
County of Madison

Basic Financial Statements

Year Ended
December 31, 2009



**COUNTY OF MADISON, NEW YORK
 BASIC FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2009**

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INDEPENDENT AUDITORS' REPORT

The Chairman and Members of the County
of Madison Board of Supervisors
County of Madison, New York:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Madison, New York (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Madison County Industrial Development Agency, which represent in total 46%, 46% and 12%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Madison County Industrial Development Agency, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and aggregate remaining fund information of the County of Madison, New York as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, and the Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - General Fund as listed in the foregoing table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the County of Madison, New York's basic financial statements. The accompanying combining financial information section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying combining financial information section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Toski, Schaefer & Co, P.C.

Williamsville, New York
September 22, 2010

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2009

Our discussion and analysis of the County of Madison, New York's (the County) financial performance provides for an overview of the County's financial activities for the year ended December 31, 2009. Please read this discussion and analysis in conjunction with the County's Basic Financial Statements that begin on page 14 and the Notes to the Basic Financial Statements that begin on page 26.

FINANCIAL HIGHLIGHTS

- The County finished the fiscal year with governmental activities net assets of \$93,036,214, a decrease of \$203,159 from 2008, and business-type activities net assets of \$8,467,438, an increase of \$184,996 from 2008 as restated.
- Upon adoption of the 2009 budget, the County's tax margin was \$41,725,476, or 63.3% of its total taxing power, compared to 61.6% at the end of 2008.
- In 2006, the County Board of Supervisors authorized a Public Safety Communication Upgrade Project at a total maximum estimated cost of \$17,000,000, and authorized the issuance of \$17,000,000 bonds to finance the project. In 2009, the Board of Supervisors increased the total maximum estimated cost of the Public Safety Communication Upgrade Project to \$19,500,000, and authorized the transfer of \$2,500,000 from General Fund unappropriated fund balance to the Public Safety Communication Upgrade Reserve in the Capital Projects Fund.
- The County adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. The implementation of this GASB Statement resulted in a primary government other postemployment benefits liability of \$5,182,149. As of December 31, 2009, this liability nearly doubled to a net other postemployment benefit obligation of \$10,191,898.
- The State of New York, through a Public Protection and General Government Budget Bill, awarded the County of Madison a \$1,960,000 grant in 2009 to provide interim financial assistance to mitigate shortfalls in real property tax revenue resulting from non-payment of real property taxes by the Oneida Indian Nation of New York. Although the County received the grant during the past four fiscal years, it was not certain that this grant would be made again in 2009. Therefore, it was not included in the 2009 Adopted Budget or the 2009 Modified Budget.

USING THIS ANNUAL BASIC FINANCIAL STATEMENT

The Statement of Net Assets and the Statement of Activities provide information about the County on a government-wide level basis and present a longer-term view of the County's finances. Fund level financial statements start on page 16 for governmental activities. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund level financial statements also report the County's operation in more detail than government-wide level statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as an agent for the benefit of those outside of the government.

REPORTING THE COUNTY ON A GOVERNMENT-WIDE BASIS

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities provide information on the financial condition and results of operations of the primary government, along with its aggregate discretely presented component units. These statements focus on the two main types of activities carried out by the County – governmental and business-type. The Statement of Net Assets and the Statement of Activities

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2009

are prepared using the economic resources measurement focus and the accrual basis of accounting, which is similar to the reporting used by most private-sector companies. All of the current year's revenues and expenses are reported and accounted for regardless of when cash is received or paid. The difference between assets and liabilities measures the County's financial health or financial position. Over time, increases and decreases in the County's net assets are an indication of whether the financial health of the County is improving or deteriorating. The analysis of other non-financial factors, such as changes in the County's tax base, will assist in assessing the overall financial position of the County.

The Statement of Net Assets and Statement of Activities reported three types of activities:

- **Governmental Activities** – The County's basic services are reported here, including public safety, education, public works, economic assistances, health and general administration. Property taxes, sales taxes, state and federal aid and grants finance most of these activities.
- **Business-type Activities** – The County's solid waste operations are supported primarily by user fees and are accounted for and reported in the business-type activities. In addition, the County sponsors a municipal public entity risk pool for workers' compensation claims and benefits, which are accounted for and reported in the business-type activities.
- **Component Units** – The County includes its Soil and Water Conservation District and Industrial Development Agency as component units. Although legally separate, these component units are included as required by GASB Statement No. 14.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Governmental Funds – Most of the County's basic services are reported in governmental funds that focus on how resources flow into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental fund statement provides a detailed short-term view of the County's general government operations and the basic services it provides. Governmental funds information assists you in determining whether there are more or fewer financial resources available that can be spent in the near future to finance the County's varied programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds are shown in reconciliations on pages 17 and 19.

Proprietary Funds – When the County charges customers for the services it provides, whether to outside customers or units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statements of Net Assets and Activities. The reports specific to the County's enterprise funds (components of proprietary funds) are the same as the business-type activities reported in the government-wide statements, except they provide more detailed information and an additional statement, the Statement of Cash Flows.

THE COUNTY AS TRUSTEE

Reporting the County's Fiduciary Responsibilities

Fiduciary Funds – Those funds that the County has fiduciary responsibilities for because of a trust arrangement are Fiduciary Funds. At December 31, 2009, the County had no trust arrangements.

Agency Funds – Agency Funds account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2009

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Condensed Statement of Net Assets

In the government-wide financial statements, net assets report the financial condition at year-end for both the governmental and business-type activities. The following summarizes the County's financial position related to each of these activities as of December 31, 2009 and 2008:

Table 1
Condensed Statement of Net Assets
As of December 31

	2009			2008		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Assets						
Current & other assets	\$53,345,579	\$3,636,168	\$56,981,747	\$54,923,179	\$3,276,796	\$58,199,975
Capital assets, net of accumulated depreciation	71,162,086	11,247,834	82,409,920	65,777,905	10,965,841	76,743,746
Total Assets	124,507,665	14,884,002	139,391,667	120,701,084	14,242,637	134,943,721
Liabilities						
Long-term debt outstanding	350,000	-	350,000	1,340,000	-	1,340,000
Other postemployment benefits (OPEB) liability	9,883,296	308,602	10,191,898	5,027,761	154,388	5,182,149
Other liabilities	21,238,155	6,107,962	27,346,117	21,093,950	6,164,045	27,257,995
Total Liabilities	31,471,451	6,416,564	37,888,015	27,461,711	6,318,433	33,780,144
Net Assets						
Invested in capital assets, net of related debt	70,812,086	11,247,834	82,059,920	64,437,905	10,965,841	75,403,746
Restricted	27,214	-	27,214	61,314	-	61,314
Unrestricted:						
Undesignated	22,196,914	(2,780,396)	19,416,518	28,740,154	(3,041,637)	25,698,517
Total Net Assets	\$93,036,214	\$8,467,438	\$101,503,652	\$93,239,373	\$7,924,204	\$101,163,577

The largest portion of the County's net assets are reflected in the invested in capital assets (e.g. land, building, infrastructure, machinery, equipment) less any related debt used to acquire the capital assets that are still outstanding and accumulated depreciation. The County's capital assets are used to provide the various services to the citizens of the County; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is net of related debt, the resources required to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate the debt liability. The total primary government investment in capital assets, net of related debt at December 31, 2009 was \$82,059,920, compared with \$75,403,746 at December 31, 2008. The total primary government capital assets of \$82,409,920 (net of accumulated depreciation) are detailed, including the current year activity, in Note 4 of the Notes to the Basic Financial Statements. The County also has restricted net assets in governmental activities of \$27,214, compared to \$61,314 at the end of 2008, and business-type activities had no restricted net assets in 2009 or 2008.

The governmental activities net assets are restricted \$7,319 for payment of debt service and \$19,895 for surplus revenue from federally sponsored programs. The remaining balance of unrestricted net assets of \$22,196,914 for governmental activities may be used to fund ongoing obligations to the citizens and creditors of the County. Business-type activities unrestricted net assets (deficit) amounted to (\$2,780,396).

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2009

Unrestricted net assets of governmental activities of \$22,196,914 is compared with \$28,740,154 for 2008, while unrestricted net assets (deficit) of business-type activities of (\$2,780,396) is compared with 2008 unrestricted net assets (deficit) of (\$3,041,637).

Condensed Statement of Changes in Net Assets

In the government-wide financial statements, changes in net assets provide the results of operations for both the governmental and business-type activities for the past year. The following summarizes these activities for the years ended December 31, 2009 and 2008:

Table 2
Condensed Statement of Change in Net Assets
For the Years Ended December 31

	2009			2008		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 13,163,067	\$ 5,207,953	\$ 18,371,020	\$ 13,441,525	\$ 4,853,597	\$ 18,295,122
Operating grants and contributions	29,311,081	212,521	29,523,602	24,853,372	48,392	24,901,764
Capital grants and contributions	173,128	-	173,128	446,500	-	446,500
General revenues:						
Taxes and other tax items	50,353,768	-	50,353,768	51,938,944	-	51,938,944
Tobacco settlement	1,142,565	-	1,142,565	1,036,098	-	1,036,098
Off-track betting	119,427	-	119,427	149,405	-	149,405
Investment income	373,893	34,408	408,301	805,044	165,924	970,968
Total revenues	<u>94,636,929</u>	<u>5,454,882</u>	<u>100,091,811</u>	<u>92,670,888</u>	<u>5,067,913</u>	<u>97,738,801</u>
Expenses						
General government	19,058,589	-	19,058,589	19,136,865	-	19,136,865
Education	5,433,989	-	5,433,989	5,152,504	-	5,152,504
Public safety	11,989,998	-	11,989,998	11,268,731	-	11,268,731
Health	12,792,019	-	12,792,019	12,539,798	-	12,539,798
Transportation	12,622,880	-	12,622,880	14,946,239	-	14,946,239
Economic assistance and opportunity	30,032,649	-	30,032,649	28,014,487	-	28,014,487
Culture and recreation	700,117	-	700,117	757,495	-	757,495
Home and community services	2,182,689	-	2,182,689	2,638,437	-	2,638,437
Interest on debt	27,158	-	27,158	78,276	-	78,276
Environmental landfill	-	3,830,933	3,830,933	-	3,920,097	3,920,097
Workers' compensation	-	1,438,953	1,438,953	-	777,759	777,759
Total expenses	<u>94,840,088</u>	<u>5,269,886</u>	<u>100,109,974</u>	<u>94,532,832</u>	<u>4,697,856</u>	<u>99,230,688</u>
Change in net assets	<u>(203,159)</u>	<u>184,996</u>	<u>(18,163)</u>	<u>(1,861,944)</u>	<u>370,057</u>	<u>(1,491,887)</u>
Net assets-beginning, restated	<u>93,239,373</u>	<u>8,282,442</u>	<u>101,521,815</u>	<u>95,101,317</u>	<u>7,554,147</u>	<u>102,655,464</u>
Net assets-ending	<u>\$ 93,036,214</u>	<u>\$ 8,467,438</u>	<u>\$ 101,503,652</u>	<u>\$ 93,239,373</u>	<u>\$ 7,924,204</u>	<u>\$ 101,163,577</u>

The business-type activities beginning net assets were restated to reflect an increase of \$358,238. This restatement is due to a prior year adjustment in the Environmental Landfill Fund. The effect of the restatement is summarized in note 1(e).

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The County's primary government net assets decreased by \$18,163 in 2009. Governmental activities net assets decreased by \$203,159 and business-type activities net assets increased by \$184,996. Key elements of these changes are as follows:

Governmental Activities

Revenues:

- *Operating Grants and Contributions* – This category of program revenues increased by \$4,457,709, or 17.9%, compared with 2008. The increase is due in part to a \$1,585,407 increase in federal aid for road and bridge projects. There was also an increase in federal aid of \$1,323,812 for social services programs and administration, and federal aid for job training increased by \$862,021. The increases in federal aid for social services and job training programs were partially the result of the County's receipt of American Recovery and Reinvestment Act funds. Also attributing to the overall increase is a \$643,582 increase in state aid for road and bridge projects, as well as bus and mass transportation programs.
- *Sales tax* – The County's gross sales tax revenue decreased by \$1,493,273, or 6.7%, compared with 2008.
- *Investment income* – Interest income earned on the investment of surplus funds decreased by \$431,151, or 53.6%. This decrease is primarily the result of a decrease in interest rates, combined with modest decreases in cash and cash equivalents, in 2009.

