

County of Madison

Basic Financial Statements



Year Ended
December 31, 2010

County of Madison Basic Financial Statements

Year Ended
December 31, 2010



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COUNTY OF MADISON, NEW YORK
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

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**Independent
Auditors' Report**



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INDEPENDENT AUDITORS' REPORT

Members of the Madison County
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 and 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, 2010, 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 40%, 40% and 21%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon 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 on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the 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 aggregate and discretely presented component units, each major fund, and aggregate remaining fund information of the County of Madison, New York as of December 31, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted on inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining financial information section is presented for purposes of additional analysis and is not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Toski, Schaefer & Co., P.C.

Williamsville, New York
September 16, 2011

**Management's Discussion
and Analysis**
(Unaudited)

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2010

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, 2010. 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 \$92,690,821, a decrease of \$345,393 from 2009, and business-type activities net assets of \$8,109,734, a decrease of \$357,704 from 2009.
- Upon adoption of the 2010 budget, the County's tax margin was \$44,947,774, or 63.9% of its total taxing power, compared to 63.3% at the end of 2009.
- In 2010, the County issued tax-exempt bonds, Build America Bonds, and Recovery Zone Economic Development bonds totaling \$16,390,000 to assist with the financing for its Public Safety Communication Upgrade Project. The County had no other debt outstanding as of December 31, 2010.
- 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, 2010, this liability has increased to a net other postemployment benefit obligation of \$15,519,645.
- 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 2010 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 five fiscal years, it was not certain that this grant would be made again in 2010. Therefore, it was not included in the 2010 Adopted Budget or the 2010 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 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

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2010

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, 2010, 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, 2010

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, 2010 and 2009:

Table 1
Condensed Statement of Net Assets
As of December 31

	2010			2009		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Assets						
Current & other assets	\$68,916,536	\$3,964,695	\$72,881,231	\$53,345,579	\$3,636,168	\$56,981,747
Capital assets, net of accumulated depreciation	83,454,744	10,696,255	94,150,999	71,162,086	11,247,834	82,409,920
Total Assets	152,371,280	14,660,950	167,032,230	124,507,665	14,884,002	139,391,667
Liabilities						
Long-term debt outstanding	16,390,000	-	16,390,000	350,000	-	350,000
Other postemployment benefits (OPEB) liability	15,034,863	484,782	15,519,645	9,883,296	308,602	10,191,898
Other liabilities	28,255,596	6,066,434	34,322,030	21,238,155	6,107,962	27,346,117
Total Liabilities	59,680,459	6,551,216	66,231,675	31,471,451	6,416,564	37,888,015
Net Assets						
Invested in capital assets, net of related debt	78,163,567	10,696,255	88,859,822	70,812,086	11,247,834	82,059,920
Restricted	20,882	771,143	792,025	27,214	-	27,214
Unrestricted:						
Undesignated	14,506,372	(3,357,664)	11,148,708	22,196,914	(2,780,396)	19,416,518
Total Net Assets	\$92,690,821	\$8,109,734	\$100,800,555	\$93,036,214	\$8,467,438	\$101,503,652

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, 2010 was \$88,859,822, compared with \$82,059,920 at December 31, 2009. The total primary government capital assets of \$94,150,999 (net of accumulated depreciation) are detailed, including the current year activity, in Note 4 of the Notes to the Basic Financial Statements.

The County has restricted net assets in governmental activities at December 31, 2010 of \$20,882, which are restricted for surplus revenue from federally sponsored programs. The County has restricted net assets in business-type activities of \$771,143, which are restricted for capital equipment purchases. The remaining balance of unrestricted net assets of \$14,506,372 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 (\$3,357,664).

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Unrestricted net assets of governmental activities of \$14,506,372 is compared with \$22,196,914 for 2009, while unrestricted net assets (deficit) of business-type activities of (\$3,357,664) is compared with 2009 unrestricted net assets (deficit) of (\$2,780,396).

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, 2010 and 2009:

