

COUNTY OF GREENE, NEW YORK

FINANCIAL STATEMENTS

December 31, 2003

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, 2003, 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.

We conducted our audit in accordance with the New York State Accounting and Reporting Manual, 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.

As described in Note I, the County prepared these financial statements using accounting practices prescribed by New York State to demonstrate compliance with the State's regulatory basis of accounting and budget laws, which practices differ from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note I.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above do not present fairly, in all material respects, the financial position of County of Greene, New York as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the general-purpose financial statements and budgetary results of the County of Greene as of December 31, 2003, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2004 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.

Patricia Hooley, Howe
O'Brien, CIAA, P.C.

Catskill, New York
August 31, 2004

COUNTY OF GREENE, NEW YORK
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCREETLY PRESENTED COMPONENT UNITS
December 31, 2003

	GOVERNMENTAL FUND TYPES			PROPRIETARY	FIDUCIARY	NON-CURRENT			TOTAL		TOTAL (Memorandum only) Reporting Entity
				FUND TYPE	FUND TYPE	GOVERN-		GOVERN-	(Memorandum only) Primary	COMPONENT UNITS	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	INTERNAL SERVICE FUND	TRUST AND AGENCY	MENT ASSETS	MENT LIABILITIES	Government			
ASSETS											
Cash	\$ 5,671,183	\$ 2,414,972	\$ 6,807,465	\$ 1,084,277	\$ 515,143	\$ -	\$ -	\$ -	\$ 16,493,040	\$ 2,202,498	\$ 18,695,538
Cash - restricted	599,334	-	-	500,000	288,717	-	-	-	1,388,051	383,398	1,771,449
Investment held by fiscal agent	-	-	-	-	-	-	-	-	-	697,349	697,349
Taxes receivable - net	9,412,944	-	-	-	-	-	-	-	9,412,944	-	9,412,944
State and federal receivables	11,222,155	41,733	811,632	-	-	-	-	-	12,075,520	396,066	12,471,586
Accounts receivable	1,205,718	2,618,532	-	319,889	-	-	-	-	4,144,139	7,908,052	12,052,191
Note receivable net of unamortized discount	435,220	-	-	-	-	-	-	-	435,220	-	435,220
Due from other funds	3,507,619	89,419	89,062	-	-	-	-	-	3,686,100	146,611	3,832,711
Due from other governments	717,544	-	-	-	-	-	-	-	717,544	-	717,544
Land, building and equipment:											
Land	-	-	-	-	-	3,053,250	-	-	3,053,250	3,155,975	6,209,225
Building	-	-	-	-	-	10,078,043	-	-	10,078,043	-	10,078,043
Equipment	-	-	-	-	-	12,550,209	-	-	12,550,209	334,404	12,884,613
Other assets - inventory	-	-	-	-	-	-	-	-	-	2,850	2,850
Prepaid items	-	-	-	-	-	-	-	-	-	4,692	4,692
Amounts to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	25,788,226	-	25,788,226
Total assets	\$ 32,771,717	\$ 5,164,656	\$ 7,708,159	\$ 1,904,166	\$ 803,860	\$ 25,681,502	\$ 25,788,226	\$ 25,788,226	\$ 99,822,286	\$ 15,231,895	\$ 115,054,181

COUNTY OF GREENE, NEW YORK
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCREETLY PRESENTED COMPONENT UNITS (CONTINUED)
December 31, 2003

