	1,329,818	0	253,743	0	0	0	0	1,076,075	1,329,818	0	253,743
Non-property tax items	17,000,000	19,825,140	0	2,825,140	0	0	0	0	17,000,000	19,825,140	0	2,825,140
Departmental income	5,627,757	6,334,381	0	706,624	0	16,268	0	16,268	5,627,757	6,350,649	0	722,892
Intergovernmental charges	428,695	434,036	0	5,341	0	0	0	0	428,695	434,036	0	5,341
Use of money and property	430,825	524,970	0	94,145	60,000	43,583	0	(16,417)	490,825	568,553	0	77,728
Licenses and permits	22,000	22,278	0	278	0	0	0	0	22,000	22,278	0	278
Fines and forfeitures	230,068	212,459	0	(17,609)	0	0	0	0	230,068	212,459	0	(17,609)
Sale of property and compensation for loss	66,802	85,281	0	18,479	70,000	130,693	0	60,693	136,802	215,974	0	79,172
Miscellaneous local sources	344,952	399,433	0	54,481	636,943	847,182	0	210,239	981,895	1,246,615	0	264,720
Interfund revenue	0	0	0	0	990,000	1,006,000	0	16,000	990,000	1,006,000	0	16,000
State aid	11,632,096	9,300,768	0	(2,331,328)	870,000	882,009	0	12,009	12,502,096	10,182,777	0	(2,319,319)
Federal aid	8,327,885	9,358,638	0	1,030,753	615,100	268,240	0	(346,860)	8,942,985	9,626,878	0	683,893
Total revenues	57,850,496	60,257,917	0	2,407,421	3,242,043	3,193,975	0	(48,068)	61,092,539	63,451,892	0	2,359,353
Other sources:												
BANS redeemed from appropriations	0	0	0	0	0	0	0	0	0	0	0	0
Operating transfers	0	0	0	0	6,146,644	6,146,644	0	0	6,146,644	6,146,644	0	0
Total other sources	0	0	0	0	6,146,644	6,146,644	0	0	6,146,644	6,146,644	0	0
Total revenues and other sources	57,850,496	60,257,917	0	2,407,421	9,388,687	9,340,619	0	(48,068)	67,239,183	69,598,536	0	2,359,353

See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES (CONTINUED)
for the year ended December 31, 2002

	GENERAL FUND				SPECIAL REVENUE FUND TYPES				TOTALS (MEMORANDUM ONLY)			
	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance Favorable (Unfavorable)	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance Favorable (Unfavorable)	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance Favorable (Unfavorable)
EXPENDITURES AND OTHER USES												
Expenditures:												
General government support	\$5,314,632	\$5,121,817	\$61,558	\$131,257	\$0	\$0	\$0	\$0	\$5,314,632	\$5,121,817	\$61,558	\$131,257
Education	4,177,015	4,221,126	0	(44,111)	0	0	0	0	4,177,015	4,221,126	0	(44,111)
Public safety	4,603,107	4,596,994	30,383	(24,270)	0	0	0	0	4,603,107	4,596,994	30,383	(24,270)
Health	6,244,951	5,318,134	82,508	844,309	0	0	0	0	6,244,951	5,318,134	82,508	844,309
Transportation	0	0	0	0	6,826,798	6,257,626	78,818	490,354	6,826,798	6,257,626	78,818	490,354
Economic assistance and opportunity	25,197,846	25,032,019	19,314	146,513	0	0	0	0	25,197,846	25,032,019	19,314	146,513
Culture and recreation	531,913	394,743	1,610	135,560	0	0	0	0	531,913	394,743	1,610	135,560
Home and community services	3,472,366	2,569,811	207,479	695,076	1,268,808	866,915	0	401,893	4,741,174	3,436,726	207,479	1,096,969
Employee benefits	5,471,464	5,505,737	0	(34,273)	1,073,245	1,066,241	0	7,004	6,544,709	6,571,978	0	(27,269)
Debt service (principal/interest)	810,452	810,452	0	0	858,350	782,868	0	75,482	1,668,802	1,593,320	0	75,482
Total expenditures	55,823,746	53,570,833	402,852	1,850,061	10,027,201	8,973,650	78,818	974,733	65,850,947	62,544,483	481,670	2,824,794
Other uses:												
Operating transfers	6,264,553	6,264,553	0	0	239,745	271,510	0	(31,765)	6,504,298	6,536,063	0	(31,765)
Total other uses	6,264,553	6,264,553	0	0	239,745	271,510	0	(31,765)	6,504,298	6,536,063	0	(31,765)
Total expenditures and other uses	62,088,299	59,835,386	402,852	1,850,061	10,266,946	9,245,160	78,818	942,968	72,355,245	69,080,546	481,670	2,793,029
Appropriated Fund Balance	4,237,803		\$402,852	(3,834,951)	878,259	0	\$78,818	(799,441)	5,116,062		\$481,670	4,634,392
Excess of revenue (expenditures)	\$0	422,531		\$422,531	\$0	95,459		\$95,459	\$0	517,990		\$517,990
Fund balance, beginning		11,410,101				1,063,644				12,473,745		
Fund balance, ending		\$11,832,632				\$1,159,103				\$12,991,735		

See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY FUND TYPE
for the year ended December 31, 2002

Operating revenue:	
Charges and fees	\$339,507
Prior year recoveries	<u>107,433</u>
Total operating revenue	<u>446,940</u>
Operating expenses:	
Benefits and awards	457,391
Administrative services	<u>28,230</u>
Total operating expenses	<u>485,621</u>
Operating loss	<u>(38,681)</u>
Other revenue:	
Interest income	<u>30,646</u>
Net loss	(8,035)
Retained earnings, beginning of year	<u>1,248,283</u>
Retained earnings, end of year	<u><u>\$1,240,248</u></u>

See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
for the year ended December 31, 2002