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

	2010			2009		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 13,250,855	\$ 5,065,126	\$ 18,315,981	\$ 13,163,067	\$ 5,207,953	\$ 18,371,020
Operating grants and contributions	24,571,868	1,060,250	25,632,118	29,311,081	212,521	29,523,602
Capital grants and contributions	281,959	-	281,959	173,128	-	173,128
General revenues:						
Taxes and other tax items	52,900,805	-	52,900,805	50,353,768	-	50,353,768
Tobacco settlement	950,843	-	950,843	1,142,565	-	1,142,565
Off-track betting	143,045	-	143,045	119,427	-	119,427
Investment income	305,974	28,930	334,904	373,893	34,408	408,301
Transfers	44,607	(44,607)	-	-	-	-
Total revenues	92,449,956	6,109,699	98,559,655	94,636,929	5,454,882	100,091,811
Expenses						
General government	20,080,948	-	20,080,948	19,058,589	-	19,058,589
Education	5,209,881	-	5,209,881	5,433,989	-	5,433,989
Public safety	12,373,674	-	12,373,674	11,989,998	-	11,989,998
Health	12,709,523	-	12,709,523	12,792,019	-	12,792,019
Transportation	10,845,795	-	10,845,795	12,622,880	-	12,622,880
Economic assistance and opportunity	28,070,949	-	28,070,949	30,032,649	-	30,032,649
Culture and recreation	654,898	-	654,898	700,117	-	700,117
Home and community services	2,429,420	-	2,429,420	2,182,689	-	2,182,689
Interest on debt	420,261	-	420,261	27,158	-	27,158
Environmental landfill	-	5,657,136	5,657,136	-	3,830,933	3,830,933
Workers' compensation	-	810,267	810,267	-	1,438,953	1,438,953
Total expenses	92,795,349	6,467,403	99,262,752	94,840,088	5,269,886	100,109,974
Change in net assets	(345,393)	(357,704)	(703,097)	(203,159)	184,996	(18,163)
Net assets-beginning	93,036,214	8,467,438	101,503,652	93,239,373	8,282,442	101,521,815
Net assets-ending	\$ 92,690,821	\$ 8,109,734	\$ 100,800,555	\$ 93,036,214	\$ 8,467,438	\$ 101,503,652

The County's primary government net assets decreased by \$703,097 in 2010. Governmental activities net assets decreased by \$345,393 and business-type activities net assets decreased by \$357,704. Key elements of these changes are as follows:

COUNTY OF MADISON, NEW YORK
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Governmental Activities

Revenues:

- *Operating Grants and Contributions* – This category of program revenues decreased by \$4,739,213, or 16.2%, compared with 2009. This is largely due to a decrease in federal aid for road and bridge projects of \$2,823,839, and a decrease in state aid for road and bridge projects of \$498,913. The County also reported a decrease in American Recovery and Reinvestment Act (ARRA) grants in 2010. Much of the decline in federal aid for job training programs of \$746,731, and social services programs of \$187,772, was due to a reduction in ARRA funds.
- *Sales tax* – The County's gross sales tax revenue increased by \$1,765,055, or 8.5%, compared with 2009.
- *Tobacco Settlement* – As a result of a Master Settlement Agreement with the tobacco industry, the County receives annual payments to compensate for medical costs incurred due to illness resulting from the use of tobacco products. The 2010 tobacco settlement payment decreased by \$191,722, or 16.8%, compared with 2009.

Expenses:

- *Economic Assistance and Opportunity* – Overall, economic assistance and opportunity expense decreased by \$1,961,700, or 6.5%. This reduction is mainly due to a decrease in expense for social services administration and programs of \$854,867, and a decrease in job training programs expense of \$699,627. Much of the decrease in job training programs expense was a result of the decline in ARRA grants during 2010.
- *Transportation* – Overall, transportation expense decreased by \$1,777,085, or 14.1%. This decrease is due in part to decreases in contractual expenditures for routine maintenance of roads and bridges.
- *General Government Support* – General government support expense increased by \$1,022,359, or 5.4%. This increase is largely due to an increase in distribution of sales tax of \$642,394.

Business-type Activities

Revenues:

- *Environmental Landfill* – Net non-operating revenues increased by \$763,308. This 282.8% increase is mainly due to an increase in state and federal aid of \$851,190. This increase in aid is primarily attributable to a \$990,000 grant from the United States Department of Energy for a gas-to-energy project. Charges for services rose by a modest \$79,664, or 2.0%.
- *Workers' Compensation* – Revenue from participant charges decreased by \$185,389, or 15.1%, compared with 2009. Interest income decreased by \$4,233, or 30.4%, as a result of continued interest rate reductions.

Expenses:

- *Environmental Landfill* – Overall, total operating expenses increased by \$1,824,594. This 47.6% increase is primarily due to a \$1,647,966 increase in contractual expense. The increase in contractual expense is due in part to expenses associated with the \$990,000 United States

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Department of Energy grant for a gas-to-energy project. Also attributing to the increase were increases in personal services and employee benefits expense of \$89,596 and \$47,527, respectively. Depreciation expense increased by \$39,505.

- *Workers' Compensation* – Contractual expense decreased by \$628,686, or 43.7%, compared to 2009. This decrease is the result of a \$566,078 decline in claims expense and a \$62,608 decrease in service fees and assessments.