Expenses:

- *Transportation* – Overall, transportation expense decreased by \$2,323,359, or 15.5%. This decrease is largely the result of accounting for the addition of a significant amount of infrastructure capital assets during fiscal year 2009.
- *Economic Assistance and Opportunity* – Economic assistance and opportunity expense increased by \$2,018,162, or 7.2%. This increase is mainly due to an increase of \$862,940 for job training expense and an increase of \$686,326 for social services programs and administration. Also attributing to the overall increase in economic assistance and opportunity expense is an increase in expense of \$209,318 for the Agricultural and Renewable Energy Park capital project.

Business-type Activities

Revenues:

- *Environmental Landfill* – Net non-operating revenues increased by \$88,449 after restatement. This 48.7% increase is mainly due to an increase in state and federal aid of \$160,668, and a gain on disposal of assets of \$40,422. Operating revenue from charges for services increased by a modest \$34,354, or 0.9%. These increases were partially offset by an 84.6% decrease in interest revenue of \$112,641.
- *Workers' Compensation* – Revenue from participant charges increased by \$283,041, or 30.0%, compared with 2008. Interest income decreased by \$18,875, or 57.5%, primarily due to a decrease in interest rates in 2009.

Expenses:

- *Environmental Landfill* – Overall, total operating expenses increased by \$288,567 after restatement. This 8.1% increase is primarily due to a \$342,120 increase in depreciation expense.

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
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Also attributing to the increase were increases in personal services and employee benefits expense of \$113,969 and \$30,567, respectively. These increases were partially offset by an 11.0% decrease in contractual expense of \$197,915.

- *Workers' Compensation* – Contractual expense increased by \$661,194, or 85.0%, compared to 2008. This increase is largely the result of a \$558,953 increase in claims expense and an \$81,650 increase in service fees.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in analyzing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year or funds available in the subsequent year for appropriation to reduce the County tax levy.

As of December 31, 2009, the County governmental funds reported combined fund balances of \$30,274,680, compared with a prior-year fund balance of \$32,081,587, a decrease of \$1,806,907. \$27,052,702 of the County's combined fund balances constitutes unreserved fund balance, which is available for spending at the government's discretion. The following tables present the County's governmental fund balances as of December 31, 2009 and 2008, and the changes in fund balance for the years then ended:

Table 3
Condensed Schedule of Governmental Funds
Fund Balances
As of December 31

	2009			2008		
	General Fund	Non-major Governmental Funds	Total Governmental Funds	General Fund	Non-major Governmental Funds	Total Governmental Funds
Reserved for:						
Encumbrances	\$ 780,531	\$ 743,987	\$ 1,524,518	\$ 1,408,007	\$ 645,450	\$ 2,053,457
Debt service	-	7,319	7,319	-	41,468	41,468
Law enforcement of drug-related crimes	19,895	-	19,895	19,846	-	19,846
Inventories	128,416	1,541,830	1,670,246	108,434	1,509,456	1,617,890
Total reserved	928,842	2,293,136	3,221,978	1,536,287	2,196,374	3,732,661
Unreserved fund balances:						
Designated for ensuing year's budget	6,800,000	619,725	7,419,725	5,100,000	639,925	5,739,925
Undesignated:						
General fund	12,389,002	-	12,389,002	18,550,527	-	18,550,527
Special fund	-	4,645,732	4,645,732	-	3,918,467	3,918,467
Capital projects	-	2,598,243	2,598,243	-	140,007	140,007
Total unreserved	19,189,002	7,863,700	27,052,702	23,650,527	4,698,399	28,348,926
Total fund balances	\$ 20,117,844	\$ 10,156,836	\$ 30,274,680	\$ 25,186,814	\$ 6,894,773	\$ 32,081,587

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2009

Table 4
Condensed Schedule of Governmental Funds
Changes in Fund Balances
For the years ended December 31

	2009			2008		
	General	Non-major	Total	General	Non-major	Total
	Fund	Governmental	Governmental	Fund	Governmental	Governmental
	Fund	Funds	Funds	Fund	Funds	Funds
Fund balances, beginning	\$ 25,186,814	\$ 6,894,773	\$ 32,081,587	\$ 24,987,905	\$ 6,580,043	\$ 31,567,948
Revenues	86,629,542	10,124,869	96,754,411	86,930,071	8,409,937	95,340,008
Expenditures	(77,694,035)	(20,867,283)	(98,561,318)	(77,158,509)	(17,667,860)	(94,826,369)
Other financing sources, net	-	14,248,187	14,248,187	938,051	11,079,981	12,018,032
Other financing uses, net	(14,004,477)	(243,710)	(14,248,187)	(10,510,704)	(1,507,328)	(12,018,032)
Fund balances, ending	\$ 20,117,844	\$ 10,156,836	\$ 30,274,680	\$ 25,186,814	\$ 6,894,773	\$ 32,081,587

Proprietary Funds

The County's proprietary funds provide the same information found in the business-type activities as presented on the government-wide financial statements, but with more detail.

Enterprise Fund – Environmental Landfill – As of December 31, 2009, the net assets of the environmental landfill operation were \$8,467,438, an increase of \$383,510 from 2008 as restated. As of December 31, 2009, the restricted net assets of the enterprise environmental landfill fund were \$11,247,834 and the unrestricted net assets were (\$2,780,396).

Enterprise Fund – Workers' Compensation – The County is the sponsor of a public entity risk pool for Workers' Compensation claims/benefits. The pool consists of 41 participating municipal entities that share in the risk of the pool on a pro-rata basis of their estimated claim expense to the total estimated claim expense. At year-end 2009, the total net assets of this enterprise fund were \$0, a decrease from the prior year of \$198,514.

Table 5
Condensed Schedule of Proprietary Fund
Net Assets
As of December 31

	2009			2008		
	Environmental	Workers'	Total	Environmental	Workers'	Total
	Landfill	Compensation		Landfill	Compensation	
Invested in capital assets, net of related debt as restated in 2008	\$ 11,247,834	\$ -	\$ 11,247,834	\$ 11,324,079	\$ -	\$ 11,324,079
Unrestricted:						
Undesignated	(2,780,396)	-	(2,780,396)	(3,240,151)	198,514	(3,041,637)
Total net assets as restated in 2008	\$ 8,467,438	\$ -	\$ 8,467,438	\$ 8,083,928	\$ 198,514	\$ 8,282,442

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2009

Table 6
Condensed Schedule of Proprietary Funds
Changes in Net Assets
For the years ended December 31

	2009			2008		
	Environmental Landfill	Workers' Compensation	Total	Environmental Landfill	Workers' Compensation	Total
Net assets, beginning, as restated in 2009	\$ 8,083,928	\$ 198,514	\$ 8,282,442	\$ 7,554,147	\$ -	\$ 7,554,147
Total operating revenue	3,944,499	1,226,493	5,170,992	3,910,145	943,452	4,853,597
Total operating expense, as restated in 2008	(3,830,933)	(1,438,953)	(5,269,886)	(3,542,366)	(777,759)	(4,320,125)
Operating income (loss)	113,566	(212,460)	(98,894)	367,779	165,693	533,472
Non-operating revenue, net	269,944	13,946	283,890	181,495	32,821	214,316
Interest expense	-	-	-	(19,493)	-	(19,493)
Net assets, ending, as restated in 2008	\$ 8,467,438	\$ -	\$ 8,467,438	\$ 8,083,928	\$ 198,514	\$ 8,282,442

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget was increased at the beginning of the year by \$1,408,007 for incomplete 2008 special projects and other incomplete budget obligations. This compares with a fiscal year 2008 beginning-of-year increase in budget appropriations of \$1,207,950. These incomplete projects and obligations included legislative affairs consulting services of \$294,967, continued Indian land claim research of \$168,057, miscellaneous minor County building projects of \$158,449, a payroll software upgrade of \$110,000, Board of Elections voter centralization and associated expenses of \$99,102, Communications Center E-911 upgrades of \$96,485, Correctional Facility improvements of \$83,870, and various minor departmental projects and budget obligations of \$397,077.

During 2009, the County authorized the use of \$3,799,160 of General Fund unappropriated fund balance. \$3,300,000 of the General Fund unappropriated fund balance was transferred to the Capital Projects Fund for the Public Safety Communication Upgrade project and the Agricultural and Renewable Energy Park project.

For 2009, actual expenditures in the General Fund were \$10,722,758 lower than the modified budget, compared to \$7,716,024 lower in 2008. Actual revenues were \$5,484,561 lower than modified revenue estimates in 2009, compared with \$1,977,738 lower than modified revenue estimates in 2008.

Actual General Fund revenues were \$5,068,970 less than General Fund expenditures in 2009. This compares with a 2008 surplus of revenues over expenditures of \$198,909.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – The County's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounted to \$82,409,920, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and bridges. The County's investment in capital assets for the current fiscal year increased 8.2% for governmental activities and decreased .7% for business-type activities. Overall, the County's investment

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2009

in capital assets for the current fiscal year for the primary government, including governmental and business-type activities, increased 6.9%.

The following tables are Condensed Schedules of Capital Assets for the current fiscal year and the preceding fiscal year.

Table 7
Condensed Schedule of Capital Assets
As of December 31, 2009

At the end of 2009, the County had invested \$82,409,920 in capital assets, net of depreciation, in a broad range of capital assets, including infrastructure, which included roads, bridges, culverts and sewer.

	Governmental Activities	Business-type Activities	Total Primary Government	Percent of Total
Land	\$ 933,643	\$ 715,347	\$ 1,648,990	0.9%
Construction in progress	1,702,570	76,225	1,778,795	1.0%
Buildings	31,622,058	1,316,249	32,938,307	18.7%
Improvements other than buildings	1,365,431	11,346,504	12,711,935	7.2%
Infrastructure	103,906,832	650,015	104,556,847	59.5%
Machinery and equipment	<u>18,756,894</u>	<u>3,528,891</u>	<u>22,285,785</u>	<u>12.7%</u>
Total capital assets	158,287,428	17,633,231	175,920,659	100.0%
Accumulated depreciation	<u>(87,125,342)</u>	<u>(6,385,397)</u>	<u>(93,510,739)</u>	
Total net capital assets	<u>\$ 71,162,086</u>	<u>\$ 11,247,834</u>	<u>\$ 82,409,920</u>	

Table 8
Condensed Schedule of Capital Assets
As of December 31, 2008

At the end of 2008, the County had invested \$77,101,984 in capital assets, net of depreciation, in a broad range of capital assets, including infrastructure, which included roads, bridges, culverts and sewer.

	Governmental Activities	Business-type Activities	Total Primary Government	Percent of Total
Land	\$ 933,643	\$ 715,347	\$ 1,648,990	1.0%
Construction in progress	871,530	403,184	1,274,714	0.8%
Buildings	30,393,988	1,081,699	31,475,687	18.7%
Improvements other than buildings	1,298,389	11,287,442	12,585,831	7.5%
Infrastructure	97,974,447	-	97,974,447	58.3%
Machinery and equipment	<u>19,507,480</u>	<u>3,453,245</u>	<u>22,960,725</u>	<u>13.7%</u>
Total capital assets	150,979,477	16,940,917	167,920,394	100.0%
Accumulated depreciation	<u>(85,201,572)</u>	<u>(5,616,838)</u>	<u>(90,818,410)</u>	
Total net capital assets	<u>\$ 65,777,905</u>	<u>\$ 11,324,079</u>	<u>\$ 77,101,984</u>	

COUNTY OF MADISON, NEW YORK
 Management's Discussion and Analysis (Unaudited)
 Year Ended December 31, 2009

Major capital acquisitions during the current fiscal year included the following:

Governmental activities

- Boiler replacements \$206,578.
- Courthouse renovations \$385,868.
- Correctional facility door security system \$562,597.
- Public Safety Communication Upgrade project construction in progress \$1,306,164.
- Infrastructure improvements to roads and bridges \$7,003,975.

Business-type activities

- Gas recovery utility system \$650,015.
- New scale house construction \$234,550.

Additional information on capital assets can be found in Note 4 in the Notes to the Basic Financial Statements of this report.

Long-term Debt – At the end of 2009, the County had total debt outstanding of \$350,000, which is comprised of debt backed by the full faith and credit of the County.