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE		FIDUCIARY FUND TYPE		NON-CURRENT		TOTAL (Memorandum only) Primary Government	COMPONENT UNITS	TOTAL (Memorandum only) Reporting Entity
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	INTERNAL SERVICE FUND	TRUST AND AGENCY	GOVERN- MENT ASSETS	GOVERN- MENT LIABILITIES					
LIABILITIES AND FUND EQUITY												
Liabilities:												
Accounts payable	\$ 1,213,975	\$ 284,188	\$ -	\$ 1,029	\$ -	\$ -	\$ -		\$ 1,499,192	\$ 185,820	\$ 1,685,012	
Other liabilities	1,019,385	-	-	819,889	-	-	-		1,839,274	1,891	1,841,165	
Agency liabilities	-	-	-	-	792,210	-	-		792,210	-	792,210	
Retained percentage	-	-	872,289	-	-	-	-		872,289	-	872,289	
Due to other governments	6,544,262	7,492	-	-	-	-	-		6,551,754	375,851	6,927,605	
Due to other funds	36,192	91,155	3,558,753	-	-	-	-		3,686,100	146,611	3,832,711	
Compensated absences	-	-	-	-	-	-	2,714,774		2,714,774	-	2,714,774	
Bond and long-term debt	-	-	-	-	-	-	23,073,452		23,073,452	7,247,291	30,320,743	
Deferred revenues	11,026,588	2,521,466	-	-	-	-	-		13,548,054	9,647	13,557,701	
BANS and notes payable	-	-	1,050,177	-	-	-	-		1,050,177	-	1,050,177	
Total liabilities	19,840,402	2,904,301	5,481,219	820,918	792,210	-	25,788,226		55,627,276	7,967,111	63,594,387	
Fund Equity:												
Investment in general fixed assets	-	-	-	-	-	-	-		-	-	-	
Fund balances reserved:						25,681,502	-		25,681,502	324,477	26,005,979	
Reserve for encumbrances	335,821	144,901	-	-	-	-	-		480,722	-	480,722	
Reserve for indebtedness	164,156	49,548	-	-	-	-	-		213,704	-	213,704	
Reserve for risk retention	639,763	-	-	-	-	-	-		639,763	-	639,763	
Expendable trust funds	-	-	-	-	11,650	-	-		11,650	-	11,650	
Miscellaneous reserves	528,368	100,000	-	500,000	-	-	-		1,128,368	4,627,862	5,756,230	
Fund balance - unreserved:												
Designated	-	-	2,226,940	-	-	-	-		2,226,940	-	2,226,940	
Appropriated-ensuing year's budget	2,755,000	350,000	-	-	-	-	-		3,105,000	-	3,105,000	
Unappropriated	8,508,207	1,615,906	-	583,248	-	-	-		10,707,361	-	10,707,361	
Retained earnings	-	-	-	-	-	-	-		-	2,312,445	2,312,445	
Total fund equity	12,931,315	2,260,355	2,226,940	1,083,248	11,650	25,681,502	-		44,195,010	7,264,784	51,459,794	
Total liabilities and fund equity	\$ 32,771,717	\$ 5,164,656	\$ 7,708,159	\$ 1,904,166	\$ 803,860	\$ 25,681,502	\$ 25,788,226		\$ 99,822,286	\$ 15,231,895	\$ 115,054,181	

See auditor's report. See notes to financial statements.

COUNTY OF GREENE, NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES AND DISCREETLY PRESENTED COMPONENT UNITS
for the year ended December 31, 2003

	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	\$ 14,167,417	\$ -	\$ -	\$ -	\$ 14,167,417	\$ -	\$ 14,167,417
Real property tax items	1,742,779	-	-	-	1,742,779	-	1,742,779
Non-property tax items	20,929,605	-	-	-	20,929,605	-	20,929,605
Departmental income	7,722,662	2,332	-	-	7,724,994	2,159,277	9,884,271
Intergovernmental charges	506,501	-	-	-	506,501	1,243,700	1,750,201
Use of money and property	298,993	47,963	-	8	346,964	80,567	427,531
Licenses and permits	27,008	-	-	-	27,008	-	27,008
Fines and forfeitures	249,253	-	-	-	249,253	-	249,253
Sale of property and compensation for loss	252,195	163,054	-	-	415,249	-	415,249
Miscellaneous local sources	332,846	745,777	10,871	12,122	1,101,616	18,632	1,120,248
Interfund revenue	-	826,252	-	-	826,252	-	826,252
State aid	11,633,250	1,104,070	434,508	-	13,171,828	2,571,585	15,743,413
Federal aid	8,390,676	620,150	3,211,203	-	12,222,029	106,180	12,322,209
Total revenues	66,253,185	3,509,598	3,656,582	12,130	73,431,495	6,173,941	79,605,436
Other sources:							
BANS redeemed from appropriations	-	-	642,906	-	642,906	-	642,906
Bond proceeds	-	-	16,160,000	-	16,160,000	-	16,160,000
Operating transfers	-	6,711,106	936,254	-	7,647,360	-	7,647,360
Total other sources	-	6,711,106	17,739,160	-	24,450,266	-	24,450,266
Total revenues and other sources	66,253,185	10,220,704	21,395,742	12,130	97,881,761	6,173,941	104,055,702
EXPENDITURES AND OTHER USES							
Expenditures:							
General government support	5,386,318	-	11,236,969	-	16,623,287	-	16,623,287
Education	4,498,739	-	-	-	4,498,739	-	4,498,739
Public safety	4,734,799	-	-	-	4,734,799	-	4,734,799
Health	5,463,518	-	-	-	5,463,518	-	5,463,518
Transportation	-	6,198,016	4,858,791	-	11,056,807	-	11,056,807
Economic assistance and opportunity	26,237,486	-	-	12,509	26,249,995	-	26,249,995
Culture and recreation	347,963	-	-	-	347,963	-	347,963
Home and community services	3,187,247	429,018	-	-	3,616,265	2,181,246	5,797,511
Employee benefits	7,002,212	1,290,995	-	-	8,293,207	99,530	8,392,737
Loss on sale of property	-	-	-	-	-	1,218,824	1,218,824
Debt service (principal/interest)	796,860	1,053,423	-	-	1,850,283	-	1,850,283
Total expenditures	57,655,142	8,971,452	16,095,760	12,509	82,734,863	3,499,600	86,234,463
Other uses:							
Operating transfers	7,499,360	148,000	-	-	7,647,360	-	7,647,360
Total other uses	7,499,360	148,000	-	-	7,647,360	-	7,647,360
Total expenditures and other uses	65,154,502	9,119,452	16,095,760	12,509	90,382,223	3,499,600	93,881,823
Excess of revenue (expenditures)	1,098,683	1,101,252	5,299,982	(379)	7,499,538	2,674,341	10,173,879
Fund equity, beginning	11,832,632	1,159,103	(3,073,042)	12,029	9,930,722	4,150,785	14,081,507
Prior period adjustment	-	-	-	-	-	115,181	115,181
Fund equity, ending	\$ 12,931,315	\$ 2,260,355	\$ 2,226,940	\$ 11,650	\$ 17,430,260	\$ 6,940,307	\$ 24,370,567