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, 2010, the County governmental funds reported combined fund balances of \$39,953,333, compared with a prior-year fund balance of \$30,274,680, an increase of \$9,678,653. \$37,448,469 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, 2010 and 2009, and the changes in fund balance for the years then ended:

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

	2010			2009		
	General Fund	Non-major Governmental Funds	Total Governmental Funds	General Fund	Non-major Governmental Funds	Total Governmental Funds
Reserved for:						
Encumbrances	\$ 732,896	\$ 238,507	\$ 971,403	\$ 780,531	\$ 743,987	\$ 1,524,518
Inventories	154,098	1,358,481	1,512,579	128,416	1,541,830	1,670,246
Debt service	-	-	-	-	7,319	7,319
Law enforcement of drug-related crimes	20,882	-	20,882	19,895	-	19,895
Total reserved	<u>907,876</u>	<u>1,596,988</u>	<u>2,504,864</u>	<u>928,842</u>	<u>2,293,136</u>	<u>3,221,978</u>
Unreserved fund balances:						
Designated for ensuing year's budget	6,550,386	1,218,559	7,768,945	6,800,000	619,725	7,419,725
Undesignated:						
General fund	13,542,973	-	13,542,973	12,389,002	-	12,389,002
Special fund	-	4,595,068	4,595,068	-	4,645,732	4,645,732
Capital projects	-	11,541,483	11,541,483	-	2,598,243	2,598,243
Total unreserved	<u>20,093,359</u>	<u>17,355,110</u>	<u>37,448,469</u>	<u>19,189,002</u>	<u>7,863,700</u>	<u>27,052,702</u>
Total fund balances	<u>\$ 21,001,235</u>	<u>\$ 18,952,098</u>	<u>\$ 39,953,333</u>	<u>\$ 20,117,844</u>	<u>\$ 10,156,836</u>	<u>\$ 30,274,680</u>

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
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Table 4
Condensed Schedule of Governmental Funds
Changes in Fund Balances
For the years ended December 31

	2010			2009		
	General	Non-major	Total	General	Non-major	Total
	Fund	Governmental	Governmental	Fund	Governmental	Governmental
		Funds	Funds		Funds	Funds
Fund balances, beginning	\$ 20,117,844	\$ 10,156,836	\$ 30,274,680	\$ 25,186,814	\$ 6,894,773	\$ 32,081,587
Revenues	88,196,946	7,063,999	95,260,945	86,629,542	10,124,869	96,754,411
Expenditures	(77,311,374)	(24,685,776)	(101,997,150)	(77,694,035)	(20,867,283)	(98,561,318)
Other financing sources, net	25,000	26,515,566	26,540,566	-	14,248,187	14,248,187
Other financing uses, net	(10,027,181)	(98,527)	(10,125,708)	(14,004,477)	(243,710)	(14,248,187)
Fund balances, ending	\$ 21,001,235	\$ 18,952,098	\$ 39,953,333	\$ 20,117,844	\$ 10,156,836	\$ 30,274,680

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, 2010, the net assets of the environmental landfill operation were \$7,869,184, a decrease of \$598,254 from 2009. As of December 31, 2010, the restricted net assets of the enterprise environmental landfill fund were \$11,467,398 and the unrestricted net assets were (\$3,598,214).

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 2010, the total net assets of this enterprise fund were \$240,550, an increase from the prior year of \$240,550.

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

	2010			2009		
	Environmental	Workers'	Total	Environmental	Workers'	Total
	Landfill	Compensation		Landfill	Compensation	
Invested in capital assets, net of related debt	\$ 10,696,255	\$ -	\$ 10,696,255	\$ 11,247,834	\$ -	\$ 11,247,834
Restricted	771,143	-	771,143	-	-	-
Unrestricted:						
Undesignated	(3,598,214)	240,550	(3,357,664)	(2,780,396)	-	(2,780,396)
Total net assets	\$ 7,869,184	\$ 240,550	\$ 8,109,734	\$ 8,467,438	\$ -	\$ 8,467,438

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
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Table 6
Condensed Schedule of Proprietary Funds
Changes in Net Assets
For the years ended December 31

	2010			2009		
	Environmental Landfill	Workers' Compensation	Total	Environmental Landfill	Workers' Compensation	Total
Net assets, beginning	\$ 8,467,438	\$ -	\$ 8,467,438	\$ 8,083,928	\$ 198,514	\$ 8,282,442
Total operating revenue	4,024,021	1,041,105	5,065,126	3,944,499	1,226,493	5,170,992
Total operating expense	(5,655,527)	(810,267)	(6,465,794)	(3,830,933)	(1,438,953)	(5,269,886)
Operating income (loss)	(1,631,506)	230,838	(1,400,668)	113,566	(212,460)	(98,894)
Non-operating revenue, net	1,033,252	9,712	1,042,964	269,944	13,946	283,890
Net assets, ending	\$ 7,869,184	\$ 240,550	\$ 8,109,734	\$ 8,467,438	\$ -	\$ 8,467,438

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget was increased at the beginning of the year by \$780,531 for incomplete 2009 special projects and other incomplete budget obligations. This compares with a fiscal year 2009 beginning-of-year increase in budget appropriations of \$1,408,007. These incomplete projects and obligations included continued Indian land claim research of \$168,467, payroll and timekeeping software upgrades of \$118,689, miscellaneous minor County building projects of \$66,307, social services building renovations of \$60,000, and various minor departmental projects and budget obligations of \$367,068.