The following table presents the County's outstanding debt and the changes that occurred during 2009 and 2008:

Table 9
Outstanding Debt
As of December 31

	2009			2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Beginning outstanding debt:						
General obligation bonds	\$ 1,340,000	\$ -	\$ 1,340,000	\$ 2,320,000	\$ 355,000	\$ 2,675,000
Scheduled debt payments	(990,000)	-	(990,000)	(980,000)	(355,000)	(1,335,000)
Ending outstanding debt	\$ 350,000	\$ -	\$ 350,000	\$ 1,340,000	\$ -	\$ 1,340,000

The County's statutory debt limitation is \$230,737,269. The County has used 0.2% of its limitation at the end of 2009, compared with 0.6% at the end of 2008.

Economic Factors and Ensuing Year's Budget and Rates

The unemployment rate for the County as of June 2010 is 7.4%, which compares to 8.3% for the previous year. The New York State average is 8.2%, and the national unemployment rate is 9.5% as of June 2010 (*Sources: New York State Department of Labor and the Bureau of Labor Statistics*).

As of June 2010, the Consumer Price Index for the area has risen 1.7 % compared to the previous year. The national average for the same period has risen 1.1%.

Unreserved fund balance in the General Fund decreased \$4,461,525 during 2009 to \$19,189,002. The County appropriated \$6,800,000 for spending in the 2010 budget.

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2009

The tax levy increased for tax year 2010 by \$665,485. At December 31, 2009, the County had a maximum taxing power of \$70,399,706, and had used 36.15% of its limit as compared with 36.71% for the previous year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the County's finances and to provide accountability for the funds the County receives and disburses. If you have any questions about this report or need additional financial information, please contact Cindy J. Edick, Madison County Treasurer, Post Office Box 665, Wampsville, New York 13163, or the Madison County Treasurer's Office, County Office Building, North Court Street, Wampsville, New York 13163.

COUNTY OF MADISON, NEW YORK
STATEMENT OF NET ASSETS
As of December 31, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 23,825,394	\$ 2,503,285	\$ 26,328,679	\$ 949,032
Accounts receivable, net	11,787,067	421,593	12,208,660	-
Prepaid expenses	620,081	13,080	633,161	-
Due from other governments	10,205,828	-	10,205,828	-
Due from other funds	5,166,156	-	5,166,156	-
Internal balances	70,807	(70,807)	-	-
Inventories	1,670,246	74,605	1,744,851	-
Total current assets	<u>53,345,579</u>	<u>2,941,756</u>	<u>56,287,335</u>	<u>949,032</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	-	694,412	694,412	-
Capital assets, net	71,162,086	11,247,834	82,409,920	413,599
Total non-current assets	<u>71,162,086</u>	<u>11,942,246</u>	<u>83,104,332</u>	<u>413,599</u>
Total Assets	<u>124,507,665</u>	<u>14,884,002</u>	<u>139,391,667</u>	<u>1,362,631</u>
LIABILITIES				
Current liabilities:				
Accounts payable, accrued liabilities and retainage payable	5,400,079	224,958	5,625,037	7,405
Due to other governments	12,375,526	-	12,375,526	-
Compensated absences	83,398	-	83,398	-
Bonds payable	350,000	-	350,000	-
Bond accrued interest payable	904	-	904	-
Other liabilities	-	1,219,009	1,219,009	-
Total current liabilities	<u>18,209,907</u>	<u>1,443,967</u>	<u>19,653,874</u>	<u>7,405</u>
Current liabilities payable from restricted assets:				
Customer deposits payable	-	11,000	11,000	-
Non-current liabilities:				
Compensated absences	3,378,248	140,511	3,518,759	-
Other postemployment benefits (OPEB) liability	9,883,296	308,602	10,191,898	-
Landfill closure/post closure	-	4,512,484	4,512,484	-
Total non-current liabilities	<u>13,261,544</u>	<u>4,961,597</u>	<u>18,223,141</u>	<u>-</u>
Commitments and contingencies (Notes 9 and 10)				
Total Liabilities	<u>31,471,451</u>	<u>6,416,564</u>	<u>37,888,015</u>	<u>7,405</u>
NET ASSETS				
Invested in capital assets, net of related debt	70,812,086	11,247,834	82,059,920	413,599
Restricted for:				
Debt service	7,319	-	7,319	-
Other purposes	19,895	-	19,895	-
Unrestricted:				
Undesignated	22,196,914	(2,780,396)	19,416,518	941,627
Total Net Assets	<u>\$ 93,036,214</u>	<u>\$ 8,467,438</u>	<u>\$ 101,503,652</u>	<u>\$ 1,355,226</u>

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF MADISON, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
FUNCTIONS/PROGRAMS							
PRIMARY GOVERNMENT							
Governmental activities:							
General government support	\$ 19,058,589	\$ 3,159,071	\$ 2,412,390	\$ -	\$ (13,487,128)	\$ -	\$ -
Education	5,433,989	464,176	1,661,016	-	(3,308,797)	-	(3,308,797)
Public safety	11,989,998	697,972	628,894	16,350	(10,646,782)	-	(10,646,782)
Health	12,792,019	5,989,337	3,697,562	-	(3,105,120)	-	(3,105,120)
Transportation	12,622,880	895,857	6,729,847	156,778	(4,840,398)	-	(4,840,398)
Economic assistance and opportunity	30,032,649	1,414,735	13,497,859	-	(15,120,055)	-	(15,120,055)
Culture and recreation	700,117	-	351,627	-	(348,490)	-	(348,490)
Home and community services	2,182,689	541,919	331,886	-	(1,308,884)	-	(1,308,884)
Interest on long-term debt	27,158	-	-	-	(27,158)	-	(27,158)
Total governmental activities	94,840,088	13,163,067	29,311,081	173,128	(52,192,812)	-	(52,192,812)
Business-type activities:							
Environmental landfill	3,830,933	3,981,460	212,521	-	-	363,048	363,048
Workers' compensation	1,438,953	1,226,493	-	-	-	(212,460)	(212,460)
Total business-type activities	5,269,886	5,207,953	212,521	-	-	150,588	150,588
Total primary government	\$ 100,109,974	\$ 18,371,020	\$ 29,523,602	\$ 173,128	(52,192,812)	150,588	(52,042,224)
Component units:							
Economic development	269,448	32,751	164,964	-	-	-	(71,733)
Soil and water conservation	1,408,878	85,871	1,304,206	-	-	-	(18,801)
Total component units	\$ 1,678,326	\$ 118,622	\$ 1,469,170	\$ -	-	-	(90,534)
General revenues:							
Taxes:							
Real property tax and other tax items					28,793,832	-	28,793,832
Sales tax					20,652,231	-	20,652,231
Other non-property tax items					907,705	-	907,705
Tobacco settlement revenues					1,142,565	-	1,142,565
Off-track betting revenues					119,427	-	119,427
Unrestricted interest income					373,893	-	373,893
Total general revenues					51,989,653	34,408	52,024,061
Change in net assets					(203,159)	184,996	(18,163)
Net assets - beginning, restated					93,239,373	8,282,442	101,521,815
Net assets - ending					\$ 93,036,214	\$ 8,467,438	\$ 101,503,652

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
As of December 31, 2009

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 15,089,726	\$ 8,735,668	\$ 23,825,394
Taxes receivable, net	7,540,024	-	7,540,024
Accounts receivable	1,745,205	1,872,920	3,618,125
Due from other funds	5,413,571	206,080	5,619,651
Loans receivable	-	628,918	628,918
State and federal receivables	7,644,557	2,561,271	10,205,828
Inventories	128,416	1,541,830	1,670,246
Prepaid expenses	556,951	63,130	620,081
Total Assets	38,118,450	15,609,817	53,728,267
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	3,290,017	1,961,779	5,251,796
Accrued liabilities	64,520	83,763	148,283
Due to other funds	189,894	192,794	382,688
Due to other governments	12,375,526	-	12,375,526
Deferred revenue	2,080,649	3,214,645	5,295,294
Total Liabilities	18,000,606	5,452,981	23,453,587
Fund Balances:			
Reserved for:			
Encumbrances	780,531	743,987	1,524,518
Inventories	128,416	1,541,830	1,670,246
Debt Service	-	7,319	7,319
Special	19,895	-	19,895
Unreserved fund balances:			
Designated for 2010 budgeted appropriations	6,800,000	619,725	7,419,725
Undesignated fund balances reported in:			
General fund	12,389,002	-	12,389,002
Special revenue funds	-	4,645,732	4,645,732
Capital projects fund	-	2,598,243	2,598,243
Total Fund Balances	20,117,844	10,156,836	30,274,680
Total Liabilities and Fund Balances	\$ 38,118,450	\$ 15,609,817	\$ 53,728,267

The notes to the basic financial statements are an integral part of this statement.

**COUNTY OF MADISON, NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
As of December 31, 2009**

Total fund balances - governmental funds \$ 30,274,680

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Non-depreciable assets:

Land	\$	933,643
Construction in progress		1,702,570
		2,636,213

Depreciable assets:

Buildings		31,622,058
Improvements other than buildings		1,365,431
Infrastructure		103,906,832
Machinery and equipment		18,756,894
Accumulated depreciation		(87,125,342)
		68,525,873

Total capital assets 71,162,086

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These long-term liabilities are included in the governmental activities in the statement of net assets and consist of:

Compensated absences		(3,461,646)
Other postemployment benefits (OPEB)		(9,883,296)
Accrued bond interest payable		(904)
Bonds payable		(350,000)
		(13,695,846)

Total long-term liabilities (13,695,846)

Some of the County's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds

5,295,294

Net assets of governmental activities \$ 93,036,214

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	General	Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Real property taxes	\$ 27,101,351	\$ 5,432	\$ 27,106,783
Real property tax items	1,154,804	-	1,154,804
Non-property tax items	21,118,602	414,125	21,532,727
Departmental income	9,444,526	776,756	10,221,282
Intergovernmental charges	345,441	840,469	1,185,910
Use of money and property	332,476	196,186	528,662
Licenses and permits	10,223	-	10,223
Fines and forfeitures	176,971	-	176,971
Sale of property and compensation for loss	1,279,195	62,725	1,341,920
Miscellaneous local sources	1,503,552	6,764	1,510,316
Interfund	1,873,963	712,105	2,586,068
State aid	14,032,880	2,874,348	16,907,228
Federal aid	8,255,558	4,235,959	12,491,517
Total Revenues	<u>86,629,542</u>	<u>10,124,869</u>	<u>96,754,411</u>
EXPENDITURES			
General government support	19,472,495	-	19,472,495
Education	5,342,333	-	5,342,333
Public safety	10,084,765	1,307,414	11,392,179
Health	11,233,019	-	11,233,019
Transportation	814,336	14,559,143	15,373,479
Economic assistance and opportunity	26,574,842	1,783,135	28,357,977
Culture and recreation	670,970	-	670,970
Home and community services	1,340,340	675,386	2,015,726
Employee benefits	2,160,935	1,523,085	3,684,020
Debt service:			
Principal	-	990,000	990,000
Interest	-	29,120	29,120
Total Expenditures	<u>77,694,035</u>	<u>20,867,283</u>	<u>98,561,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,935,507</u>	<u>(10,742,414)</u>	<u>(1,806,907)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	14,248,187	14,248,187
Transfers out	(14,004,477)	(243,710)	(14,248,187)
Total other financing sources (uses)	<u>(14,004,477)</u>	<u>14,004,477</u>	<u>-</u>
Net change in fund balances	(5,068,970)	3,262,063	(1,806,907)
Fund balances at beginning of year	<u>25,186,814</u>	<u>6,894,773</u>	<u>32,081,587</u>
Fund balances at end of year	<u>\$ 20,117,844</u>	<u>\$ 10,156,836</u>	<u>\$ 30,274,680</u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Net change in fund balances - total governmental funds **\$ (1,806,907)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.