See auditor's report. See notes to financial statements.

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, 2003

REVENUES AND OTHER SOURCES	GENERAL FUND				SPECIAL REVENUE FUND TYPES				TOTALS (MEMORANDUM ONLY)			
	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance	MODIFIED BUDGET	ACTUAL	ENCUM- BRANCES	Variance
				Favorable (Unfavorable)				Favorable (Unfavorable)				Favorable (Unfavorable)
Revenues:												
Real property taxes	\$ 14,272,465	\$ 14,167,417	\$ -	\$ (105,048)	\$ -	\$ -	\$ -	\$ -	\$ 14,272,465	\$ 14,167,417	\$ -	\$ (105,048)
Real property tax items	1,140,000	1,742,779	-	602,779	-	-	-	-	1,140,000	1,742,779	-	602,779
Non-property tax items	19,000,000	20,929,605	-	1,929,605	-	-	-	-	19,000,000	20,929,605	-	1,929,605
Departmental income	6,668,204	7,722,662	-	1,054,458	6,500	2,332	-	(4,168)	6,674,704	7,724,994	-	1,050,290
Intergovernmental charges	526,850	506,501	-	(20,349)	-	-	-	-	526,850	506,501	-	(20,349)
Use of money and property	355,600	298,993	-	(56,607)	-	47,963	-	47,963	355,600	346,956	-	(8,644)
Licenses and permits	22,000	27,008	-	5,008	-	-	-	-	22,000	27,008	-	5,008
Fines and forfeitures	225,716	249,253	-	23,537	-	-	-	-	225,716	249,253	-	23,537
Sale of property and compensation for loss	242,428	252,195	-	9,767	107,309	163,054	-	55,745	349,737	415,249	-	65,512
Miscellaneous local sources	296,972	332,846	-	35,874	1,203,000	745,777	-	(459,223)	1,501,972	1,078,623	-	(423,349)
Interfund revenue	-	-	-	-	803,820	826,252	-	22,432	803,820	826,252	-	22,432
State aid	12,218,924	11,633,250	-	(585,674)	1,106,722	1,104,070	-	(2,652)	13,325,646	12,737,320	-	(588,326)
Federal aid	8,557,509	8,390,676	-	(166,833)	879,200	620,150	-	(259,050)	9,436,709	9,010,826	-	(425,883)
Total revenues	63,526,668	66,253,185	-	2,726,517	4,108,551	3,509,598	-	(598,953)	67,635,219	69,762,783	-	2,127,564
Other sources:												
Operating transfers	-	-	-	-	6,711,106	6,711,106	-	-	6,711,106	6,711,106	-	-
Total other sources	-	-	-	-	6,711,106	6,711,106	-	-	6,711,106	6,711,106	-	-
Total revenues and other sources	\$ 63,526,668	\$ 66,253,185	\$ -	\$ 2,726,517	\$ 10,819,657	\$ 10,220,704	\$ -	\$ (598,953)	\$ 74,346,325	\$ 76,473,889	\$ -	\$ 2,127,564

See auditor's report. See notes to 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, 2003