The County did not authorize the use of additional General Fund unappropriated fund balance during fiscal year 2010.

For 2010, actual expenditures in the General Fund were \$12,283,351 lower than the modified budget, compared to \$10,722,758 lower in 2009. Actual revenues were \$3,819,429 lower than modified revenue estimates in 2010, compared with \$5,484,561 lower than modified revenue estimates in 2009.

Actual General Fund revenues were \$883,391 more than General Fund expenditures in 2010. This compares with a 2009 shortfall of revenues under expenditures of \$5,068,970.

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, 2010, amounted to \$94,150,999, 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 17.3% for governmental activities and decreased 4.9% for business-type activities. Overall, the County's investment in capital assets for the current fiscal year for the primary government, including governmental and business-type activities, increased 14.2%.

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

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2010

Table 7
Condensed Schedule of Capital Assets
As of December 31, 2010

At the end of 2010, the County had invested \$94,150,999 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	11,109,409	149,480	11,258,889	5.8%
Buildings	31,673,797	1,467,936	33,141,733	17.2%
Improvements other than buildings	1,462,071	11,354,334	12,816,405	6.7%
Infrastructure	109,490,565	650,015	110,140,580	57.3%
Machinery and equipment	<u>19,624,656</u>	<u>3,696,925</u>	<u>23,321,581</u>	<u>12.1%</u>
Total capital assets	174,294,141	18,034,037	192,328,178	100.0%
Accumulated depreciation	<u>(90,839,397)</u>	<u>(7,337,782)</u>	<u>(98,177,179)</u>	
Total net capital assets	<u>\$ 83,454,744</u>	<u>\$ 10,696,255</u>	<u>\$ 94,150,999</u>	

Table 8
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>	

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

Governmental activities

- Public Safety Communication Upgrade project construction in progress \$8,816,356.
- Infrastructure improvements to roads and bridges \$5,583,733.
- Sewer District control panel \$495,109.
- Agricultural Renewal Energy Park project \$406,632.

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2010

Business-type activities

- New residential transfer station construction \$151,687.
- West side landfill closure construction in progress \$148,480.

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 2010, the County had total bonded debt outstanding of \$16,390,000, which is comprised of debt backed by the full faith and credit of the County.

In May 2010, the County issued tax-exempt bonds, Build America Bonds, and Recovery Zone Economic Development bonds totaling \$16,390,000, with an interest rate of from 3.11% to 5.28%, which will be fully amortized in 2020.

The following table presents the County's outstanding debt and the changes that occurred during 2010 and 2009:

Table 9
Outstanding Debt
As of December 31

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Beginning outstanding debt	\$ 350,000	\$ -	\$ 350,000	\$ 1,340,000	\$ -	\$ 1,340,000
Bonds issued	16,390,000	-	16,390,000	.	-	-
Scheduled debt payments	(350,000)	-	(350,000)	(990,000)	-	(990,000)
Ending outstanding debt	<u>\$ 16,390,000</u>	<u>\$ -</u>	<u>\$ 16,390,000</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>

The County's statutory debt limitation is \$246,398,970. The County has used 6.7% of its limitation at the end of 2010, compared with 0.2% at the end of 2009.

Economic Factors and Ensuing Year's Budget and Rates

The unemployment rate for the County as of June 2011 is 8.0%, which compares to 8.4% for the previous year. The New York State average is 8.0%, and the national unemployment rate is 9.3% as of June 2011 (*Sources: New York State Department of Labor and the Bureau of Labor Statistics*).

As of June 2011, the Consumer Price Index for the area has risen 3.4% compared to the previous year. The national average for the same period has risen 3.6%.

Unreserved fund balance in the General Fund increased \$904,357 during 2010 to \$20,093,359. The County appropriated \$6,550,386 for spending in the 2011 budget.

There was no change in the tax levy of \$28,884,388 for tax year 2011. At December 31, 2010, the County had a maximum taxing power of \$73,792,717, and had used 32.44% of its limit as compared with 36.15% for the previous year.

COUNTY OF MADISON, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2010

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.