	Capital outlays	\$ 9,767,290	
	Retirement of capital assets	(666,111)	
	Less depreciation expense	<u>(3,716,998)</u>	5,384,181

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 236,896

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	Repayment bond principal	990,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

	Compensated absences	(153,756)	
	Other postemployment benefits (OPEB)	(4,855,535)	
	Change in accrued interest	<u>1,962</u>	<u>(5,007,329)</u>

Change in net assets of governmental activities **\$ (203,159)**

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of December 31, 2009

	Business-type Activities Enterprise Funds		
	Environmental Landfill	Workers' Compensation	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,365,705	\$ 1,137,580	\$ 2,503,285
Accounts receivable, net	111,480	101,053	212,533
State & federal receivables	209,060	-	209,060
Prepaid expenses	13,080	-	13,080
Internal balances	(70,807)	-	(70,807)
Inventories	74,605	-	74,605
Total current assets	<u>1,703,123</u>	<u>1,238,633</u>	<u>2,941,756</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	694,412	-	694,412
Total restricted assets	<u>694,412</u>	<u>-</u>	<u>694,412</u>
Capital assets:			
Non-depreciable capital assets:			
Land	715,347	-	715,347
Construction in progress	76,225	-	76,225
Depreciable capital assets:			
Buildings and building improvements	1,316,249	-	1,316,249
Improvements other than buildings	11,996,519	-	11,996,519
Machinery and equipment	3,528,891	-	3,528,891
Less accumulated depreciation	(6,385,397)	-	(6,385,397)
Total capital assets net of accumulated depreciation	<u>11,247,834</u>	<u>-</u>	<u>11,247,834</u>
Total non-current assets	<u>11,942,246</u>	<u>-</u>	<u>11,942,246</u>
Total Assets	<u>13,645,369</u>	<u>1,238,633</u>	<u>14,884,002</u>
LIABILITIES			
Current liabilities:			
Accounts payable, accrued liabilities and retainage payable	205,334	19,624	224,958
Other liabilities	-	1,219,009	1,219,009
Total current liabilities	<u>205,334</u>	<u>1,238,633</u>	<u>1,443,967</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	11,000	-	11,000
Total current liabilities payable from restricted assets	<u>11,000</u>	<u>-</u>	<u>11,000</u>
Noncurrent liabilities:			
Compensated absences payable	140,511	-	140,511
Other postemployment benefits payable	308,602	-	308,602
Landfill closure/post-closure	4,512,484	-	4,512,484
Total noncurrent liabilities	<u>4,961,597</u>	<u>-</u>	<u>4,961,597</u>
Total Liabilities	<u>5,177,931</u>	<u>1,238,633</u>	<u>6,416,564</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,247,834	-	11,247,834
Unrestricted:			
Undesignated	(2,780,396)	-	(2,780,396)
Total Net Assets	<u>\$ 8,467,438</u>	<u>\$ -</u>	<u>\$ 8,467,438</u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-type Activities Enterprise Funds		
	Environmental Landfill	Workers' Compensation	Totals
Operating revenues:			
Charges for services	\$ 3,944,499	\$ 1,226,493	\$ 5,170,992
Operating expenses:			
Personal services	840,584	-	840,584
Employee benefits	312,364	-	312,364
Other post-employment benefit expense	154,214	-	154,214
Contractual expense	1,607,279	1,438,953	3,046,232
Depreciation	916,492	-	916,492
Total operating expenses	3,830,933	1,438,953	5,269,886
Operating income (loss)	113,566	(212,460)	(98,894)
Non-operating revenues (expenses):			
Interest revenue	20,462	13,946	34,408
State and federal aid	209,060	-	209,060
Gain on disposal of assets	40,422	-	40,422
Total non-operating revenues	269,944	13,946	283,890
Increase in net assets	383,510	(198,514)	184,996
Net assets at beginning of year, restated	8,083,928	198,514	8,282,442
Net assets at end of year	\$ 8,467,438	\$ -	\$ 8,467,438

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-type activities Enterprise Funds		
	Environmental Landfill	Workers' Compensation	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 4,021,484	\$ 1,125,441	\$ 5,146,925
Cash paid for contractual services	(1,895,968)	(1,190,897)	(3,086,865)
Cash paid to and on behalf of employees	(1,157,101)	-	(1,157,101)
Net cash provided (used) by operating activities	<u>968,415</u>	<u>(65,456)</u>	<u>902,959</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash outlay for capital assets, net	(792,327)	-	(792,327)
Net cash used by capital and related financing activities	<u>(792,327)</u>	<u>-</u>	<u>(792,327)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from interest and dividends	21,705	13,946	35,651
Net cash provided by investing activities	<u>21,705</u>	<u>13,946</u>	<u>35,651</u>
Net increase (decrease) in cash and cash equivalents	197,793	(51,510)	146,283
Cash and cash equivalents, January 1	<u>1,862,324</u>	<u>1,189,090</u>	<u>3,051,414</u>
Cash and cash equivalents, December 31	<u>\$ 2,060,117</u>	<u>\$ 1,137,580</u>	<u>\$ 3,197,697</u>
Classified as:			
Cash and cash equivalents - unrestricted	1,365,705	1,137,580	2,503,285
Cash and cash equivalents - restricted	694,412	-	694,412
Total cash and cash equivalents	<u>\$ 2,060,117</u>	<u>\$ 1,137,580</u>	<u>\$ 3,197,697</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 113,566	\$ (212,460)	\$ (98,894)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	916,492	-	916,492
Gain on disposal of assets	(40,422)	-	(40,422)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	77,526	(101,053)	(23,527)
Decrease in prepaid expense	611	-	611
Decrease in internal balances	26,765	-	26,765
Increase in inventories	(7,878)	-	(7,878)
Increase in accounts payable	114,297	-	114,297
Decrease in accrued liabilities	(21,271)	-	(21,271)
Increase in compensated absences	39,225	-	39,225
Decrease in closure/post closure payable	(404,869)	-	(404,869)
Increase in OPEB liability	154,214	-	154,214
Other reconciling items	159	-	159
Net cash provided (used) by operating activities	<u>\$ 968,415</u>	<u>\$ (65,456)</u>	<u>\$ 902,959</u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
As of December 31, 2009

ASSETS	
Cash and cash equivalents	\$ 4,768,347
Accounts receivable	<u>1,161,706</u>
Total Assets	<u>5,930,053</u>
 LIABILITIES	
Due to other funds	5,166,156
Accounts payable and accrued expenses	<u>763,897</u>
Total Liabilities	<u>5,930,053</u>
 NET ASSETS	 <u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
STATEMENT OF NET ASSETS
COMPONENT UNITS
As of December 31, 2009

	<u>Madison County Industrial Development Agency</u>	<u>Madison County Soil and Water Conservation District</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 215,995	\$ 733,037	\$ 949,032
Total current assets	<u>215,995</u>	<u>733,037</u>	<u>949,032</u>
Noncurrent assets:			
Capital assets, net	413,599	-	413,599
Total noncurrent assets	<u>413,599</u>	<u>-</u>	<u>413,599</u>
Total Assets	<u>629,594</u>	<u>733,037</u>	<u>1,362,631</u>
LIABILITIES			
Current liabilities:			
Accounts payable	7,405	-	7,405
Total Liabilities	<u>7,405</u>	<u>-</u>	<u>7,405</u>
NET ASSETS			
Invested in capital assets, net of related debt	413,599	-	413,599
Unrestricted	<u>208,590</u>	<u>733,037</u>	<u>941,627</u>
Total Net Assets	<u>\$ 622,189</u>	<u>\$ 733,037</u>	<u>\$ 1,355,226</u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF MADISON, NEW YORK
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended December 31, 2009

	<u>Madison County Industrial Development Agency</u>	<u>Madison County Soil and Water Conservation District</u>	<u>Total</u>
Expenses	\$ 269,448	\$ 1,408,878	\$ 1,678,326
Program revenues:			
Charges for services	32,751	85,871	118,622
Operating grants and contributions	<u>164,964</u>	<u>1,304,206</u>	<u>1,469,170</u>
Total program revenues	<u>197,715</u>	<u>1,390,077</u>	<u>1,587,792</u>
Net program expenses	<u>(71,733)</u>	<u>(18,801)</u>	<u>(90,534)</u>
Non-operating revenues:			
Unrestricted interest income	<u>3,233</u>	<u>4,365</u>	<u>7,598</u>
Total non-operating revenue/expense	<u>3,233</u>	<u>4,365</u>	<u>7,598</u>
Change in net assets	(68,500)	(14,436)	(82,936)
Total net assets at beginning of year	<u>690,689</u>	<u>747,473</u>	<u>1,438,162</u>
Total net assets at end of year	<u>\$ 622,189</u>	<u>\$ 733,037</u>	<u>\$ 1,355,226</u>

The notes to the basic financial statements are an integral part of this statement.

1. **BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Background

The County of Madison, New York (the County) was incorporated in 1806 and is governed by County Law and other General Laws of the State of New York. The Board of Supervisors, which is the legislative body responsible for the overall operation of the County, consists of 19 members, with each member's vote weighted on the basis of population in the town or district represented. The Chairman of the Board of Supervisors serves as the Chief Executive Officer. The County Treasurer serves as the Chief Fiscal Officer. The County Administrator serves as the Budget Officer.

The basic services provided are highway maintenance, social services, health services, public safety, cultural and recreational programs and certain administrative services.

Summary of Significant Accounting Policies

The accounting policies of the County conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

(a) *Reporting Entity*

The financial reporting entity consists of the County (primary government) and organizations for which the primary government is financially accountable and the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Aggregate discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Based upon the foregoing criteria and the significant factors presented below, the following organizations, functions, or activities are included in the County's aggregate discretely presented component units:

Madison County Industrial Development Agency

The Madison County Industrial Development Agency (IDA) is a public benefit corporation created by the New York State Legislature and established to promote the economic welfare, recreation opportunities and prosperity of the County inhabitants and to develop economically sound commerce and industry. Members of the Agency's Board of Directors are appointed by the County Board of Supervisors. The Agency's Board has complete responsibility for management of the agency and accountability for fiscal matters. The County is not liable for agency bonds and exercises no oversight responsibility. Separate financial statements may be obtained from the Madison County IDA at 3215 Seneca Turnpike, Canastota, New York 13032.

Basis of accounting – The financial statements for the IDA are presented on the accrual basis of accounting.

Madison County Soil and Water Conservation District

The Madison County Soil and Water Conservation District (the District) was created by the New York State Legislature to provide for the conservation of soil and water resources and prevention of soil erosion. The District provides technical assistance relative to natural resource conservation and water quality to the residents of the County. Although the Board of Supervisors appoints the five members of the District board, the members have complete responsibility for management

and accountability for fiscal matters of the District. Separate financial statements may be obtained from the Madison County Soil and Water Conservation District at 6503 Wes Road, Hamilton, New York 13346.

Basis of accounting – The financial statements for the District are presented on the modified accrual basis of accounting.

(b) Accounting and Reporting Change

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments by similar entities and requires endowments to report their land and other real estate investments at fair value. This Statement has been adopted by the County effective for the year beginning January 1, 2009.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, are intended to make it easier for preparers of state and local government financial statements to identify and apply the guidance related to generally accepted accounting principles without having to consult a number of different sources. These Statements have been adopted by the County effective for the year beginning January 1, 2009.

The following accounting standards have been issued, but have not yet been implemented by the County:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and financial reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. The requirements of the Statement are effective for periods beginning after June 15, 2009, which is the fiscal year beginning January 1, 2010 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments, and requires governments to test the effectiveness of derivative instruments, and record ineffective derivative instruments at fair value. The requirements of the Statement are effective for periods beginning after June 15, 2009, which is the fiscal year beginning January 1, 2010 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. The requirements of the Statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning January 1, 2011 for the County. Management has not yet determined the effect that this Statement will have on the future financial statements of the County.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, improves consistency in the measurement, recognition, and disclosure guidance for Chapter 9 bankruptcies. It is intended to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of the Statement are effective

for periods beginning after June 15, 2009, which is the fiscal year beginning January 1, 2010 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 59, *Financial Instruments Omnibus*, is intended to help preparers of government financial statements improve the consistency and completeness of reporting and disclosure for certain types of financial instruments. The requirements of the Statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning January 1, 2011 for the County. Management has not yet determined the effect that this Statement will have on the future financial statements of the County.

(c) ***Basis of Presentation***

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) concentrate on the County as a whole and do not emphasize fund types but rather a governmental or a business-type activities classification, which are presented separately. The governmental activities and business-type activities comprise the primary government and are reported separately from the discretely presented component units of the County. General governmental and intergovernmental revenues support the governmental activities, whereas the business-type activities are primarily supported by user fees and charges for services.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The Statement of Activities reflects the expenses of a given function or segment and the extent they are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions, directly associated within a given function. Taxes and other revenues not associated with a specific function are reported as general revenue.