	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	\$ 5,522,896	5,386,318	\$ 6,406	\$ 130,172	\$ -	\$ -	\$ -	\$ -	\$ 5,522,896	5,386,318	\$ 6,406	\$ 130,172
Education	4,369,591	4,498,739	-	(129,148)	-	-	-	-	4,369,591	4,498,739	-	(129,148)
Public safety	4,811,080	4,734,799	4,188	72,093	-	-	-	-	4,811,080	4,734,799	4,188	72,093
Health	6,487,422	5,463,518	41,715	982,189	-	-	-	-	6,487,422	5,463,518	41,715	982,189
Transportation	-	-	-	-	6,390,093	6,198,016	71,944	120,133	6,390,093	6,198,016	71,944	120,133
Economic assistance and opportunity	26,501,042	26,237,486	6,194	257,362	-	-	-	-	26,501,042	26,237,486	6,194	257,362
Culture and recreation	384,338	347,963	14,167	22,208	-	-	-	-	384,338	347,963	14,167	22,208
Home and community services	3,548,262	3,187,247	263,151	97,864	4,047,033	429,018	-	3,618,015	7,595,295	3,616,265	263,151	3,715,879
Employee benefits	7,088,477	7,002,212	-	86,265	1,292,850	1,290,995	-	1,855	8,381,327	8,293,207	-	88,120
Debt service (principal/interest)	799,280	796,860	-	2,420	1,053,423	1,053,423	-	-	1,852,703	1,850,283	-	2,420
Total expenditures	59,512,388	57,655,142	335,821	1,521,425	12,783,399	8,971,452	71,944	3,740,003	72,295,787	66,626,594	407,765	5,261,428
Other uses:												
Operating transfers	7,499,360	7,499,360	-	-	148,000	148,000	-	-	7,647,360	7,647,360	-	-
Total other uses	7,499,360	7,499,360	-	-	148,000	148,000	-	-	7,647,360	7,647,360	-	-
Total expenditures and other uses	67,011,748	65,154,502	335,821	1,521,425	12,931,399	9,119,452	71,944	3,740,003	79,943,147	74,273,954	407,765	5,261,428
Appropriated Fund Balance	3,485,080		\$ 335,821	(3,149,259)	2,196,742	-	\$ 71,944	(2,124,798)	5,681,822		\$ 407,765	5,274,057
Excess of revenue (expenditures)	\$ -	1,098,683	\$ 1,098,683	\$ 85,000	\$ 85,000	1,101,252		\$ (6,463,754)	\$ 85,000	2,199,935		(\$5,365,071)
Fund balance, beginning		11,832,632				1,159,103				12,991,735		
Fund balance, ending		\$ 12,931,315				\$ 2,260,355				\$ 15,191,670		

See auditor's report. See notes to 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, 2003

Operating revenue:	
Charges and fees	\$ 425,117
Prior year recoveries	<u>70,137</u>
Total operating revenue	<u>495,254</u>
Operating expenses:	
Benefits and awards	655,331
Administrative services	<u>26,775</u>
Total operating expenses	<u>682,106</u>
Operating loss	<u>(186,852)</u>
Other revenue:	
Interest income	<u>29,852</u>
Net loss	(157,000)
Retained earnings, beginning of year	<u>1,240,248</u>
Retained earnings, end of year	<u><u>\$1,083,248</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, 2003

Cash flows from operating activities:	
Cash received from participants	\$ 462,556
Prior year recoveries	70,137
Interest received	29,852
Cash payments of benefits and awards	(655,074)
Cash payments of administrative services	<u>(26,775)</u>
Net cash used for operating activities	(119,304)
Cash, beginning of year	<u>1,703,581</u>
Cash, end of year	<u>\$1,584,277</u>
Reconciliation of net loss to net cash used for operating activities:	
Net loss	\$ (156,999)
Changes in assets and liabilities:	
Decrease in accounts receivable	733,499
Increase in payables and other liabilities	<u>(695,804)</u>
Net cash used for operating activities	<u>\$ (119,304)</u>

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

COUNTY OF GREENE, NEW YORK
STATEMENT OF CASH FLOWS - PRIVATE PURPOSE FUND
for the year ended December 31, 2003

Operating revenue:

Contributions	\$ 12,122
Interest	<u>8</u>

Total operating revenue	12,130
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Operating expenditures:

Aging services	<u>(12,509)</u>
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Net loss	(379)
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Cash, beginning of year	<u>12,029</u>
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Cash, end of year	<u>\$ 11,650</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 on a regulatory basis in conformity with the New York State Accounting and Reporting Manual. The basis of presentation is a *comprehensive basis of accounting other than generally accepted accounting principles* in the United States of America 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 Board of Legislators have authorized by resolution the presentation of financial information in accordance with the reporting model in effect prior to that described in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. The basis of accounting used has been applied in a manner consistent with the prior period.