Basic Financial Statements



COUNTY OF MADISON, NEW YORK
STATEMENT OF NET ASSETS
As of December 31, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 39,452,490	\$ 2,970,720	\$ 42,423,210	\$ 1,441,233
Accounts receivable, net	12,736,071	112,084	12,848,155	-
Prepaid expenses	854,631	24,077	878,708	-
Due from other governments	8,563,062	90,445	8,653,507	-
Due from other funds	5,720,405	-	5,720,405	-
Internal balances	77,298	(77,298)	-	-
Inventories	1,512,579	73,524	1,586,103	-
Total current assets	<u>68,916,536</u>	<u>3,193,552</u>	<u>72,110,088</u>	<u>1,441,233</u>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	-	771,143	771,143	-
Capital assets, net	83,454,744	10,696,255	94,150,999	395,869
Total non-current assets	<u>83,454,744</u>	<u>11,467,398</u>	<u>94,922,142</u>	<u>395,869</u>
Total Assets	<u>152,371,280</u>	<u>14,660,950</u>	<u>167,032,230</u>	<u>1,837,102</u>
LIABILITIES				
Current liabilities:				
Accounts payable, accrued liabilities and retainage payable	10,244,421	186,790	10,431,211	7,923
Due to other governments	13,306,687	-	13,306,687	-
Compensated absences	50,396	-	50,396	-
Bonds payable	1,380,000	-	1,380,000	-
Bond accrued interest payable	454,998	-	454,998	-
Other liabilities	-	980,217	980,217	-
Total current liabilities	<u>25,436,502</u>	<u>1,167,007</u>	<u>26,603,509</u>	<u>7,923</u>
Current liabilities payable from restricted assets:				
Customer deposits payable	-	12,000	12,000	-
Non-current liabilities:				
Bonds payable	15,010,000	-	15,010,000	-
Deferred bond premium	575,222	-	575,222	-
Compensated absences	3,623,872	109,311	3,733,183	-
Other postemployment benefits (OPEB) liability	15,034,863	484,782	15,519,645	-
Landfill closure/post closure	-	4,778,116	4,778,116	-
Total non-current liabilities	<u>34,243,957</u>	<u>5,372,209</u>	<u>39,616,166</u>	<u>-</u>
Commitments and contingencies (Notes 9 and 10)				
Total Liabilities	<u>59,680,459</u>	<u>6,551,216</u>	<u>66,231,675</u>	<u>7,923</u>
NET ASSETS				
Invested in capital assets, net of related debt	78,163,567	10,696,255	88,859,822	395,869
Restricted for:				
Other purposes	20,882	771,143	792,025	-
Unrestricted:				
Undesignated	14,506,372	(3,357,664)	11,148,708	1,433,310
Total Net Assets	<u>\$ 92,690,821</u>	<u>\$ 8,109,734</u>	<u>\$ 100,800,555</u>	<u>\$ 1,829,179</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, 2010**

	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	\$ 20,080,948	\$ 2,341,349	\$ 2,458,874	\$ -	\$ (15,280,725)	\$ -	\$ -
Education	5,209,881	480,120	1,585,156	-	(3,144,605)	-	(3,144,605)
Public safety	12,373,674	1,037,443	468,601	-	(10,867,630)	-	(10,867,630)
Health	12,709,523	5,918,631	3,892,598	-	(2,898,294)	-	(2,898,294)
Transportation	10,845,795	1,190,005	2,799,443	281,959	(6,574,388)	-	(6,574,388)
Economic assistance and opportunity	28,070,949	1,562,043	12,770,979	-	(13,737,927)	-	(13,737,927)
Culture and recreation	654,898	2,839	137,699	-	(514,360)	-	(514,360)
Home and community services	2,429,420	718,425	458,518	-	(1,252,477)	-	(1,252,477)
Interest on long-term debt	420,261	-	-	-	(420,261)	-	(420,261)
Total governmental activities	92,795,349	13,250,855	24,571,868	281,959	(54,690,667)	-	(54,690,667)
Business-type activities:							
Environmental landfill	5,657,136	4,024,021	1,060,250	-	(572,865)	-	(572,865)
Workers' compensation	810,267	1,041,105	-	-	230,838	-	230,838
Total business-type activities	6,467,403	5,065,126	1,060,250	-	(342,027)	-	(342,027)
Total primary government	\$ 99,262,752	\$ 18,315,981	\$ 25,632,118	\$ 281,959	(54,690,667)	(342,027)	(55,032,694)
Component units:							
Madison County Industrial Dev Agency	324,248	267,393	164,616	-	-	-	107,761
Madison County Soil & Water Cons Dist	1,281,567	58,682	1,583,073	-	-	-	360,188
Total component units	\$ 1,605,815	\$ 326,075	\$ 1,747,689	\$ -	-	-	467,949
General revenues:							
Taxes:							
Real property tax and other tax items					29,597,311	-	29,597,311
Sales tax					22,417,286	-	22,417,286
Other non-property tax items					886,208	-	886,208
Tobacco settlement revenues					950,843	-	950,843
Off-track betting revenues					143,045	-	143,045
Unrestricted interest income					305,974	28,930	334,904
Transfers					44,607	(44,607)	-
Total general revenues					54,345,274	(15,677)	54,329,597
Change in net assets					(345,393)	(357,704)	(703,097)
Net assets - beginning					93,036,214	8,467,438	101,503,652
Net assets - ending					\$ 92,690,821	\$ 8,109,734	\$ 100,800,555