The effect of interfund activity has been removed from the government-wide financial statements. However, the interfund services between functions is not eliminated.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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. The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity/net assets, revenues and expenditures/expenses.

Governmental Fund Types

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers certain revenues (i.e. property taxes) to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments and certain other long-term liabilities are recorded only when payment is due.

The County reports the following major governmental fund:

General Fund – The General Fund is the County’s principal operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

The County reports the following governmental funds collectively in the Non-major Governmental funds:

Capital Projects Fund – Used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the enterprise funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specified revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The primary funds included in the Special Revenue Funds are:

County Road Fund – Used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.

Road 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.

Community Development Grant Fund – Used to account for funds received under the U.S. Department of Housing and Urban Development’s Community Development Small Cities Block Grant Program.

Proprietary Fund Types

All proprietary funds are major funds and are used to account for a government’s business-type activities, which are similar to those often found in the private sector. Proprietary fund types use the economic resources measurement focus and accrual basis of accounting. Proprietary funds are comprised of:

Enterprise Funds – The Enterprise Funds are used to account for operations that provide services primarily to customers other than governments outside the financial reporting entity and are financed primarily by user charges. The Enterprise Funds are:

Environmental Landfill Fund – The Environmental Landfill Fund accounts for the planning, development, operation and maintenance of County solid waste handling facilities. Substantially all revenues are from user fees, and it is the County’s intention that the solid waste operation be self-supporting.

Workers' Compensation Fund – The Workers' Compensation Fund accounts for the activities of a County-sponsored, 40-member municipal workers' compensation pool.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as agent for individuals, private organizations, other governments and/or funds. They cannot be used to support the government's own programs. Fiduciary funds are comprised of:

Agency Funds – Agency Funds account for situations where the government's role is purely custodial. Accordingly, all assets are offset by a liability to the authorized party.

(d) Basis of Accounting/Measurement Focus

The accounting basis for each fund is determined by its measurement focus. The measurement focus for governmental funds is based upon determination of current financial resources. Proprietary funds are accounted for on a flow of economic resources measurement focus. Agency Funds are custodial in nature (assets equal liabilities) and do not measure the result of operations.

The government-wide financial statements are prepared on a full accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements have been met. Fiduciary fund financial statements are also prepared on an accrual basis.

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 susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. The two primary revenue sources which are treated as susceptible to accrual are property taxes collected within 60 days of the reporting period, and sales tax which is recorded based on the date of sales. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt, which are recorded as expenditures when paid, and compensated absences and claims/judgments, which are recognized as a liability in the applicable fund if payable with current financial resources.

Allowances have been provided for any receivables where collection is doubtful. In addition, revenues relating to property taxes and revolving loans in the governmental funds that are not available to finance current operations have been deferred. At the government-wide level, these are recognized as revenues.

Accrual Basis – Proprietary and fiduciary fund types and discretely presented component units are accounted for using the accrual basis of accounting. Under this method, revenues including unbilled amounts are recognized when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of related cash inflows and outflows. Capital assets, the related outstanding debt and other long-term liabilities related to activities of the proprietary and fiduciary fund types, and the discretely presented component units, are recorded within these fund types.

Operating revenues and expenses generally result from the proprietary funds' principal operations, providing services and producing and delivering goods. Non-operating revenues and expenses are reported as capital and related financing activities, non-capital financing activities, or investing activities which normally would not be reported as components of operating income.

Enterprise funds apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. The County has elected not to adopt the option as allowed by paragraph 7 of GASB 20 to adopt all FASB pronouncements issued after November 30, 1989.

Inventories – The County uses the purchase method of accounting for inventories. At the end of the period, material and supplies inventories are taken and significant inventories are recorded as an asset with an offset to reserve for inventories. Inventories are valued at cost using the first-in, first-out (FIFO) method.

Reserves – Reserves are resources, although not legally segregated, that are intended for a specific use within the fund financial statements. Since these designations are not legally restricted, the funds could be used to finance other uses without legal consequence.

Designation for use in next year's budget – This account represents resources to be used in the 2010 budget period.

State and Federal receivables – This account includes reimbursement claims for various grant-in-aid programs from State and Federal agencies.

Restricted/Unrestricted Assets – If both restricted and unrestricted assets are available for an incurred expenditure, the County shall first apply the unrestricted assets.

(e) Restatement

Net assets of the Environmental Landfill Fund were restated as of January 1, 2009. This restatement is due to the capitalization of construction in progress that had been expensed in prior years. The impact of this restatement is as follows:

Environmental Landfill

Net assets at 12/31/08 as previously reported	\$7,725,690
Effect of recording construction in progress expensed prior years	<u>358,238</u>
Net assets at 12/31/08 as restated	<u>\$8,083,928</u>

(f) Deposits and Investments

Deposit and Investment Policies – The County maintains an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and attain a market rate of return. Oversight of investment activity is the responsibility of the County Treasurer who is also the Chief Fiscal Officer of the County.

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – New York State General Municipal Law and the County’s Investment and Deposit Policy authorize the County to purchase the following types of investments:

- Obligations of the United States of America;
- Obligations where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Special time deposit accounts;
- Certificates of Deposit;
- Obligations of public authorities, public housing authorities, urban renewal agencies, and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments;
- Obligations issued pursuant to New York State Local Finance Law Section 24.00 and 25.00 (with approval of the New York State Comptroller) by any municipality, school district or district corporation other than the County of Madison, New York; and
- Repurchase agreements authorized subject to the following restrictions: All repurchase agreements must be entered into subject to a master repurchase agreement. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America. No substitutions will be allowed and the custodian shall be a party other than the trading partner.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the County may not recover its deposits. In accordance with New York State General Municipal Law and the County’s Investment and Deposit Policy, all deposits of the County, including certificates of deposits and special time deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits. The County restricts the securities to the following eligible items: (a) obligations issued or fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation; (b) obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Intern-American Development Bank, the Asian Development Bank, and the African Development Bank; (c) obligations partially insured or guaranteed by any agency of the United States of America; (d) obligations issued or fully insured or guaranteed by the State of New York, obligations issued by municipal corporation, school district or district corporation of New York State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public monies; (e) obligations issued by states (other than the State of New York) of the United States rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization; (f) obligations of Puerto Rico rated in the highest rating category by at least one Nationally Recognized Statistical Rating Organization; (g) obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the two highest categories by at least one Nationally

Recognized Statistical Rating Organization; (h) obligations of domestic corporations rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization; and (i) Zero coupon obligations of the United States of America marketed at "treasury strips."

As of December 31, 2009, the County's bank balance of \$34.3 million was covered by depository insurance or collateralized by pledged securities held by the pledging banks' trust departments not in the County's name and exposed to custodial credit risk.

Investments – For investments, custodial risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counter-party to the transaction fails. The County's investment policy requires all County investments be registered or insured in the County's name and held in the custody of the bank or the bank's trust department. Pledged securities are not required to be registered or inscribed in the name of the County of Madison. In the event that the pledged securities are not registered or inscribed in the name of the County of Madison, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the County of Madison or its custodial bank.

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issue. At year-end 2009, the County had no investments.

Custodial Accounts – Custodial assets refer to cash and cash equivalents held by the County for a third party. During 2009, the County held no custodial assets for third parties.

Funds Held by Trustee – Funds held by trustee for the primary government refer to cash and investments held by a third party for the County. During 2009, there were no funds held by a trustee for the primary government.

(g) *Compensated Absences*

Under the terms of personnel policies and union contracts, County employees, other than elected officials, are granted personal, sick, and vacation leave credits and may accumulate these credits as follows:

Personal Leave – Employees are granted from between three and five days personal leave each year depending on their contracts, coverage and hiring date. At December 31, all unused personal leave is converted to sick leave. Employees are not paid for the value of their unused personal leave credits upon termination.

Sick Leave – Employees are granted sick leave credits of one-half day to one day per month depending on their contracts and hiring date. All covered employees are allowed to accumulate up to 165 days of sick leave credits, except those in the White Collar Bargaining Unit, who are allowed to accumulate up to 200 days of sick leave. Covered employees are allowed to buy-back sick leave credits in accordance with their contracts. The buy-back of sick leave credits is limited to those days in excess of 100 days accumulated and may not exceed 30 days of buy-back credits. In addition, the benefit buy-back is paid at 50% of the employee's current hourly rate. Employees at termination, except those in the Management Compensation Plan, with at least 10 years of service, are compensated from a minimum of between 10 and 20 days of accumulated sick leave and as many as between 20 and 60 days depending on contract and length of service.

Vacation Leave – Employees are granted vacation leave credits of from 10 to 20 days per year depending on contract and years of service. The maximum accumulation per employee is 40 days. Full time employees, except those in the Nurses Bargaining Unit, may receive up to 30

days' pay in lieu of vacation time. Employees receive payment at termination from 10 days to 40 days vacation leave credits depending on contract and years of service.

(h) Medicaid Claims

During 2005, the New York State Legislature enacted major changes to the funding of the County's share of Medicaid cost. Chapter 58 of the Laws of 2005 capped Medicaid cost at 2005 levels and limited the growth rates to 3.5% in 2006, 3.25% in 2007 and permanently capped the growth at 3% starting in 2008. The cap is established based on the County's local share expenditure made during the 2005 calendar base year.

This legislation fundamentally altered the Medicaid financing methodology, the accounting and recording of revenue and expense and the method of budgeting for Medicaid. As a result of this legislation, the County will receive a long-term benefit because of future costs to the County being limited to the growth rates described above.

In addition, the County received a short-term benefit from the Federal Medical Assistance Percentage (FMAP) enhancement contained in the American Recovery and Reinvestment Act (ARRA) in 2009. Unless extended, the ARRA FMAP benefit is set to expire on its statutory end date of December 31, 2010.

(i) Environmental Landfill Closure and Post-closure Care Costs

In accordance with Governmental Accounting Standards Board Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Cost*, the County has accrued future costs of its solid waste landfill operations. The amounts accrued as of December 31, 2009 are discussed in note 6(c).

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates made by the County in the determination of recorded assets and liabilities include, but are not limited to, allowances for uncollectible property taxes, landfill closure and post-closure liabilities and reserves for self-insurance claim liabilities.

2. PROPERTY TAXES AND COLLECTION

County real property taxes are levied on December 31 of each year for the following fiscal year and become a tax lien on January 1. For fiscal year 2009, the County's real property tax levy (for county-wide purposes) was \$28,218,903, and the composite tax rate was \$7.58380.

Taxes are collected by Town Tax Collectors commencing on January 1 to the expiration of their warrant, which generally is April 30. No later than May 10, uncollected taxes are returned by the Town Tax Collectors to the County Treasurer for collection as delinquent taxes under Article 11 (In Rem proceedings) of the New York State Real Property Tax Law. Taxes for County purposes are levied together with taxes for town and special district purposes as a single tax bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined tax bill. The collection of County taxes levied on properties within the City of Oneida is enforced by the City, and the County receives the full amount of such taxes from the City within the tax levy year.

The County guarantees the real property tax levies of the town, village, and school district real property tax levies located within the County except city school district taxes levied on property located within the City of Oneida. At December 31, 2009, the County reflected liabilities to the non-city school districts of \$4,979,696, the city school district of \$213,819, and the villages of \$566,671, for amounts of real property taxes that the County had assumed responsibility for collecting. The County will pay the respective school districts and villages the amounts owed by April 1, 2010. The amounts payable are included in "Due to Other Governments" in the accompanying basic financial statements. Any such taxes remaining unpaid at year-end are relieved onto the County tax bill on December 31.

At December 31, 2009, the total real property taxes receivable was \$7,540,024 (after deduction of an allowance for uncollectible taxes of \$900,000). An estimate of these tax liens that will not be collected within the first 60 days of the subsequent year totaled \$2,075,121 and is included in deferred revenue.

3. SALES AND USE TAX

The County of Madison imposes a 4% local sales and use tax in the area outside of the City of Oneida and a 2% local sales and use tax within the City of Oneida. All sales and use tax received by the County is treated as a general sales tax revenue. By State statute, the County shares 50% of the gross sales tax collected in the County and outside the boundaries of the City of Oneida.