Cash flows from operating activities:	
Cash received from participants	\$ 320,519
Prior year recoveries	88,981
Interest received	30,615
Cash payments of benefits and awards	(457,418)
Cash payments of administrative services	<u>(28,230)</u>
Net cash used by operating activities	(45,533)
Cash, beginning of year	<u>1,749,114</u>
Cash, end of year	<u>\$1,703,581</u>
Reconciliation of net loss to net cash used by operating activities:	
Net loss	\$ (8,035)
Changes in assets and liabilities:	
Increase in accounts receivable	(265,088)
Increase in payables and other liabilities	<u>227,590</u>
Net cash used by operating activities	<u>\$ (45,533)</u>

See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK
STATEMENT OF CASH FLOWS - PRIVATE PURPOSE TRUST
for the year ended December 31, 2002

Operating revenue:

Contributions	\$ 10,974
Interest	<u>15</u>

Total operating revenue	10,989
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Other revenue:

Transfer from non-expendable trust	2,800
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Operating expenditures:

Aging services	<u>(8,335)</u>
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Net income	5,454
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Cash, beginning of year	<u>6,575</u>
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Cash, end of year	<u>\$ 12,029</u>
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See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies:

The financial statements of County of Greene, New York 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 government's accounting policies are described below.

A. Financial Reporting Entity:

County of Greene, New York, which was created March 25, 1800 is governed by County Law and other general laws of the State of New York. The Board of Legislators, which is the legislative body responsible for the overall operation of the County, consists of thirteen members representing eight legislative districts with each member's vote weighted on the basis of population. The Chairman of the Board serves as Chief Executive Officer and the County Treasurer serves as Chief Fiscal Officer of the County.

All governmental activities and functions performed for County of Greene, New York are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is County of Greene, New York (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in Governmental Accounting Standards Board (GASB) Statement 14.

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining County of Greene, New York's reporting entity.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued):

A. Financial Reporting Entity (Continued):

1. Included in the Reporting Entity:

Greene County Industrial Development Agency:

Greene County Industrial Development Agency is a public benefit corporation created by state legislation to promote the economic welfare, recreational opportunities and prosperity of the County's inhabitants. Members of the Agency are appointed by and serve on behalf of County of Greene, New York's Board of Legislators. The Agency is reported under the Governmental Fund Type as a component unit.

Greene County Soil and Water Conservation District:

Greene County Soil and Water Conservation District is a political subdivision established by the County Board of Legislators for the purpose of improving and advancing conservation, and wise use and orderly development of the soil, water and related natural resources of County of Greene, New York. A board of directors is appointed by the County Board of Legislators. Administrative costs of the District are provided primarily through County appropriations. The County Board of Legislators has direct responsibility for the operations of the Greene County Soil and Water Conservation District and retains general oversight responsibility. The District is reported under the Governmental Fund Type as a component unit.

2. Excluded from the Reporting Entity:

All activities which meet the reporting entity inclusion criteria explained above must be included in general-purpose financial statements in order to fairly present the financial position and results of operations of County of Greene, New York in accordance with accounting principles generally accepted in the United States of America.

The financial statements presented herein include all of the activities includable in the County's reporting entity.

The financial statements are intended to report upon the financial position and results of operations of individual fund types and account groups; specifically, the general, special revenue, capital project and fiduciary fund types and the non-current government assets and the non-current government liabilities in accordance with accounting principles generally accepted in the United States of America.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued):

A. Financial Reporting Entity (Continued):

2. Excluded from the Reporting Entity (Continued):

Columbia-Greene Community College and Capital District Regional Off-Track Betting Corporation are joint undertakings with other municipalities and are excluded from the financial statements. See Note IV for additional disclosure regarding joint ventures.

Greene Tobacco Asset Securitization Corporation, a related organization, is excluded from the financial statements. See Note V for additional disclosure.

B. Basis of Presentation:

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The County records its transactions in the fund types and account groups described below.

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

The following are the County's governmental fund types:

- a. General Fund - the principal operating fund and includes all operations not required to be recorded in other funds.
- b. Special Revenue Funds - used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued):

B. Basis of Presentation (Continued):

1. Governmental Funds (Continued):

The following are the County's governmental fund types:

County Road Fund - used to account for expenditures for highway purposes, authorized by Section 114 of the Highway Law and the current year's budget.

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

Special Grant Fund - used to account for expenditures relating to the promotion of economic development and prosperity of the County's inhabitants through the use of Community Development Block Grants and Urban Development Grants.

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

d. Component Units - used to account for the County's component units: Greene County Industrial Development Agency and Greene County Soil and Water Conservation District.

2. Proprietary Fund Type - used to account for ongoing organizations or activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and changes in financial position. The following proprietary fund is utilized:

a. Internal Service Fund - used to account for special activities or services provided by one department to other departments or to other governments on a cost reimbursement basis. The Workers' Compensation Fund is used to account for the accumulation of resources for payment of compensation, assessments and other obligations under the Worker's Compensation Law, Article 5, as assessed by the State of New York Workers' Compensation Board.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED):

I. Summary of Significant Accounting Policies (Continued):

B. Basis of Presentation (Continued):

2. Proprietary Fund Type (Continued):

a. Internal Service Fund (Continued):

The County has established a plan of self-insurance under the Workers' Compensation Law whereby other Towns and Villages can participate in the plan. Each participant is billed by the plan for its share of the estimated premium costs for the ensuing year. Any deficiencies in the amounts billed are added to the next year's bill.

3. Fiduciary Fund Type - used to account for assets held by the local government in a trustee or custodial capacity:

Trust and Agency Funds - used to account for money and property received and held in the capacity of trustee, custodian, or agent.

4. Non-Current Government Assets - used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes, except those accounted for in proprietary funds.

5. Non-Current Government Liabilities- used to account for all long-term obligations except those accounted for in proprietary funds.