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, 2010

	General	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,934,023	\$ 24,518,467	\$ 39,452,490
Taxes receivable, net	8,169,889	-	8,169,889
Accounts receivable	2,022,504	1,832,227	3,854,731
Due from other funds	6,177,651	155,332	6,332,983
Loans receivable	-	711,451	711,451
State and federal receivables	7,960,623	602,439	8,563,062
Inventories	154,098	1,358,481	1,512,579
Prepaid expenses	743,355	111,276	854,631
Total Assets	\$ 40,162,143	\$ 29,289,673	\$ 69,451,816
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,016,175	\$ 6,937,107	\$ 9,953,282
Accrued liabilities	141,916	99,009	240,925
Other liabilities	2,522	47,692	50,214
Due to other funds	153,172	382,108	535,280
Due to other governments	13,306,687	-	13,306,687
Deferred revenue	2,540,436	2,871,659	5,412,095
Total Liabilities	19,160,908	10,337,575	29,498,483
Fund Balances:			
Reserved for:			
Encumbrances	732,896	238,507	971,403
Inventories	154,098	1,358,481	1,512,579
Special	20,882	-	20,882
Unreserved fund balances:			
Designated for 2011 budgeted appropriations	6,550,386	1,218,559	7,768,945
Undesignated fund balances reported in:			
General fund	13,542,973	-	13,542,973
Special revenue funds	-	4,595,068	4,595,068
Capital projects fund	-	11,541,483	11,541,483
Total Fund Balances	21,001,235	18,952,098	39,953,333
Total Liabilities and Fund Balances	\$ 40,162,143	\$ 29,289,673	\$ 69,451,816

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, 2010**

Total fund balances - governmental funds **\$ 39,953,333**

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		11,109,409
		12,043,052

Depreciable assets:

Buildings		31,673,797
Improvements other than buildings		1,462,071
Infrastructure		109,490,565
Machinery and equipment		19,624,656
Accumulated depreciation		(90,839,397)
		71,411,692

Total capital assets 83,454,744

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		(3,674,268)
Other postemployment benefits (OPEB)		(15,034,863)
Deferred bond premium		(575,222)
Bonds payable		(16,390,000)
Accrued bond interest payable		(454,998)
Total long-term liabilities		(36,129,351)

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

5,412,095

Net assets of governmental activities **\$ 92,690,821**

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, 2010

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Real property taxes	\$ 27,803,727	\$ 5,400	\$ 27,809,127
Real property tax items	1,325,814	-	1,325,814
Non-property tax items	22,891,420	416,575	23,307,995
Departmental income	9,025,633	642,838	9,668,471
Intergovernmental charges	290,575	1,018,340	1,308,915
Use of money and property	218,972	242,810	461,782
Licenses and permits	11,457	-	11,457
Fines and forfeitures	201,750	-	201,750
Sale of property and compensation for loss	1,038,752	48	1,038,800
Miscellaneous local sources	1,673,649	668,530	2,342,179
Interfund	1,860,186	716,252	2,576,438
State aid	13,428,746	2,330,061	15,758,807
Federal aid	8,426,265	1,023,145	9,449,410
Total Revenues	<u>88,196,946</u>	<u>7,063,999</u>	<u>95,260,945</u>
EXPENDITURES			
General government support	19,532,053	-	19,532,053
Education	5,141,256	-	5,141,256
Public safety	10,599,443	8,809,123	19,408,566
Health	10,997,566	-	10,997,566
Transportation	955,138	11,923,406	12,878,544
Economic assistance and opportunity	25,725,882	963,933	26,689,815
Culture and recreation	620,583	-	620,583
Home and community services	1,246,693	905,327	2,152,020
Employee benefits	2,492,760	1,728,562	4,221,322
Debt service:			
Principal	-	350,000	350,000
Interest	-	5,425	5,425
Total Expenditures	<u>77,311,374</u>	<u>24,685,776</u>	<u>101,997,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,885,572</u>	<u>(17,621,777)</u>	<u>(6,736,205)</u>
OTHER FINANCING SOURCES (USES)			
Serial bonds	-	16,390,000	16,390,000
Transfers in	25,000	10,125,566	10,150,566
Transfers out	(10,027,181)	(98,527)	(10,125,708)
Total other financing sources (uses)	<u>(10,002,181)</u>	<u>26,417,039</u>	<u>16,414,858</u>
Net change in fund balances	883,391	8,795,262	9,678,653
Fund balances at beginning of year	<u>20,117,844</u>	<u>10,156,836</u>	<u>30,274,680</u>
Fund balances at end of year	<u>\$ 21,001,235</u>	<u>\$ 18,952,098</u>	<u>\$ 39,953,333</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, 2010

Net change in fund balances - total governmental funds **\$ 9,678,653**

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	\$ 16,205,368	
	Capital asset transfer from Environmental Landfill	19,749	
	Retirement of capital assets	(16,221)	
	Less depreciation expense	<u>(3,916,238)</u>	12,292,658

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 116,801

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.