The towns' and villages' 50% share is distributed to each municipality based on the percentage each contributes toward the annual County tax levy. Eight villages have opted to receive their sales tax distribution as a direct payment and can use the sales tax revenue for any purpose. The other two villages and 15 townships, by State statute, must first have their sales tax distribution used to reduce their respective County taxes based on the percentage each contributes to the annual County tax levy. Any sales tax surplus at the end of the year is used to reduce the ensuing year's town tax rates.

On June 1, 2004, the County increased its local sales and use tax from 3% to 4%. In 2007 and again in 2009, the County extended the additional 1% sales and compensating use tax. The current County sales and use tax legislation is scheduled to expire on November 30, 2011, at which time it must be rescinded, amended or renewed.

The sales tax portion of the General Fund's non-property tax items amounted to \$20,652,231 in 2009, of which \$8,668,188 was distributed to towns and villages to decrease County and town tax rates. At December 31, 2009, this amount included an accrual of approximately \$1,429,643 for sales tax transactions that occurred in the State of New York in 2009 that had not been received by the County at December 31, 2009. At December 31, 2009, undistributed excess sales tax collections for towns and villages amounted to \$2,046,543, and this governmental activity and general fund liability is included in "Due to Other Governments" in the accompanying basic financial statements.

The County recognizes as sales tax revenue the entire four percent in the General Fund as required by GASB Statements Number 33 and 36. The subsequent payments to the towns and villages are recognized in the General Fund as general government expenditures.

4. CAPITAL ASSETS

Primary Government

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets as summarized below:

<u>Class of Asset</u>	<u>Threshold</u>
Land	All
Construction in progress	Aggregate costs
Buildings	\$20,000
Improvements other than buildings	\$10,000
Infrastructure	\$50,000
Machinery and equipment	\$ 1,000

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

<u>Asset Category</u>	<u>Useful Life</u>
Land	Not depreciable
Construction in progress	Not depreciable
Buildings	25-50 years
Improvements other than buildings	15-20 years
Infrastructure	10-65 years
Machinery and equipment	5-30 years

Depreciation expense of the primary government for the year ended December 31, 2009 was as follows:

Governmental activities:	
General government support	\$ 425,275
Public safety	517,815
Economic assistance and opportunity	172,819
Health	77,137
Transportation	2,391,692
Home and community services	122,432
Culture and recreation	9,828
Total depreciation expense - governmental activities	<u>\$ 3,716,998</u>
Business-type activities:	
Environmental landfill	(916,492)
Total depreciation expense - business-type activities	<u>\$ (916,492)</u>

Capital asset activity of the primary government for the year ended December 31, 2009 is detailed on the following page.

COUNTY OF MADISON, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2009

Primary Government	Beginning Balance as Previously Reported	Prior Period Adjustment	Beginning Balance as Restated	Additions	Deletions	Ending Balance
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 933,643	\$ -	\$ 933,643	\$ -	\$ -	\$ 933,643
Construction in progress	871,530	-	871,530	1,484,818	653,778	1,702,570
Total capital assets, not being depreciated	1,805,173	-	1,805,173	1,484,818	653,778	2,636,213
Capital assets, being depreciated:						
Buildings	30,393,988	-	30,393,988	1,228,070	-	31,622,058
Improvements other than buildings	1,298,389	-	1,298,389	67,042	-	1,365,431
Infrastructure	97,974,447	-	97,974,447	7,003,975	1,071,590	103,906,832
Machinery and equipment	19,507,480	-	19,507,480	637,163	1,387,749	18,756,894
Total capital assets being depreciated	149,174,304	-	149,174,304	8,936,250	2,459,339	155,651,215
Less accumulated depreciation for:						
Buildings	(9,759,976)	-	(9,759,976)	(600,662)	-	(10,360,638)
Improvements other than buildings	(1,020,900)	-	(1,020,900)	(23,269)	-	(1,044,169)
Infrastructure	(62,810,296)	-	(62,810,296)	(1,836,244)	573,638	(64,072,902)
Machinery and equipment	(11,610,400)	-	(11,610,400)	(1,256,823)	1,219,590	(11,647,633)
Total accumulated depreciation	(85,201,572)	-	(85,201,572)	(3,716,998)	1,793,228	(87,125,342)
Total capital assets, being depreciated, net	63,972,732	-	63,972,732	5,219,252	666,111	68,525,873
Governmental activities capital assets, net	\$ 65,777,905	\$ -	\$ 65,777,905	\$ 6,704,070	\$ 1,319,889	\$ 71,162,086
Business-type activities:						
Capital assets, not being depreciated:						
Land	\$ 715,347	\$ -	\$ 715,347	\$ -	\$ -	\$ 715,347
Construction in progress	44,946	358,238	403,184	76,225	403,184	76,225
Total capital assets, not being depreciated	760,293	358,238	1,118,531	76,225	403,184	791,572
Capital assets, being depreciated:						
Buildings	1,081,699	-	1,081,699	234,550	-	1,316,249
Improvements other than buildings	11,287,442	-	11,287,442	59,062	-	11,346,504
Infrastructure	-	-	-	650,015	-	650,015
Machinery and equipment	3,453,245	-	3,453,245	249,244	173,598	3,528,891
Total capital assets, being depreciated	15,822,386	-	15,822,386	1,192,871	173,598	16,841,659
Less accumulated depreciation for:						
Buildings	(384,602)	-	(384,602)	(21,995)	-	(406,597)
Improvements other than buildings	(2,973,592)	-	(2,973,592)	(695,427)	-	(3,669,019)
Machinery and equipment	(2,258,644)	-	(2,258,644)	(199,070)	147,933	(2,309,781)
Total accumulated depreciation	(5,616,838)	-	(5,616,838)	(916,492)	147,933	(6,385,397)
Total capital assets, being depreciated, net	10,205,548	-	10,205,548	276,379	25,665	10,456,262
Business-type activities capital assets, net	\$ 10,965,841	\$ 358,238	\$ 11,324,079	\$ 352,604	\$ 428,849	\$ 11,247,834

5. RETIREMENT BENEFITS

(a) *Retirement System*

- (1) Plan Description – The County of Madison participates in the New York State and Local Employees’ 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 the employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System for the custody and control of their 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.

- (2) Funding Policy – The System is non-contributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary during membership years 1 through 10. Beginning with membership year 11, the membership is non-contributory. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed used in computing the employers’ contributions.

The required contributions for the current year and two preceding years were:

	<u>ERS</u>
2009	\$1,785,777
2008	\$1,948,594
2007	\$1,982,970

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

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the System:

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

- (2) Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g. billings due February 2009 would be based on the pension value as of March 31, 2008).

The County has not participated in any retirement incentive programs.

(b) *Other Postemployment Benefits*

Madison County provides certain healthcare benefits for retired employees, their dependents and certain survivors. The County adopted the requirements of GASB Statement No. 45 during the year ended December 31, 2008. The County recognizes the cost of postemployment healthcare in the year when the services are received and reports the accumulated liability from

COUNTY OF MADISON, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2009

prior years. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2008.

Plan Description – The County provides continuation of medical insurance coverage to eligible employees who retire directly into the New York State Retirement System, and to eligible elected officials who have attained at least 10 years of service with the County. The plan is a single-employer, postemployment healthcare benefits plan. The retirees and their beneficiaries receive this medical insurance coverage for the remainder of their lives. The plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy – Retirees do not contribute anything toward the cost of these post-employment benefits, with the exception of one bargaining unit which requires the retiree to contribute 10% of the premium for their plan. However, all retiree beneficiaries are required to contribute the full premiums for the respective plans. Actual medical claims paid on behalf of retirees and their beneficiaries are self-funded by the County. The County currently pays for postemployment healthcare benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit (OPEB) Cost – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. Since the County has implemented GASB Statement No. 45 for the fiscal year ending 2008, the ARC is equal to the annual OPEB cost for this fiscal year-end. The following table summarizes the County’s ARC, the annual OPEB cost, the amount contributed to the plan, and the resulting net OPEB obligation by governmental activities and business-type activities:

	Governmental Activities	Business-type Activities	Primary Government
Annual required contribution	\$6,554,070	\$189,016	\$6,743,086
Employer contributions	(1,698,535)	(34,802)	(1,733,337)
Increase in net OPEB obligation	4,855,535	154,214	5,009,749
Net OPEB obligation 1/1/09	5,027,761	154,388	5,182,149
Net OPEB obligation 12/31/09	<u>\$9,883,296</u>	<u>\$308,602</u>	<u>\$10,191,898</u>

Funded Status and Funding Progress – The following provides the funded status for the primary government:

Funded Status

Actuarial Accrued Liability (AAL)	\$62,187,080
Actuarial Value of Plan Assets	<u>-0-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$62,187,080</u>
Actuarial Value of Assets as a Percentage of AAL	-0-%
Annual Covered Payroll	\$23,356,736
Ratio of UAAL to Annual Covered Payroll	266%

Actuarial Methods and Assumptions – The valuation of postemployment healthcare benefits involves estimates and assumptions about the probability of events occurring in the future. Examples are assumptions about future employment, mortality, and the health care cost trend.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of cost sharing between the County and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

For the valuation dated January 1, 2008, the Projected Unit Credit cost method was used. Since Madison County does not currently segregate funding for these benefits, the investment rate of return, 4.309%, is the expected return on the County's general assets. The rates of turnover and rates of retirement were based on the experience under the New York State Employees' Retirement System and the New York Police and Fire Retirement System. It was assumed that 100% of future retirees eligible will elect to receive postretirement healthcare benefits, including medical coverage. Current retirees were assumed to continue participation in their current plans.

The County is currently eligible to receive the Medicare Part D prescription drug subsidy, which is accrued as revenue in the current year. Subsidies for future years cannot be recognized as a reduction in the actuarial accrued liability.

6. LONG-TERM OBLIGATIONS

(a) Bonds and Loans Payable

The County borrows funds on a long-term basis for the purpose of financing acquisition of equipment and construction of buildings and improvements. This policy enables the cost of capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term obligations represent a reconciling item between the fund and government-wide statements. Interest expense for governmental activities for the year ended December 31, 2009 was \$27,158. Detail relating to general obligation (Serial) bonds of the County, outstanding at December 31, 2009, is summarized as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Governmental Activities				
Improvement	2004	2010	3.00 – 3 10%	<u>\$350,000</u>
Total governmental activities				<u>\$350,000</u>
Total primary government				<u>\$350,000</u>

Principal and interest payments due on serial bonds outstanding at December 31, 2009, for the primary government, are as follows:

Governmental Activities		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	<u>\$350,000</u>	<u>\$5,425</u>
Total	<u>\$350,000</u>	<u>\$5,425</u>

The debt service on these bonds and other obligations will be financed through real property taxes, proceeds from OTB revenues, use charges or other existing available resources for the retirement of debt.

COUNTY OF MADISON, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2009

In May 2010, the County issued \$16,390,000 State of New York Municipal Bond Bank Agency Recovery Act Bonds to finance a Public Safety Communication Upgrade project. The obligations will be repaid over a 10-year period, with principal and interest payments commencing in fiscal year 2011.

(b) Long-term Liabilities

The following is a summary of long-term liabilities for the primary government as of December 31, 2009:

	<u>Balance</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/09</u>	<u>Current</u> <u>Portion</u>
Governmental Activities					
Compensated absences	\$3,307,890	\$164,954	\$(11,198)	\$3,461,646	\$83,398
Other postemployment benefits (OPEB) obligation	5,027,761	6,554,070	(1,698,535)	9,883,296	-
Bonds payable	<u>1,340,000</u>	<u>-</u>	<u>(990,000)</u>	<u>350,000</u>	<u>350,000</u>
Total long-term liabilities	<u>\$9,675,651</u>	<u>\$6,719,024</u>	<u>\$(2,699,733)</u>	<u>\$13,694,942</u>	<u>\$433,398</u>
Business-type Activities/Environmental Landfill					
Compensated absences	\$101,286	\$41,601	\$(2,376)	\$140,511	\$ -
Other postemployment benefits (OPEB) obligation	154,388	189,016	(34,802)	308,602	-
Landfill closure/post closure	<u>4,917,353</u>	<u>-</u>	<u>(404,869)</u>	<u>4,512,484</u>	<u>-</u>
Total long-term liabilities	<u>\$5,173,027</u>	<u>\$230,617</u>	<u>\$(442,047)</u>	<u>\$4,961,597</u>	<u>\$ -</u>

(c) Accrued Landfill Closing Costs

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure costs as a liability based upon landfill capacity used as of each balance sheet date.