C. Basis of Accounting/ Measurement Focus:

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

1. Modified Accrual Basis - All governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued):

C. Basis of Accounting/ Measurement Focus (Continued):

1. Modified Accrual Basis (Continued):

Expenditures are recorded when the fund liability is incurred except that:

- a. Expenditures for prepaid expenses, excluding prepaid retirement, and inventory type items are recognized at the time incurred.
 - b. Principal and interest on indebtedness are recognized as an expenditure when due.
 - c. Compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure when paid.
 - d. Pension costs are recognized as an expenditure when due.
2. Accrual Basis - Proprietary funds are accounted for on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when incurred. Fixed assets and long-term liabilities related to these activities are recorded within this fund. Amounts equivalent to the costs of administrative and other support received from Greene County General Fund are reflected as operating expenses and revenues in the general-purpose financial statements.
3. Fixed assets are recorded at actual or estimated cost or, in the case of gifts and contributions, at the fair market value at the time received. No provision for depreciation is made. Long-term debt liabilities are recorded at the par value of the principal amount. No liability is recorded for interest payable to maturity. In addition to bonds payable, the general long-term debt account group also includes a provision for compensated absences, due to Employee's Retirement System, installment purchases, operating leases, and a guaranteed user fee.

D. Budgetary Data:

1. General Budget Policies - The budget policies are as follows:
 - a. No later than November 1, the Budget Officer submits a tentative budget to the County Legislature Budget Committee. No later than November 15, the Budget Committee submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued):

D. Budgetary Data (Continued):

1. General Budget Policies (Continued):

the Capital Projects and the Soil and Water Conservation District. After public hearings are conducted to obtain taxpayers' comments, no later than December 20, the budget is adopted by the County Legislature.

- b. All modifications of the budget must be approved by the County Legislature; however, the County Administrator is authorized to transfer certain budgeted amounts within departments.
- c. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.
- d. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects which remain in effect for the life of the project.

2. Encumbrances:

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

3. Budget Basis of Accounting:

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

E. Property, Plant and Equipment - General:

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at actual or estimated historical costs as non-current government assets. Contributed fixed assets are recorded at fair market value at the date received.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued):

E. Property, Plant and Equipment – General (Continued):

Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the County. Therefore, the purposes of stewardship for capital expenditures can be satisfied without recording these assets.

No depreciation has been provided on general fixed assets.

F. Compensated Absences:

County employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Estimated vacation and sick leave and compensatory absences accumulated by governmental fund type employees have been recorded as non-current government liabilities. There are no proprietary fund employees and therefore, no accrual of compensated absences has been recorded for this fund type.

Payment of vacation and sick leave recorded in the general long-term debt account group is dependent upon many factors; therefore, timing of future payments is not readily determinable; however, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payment becomes due.

G. Post Employment Benefits:

In addition to providing pension benefits, the County provides certain health care benefits for retired employees. Substantially all of the County employees may become eligible for those benefits if they reach normal retirement age while working for the County. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the year, \$1,256,492 was paid on behalf of 286 retirees and is recorded as an expenditure in the General and Special Revenue Funds.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Account Policies (Continued):

H. Property Taxes:

County real property taxes are levied annually no later than December 31 and become a lien on January 1. Taxes are collected during the period January 1 to August 1 by the town tax collectors, thereafter by the county treasurer's tax department. Taxes for County purposes are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the Towns.

Unpaid village taxes and school district taxes levied on properties are turned over to the County for enforcement. Any such taxes remaining unpaid at December 1 are relieved as County taxes in the subsequent year.

At December 31, 2002, real property taxes receivable totaled \$9,011,828. There was no allowance for uncollectible taxes at year end. Current year returned school district and village taxes of approximately \$4,045,087 and \$355,216 respectively, are also included as liabilities that will be paid no later than February 28, 2003. \$3,781,561 of the remaining portion of taxes receivable has been reserved as deferred tax revenue and represents an estimate of the outstanding taxes which will not be collected within the first sixty (60) days of the subsequent year.

I. Deferred Revenue - Special Revenue Fund:

The amount of outstanding loans of \$3,053,674 from Community Development Block Grants that are expected to be repaid and become available for additional loans, is deferred. When the loan payments are received, revenue is recognized to the extent of principal and interest received. When grant funds are reloaned, a corresponding expenditure is recorded. When a loan is written off as uncollectible, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans (see Note III A).

J. Insurance:

The County assumes the risk for general liability. The County is involved in many pending tort claims against them, the ultimate outcomes of which cannot be reasonably determined. Therefore, judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

The County maintains a risk retention reserve which is included in the General Fund.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Account Policies (Continued):

J. Insurance (Continued):

The County also maintains a workers' compensation risk pool in which it predominately participates. In compliance with Government Accounting Standards Board (GASB) pronouncement Number 10, the County has estimated and recorded in the Internal Service Fund a \$1,515,948 workers' compensation liability based upon known and incurred but not reported claims. The County has also recorded an unbilled receivable for the same amount, less cash reserves at year-end.

K. Departure from Accounting Principles Generally Accepted in the United States of America:

1. In December 1994, the County approved the settlement for a lawsuit relating to a personal injury liability. The settlement requires the County to pay \$60,000 per year, plus annual cost of living increases, for the balance of the defendant's life.

No valuation of the County's long-term liability relating to this settlement has been made in the financial statements, as is required by accounting principles generally accepted in the United States of America. The financial statements record only the current portion, which is reported in the County's General Long-Term Debt Account Group.

L. Use of Estimates:

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

M. Total Columns on Combined Statements:

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

II. Stewardship, Compliance, Accountability:

A. Deficit Fund Balance:

The Special Revenue-Special Grant Fund had a deficit fund balance at December 31, 2002 of \$85,000 resulting primarily from short-term financing in the form of loan guarantees as more fully disclosed in Note III B 3.

The Special Revenue-County Road Fund had a deficit fund balance of \$16,485 resulting from an over appropriation of surplus fund balance in the previous year.

The Capital Projects Fund had a deficit fund balance of \$3,073,042 resulting from temporary financing.