The additional minimum financial reporting requirements of GASB statement No. 34 for state and local governments include:

Management's Discussion and Analysis—The MD&A is a component of required supplementary information (RSI). The MD&A is an introduction to the basic financial statements and an analytical overview of the government's financial activities.

RSI other than the MD&A, such as the required budgetary comparison schedule for the General Fund and major special revenue funds, generally is included immediately following the notes to the financial statements.

Infrastructure reporting. Capitalizing and depreciating a government's infrastructure assets. (e.g., roads, bridges, dams, water and sewer systems, etc.).

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.

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):

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.

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.

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: (Continued)

Greene Tobacco Asset Securitization Corporation

GTASC was incorporated October 17, 2000 as a local development corporation by the County of Greene, New York (the County) under the provisions of Section 1411 of the New York State Not-For-Profit Corporation Law. Its purpose is to issue bonds securitized solely from County Tobacco Settlement Revenues under the Master Settlement Agreement dated November 23, 1998, purchased from the County under the Purchase and Sale Agreement dated October 15, 2000, and to forward to the County the net proceeds from the bond issuance.

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.

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.

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.

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):

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:

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.

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):

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

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.

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.

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.

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:

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.

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.

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):

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 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 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.

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):

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.

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.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued):

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, \$1,519,313 was paid on behalf of 279 retirees and is recorded as an expenditure in the General and Special Revenue Funds.

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, 2003, real property taxes receivable totaled \$9,412,944. The allowance for uncollectible taxes at year end was \$97,480. Current year returned school district and village taxes of approximately \$4,294,536 and \$401,836 respectively, are also included as liabilities that will be paid no later than February 28, 2004. \$3,886,609 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 \$2,521,466 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

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Account Policies (Continued):

I. Deferred Revenue - Special Revenue Fund(Continued):

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 II 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.

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 \$819,889 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. 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.

L. 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)

I. Summary of Significant Account Policies (Continued):

M. Component Unit Prior Period Adjustments:

During the December 31, 2003 year end the Greene County Industrial Development Agency made a decision to have all prior work performed on acquired land capitalized to show the true value and cost of said land. Items expensed in previous years were capitalized to the appropriate fixed assets and retained earnings adjusted respectively. The amount of the adjustment for the Greene County IDA is \$92,398.

Due to the application of GASB Technical Bulletin No. 2004-1, Greene Tobacco Asset Securitization Corporation is now being treated as a component unit. It has previously been reported as a related organization. The amount of the adjustment for the Greene TASC is \$22,783.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

II. 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.

They consisted of:

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC</u>	<u>Pledged Collateral</u>
HSBC Bank USA	\$ 1,584,278	\$ 1,584,278	\$200,000	\$ 1,800,000
Troy Commercial	\$11,149,959	\$11,151,707	\$200,000	\$14,955,400
National Bank of Coxsackie	\$ 4,410,302	\$ 4,410,302	\$200,000	\$ 4,920,884
Key Bank	\$ 36,834	\$ 36,834	\$100,000	\$ -
Fleet Bank	\$ 691,443	\$ 691,443	\$200,000	\$ 1,661,567

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

A. Assets (Continued):

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, 2003 of \$2,521,466 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 Constitution. As of December 31, 2003, 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, 2003 was \$75,119; 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 \$435,220 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 2003 was \$45,452.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

A. Assets (Continued):

4. Fixed Assets:

A summary of changes in general fixed assets follows:

	Balance 12/31/02	Additions	Deletions	Balance 12/31/03
Land	\$ 2,992,505	\$ 60,745	\$ -	\$ 3,053,250
Buildings	5,181,947	-	-	5,181,947
Machinery and Equipment	12,232,156	406,319	(88,266)	12,550,209
Construction in Progress	<u>4,773,577</u>	<u>122,519</u>	<u>-</u>	<u>4,896,096</u>
Total	<u>\$25,180,185</u>	<u>\$589,583</u>	<u>\$(88,266)</u>	<u>\$25,681,502</u>

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 for the first ten years of employment starting from the date they first enter the system. 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.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

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

1. Pension Plans(Continued):

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:

2003	\$ 828,022
2002	\$ 213,476
2001	\$ 103,624

Contributions made to the Systems were equal to 100 percent of the contributions required for each year.

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 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 \$2,714,774 has been recorded as non-current government liability.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3. Bonds and Long-Term Debt:

- a. At December 31, 2003 the total outstanding indebtedness of the County aggregated \$26,608,115. Of this amount, \$21,070,120 was subject to the constitutional debt limit and represented approximately 11.48% 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
- 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 II 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.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

B. Liabilities (Continued):

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

c. Other Long-Term Debt (Continued):

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 \$223,321 at December 31, 2003. Total rental expenditures on such leases for the year were approximately \$254,227. The County also has an installment purchase debt obligation of \$88,431 as of December 31, 2003. Installment debt payments totaled \$19,144 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, 2003 was \$830,997.