The County's original landfill (the East Side) reached its capacity during 1996 and stopped accepting waste. Through December 31, 2008, the County expended \$1,477,418 in initial closure costs. The post-closure expense associated with the East Side Landfill is estimated at \$510,000, to be incurred over the next 30 years, and is recorded as a liability in the Enterprise Environmental Landfill Fund.

During 1996, the County began accepting waste at the Phase I area of its new landfill (West Side). Beginning in fiscal year 2000, the County commenced the expansion of the Phase II area, which was completed in fiscal year 2004. During fiscal year 2009, the County completed the expansion of the Phase III area of the West Side landfill, and began accepting waste in this area mid-2009.

At December 31, 2009, the Phase I, II and III areas had a capacity to accept approximately 1,117,460 tons of waste. Phase I, II and III areas of the West Side landfill have accepted 792,022 tons of waste and have a useful life of approximately 6.25 years. The estimated closure cost associated with Phase I, II and III, when the County stops accepting waste is \$2,548,000. The estimated post-closure cost during the required 30 years of monitoring is \$3,099,000.

The County has recognized a liability in the Enterprise Environmental Landfill Fund of \$4,512,484 for closure and post-closure costs. The balance associated with landfill closure and post-closure costs of \$1,134,516 will be recognized in subsequent years. The funds required for these costs are provided as part of tipping fees charged to customers.

COUNTY OF MADISON, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2009

These amounts are based on what it would cost to perform all closure and post-closure care as of December 31, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

7. AMOUNTS DUE TO AND DUE FROM OTHER FUNDS

Amounts due to and due from other funds at December 31, 2009 are as follows:

	Interfund Receivables					Total
	Governmental Activities					
	General Fund	Non-major Governmental Funds				
	County Road	Road Machinery	Community Development	Capital Projects		
Interfund Payables						
Governmental activities:						
General Fund	\$ -	\$ 5,350	\$ 36,419	\$ 1,503	\$ 146,622	\$ 189,894
Non-major Governmental Funds:						
Special Revenue:						
County Road	144,235	-	-	-	-	144,235
Road Machinery	22,352	-	-	-	-	22,352
Sewer District	4,824	-	-	-	-	4,824
Community Development	14,383	-	-	-	-	14,383
Capital Projects	7,000	-	-	-	-	7,000
Total Non-major	192,794	-	-	-	-	192,794
Total Governmental Activities	192,794	5,350	36,419	1,503	146,622	382,688
Business-type activities:						
Environmental Landfill	54,621	15,000	1,186	-	-	70,807
Agency Funds	5,166,156	-	-	-	-	5,166,156
Total	\$ 5,413,571	\$ 20,350	\$ 37,605	\$ 1,503	\$ 146,622	\$ 5,619,651

8. OPERATING TRANSFERS

The following is a summary of operating transfers for the year ended December 31, 2009. All of the operating transfers were normal budgeted transfers.

	Interfund Transfers To					Total
	Governmental Activities					
	Community Development	Non-major Governmental Funds				
	County Road	Road Machinery	Debt Service	Capital Projects		
Interfund Transfers From						
Governmental activities:						
General Fund	\$ 1,911	\$ 6,864,234	\$ 2,281,196	\$ 741,228	\$ 4,115,908	\$ 14,004,477
Non-major Governmental Funds:						
Special Revenue:						
County Road	-	-	-	-	-	-
Road Machinery	-	-	93,710	-	-	93,710
Capital Projects	-	-	150,000	-	-	150,000
Total Non-major	-	-	243,710	-	-	243,710
Total Governmental Activities	\$ 1,911	\$ 6,864,234	\$ 2,281,196	\$ 984,938	\$ 4,115,908	\$ 14,248,187

9. SIGNIFICANT CLAIMS AND CONTINGENT LIABILITIES

The County is a co-defendant in litigation in which certain Indian tribes collectively claim approximately 200,000 acres in Madison County and seek monetary damages for allegedly illegal transfers of these lands to the State of New York in the late eighteenth and early nineteenth centuries. The County has been defending vigorously against these land claims. On May 21, 2007, United States District Judge Lawrence E. Kahn granted the County's motion for summary judgment dismissing the Oneidas' possessory land claims against the County and dismissing the County from the Oneida land claim, *Oneida Indian Nation of New York v. State of New York*, 500 F.Supp. 2d 128 (N.D.N.Y. 2007). On August 9, 2010, the United States Court of Appeals for the Second Circuit issued a decision in which it concluded that all claims raised by the plaintiffs (Oneidas and United States) are barred and remanded the case to the district court for entry of judgment. The plaintiffs have 45 days to seek rehearing by the Second Circuit *en banc* or 90 days to file a petition for a writ of certiorari seeking review by the Supreme Court of the United States. The land claim brought by the Stockbridge-Munsee Community has been stayed by Judge Kahn pending a final decision in the Oneida land claim. Subject to possible review of the Second Circuit's decision by the Second Circuit *en banc* or by the Supreme Court, further proceedings in the Stockbridge land claim should be consistent with a final decision in the Oneida land claim. Nevertheless, as the legal proceedings in these cases are complex, the ultimate outcome cannot presently be determined.

In addition, the County is a party to a number of other lawsuits arising out of or related to the land claim litigation. These other lawsuits involve a number of complex issues, including the assessment and enforcement of real property taxes on land owned by the Oneida Indian Nation of New York and a challenge to the decision by the Secretary of the Interior to take land into trust for the benefit of the Oneida Indian Nation of New York. On April 27, 2010, the United States Court of Appeals for the Second Circuit affirmed the district court's injunction barring the County from foreclosing for nonpayment of real property taxes on parcels owned by the Oneida Indian Nation of New York on the ground that foreclosure is barred by tribal sovereign immunity from suit. On July 9, 2010, the County filed a Petition for a Writ of Certiorari in the Supreme Court of the United States. Various other cases are at various stages in the legal process and the ultimate outcome is uncertain at this time.

During January 1990, the County received information that hazardous substances had been deposited by a local company at the County landfill which exceeded the allowable limits established by the New York State Department of Environmental Conservation (NYSDEC). The NYSDEC has since classified the County landfill as an inactive hazardous waste site pursuant to Title 13, Article 27 of the Environmental Conservation Law (ECL). Since the original classification of a Class 2 inactive hazardous waste site, the site has been classified as a Class 4 site due to the lack of any significant threat to the environment or public health. The site has been properly closed but requires continued site management, consisting of operation maintenance and monitoring.

The County is subject to a number of lawsuits in addition to the ones described above in the ordinary conduct of its affairs. Such lawsuits and claims are not, in the opinion of management, expected to have a material effect on the County's financial condition.

10. INSURANCE AND COMMITMENTS

The County purchases commercial insurance coverage and is self-insured for the deductible portion of its general liability risks. The County also funds its Workers' Compensation claim liability through a municipal workers' compensation risk pool, of which the County is the sponsoring member. In addition, the County is self-funded for its major medical, surgical, and hospital claims, which are administered by a third-party claims administrator. At December 31, 2009, the County has accrued a liability in its governmental activities and general fund of \$380,761, representing incurred but not yet

reported health insurance claims and \$605,247 representing general liability claims. The governmental fund liability at December 31, 2009 is recorded entirely in the General Fund as accounts payable. The County has also accrued a liability of \$1,219,009 for workers' compensation premiums, unresolved claims and legal costs in its business-type activities and major enterprise fund (Workers' Compensation) at December 31, 2009.

County employees are entitled to coverage under the New York State Unemployment Insurance Law. The County has elected to discharge its liability to the New York State Unemployment Insurance Fund by the benefit reimbursement method, a dollar-for-dollar reimbursement for benefits paid to County employees and charged to the County's account.

There was no change in commercial coverage during 2009, and settled claims have not exceeded commercial coverage in any of the past five fiscal years.

The County has also entered into numerous operating lease agreements which, in the opinion of management, are not considered to be material.

11. FEDERAL AND STATE FUNDED PROGRAMS

The County participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial. Expenditures disallowed by completed audits have generally been immaterial in nature and, accordingly, have been reflected as adjustments to revenues in the year the expenditure was determined to be unallowable since such amounts have been immaterial in nature.

COUNTY OF MADISON, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ 28,218,903	\$ 28,218,903	\$ 27,101,351	\$ (1,117,552)
Real property tax items	1,205,000	1,205,000	1,154,804	(50,196)
Non-property tax items	23,061,361	23,061,361	21,118,602	(1,942,759)
Departmental income	8,987,906	9,371,782	9,444,526	72,744
Intergovernmental charges	738,681	738,681	345,441	(393,240)
Use of money and property	749,250	735,250	332,476	(402,774)
Licenses and permits	7,000	7,000	10,223	3,223
Fines and forfeitures	175,189	175,189	176,971	1,782
Sale of property and compensation for loss	1,030,950	1,074,950	1,279,195	204,245
Miscellaneous local sources	1,289,820	1,469,259	1,503,552	34,293
Interfund	2,299,542	2,360,909	216,690	(2,144,219)
State aid	10,839,431	12,301,247	14,032,880	1,731,633
Federal aid	6,833,778	8,159,039	8,255,558	96,519
Total Revenues	85,436,811	88,878,570	84,972,269	(3,906,301)
EXPENDITURES				
General government support	21,184,133	22,215,888	18,336,618	3,879,270
Education	5,198,355	5,342,434	5,342,333	101
Public safety	10,133,951	10,686,525	9,604,706	1,081,819
Health	11,300,671	12,391,344	11,211,802	1,179,542
Transportation	704,964	1,161,257	814,336	346,921
Economic assistance and opportunity	28,014,372	29,086,272	26,562,842	2,523,430
Culture and recreation	615,295	797,280	670,970	126,310
Home and community services	1,347,083	1,399,192	1,332,220	66,972
Unallocated employee benefits	3,314,075	3,675,075	2,160,935	1,514,140
Total Expenditures	81,812,899	86,755,267	76,036,762	10,718,505
Excess of revenues over expenditures	3,623,912	2,123,303	8,935,507	6,812,204
OTHER FINANCING SOURCES (USES)				
Appropriation of Reserves	385,350	605,350	-	(605,350)
Transfers in	871,910	972,910	-	(972,910)
Transfers out	(9,981,172)	(14,008,730)	(14,004,477)	4,253
Total other financing sources (uses)	(8,723,912)	(12,430,470)	(14,004,477)	(1,574,007)
Net change in fund balance	(5,100,000)	(10,307,167)	(5,068,970)	5,238,197
Fund balance - beginning	25,186,814	25,186,814	25,186,814	-
Fund balance - ending	\$ 20,086,814	\$ 14,879,647	\$ 20,117,844	\$ 5,238,197

1. **BUDGETARY DATA**

(a) *Budget Policies*

- (1) Budgets are generally adopted on a basis consistent with U.S. Generally Accepted Accounting Principles, with the following exception: Appropriations authorized for the current year are increased by the amount of encumbrances and reservations of fund balance carried forward from the prior year. In addition, interfund eliminations are accounted for through an adjustment from budgetary basis to U.S. GAAP basis for revenue, expenditures and other financing sources and uses.
- (2) No later than the first Monday after the first Tuesday in November, the Budget Officer submits a tentative budget to the County Board of Supervisors for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing them.
- (3) Public hearings are conducted to obtain citizen comment.
- (4) Prior to December 20, the budget is legally enacted through passage of a Board resolution adopting the tentative budget as revised or modified. In the event the tentative budget is not adopted by December 20, the tentative budget as submitted by the Budget Officer with any modifications or changes duly adopted by the Board is then the official adopted budget for the ensuing fiscal year.

(b) *Legally Adopted Budgets*

The General Fund has a legally adopted budget. Appropriations lapse at fiscal year-end and are not eligible to be carried over. All budgets are adopted on a departmental line item level-of-expenditure basis in which expenditures may not legally exceed appropriations on a departmental and line item object-of-expenditure level. Individual governmental fund comparison of budget and actual data at the legal level of control established by the adopted budget is not presented in this report for those funds with legally adopted budgets due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information.