III. Detail Notes on all Funds and Account Groups:

A. Assets:

1. Cash:

The County's investment policies are governed by state statutes. In addition, the County has its own written investment policy. 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 U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the County's custodial bank in the County's name.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

A. Assets (Continued):

1. Cash (Continued):

They consisted of:

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC</u>	<u>Pledged Collateral</u>
Trustco	\$69,372	\$105,767	\$100,000	\$0
HSBC Bank USA	\$1,703,581	\$1,705,048	\$200,000	\$1,772,500
Troy Commercial	\$7,343,525	\$7,901,948	\$200,000	\$11,420,887
National Bank of Coxsackie	\$8,933,532	\$8,933,532	\$200,000	\$9,631,003
Key Bank	\$27,765	\$27,765	\$100,000	\$0
Fleet Bank	\$1,785,443	\$1,785,408	\$200,000	\$1,661,567

2. Loans Receivable and Deferral of Revenue:

a. Community Development Block Grants:

The County is the recipient of Community Development Block Grants to operate revolving loan funds. These funds are to be loaned to industry and not-for-profit organizations for the purpose of creating and retaining permanent jobs within the County. The balance of loans receivable and deferred revenue at December 31, 2002 of \$3,053,674 consists of loans that require periodic payments of principal and interest or interest only for loans that have not been fully drawn down, and have a rate of interest at one-half of prime plus one percent.

b. Urban Development Corporation Grants/Loans:

The County received two New York State Urban Development Corporation grants/loans totaling \$829,528 for the creation of employment opportunities in the region. Of the total, \$497,448 represented loans and the remaining \$332,080 were grants. These funds, in turn, were distributed to local businesses under the same terms as had been received by the County. The State Comptroller's Office, in its Report on Examination for the year ended December 31, 1992 has questioned whether the role of the County as a conduit of funds and guarantor of loans may be in violation of Article VIII, Section 1 of the New York State

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

A. Assets (Continued):

2. Loans Receivable and Deferral of Revenue (Continued):

b. Urban Development Corporation Grants/Loans (Continued):

Constitution. As of December 31, 2002, one loan remains outstanding. The balance of the loan receivable and related deferred revenue from the local business and notes payable to Empire State Development at December 31, 2002 was \$110,488; the loan requires monthly payments of principal and interest and is secured by personal guarantees of the owners of the local business.

3. Note Receivable:

In 1994 the County accepted a note receivable from Columbia-Greene Medical Center as payment of past due rents. The unsecured note, with a face value of \$1,397,000 and a stated interest rate of 0% calls for annual payments through 2013. The rents receivable have been adjusted to the net present value of \$449,000 using an imputed interest rate of 9%. A discount was recognized in the amount of \$588,000 which is being amortized over the life of the note. Amortization of the discount in 2002 was \$45,452.

4. Fixed Assets:

A summary of changes in general fixed assets follows:

	Balance <u>12/31/01</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/02</u>
Land	\$ 205,453	\$ 2,807,121	\$ (20,069)	\$ 2,992,505
Buildings	2,296,688	2,902,444	(17,185)	5,181,947
Machinery and Equipment	11,813,942	486,821	(68,607)	12,232,156
Construction in Progress	<u>0</u>	<u>4,773,577</u>	<u>0</u>	<u>4,773,577</u>
Total	<u>\$14,316,083</u>	<u>\$10,969,963</u>	<u>\$(105,861)</u>	<u>\$25,180,185</u>

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

B. Liabilities:

1. Pension Plans:

Plan Description:

The County of Greene participates in the New York State and Local Employee's Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides 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 shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues 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 System is noncontributory except for employees who joined the New York State and Local Employee's Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

2002	\$ 213,476
2001	\$ 103,624
2000	\$ 27,930

The County's contributions made to the System exceeded the contributions required for 2000 and were equal to 100 percent of the contribution required for 2001 and 2002.

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

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

B. Liabilities (Continued):

1. Pension Plans (Continued):

liability. The County amortized its liability but made accelerated payments in 1999 and 2000. As of December 31, 2001 the liability was paid in full.

2. Compensated Absences and Other Employee Benefits:

Pursuant to contractual agreements, County employees are entitled to accrue sick leave, vacation leave and personal leave. An individual who leaves the employ of the County is entitled to be paid for unused vacation leave. Upon death or retirement, unused sick leave shall be paid up to a maximum of 105 days accumulation except for CSEA employees who are entitled to a maximum of 120 days. No payments are made for unused personal leave.

After five years of employment, an employee terminated without cause, or an employee who leaves voluntarily, shall be entitled to be paid for unused sick leave as a severance pay up to a maximum accumulation of 105 days except for CSEA employees who are entitled to a maximum of 120 days.

The estimated value of earned and unused leave credits in the amount of \$2,589,778 has been recorded as non-current government liability.

3. Short-Term Debt:

BANs:

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects funds and the enterprise fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

B. Liabilities (Continued):

3. Short-Term Debt (Continued):

<u>Description</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Matures</u>
Capital Projects- 911 equipment	\$ 40,000	1.45%	1/31/03
Capital Projects- Solid Waste Facility	90,000	1.45%	1/31/03
Capital Projects 5 Year Highway	<u>8,330,000</u>	1.52%	9/26/03
BANs Payable:	<u>\$8,460,000</u>		

The County has entered into a Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program in the amount of \$425,000, consisting of five notes, each with a face value of \$85,000. The notes call for interest to be paid quarterly at 20 basis points above the applicable LIBO rate. The notes are secured primarily by future HUD grants and the County's revolving loan program income. One note for \$85,000 remains outstanding at year-end and will mature August 1, 2003.