	Issuance of long-term debt	\$ (16,390,000)	
	Repayment bond principal	350,000	
	Net premium on issuance of long-term debt	<u>(614,480)</u>	(16,654,480)

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	(212,622)	
	Other postemployment benefits (OPEB)	(5,151,567)	
	Change in accrued interest, net of unamortized bond premium	<u>(414,836)</u>	<u>(5,779,025)</u>

Change in net assets of governmental activities **\$ (345,393)**

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, 2010

	Business-type Activities Enterprise Funds		
	Environmental Landfill	Workers' Compensation	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,704,235	\$ 1,266,485	\$ 2,970,720
Accounts receivable, net	112,084	-	112,084
State & federal receivables	90,445	-	90,445
Prepaid expenses	24,077	-	24,077
Internal balances	(77,298)	-	(77,298)
Inventories	73,524	-	73,524
Total current assets	<u>1,927,067</u>	<u>1,266,485</u>	<u>3,193,552</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	771,143	-	771,143
Total restricted assets	<u>771,143</u>	<u>-</u>	<u>771,143</u>
Capital assets:			
Non-depreciable capital assets:			
Land	715,347	-	715,347
Construction in progress	149,480	-	149,480
Depreciable capital assets:			
Buildings and building improvements	1,467,936	-	1,467,936
Improvements other than buildings	12,004,349	-	12,004,349
Machinery and equipment	3,696,925	-	3,696,925
Less accumulated depreciation	(7,337,782)	-	(7,337,782)
Total capital assets net of accumulated depreciation	<u>10,696,255</u>	<u>-</u>	<u>10,696,255</u>
Total non-current assets	<u>11,467,398</u>	<u>-</u>	<u>11,467,398</u>
Total Assets	<u>13,394,465</u>	<u>1,266,485</u>	<u>14,660,950</u>
LIABILITIES			
Current liabilities:			
Accounts payable, accrued liabilities and retainage payable	141,072	45,718	186,790
Other liabilities	-	980,217	980,217
Total current liabilities	<u>141,072</u>	<u>1,025,935</u>	<u>1,167,007</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	12,000	-	12,000
Total current liabilities payable from restricted assets	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Noncurrent liabilities:			
Compensated absences payable	109,311	-	109,311
Other postemployment benefits payable	484,782	-	484,782
Landfill closure/post-closure	4,778,116	-	4,778,116
Total noncurrent liabilities	<u>5,372,209</u>	<u>-</u>	<u>5,372,209</u>
Total Liabilities	<u>5,525,281</u>	<u>1,025,935</u>	<u>6,551,216</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,696,255	-	10,696,255
Restricted:			
Other purposes	771,143	-	771,143
Unrestricted:			
Undesignated	(3,598,214)	240,550	(3,357,664)
Total Net Assets	<u>\$ 7,869,184</u>	<u>\$ 240,550</u>	<u>\$ 8,109,734</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, 2010

Business-type Activities
Enterprise Funds

	<u>Environmental Landfill</u>	<u>Workers' Compensation</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 4,024,021	\$ 1,041,105	\$ 5,065,126
Operating expenses:			
Personal services	930,180	-	930,180
Employee benefits	337,925	-	337,925
Other postemployment benefit expense	176,180	-	176,180
Contractual expense	3,255,245	810,267	4,065,512
Depreciation	955,997	-	955,997
Total operating expenses	<u>5,655,527</u>	<u>810,267</u>	<u>6,465,794</u>
Operating income (loss)	<u>(1,631,506)</u>	<u>230,838</u>	<u>(1,400,668)</u>
Non-operating revenues (expenses):			
Interest revenue	19,218	9,712	28,930
State and federal aid	1,060,250	-	1,060,250
Loss on disposal of assets	(1,609)	-	(1,609)
Capital assets transferred to County	(19,749)	-	(19,749)
Transfer to other funds	(24,858)	-	(24,858)
Total non-operating revenues	<u>1,033,252</u>	<u>9,712</u>	<u>1,042,964</u>
Increase (decrease) in net assets	<u>(598,254)</u>	<u>240,550</u>	<u>(357,704)</u>
Net assets at beginning of year	<u>8,467,438</u>	<u>-</u>	<u>8,467,438</u>
Net assets at end of year	<u>\$ 7,869,184</u>	<u>\$ 240,550</u>	<u>\$ 8,109,734</u>