Maximum future noncancelable payments on these obligations are as follows:

2004	\$ 194,028
2005	110,530
2006	69,711
2007	64,960
Thereafter	615,089
	<u>\$1,054,318</u>

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

B. Liabilities (Continued):

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

- 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:				
Solid Waste Management				
Resource Recovery System,				
Machinery and Equipment	1994	2,530,000	5.6%	\$ 1,165,000
Community College	1997	3,009,500	5.0%	2,270,000
Public Improvement	2003	16,160,000	3.0%-4.125%	16,160,000
Special Revenue Funds:				
Urban Development				
Corporation	1990	441,000	4.0%	75,120
Bridge Construction	1992	4,625,000	6.0%	<u>1,400,000</u>
Total serial bonds and other notes payable				<u>\$21,070,120</u>

Serial bonds and other notes payable maturities are as follows:

	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,086,809	\$ 616,184
2005	1,288,311	570,486
2006	1,290,000	521,308
2007	1,305,000	471,653
Thereafter	<u>16,100,000</u>	<u>4,539,346</u>
	<u>\$21,070,120</u>	<u>\$6,718,977</u>

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

B. Liabilities (Continued):

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

- e. Summary Long-Term Debt - The following is a summary of long-term liabilities outstanding at December 31, 2003:

<u>Liabilities</u>	<u>Internal Service Fund</u>	<u>Non-Current Government Liabilities</u>	<u>Total</u>
Serial bonds	\$ -	\$20,995,000	\$20,995,000
Notes payable - Urban Development Corporation	-	75,120	75,120
Total serial bonds and notes payable	-	21,070,120	21,070,120
Compensated absences	-	2,714,774	2,714,774
Operating leases	-	223,321	223,321
Joint water project user fee	-	830,997	830,997
Judgments and claims	-	860,583	860,583
Workers' Compensation premiums	819,889	-	819,889
Installment purchase debt	-	88,431	88,431
Total bond and long-term liabilities	\$819,889	\$25,788,226	\$26,608,115

- f. The following is a summary of changes in the long-term debt for the period ended December 31, 2003:

<u>Liabilities</u>	<u>Internal Service Fund</u>	<u>Non-Current Government Liabilities</u>	<u>Total</u>
Payable at December 31, 2002	\$1,515,948	\$9,715,212	\$11,231,160
Additions	83,455	16,286,925	16,370,380
Deletions	779,514	273,911	1,053,425
Payable at December 31, 2003	\$ 819,889	\$25,728,226	\$ 26,548,115

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

B. Liabilities (Continued):

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

- g. In addition to the debt shown above, the following long-term debt has been authorized but remains unissued at December 31, 2003:

\$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

4. Deferred Revenue:

General Fund:

Deferred revenue of \$6,704,759 represents advances received but not yet earned from state agencies at December 31, 2003. This amount will be recognized as revenue when eligible expenditures are incurred.

\$3,886,609 represents deferred tax revenue as more fully disclosed in Note I H, and the remaining \$435,220 represents the note receivable, net of discount as more fully disclosed in Note II A 3.

Special Revenue:

Deferred revenue of \$2,521,466 in the Special Grant Fund represents community and economic development loans more fully disclosed in Note II A2a.

5. 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.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

B. Liabilities (Continued):

5. Conduit Debt Obligations(Continued):

As of December 31, 2003, there were no outstanding Industrial Revenue Bonds.

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

C. Interfund Activities:

1. Interfund Receivables and Payables - Interfund receivable and payable balances at December 31, 2003 are as follows:

	Amounts <u>Receivable</u>	Amounts <u>Payable</u>
General Fund	\$3,507,619	\$ 36,192
Special Revenue-County Road Fund	80,224	89,062
Special Revenue – Community Development	-	2,093
Special Revenue – County Road Machinery Fund	9,195	-
Capital Projects Fund	<u>89,062</u>	<u>3,558,753</u>
	<u>\$3,686,100</u>	<u>\$3,686,100</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:

Special Revenue:

County Road Fund	\$ 477,436
County Road Machinery Fund	465,893
Special Grant-Community Development	1,285,441
Special Grant-Economic Development	<u>31,585</u>
	<u>\$2,260,355</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>\$2,755,000</u>
--	--------------------