4. Bonds and Long-Term Debt:

- a. At December 31, 2002 the total outstanding indebtedness of the County aggregated \$19,751,160. Of this amount, \$14,220,488 was subject to the constitutional debt limit and represented approximately 7.82 % of its statutory debt limit.
- b. Serial Bonds - The County borrows money in order to acquire land or equipment or construct buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of these capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded as non-current government liabilities. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

B. Liabilities (Continued):

4. Bonds and Long-Term Debt (Continued):

- c. Other Long-Term Debt - In addition to the above long-term debt, the County had the following noncurrent liabilities:

Note Payable - The Urban Development Corporation (UDC) has loaned the County funds as part of a loan/grant for industrial infrastructure development. As described in Note III A, the County loaned the note proceeds to local businesses. The local businesses repay the County's loan with UDC. The grant agreement contains certain covenants. Noncompliance with those covenants could cause the grant amount and the unpaid note payable to become immediately due. The note payable is secured by personal guarantees of the owners of the local businesses receiving the loan/grant proceeds.

Unfunded Retirement represents the unbilled and noncurrent portion of the liability to the New York State Employees' Retirement System.

Compensated Absences represent the value of earned and unused portions of the liability for employees' vacations and sick pay.

Operating Leases, Installment Purchase Debt and Joint Water Project User Fee - The County leases a significant amount of property and equipment under operating leases. The County had operating lease obligations of \$371,041 at December 31, 2002. Total rental expenditures on such leases for the year were approximately \$241,000. The County also has an installment purchase debt obligation of \$107,575 as of December 31, 2002. Installment debt payments totaled \$4,645 for the year.

Additionally, the County has entered into a guaranteed user fee arrangement with the Town of Coxsackie and the Village of Coxsackie to finance the expansion of an existing municipal water system. The agreement calls for the County to make annual payments of \$55,333 for the first sixteen years and annual payments of \$55,667 for the remaining three years; a total obligation of \$1,052,329. The balance outstanding at December 31, 2002 was \$886,330.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

B. Liabilities (Continued):

4. Bonds and Long-Term Debt (Continued):

Maximum future noncancelable payments on these obligations are as follows:

2003	\$254,227
2004	175,874
2005	96,959
2006	61,436
2007	59,210
2008 - 2012	276,665
2013 - 2017	277,333
2018	55,667
	<u>\$1,257,371</u>

- d. Long-Term Debt Maturity Schedule - The following is a summary of serial bonds and other notes payable with corresponding maturity schedules:

<u>Payable From/ Description</u>	<u>Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Outstanding</u>
General Fund:				
Community College	1988	\$1,303,000	6.6%	\$ 99,000
Solid Waste Transfer Station	1988	1,026,000	6.6%	51,000
Solid Waste Management Resource Recovery System, Machinery and Equipment	1994	2,530,000	5.6%	1,340,000
Community College	1997	3,009,500	5.0%	2,410,000
Special Revenue Funds:				
Urban Development Corporation	1990	441,000	4.0%	110,488
Bridge Construction	1992	4,625,000	6.0%	<u>1,750,000</u>
Total serial bonds and other notes payable				<u>\$5,760,488</u>

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

B. Liabilities (Continued):

4. Bonds and Long-Term Debt (Continued):

Serial bonds and other notes payable maturities are as follows:

	<u>Principal</u>	<u>Interest</u>
2003	\$850,368	\$296,858
2004	701,809	252,584
2005	618,311	215,548
2006	600,000	181,445
2007	600,000	147,315
2008- 2012	1,270,000	485,005
2013 - 2017	<u>1,120,000</u>	<u>151,800</u>
	<u>\$5,760,488</u>	<u>\$1,730,555</u>

- e. Summary Long-Term Debt - The following is a summary of long-term liabilities outstanding at December 31, 2002:

<u>Liabilities</u>	<u>Internal Service Fund</u>	<u>Non-Current Government Liabilities</u>	<u>Total</u>
Serial bonds	\$0	\$5,650,000	\$5,650,000
Notes payable - Urban Development Corporation	<u>0</u>	<u>110,488</u>	<u>110,488</u>
Total serial bonds and notes payable	<u>0</u>	<u>5,760,488</u>	<u>5,760,488</u>
Compensated absences	0	2,589,778	2,589,778
Operating leases	0	371,041	371,041
Joint water project user fee	0	886,330	886,330
Judgments and claims	0	60,000	60,000
Workers' Compensation premiums	1,515,948	0	1,515,948
Installment purchase debt	<u>0</u>	<u>107,575</u>	<u>107,575</u>
Total bond and long-term liabilities	<u>\$1,515,948</u>	<u>\$9,775,212</u>	<u>\$11,291,160</u>

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

B. Liabilities (Continued):

4. Bonds and Long-Term Debt (Continued):

- f. The following is a summary of changes in the long-term debt for the period ended December 31, 2002:

	Internal Service Fund	Non-Current Government Liabilities	Total
<u>Liabilities</u>			
Payable at December 31, 2001	\$1,288,267	\$10,552,424	\$11,840,691
Additions	713,302	158,948	872,250
Deletions	<u>485,621</u>	<u>996,160</u>	<u>1,481,781</u>
Payable at December 31, 2002	<u>\$1,515,948</u>	<u>\$9,715,212</u>	<u>\$11,231,160</u>

- g. In addition to the debt shown above, the following long-term debt has been authorized but remains unissued at December 31, 2002:

\$400,000 serial bonds to finance a solid waste facility,
 \$287,000 serial bonds to purchase and install 911 equipment,
 \$650,000 serial bonds to finance bridge construction,
 \$10,000,000 serial bonds to finance various capital projects,
 \$2,200,000 serial bonds for fire training facility, and
 \$4,642,906 serial bonds for county office building.

5. Deferred Revenue:

General Fund:

Deferred revenue of \$5,467,133 represents advances received but not yet earned from state agencies at December 31, 2002. This amount will be recognized as revenue when eligible expenditures are incurred.

\$3,781,561 represents deferred tax revenue as more fully disclosed in Note I H, and the remaining \$460,977 represents the note receivable, net of discount as more fully disclosed in Note III A 3.