(c) *Budget Carryover and Amendment*

The budget is adopted annually on a basis generally consistent with U.S. GAAP. The County budget treats carryover projects as encumbrances, and the carryover appropriations are added to the next year. The budget is amended by the Board for increased grants or State aid received during the year.

2. **BUDGETARY SUMMARIES**

(a) *General Fund*

A summary of legally adopted budgetary activity for the County's General Fund for the fiscal year 2009 follows:

	<u>General Fund</u>
Original Revenue Budget:	
Estimated revenues and other financing sources	\$ 86,694,071
Appropriated fund balance	<u>5,100,000</u>
Total Original Budget	91,794,071
Authorized Revisions:	
Authorized revisions and transfers	880,408
Additional appropriated fund balance	5,207,167
Additional appropriation of reserves	220,000
Grant reappropriations	<u>2,662,351</u>
Modified Revenue Budget-Budget Basis	<u>\$100,763,997</u>
Original Appropriations Budget:	
Appropriations and other financing uses	\$ <u>91,794,071</u>
Total Original Budget	91,794,071
Authorized Revisions:	
Authorized revisions and transfers	6,307,575
Grant reappropriations	<u>2,662,351</u>
Modified Appropriations Budget-Budget Basis	<u>\$100,763,997</u>

COUNTY OF MADISON, NEW YORK
Notes to Required Supplementary Information
Year Ended December 31, 2009

(b) Reconciliation of Budget to GAAP - General Fund

A comparative summary of revenues and expenditures for the General Fund on a budgetary basis and a GAAP basis for the fiscal year 2009 follows:

Revenues and other financing sources (budgetary basis)	\$84,972,269
Adjustment: Interdepartmental and intrafund reimbursements treated as revenue for GAAP purposes and as an offset to such costs (contra revenue) for budgetary purposes	<u>1,657,273</u>
Revenue and other financing sources (GAAP basis)	<u>\$86,629,542</u>
Expenditures and other financing uses (budgetary basis)	\$90,041,239
Adjustment: Interdepartmental and intrafund reimbursements treated as expenditures for GAAP purposes and as an offset to such costs (contra expenditures) for budgetary purposes	<u>1,657,273</u>
Expenditures and other financing uses (GAAP basis)	<u>\$91,698,512</u>

**COUNTY OF MADISON, NEW YORK
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of December 31, 2009**

	Special Revenue Funds	Capital Projects	Debt Service	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,116,508	\$ 3,611,841	\$ 7,319	\$ 8,735,668
Accounts receivable	1,872,920	-	-	1,872,920
Due from other funds	59,458	146,622	-	206,080
Loans receivable	628,918	-	-	628,918
State and federal receivables	2,561,271	-	-	2,561,271
Inventories	1,541,830	-	-	1,541,830
Prepaid expenses	63,130	-	-	63,130
	Total Assets	11,844,035	3,758,463	7,319
	11,844,035	3,758,463	7,319	15,609,817
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	808,559	1,153,220	-	1,961,779
Accrued liabilities	83,763	-	-	83,763
Due to other funds	185,794	7,000	-	192,794
Deferred revenue	3,214,645	-	-	3,214,645
	Total Liabilities	4,292,761	1,160,220	-
	4,292,761	1,160,220	-	5,452,981
Fund Balances:				
Reserved for:				
Encumbrances	743,987	-	-	743,987
Inventories	1,541,830	-	-	1,541,830
Debt Service	-	-	7,319	7,319
Unreserved fund balances:				
Designated for 2010 budgeted appropriations	619,725	-	-	619,725
Undesignated	4,645,732	2,598,243	-	7,243,975
	Total Fund Balances	7,551,274	2,598,243	7,319
	7,551,274	2,598,243	7,319	10,156,836
	Total Liabilities and Fund Balances	\$ 11,844,035	\$ 3,758,463	\$ 7,319
	\$ 11,844,035	\$ 3,758,463	\$ 7,319	\$ 15,609,817

COUNTY OF MADISON, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	Special Revenue Funds	Capital Projects	Debt Service	Total Non-major Governmental Funds
REVENUES				
Real property taxes	\$ 5,432	\$ -	\$ -	\$ 5,432
Non-property tax items	414,125	-	-	414,125
Departmental income	776,756	-	-	776,756
Intergovernmental charges	840,469	-	-	840,469
Use of money and property	181,267	14,886	33	196,186
Sale of property and compensation for loss	62,725	-	-	62,725
Miscellaneous local sources	6,764	-	-	6,764
Interfund	712,105	-	-	712,105
State aid	2,856,848	17,500	-	2,874,348
Federal aid	4,235,959	-	-	4,235,959
Total Revenues	<u>10,092,450</u>	<u>32,386</u>	<u>33</u>	<u>10,124,869</u>
EXPENDITURES				
Public safety	1,250	1,306,164	-	1,307,414
Transportation	14,559,143	-	-	14,559,143
Economic assistance and opportunity	1,569,052	214,083	-	1,783,135
Home and community services	655,575	19,811	-	675,386
Employee benefits	1,523,085	-	-	1,523,085
Debt service:				
Principal	-	-	990,000	990,000
Interest	-	-	29,120	29,120
Total Expenditures	<u>18,308,105</u>	<u>1,540,058</u>	<u>1,019,120</u>	<u>20,867,283</u>
Excess of expenditures over revenues	<u>(8,215,655)</u>	<u>(1,507,672)</u>	<u>(1,019,087)</u>	<u>(10,742,414)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,147,341	4,115,908	984,938	14,248,187
Transfers out	(93,710)	(150,000)	-	(243,710)
Total other financing sources (uses)	<u>9,053,631</u>	<u>3,965,908</u>	<u>984,938</u>	<u>14,004,477</u>
Net change in fund balances	837,976	2,458,236	(34,149)	3,262,063
Fund balances at beginning of year	<u>6,713,298</u>	<u>140,007</u>	<u>41,468</u>	<u>6,894,773</u>
Fund balances at end of year	<u>\$ 7,551,274</u>	<u>\$ 2,598,243</u>	<u>\$ 7,319</u>	<u>\$ 10,156,836</u>

**COUNTY OF MADISON, NEW YORK
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
As of December 31, 2009**

	<u>Community Development</u>	<u>Cowaselon Creek</u>	<u>Law Enforcement Trust</u>	<u>County Road</u>
ASSETS				
Cash and cash equivalents	\$ 1,255,677	\$ 28,615	\$ 34,756	\$ 1,873,255
Accounts receivable	1,838,352	-	-	28,011
Due from other funds	1,503	-	-	20,350
Loans receivable	628,918	-	-	-
State and federal receivables	154,897	-	-	2,256,452
Inventories	-	-	-	724,359
Prepaid expenses	5,200	-	-	46,465
	<u>3,884,547</u>	<u>28,615</u>	<u>34,756</u>	<u>4,948,892</u>
Total Assets				
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	27,559	-	-	626,574
Accrued liabilities	-	-	-	72,277
Due to other funds	14,383	-	-	144,235
Deferred revenue	2,652,136	-	-	562,509
	<u>2,694,078</u>	<u>-</u>	<u>-</u>	<u>1,405,595</u>
Total Liabilities				
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	331,044
Inventories	-	-	-	724,359
Unreserved fund balances:				
Designated for 2010 budgeted appropriations	-	28,615	-	575,000
Undesignated	1,190,469	-	34,756	1,912,894
	<u>1,190,469</u>	<u>28,615</u>	<u>34,756</u>	<u>3,543,297</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$ 3,884,547</u>	<u>\$ 28,615</u>	<u>\$ 34,756</u>	<u>\$ 4,948,892</u>

**COUNTY OF MADISON, NEW YORK
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
As of December 31, 2009**

	<u>Road Machinery</u>	<u>Madison County Sewer District</u>	<u>Total Special Revenue Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,352,263	\$ 571,942	\$ 5,116,508
Accounts receivable	6,557	-	1,872,920
Due from other funds	37,605	-	59,458
Loans receivable	-	-	628,918
State and federal receivables	-	149,922	2,561,271
Inventories	817,471	-	1,541,830
Prepaid expenses	9,446	2,019	63,130
	<u>2,223,342</u>	<u>723,883</u>	<u>11,844,035</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	141,472	12,954	808,559
Accrued liabilities	11,486	-	83,763
Due to other funds	22,352	4,824	185,794
Deferred revenue	-	-	3,214,645
	<u>175,310</u>	<u>17,778</u>	<u>4,292,761</u>
Fund Balances:			
Reserved for:			
Encumbrances	412,943	-	743,987
Inventories	817,471	-	1,541,830
Unreserved fund balances:			
Designated for 2010 budgeted appropriations	-	16,110	619,725
Undesignated	817,618	689,995	4,645,732
	<u>2,048,032</u>	<u>706,105</u>	<u>7,551,274</u>
Total Fund Balances	<u>2,048,032</u>	<u>706,105</u>	<u>7,551,274</u>
Total Liabilities and Fund Balances	<u>\$ 2,223,342</u>	<u>\$ 723,883</u>	<u>\$ 11,844,035</u>

COUNTY OF MADISON, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2009

	Community Development	Cowaselon Creek	Law Enforcement Trust	County Road
REVENUES				
Real property taxes	\$ -	\$ 5,432	\$ -	\$ -
Non-property tax items	-	-	-	414,125
Departmental income	263,597	-	-	-
Intergovernmental charges	-	-	-	840,469
Use of money and property	149,731	-	74	20,246
Sale of property and compensation for loss	-	-	-	6,329
Miscellaneous local sources	22,514	-	6,278	(22,338)
Interfund	53,706	-	-	48,819
State aid	-	-	-	2,780,983
Federal aid	1,412,120	-	-	2,823,839
Total Revenues	<u>1,901,668</u>	<u>5,432</u>	<u>6,352</u>	<u>6,912,472</u>
EXPENDITURES				
Public safety	-	-	1,250	-
Transportation	-	-	-	12,698,151
Economic assistance and opportunity	1,569,052	-	-	-
Home and community services	221,044	13,110	-	-
Employee benefits	-	-	-	1,244,726
Total Expenditures	<u>1,790,096</u>	<u>13,110</u>	<u>1,250</u>	<u>13,942,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>111,572</u>	<u>(7,678)</u>	<u>5,102</u>	<u>(7,030,405)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,911	-	-	6,864,234
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,911</u>	<u>-</u>	<u>-</u>	<u>6,864,234</u>
Net change in fund balances	113,483	(7,678)	5,102	(166,171)
Fund balances at beginning of year	<u>1,076,986</u>	<u>36,293</u>	<u>29,654</u>	<u>3,709,468</u>
Fund balances at end of year	<u>\$ 1,190,469</u>	<u>\$ 28,615</u>	<u>\$ 34,756</u>	<u>\$ 3,543,297</u>

COUNTY OF MADISON, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2009

	Road Machinery	Madison County Sewer District	Total Special Revenue Funds
REVENUES			
Real property taxes	\$ -	\$ -	\$ 5,432
Non-property tax items	-	-	414,125
Departmental income	-	513,159	776,756
Intergovernmental charges	-	-	840,469
Use of money and property	5,135	6,081	181,267
Sale of property and compensation for loss	56,396	-	62,725
Miscellaneous local sources	-	310	6,764
Interfund	609,580	-	712,105
State aid	-	75,865	2,856,848
Federal aid	-	-	4,235,959
Total Revenues	<u>671,111</u>	<u>595,415</u>	<u>10,092,450</u>
EXPENDITURES			
Public safety	-	-	1,250
Transportation	1,860,992	-	14,559,143
Economic assistance and opportunity	-	-	1,569,052
Home and community services	-	421,421	655,575
Employee benefits	218,159	60,200	1,523,085
Total Expenditures	<u>2,079,151</u>	<u>481,621</u>	<u>18,308,105</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,408,040)</u>	<u>113,794</u>	<u>(8,215,655)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,281,196	-	9,147,341
Transfers out	(93,710)	-	(93,710)
Total other financing sources (uses)	<u>2,187,486</u>	<u>-</u>	<u>9,053,631</u>
Net change in fund balances	779,446	113,794	837,976
Fund balances at beginning of year	<u>1,268,586</u>	<u>592,311</u>	<u>6,713,298</u>
Fund balances at end of year	<u>\$ 2,048,032</u>	<u>\$ 706,105</u>	<u>\$ 7,551,274</u>