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

D. Fund Equity (Continued):

2. Restricted Fund Balance (Continued):

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

Appropriated for ensuing year's budget	<u>\$350,000</u>
--	------------------

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

Bowery Creek Project	\$ 13,350
Catskill Point Development Project	(3,000)
CSX Bridge Project	18,647
FEMA Projects	(121,375)
Fire Training Center Project	384,541
Five Year Highway Project	1,775,851
Highway Buildings	70,316
Office Building Project	444,130
Purling Bridge Project	(575,137)
Route 67 Bridge Project	48,311
Route 9W Bridge Project	97,165
Salt Shed Project	6,770
Route 49 Bridge Project	(18,000)
Route 50 Bridge Project	<u>85,371</u>
	<u>\$2,226,940</u>

3. Reserves:

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

Encumbrances	<u>\$335,821</u>
Liabilities arising from judgment, actions, and casualty claims against the County	<u>\$639,763</u>

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

D. Fund Equity (Continued):

3. Reserves (Continued):

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

Bataviakill	\$ 31,192
Bus Transit	2,000
County Clerk	30,400
Emergency Preparedness	6,856
Handicapped Parking	1,100
Promotion	226,620
Public Safety Communication System	187,629
Stop DWI	<u>42,571</u>
Total miscellaneous reserves	<u>\$528,368</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>\$64,744</u>
Long-term debt	<u>\$46,994</u>

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

Encumbrances	<u>\$7,200</u>
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The Special Grant Fund equity includes reserve balance established for the following purpose:

Loan commitment	<u>\$200,000</u>
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See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

III. 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

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

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Joint Ventures (Continued):

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, 2003 is as follows:

	<u>Primary Institution</u>	<u>Component Unit</u>
Current assets	\$ 3,592,101	\$ 681,853
Non-current assets	\$ 20,160,828	\$ -
Current liabilities	\$ 3,033,572	\$ 22,874
Non-current liabilities	\$ 33,302,835	\$ -
Net assets	\$ (12,583,478)	\$ 658,979
Total operating revenues	\$ 7,399,256	\$ 1,038,785
Total operating expenses	\$ 14,351,846	\$ 1,012,021
Non-operating revenues		
and expenses	\$ 6,535,844	\$ 4,735
Other revenues, expenses, gains or losses	\$ 1,226,825	\$ -

Columbia-Greene Community College included in its financial statements for the year ended August 31, 2003, 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.

See auditors' report.

COUNTY OF GREENE, NEW YORK

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Joint Ventures (Continued):

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.

Complete financial statements of individual joint ventures can be obtained from their respective administrative offices.

IV. Related Organization:

As defined by Governmental Accounting Standards Board (GASB) Technical bulletin 2004-1, GTASC is now treated as a component unit of the County due to the following factors:

1. The County appoints the voting majority of GTASC's governing board.
2. GTASC could provide specific financial benefits to the County.

V. 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.

SUPPLEMENTAL INFORMATION

COUNTY OF GREENE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2003

Federal Grantor/ <u>Pass-through Grantor/Program Title</u> <u>Department of Agriculture</u>	Federal CFDA <u>Number</u>	NYS Contract <u>Number</u>	<u>Federal Expenditures</u>
Passed through New York State Office for the Aging – U.S.D.A. Cash-in-lieu of Commodity Foods	10.570		55,899
Passed through State Department of Social Services:			
Food Stamp Administration	10.551		327,871
Food Stamp Value of Service	10.551		2,995,137
State Administrative Grants For Food Stamp Program	10.561		<u>58,996</u>
 Total Department of Agriculture			 <u>3,437,903</u>
 <u>Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Social Services Block Grant	93.667		426,322
Foster Care – Title IV E	93.658		1,161,170
Worker Retention – Title IV E	93.658		6,369
Child Support Enforcement	93.563		242,917
Independent Living	93.674		5,420
Managed Care	93.778		86,477
Medical Assistance Program	93.778		819,357
Medical Assistance – Value of Service	93.778		24,311,881
Federal Medicaid Salary Sharing	93.778		24,785
Temporary Assistance for Needy Families	93.558		3,042,788
Low Income Home Energy Assistance	93.568		1,462,227
Family Planning Service	93.217		143,553
Child Care and Development Block Grant (A)	93.575		767,498
Child Care and Development Block Grant- Program Income	93.575		35,237
Bioterrorism Training	93.996		56,250
Passed through State Office for the Aging:			
Title III, Part C – Nutrition Services	93.045		114,649
Title III, Part C – Nutrition Services-Program Income	93.045		62,535
Title III, Part B – Supportive Services	93.044		63,783
Title III Part B – Supportive Services-Program Income	93.044		7,533
Title III, Part D – In-Home Services for Frail Older Individuals	93.046		5,658
Title III, Part E – Older Americans Act	93.052		41,073
Title III, Part E – Older Americans Act-Program Income	93.052		265