Special Revenue:

Deferred revenue of \$3,053,674 in the Special Grant Fund represents community and economic development loans more fully disclosed in Note III A.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

B. Liabilities (Continued):

6. Conduit Debt Obligations:

From time to time, the Greene County Industrial Development Agency, a component unit of County of Greene, has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest.

The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Greene County Industrial Development Agency, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2002, there were no outstanding Industrial Revenue Bonds.

See Note III A2, Deferred Revenue, for further conduit debt.

C. Interfund Activities:

1. Interfund Receivables and Payables - Interfund receivable and payable balances at December 31, 2002 are as follows:

	Amounts <u>Receivable</u>	Amounts <u>Payable</u>
General Fund	\$3,776,628	\$42,984
Special Revenue-County Road Fund	40,805	641,127
Special Revenue - County Road Machinery Fund	6,641	0
Capital Projects Fund	<u>89,062</u>	<u>3,229,025</u>
	<u>\$3,913,136</u>	<u>\$3,913,136</u>

D. Fund Equity:

1. Allocation of Fund Balance:

Certain funds of the County of Greene, New York apply to areas less than the entire County. The fund equity at balance sheet date is allocated as follows:

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

D. Fund Equity (Continued):

1. Allocation of Fund Balance (Continued):

Special Revenue:

County Road Fund	\$(16,485)
County Road Machinery Fund	584,582
Special Grant-Community Development	644,503
Special Grant-Economic Development	31,503
Special Grant-Canal Corridor Initiative	<u>(85,000)</u>
	<u>\$1,159,103</u>

2. Restricted Fund Balance:

The General Fund equity includes a restricted balance established for the following purpose:

Appropriated for ensuing year's budget	<u>\$2,505,000</u>
--	--------------------

The Special Revenue County Road Machinery Fund equity includes a restricted balance established for the following purpose:

Appropriated for ensuing year's budget	<u>\$250,000</u>
--	------------------

The Capital Projects Fund equity includes Capital Funds designated for the following purposes:

Bowery Creek Project	\$ (34,561)
Catskill Point Development Project	(3,000)
Catskill Solid Waste Facility Project	(90,000)
CSX Bridge Project	59,055
E 911	(40,000)
FEMA Projects	(121,375)
Fire Training Center Project	(879,135)
Five Year Highway Project	(6,942,206)
Highway Buildings	40,893
Office Building Project	4,965,002
Purling Bridge Project	(369,012)
Route 67 Bridge Project	98,093
Route 9W Bridge Project	97,165
Salt Shed Project	6,770
Route 49 Bridge Project	40,269
Route 50 Bridge Project	<u>99,000</u>
	<u>\$(3,073,042)</u>

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

D. Fund Equity (Continued):

3. Reserves:

The General Fund equity includes reserve funds established for the following purposes:

Encumbrances	<u>\$402,852</u>
Liabilities arising from judgment, actions, and casualty claims against the County	<u>\$967,119</u>

The General Fund equity includes miscellaneous reserves established for the following purposes:

Bataviakill	\$ 37,983
Bus Transit	2,000
County Clerk	30,400
Emergency Preparedness	7,605
Handicapped Parking	805
Promotion	104,143
Public Safety Communication System	159,987
Stop DWI	<u>3,350</u>
Total miscellaneous reserves	<u>\$346,273</u>

The Workers' Compensation Proprietary Fund equity includes reserves established for the following purpose:

Liabilities arising from Workers' Compensation claims against the County	<u>\$500,000</u>
---	------------------

The County Road Fund equity includes reserve balance established for the following purposes:

Encumbrances	<u>\$72,958</u>
Long-term debt	<u>\$40,588</u>

The County Road Machinery Fund equity includes reserve balance
Established for the following purpose:

Encumbrances	<u>\$5,860</u>
--------------	----------------

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Detail Notes on all Funds and Account Groups (Continued):

D. Fund Equity (Continued):

3. Reserves (Continued):

The Special Grant Fund equity includes reserve balance established for the following purpose:

Loan commitment	<u>\$200,000</u>
-----------------	------------------

E. Deferred Compensation Plan:

In October 1997 the Governmental Accounting Standards Board issued Statement No. 32 Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments.

As of October 1, 1997 the New York State Deferred Compensation Board (Board) created a Trust and Custody agreement making Chase Manhattan Bank the Trustee and Custodian of the Plan. Consequently, Statement No. 32 became effective for the New York State Deferred Compensation Plan as of October 1, 1997. Since the Board is no longer the trustee of the plan, the plan no longer meets the criteria for inclusion in New York State's financial statements. Therefore, municipalities which participate in New York State's Deferred Compensation Plan are no longer required to record the value of the plan assets.

County of Greene, New York is a participant in New York State's Deferred Compensation Plan, therefore the market value of the plan assets are no longer displayed in the County's financial statements.

IV. Joint Ventures:

The following are activities undertaken with other municipalities. These activities are excluded from the financial statements of all participating municipalities. Separate financial statements are issued for such joint ventures and are available from:

Columbia-Greene Community College
Administrative Office
Box 1000
Hudson, New York 12534

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

IV. Joint Ventures (Continued):

Capital District Regional Off-Track Betting Corporation
Controller's Office
510 Smith Street
Schenectady, New York 12303

Community College:

Columbia and Greene Counties jointly sponsor the Columbia-Greene Community College under provisions of Article 126 of the Education law. The College is administered by a Board of Trustees. The majority of the trustees are County Board appointees, apportioned between the two counties. The counties are responsible for College costs not funded through state aid or tuition and have individually issued bonds for capital costs. The counties also assume liability of any College operating fund deficit, should any operating fund deficit be incurred.

The counties' governing boards also retain certain budgetary approval powers. The counties' share of college operating budgets is based on enrollment. For the 2000-2001 fiscal year Greene County's share of the unfunded portion of the operating budget was 45% and Columbia County's was 55%.

Summary financial information from college financial statements for the fiscal year ended August 31, 2002 is as follows:

	<u>Primary Institution</u>	<u>Component Unit</u>
Current assets	\$ 2,967,892	\$ 641,052
Non-current assets	\$20,202,862	\$ 0
Current liabilities	\$ 2,714,398	\$ 14,753
Non-current liabilities	\$22,269,574	\$ 0
Net assets	\$ (1,813,218)	\$ 626,299
Total operating revenues	\$ 6,752,938	\$ 921,335
Total operating expenses	\$13,942,560	\$ 877,581
Non-operating revenues and expenses	\$ 5,968,050	\$ 7,577
Other revenues, expenses, gains or losses	\$ 1,217,965	\$ 0

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

IV. Joint Ventures (Continued):

Columbia-Greene Community College included in its financial statements for the year ended August 31, 2002, fixed assets and their related debt financed through and title held by the sponsoring counties. Debt issued by County of Greene, New York for college purposes, amounting to 18.75 percent of the College's total long-term debt, is included in the County's non-current government liabilities. No related fixed assets have been reported in these financial statements.

Capital District Regional Off-Track Betting Corporation:

Capital District Regional Off-Track Betting Corporation is a public benefit corporation occupying a seventeen county region, established in 1973 under the provisions of Chapters 346 and 347 of the Laws of the State of New York. The Board consists of one representative from each of the seventeen participating municipalities.

Summary financial information from the Corporation's audited financial statements for the fiscal year ended December 31, 2002 is as follows:

Assets	\$ 20,593,404
Liabilities	\$ 11,993,908
Undistributed benefits	\$ 3,564,635
Capital acquisition fund balance	\$ 5,034,861
Net revenue	\$56,344,237
Operating expenses	\$24,012,781
Allocated benefits	\$ 8,413,837

V. Related Organization:

Greene Tobacco Asset Securitization Corporation (GTASC) was incorporated October 17, 2000 as a local development corporation by the County under the provisions of Section 1411 of the New York State Not-For-Profit Corporation Law. Its purpose was to issue bonds securitized solely from the County tobacco settlement revenues purchased from the County and to forward to the County the net bond proceeds.

The majority of GTASC's Board of Directors consist of County officials, however the County is not financially accountable for GTASC.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

VI. Contingencies:

- The County has received significant amounts of federal and state grants for specified purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Any such disallowances will be a reduction of revenue in the year the disallowances are finally determined.
- The County is a defendant in many tort claims. The County is defending against the claims through discovery and inspection procedures. The ultimate outcome of the litigation cannot presently be determined by the County. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying combined general-purpose financial statements.
- As noted in the accompanying Schedule of Findings and Questioned Costs, the potential effect on the County of the conditions identified therein is that grantor agencies may request reimbursement of costs ultimately determined to be disallowed. Such disallowances, if any, will be recognized in the year any final determination is made.

VII. Subsequent Event:

- On June 15, 2003 the County issued \$16,160,000 variable rate serial bonds to finance the following:
 - \$4,642,906 for county office building,
 - \$7,526,910 for county road and bridges,
 - \$2,200,000 for fire training center, and
 - \$1,790,184 for machinery.

SUPPLEMENTAL INFORMATION

COUNTY OF GREENE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2002

Federal Grantor/ <u>Pass-through Grantor/Program Title</u>	Federal CFDA <u>Number</u>	NYS Contract <u>Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>			
Summer Food Service Program	10.559		\$668
Passed through New York State Office for the Aging – U.S.D.A. Cash-in-lieu of			
Commodity Foods	10.570		55,154
Passed through State Department of Social Services:			
Food Stamp Administration	10.551		322,701
Food Stamp Value of Service	10.551		2,596,598
State Administrative Grants For Food Stamp Program	10.561		43,331
Total Department of Agriculture			<u>3,018,452</u>
<u>Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Social Services Block Grant	93.667		404,260
Foster Care – Title IV E	93.658		1,252,871
Child Support Enforcement	93.563		246,724
Independent Living	93.674		4,451
Managed Care	93.778		98,355
Medical Assistance Program	93.778		966,168
Medical Assistance – Value of Service	93.778		19,461,262
Federal Medicaid Salary Sharing	93.778		12,375
Temporary Assistance for Needy Families	93.558		2,921,631
Low Income Home Energy Assistance	93.568		1,369,175
Family Planning Service	93.217		121,981
Child Care and Development Block Grant (A)	93.575		691,075
Child Care and Development Block Grant- Program Income	93.575		31,952
Passed through State Office for the Aging:			
Title III, Part C – Nutrition Services	93.045		113,737
Title III, Part C – Nutrition Services-Program Income	93.045		59,315
Title III, Part B – Supportive Services	93.044		63,791
Title III Part B – Supportive Services-Program Income	93.044		9,702
Title III, Part D – In-Home Services for Frail Older Individuals	93.046		5,488
Title III, Part E – Older Americans Act	93.052		33,807
Title VII – Allotments for Vulnerable Elder Rights Protection Programs	93.049		8,000
Health Insurance Information, Counseling, and Assistance Program	93.779		4,892
Weatherization Referral and Packaging Program	93.568		19,754
Retired Senior Volunteer Program	94.002		6,331

See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended December 31, 2002

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	NYS Contract Number	Federal Expenditures