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, 2003

Federal Grantor/ <u>Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>NYS Contract Number</u>	<u>Federal Expenditures</u>
Title VII – Allotments for Vulnerable Elder Rights			
Protection Programs	93.049		8,000
Health Insurance Information, Counseling, and Assistance Program	93.779		1,762
Weatherization Referral and Packaging Program	93.568		25,267
Passed through State Health Central Administration:			
Early Intervention	84.181		52,731
Family Planning Service (B)	93.217	C014700	56,367
Family Planning Service	93.558	C014700	86,576
Family Planning Service	93.994	C014700	25,990
Family Planning Service – Program Income	93.217	C014700	98,581
Immunization Grant	93.268	C016051	17,966
Childhood Lead Poisoning Prevention	93.944	C016099	21,657
ACT For Youth	93.994		15,363
Passed through State Office of Alcoholism and Substance Abuse:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		285,022
Passed through State Office of Mental Health:			
Child Welfare Services – State Grants	93.645		<u>52,327</u>
 Total Department of Health and Human Services			 <u>33,635,356</u>
 <u>Department of Housing and Urban Development</u>			
Community Development Block Grants:			
Small Cities	14.219	B-96-DH-600390	59,121
Small Cities	14.219	477ME71-02	126,552
Small Cities	14.219	477HR156-02	171,321
Small Cities	14.219	477ED428-02	5,285
Small Cities Program Income	14.219		728,483
Passed through the United Way:			
Emergency Shelter Grants Program	14.231		11,000

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, 2003

Federal Grantor/ <u>Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>NYS Contract Number</u>	<u>Federal Expenditures</u>
Passed through State Department of Housing and Community Renewal:			
Section 8 Housing Voucher Program	14.855		<u>151,831</u>
Total Department of Housing and Urban Development			<u>1,253,593</u>
<u>Department of Justice</u>			
Community Gun Violence Prosecution	16.609		30,000
Passed through State Division of Criminal Justice Services:			
Juvenile Accountability Incentive Block Grant	16.523	C520280	3,000
Passed through State Crime Victims Board:			
Crime Victim Assistance	16.575	C-200027	<u>8,889</u>
Total Department of Justice			<u>41,889</u>
<u>Department of Labor</u>			
Senior Community Service Employment Program	17.235		<u>14,216</u>
<u>Department of Transportation</u>			
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	D017368	1,804,214
Highway Planning and Construction	20.205	D013873	958,401
Highway Planning and Construction	20.205	D017333	148,993
Highway Planning and Construction	20.205	D017229	205,750
Highway Planning and Construction	20.205	D017702	93,845
Passed through State of New York Governor's Traffic Safety Committee:			
State and Community Highway Safety	20.600	PT-2000011	<u>30,600</u>
Total Department of Transportation			<u>3,241,803</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, 2003

<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>NYS Contract Number</u>	<u>Federal Expenditures</u>
<u>Federal Emergency Management Agency</u>			
Passed through Division of Military And Naval Affairs:			
Public Assistance Grants	97.036	3173EMNY	128,094
Public Assistance Grants	97.036	3184EMNY	58,485
Passed through State Emergency Management Office:			
Local Emergency Planning Commission	83.534		<u>13,961</u>
Total Federal Emergency Management Agency			<u>200,540</u>
Total Expended Federal Awards			<u>\$41,825,300</u>

(A) Expenditures claimed under Child Care and Development Block Grant totaled \$767,498. The amount of federal versus state dollars attributable to these expenditures is undeterminable at this time.

(B) Total expenditures claimed under contract C-014700 \$267,514.

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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, 2003, and have issued our report thereon dated August 31, 2004. In our report, our opinion was qualified because the general-purpose financial statements, referred to in the report, were prepared in conformity with a *comprehensive basis of accounting other than generally accepted accounting principles*. 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 August 31, 2004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Greene, New York in a separate letter dated August 31, 2004.

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 M. Hove
a. Succi, CPA's, P.C.

Catskill, New York
August 31, 2004

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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, 2003. 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, 2003.

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.

*Patterson, Koeley, Howe
& Bucci, CPAs, P.C.*

Catskill, New York
August 31, 2004

COUNTY OF GREENE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2003

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>
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program

6. The threshold for distinguishing Type A and B Programs was \$1,254,759.
7. County of Greene, New York was determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

NONE

C. Findings and Questioned Costs – Major Federal Award Programs

NONE

D. Summary of Prior Year's findings:

Prior year finding 02-B1 was resolved in the current year.

Prior year finding 02-C1 was resolved in the current year.