Passed through State Health Central Administration:			
Early Intervention	84.181		69,912
Family Planning Service (B)	93.217	C014700	46,352
Family Planning Service	93.558	C014700	71,311
Family Planning Service	93.994	C014700	21,393
Family Planning Service – Program Income	93.217	C014700	96,749
Immunization Grant	93.268	C016051	16,880
Childhood Lead Poisoning Prevention (C)	93.944	C016099	22,050
ACT For Youth	93.994		21,284
Passed through State Office of Alcoholism and Substance Abuse:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		110,943
Passed through State Office of Mental Health:			
Child Welfare Services – State Grants	93.645		37,279
Total Department of Health and Human Services			<u>28,421,250</u>
<u>Department of Housing and Urban Development</u>			
Community Development Block Grants:			
Small Cities	14.219	B-98-DH-36-0390	172,224
Small Cities Program Income	14.219		806,711
Passed through Governor's Office For Small Cities	14.219	CDBG-477ME-70-02	11,016
Passed through the United Way:			
Emergency Shelter Grants Program	14.231		12,367
Passed through State Department of Housing and Community Renewal:			
Section 8 Housing Voucher Program	14.855		144,007
Total Department of Housing and Urban Development			<u>1,146,325</u>
<u>Department of Justice</u>			
Community Gun Violence Prosecution	16.609		40,000
Passed through State Division of Criminal Justice Services:			
Juvenile Accountability	16.523	C520280	23,111
Incentive Block Grant			
Passed through State Crime Victims Board:			
Crime Victim Assistance	16.575	C-200027	9,375
Total Department of Justice			<u>72,486</u>

See auditors' report. See notes to the financial statements.

COUNTY OF GREENE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended December 31, 2002

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	NYS Contract Number	Federal Expenditures
<u>Department of Labor</u>			
Senior Community Service Employment Program	17.235		<u>7,845</u>
<u>Department of Transportation</u>			
Passed through State Department of Transportation:			
Section 18 Public Transit for Nonurbanized Areas	20.509		86,213
Highway Planning and Construction	20.205	D017368	2,240,916
Highway Planning and Construction	20.205	D013873	39,314
Highway Planning and Construction	20.205	D017333	345,835
Passed through State of New York			
Governor's Traffic Safety Committee:			
State and Community Highway Safety	20.600	PT-2000011	<u>5,964</u>
Total Department of Transportation			<u>2,718,242</u>
<u>Federal Emergency Management Agency</u>			
Passed through State Emergency Management			
Office:			
Local Emergency Planning Commission	83.534		<u>16,082</u>
Total			<u>\$35,400,682</u>

(A) Expenditures claimed under Child Care and Development Block Grant totaled \$691,075. The amount of federal versus state dollars attributable to these expenditures is undeterminable at this time.

(B) Total expenditures claimed under contract C-014700 \$ 167,563

(C) Total expenditures claimed under contract C-016099 \$ 26,241

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

To the County Legislature of
County of Greene, New York:

We have audited the financial statements of County of Greene, New York as of and for the year ended December 31, 2002, and have issued our report thereon dated September 3, 2003. In our report, our opinion was qualified because the County failed to record its long-term liability resulting from the settlement of a personal injury lawsuit. 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.

Compliance:

As part of obtaining reasonable assurance about whether County of Greene, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to management of County of Greene, New York in a separate letter dated September 3, 2003.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered County of Greene, New York's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control

over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect County of Greene, New York's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 02-B1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

This report is intended solely for the information of management, the Legislature, 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.

Patricia Hostage, P.C.

Catskill, New York
September 3, 2003

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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 County Legislature of
County of Greene, New York:

Compliance:

We have audited the compliance of County of Greene, New York with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2002. County of Greene, 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 program is the responsibility of County of Greene, New York's management. Our responsibility is to express an opinion on County of Greene, 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 could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Greene, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on County of Greene, New York's compliance with those requirements.

In our opinion, County of Greene, 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, 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 02-C1.

Internal Control Over Compliance

The management of County of Greene, New York is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered County of Greene, New York's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information of management, the Legislature, 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.

Pattison Koslowski PC.

Catskill, New York
September 3, 2003

COUNTY OF GREENE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2002

A. Summary of Auditor's Results

1. The auditor's report expresses a qualified opinion on the general-purpose financial statements of County of Greene, New York.
2. No instances of noncompliance material to the financial statements of County of Greene, New York were disclosed during the audit.
3. The auditor's report on compliance for the major federal award programs for County of Greene, New York expresses an unqualified opinion.
4. Audit findings relative to the major federal award programs for County of Greene, New York are reported in Part C of this Schedule.
5. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.658	Foster Care – Title IVE
93.778	Medical Assistance Program

6. The threshold for distinguishing Types A and B Programs was \$300,000.
7. County of Greene, New York was determined not to be a low-risk auditee.

B. Findings – Financial Statements Audit

Reportable Conditions

02-B1. Greene County Mental Health Center's Billing Procedures:

Criteria: The internal control structure should assure all services rendered are billed and collected in a timely manner.

Condition: Billings for services rendered are not being done in a timely manner, no summary documentation is maintained to readily determine the total amount of patient bills outstanding at any given time and no procedure is in place or is implemented to assure the collectability of patient billings.

Effect: The potential for lost revenues exists.

Cause: Inadequate internal controls.

Recommendation: We recommend the County continue its pursuit of full computerization of all billing functions in order to assure the timeliness, accuracy and reliability of the mental health department's billing cycle.

COUNTY OF GREENE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
December 31, 2002

C. Findings and Questioned Costs – Major Federal Award Programs

Department of Housing and Urban Development,
Community Development Block Grants, CFDA 14.219

02-C1 Criteria: Compliance with allowability criteria stipulates that the County monitor employment quotas of recipients of loan proceeds to assure they meet the low to moderate income requirements.

Condition: County has yet to obtain documentation that employment requirements have been met by lendeer.

Questioned Costs:

	<u>Number</u>	<u>Dollars</u>	<u>Questioned Costs</u>
Population	1	\$300,000	
Sample	1	\$300,000	
Not in compliance	1	\$300,000	
Questioned costs			\$300,000

Effect: Assistance may be disallowed.

Cause: County's attempts to obtain the appropriate information from lendeer have failed.

Recommendation: The County must take whatever steps are necessary to assure lendeer provides supporting documentation to substantiate the required low to moderate income employment requirements have been met.

Summary of Prior Year's findings:

Prior year finding 01-B1 was resolved in the current year. Finding 01-B2 reoccurred in the current year and is reported as finding 02-B1 in the current year.

Prior year finding 01-C1 remains unresolved and is reported as finding 02-C1 in the current year.