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, 2010

	Business-type activities Enterprise Funds		
	Environmental Landfill	Workers' Compensation	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 4,030,908	\$ 1,142,158	\$ 5,173,066
Cash paid for contractual services	(3,063,791)	(1,022,965)	(4,086,756)
Cash paid to and on behalf of employees	(1,299,305)	-	(1,299,305)
Net cash provided (used) by operating activities	<u>(332,188)</u>	<u>119,193</u>	<u>(212,995)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State and federal aid	1,178,865	-	1,178,865
Transfer to County (net)	(24,858)	-	(24,858)
Net cash provided by noncapital financing activities	<u>1,154,007</u>	<u>-</u>	<u>1,154,007</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	26	-	26
Cash outlay for capital assets	(425,802)	-	(425,802)
Net cash used by capital and related financing activities	<u>(425,776)</u>	<u>-</u>	<u>(425,776)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from interest and dividends	19,218	9,712	28,930
Net cash provided by investing activities	<u>19,218</u>	<u>9,712</u>	<u>28,930</u>
Net increase in cash and cash equivalents	415,261	128,905	544,166
Cash and cash equivalents, January 1	2,060,117	1,137,580	3,197,697
Cash and cash equivalents, December 31	<u>\$ 2,475,378</u>	<u>\$ 1,266,485</u>	<u>\$ 3,741,863</u>
Classified as:			
Cash and cash equivalents - unrestricted	1,704,235	1,266,485	2,970,720
Cash and cash equivalents - restricted	771,143	-	771,143
Total cash and cash equivalents	<u>\$ 2,475,378</u>	<u>\$ 1,266,485</u>	<u>\$ 3,741,863</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	<u>\$ (1,631,506)</u>	<u>\$ 230,838</u>	<u>\$ (1,400,668)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	955,997	-	955,997
Changes to operating assets and liabilities:			
Accounts receivable, net	(604)	101,053	100,449
Prepaid expenses	(10,997)	-	(10,997)
Internal balances	6,491	-	6,491
Inventories	1,081	-	1,081
Accounts payable, accrued liabilities and retainage payable	(64,262)	26,094	(38,168)
Other liabilities	-	(238,792)	(238,792)
Customer deposits payable	1,000	-	1,000
Compensated absences payable	(31,200)	-	(31,200)
Other postemployment benefits payable	176,180	-	176,180
Landfill closure/post-closure	265,632	-	265,632
Total adjustments	<u>1,299,318</u>	<u>(111,645)</u>	<u>1,187,673</u>
Net cash provided by (used in) operating activities	<u>\$ (332,188)</u>	<u>\$ 119,193</u>	<u>\$ (212,995)</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, 2010**

ASSETS	
Cash and cash equivalents	\$ 4,528,423
Accounts receivable	<u>1,730,192</u>
Total Assets	<u>6,258,615</u>
LIABILITIES	
Due to other funds	5,720,405
Accounts payable and accrued expenses	<u>538,210</u>
Total Liabilities	<u>6,258,615</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, 2010**

	<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	\$ 344,321	\$ 1,096,912	\$ 1,441,233
Total current assets	<u>344,321</u>	<u>1,096,912</u>	<u>1,441,233</u>
Noncurrent assets:			
Capital assets, net	<u>395,869</u>	<u>-</u>	<u>395,869</u>
Total noncurrent assets	<u>395,869</u>	<u>-</u>	<u>395,869</u>
Total Assets	<u>740,190</u>	<u>1,096,912</u>	<u>1,837,102</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>7,923</u>	<u>-</u>	<u>7,923</u>
Total Liabilities	<u>7,923</u>	<u>-</u>	<u>7,923</u>
NET ASSETS			
Invested in capital assets, net of related debt	395,869	-	395,869
Unrestricted	<u>336,398</u>	<u>1,096,912</u>	<u>1,433,310</u>
Total Net Assets	<u>\$ 732,267</u>	<u>\$ 1,096,912</u>	<u>\$ 1,829,179</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, 2010**

	<u>Madison County Industrial Development Agency</u>	<u>Madison County Soil and Water Conservation District</u>	<u>Total</u>
Expenses	\$ 324,248	\$ 1,281,567	\$ 1,605,815
Program revenues:			
Charges for services	267,393	58,682	326,075
Operating grants and contributions	<u>164,616</u>	<u>1,583,073</u>	<u>1,747,689</u>
Total program revenues	<u>432,009</u>	<u>1,641,755</u>	<u>2,073,764</u>
Net program revenues	<u>107,761</u>	<u>360,188</u>	<u>467,949</u>
Non-operating revenues:			
Unrestricted interest income	<u>2,317</u>	<u>3,687</u>	<u>6,004</u>
Total non-operating revenue	<u>2,317</u>	<u>3,687</u>	<u>6,004</u>
Change in net assets	110,078	363,875	473,953
Total net assets at beginning of year	<u>622,189</u>	<u>733,037</u>	<u>1,355,226</u>
Total net assets at end of year	<u>\$ 732,267</u>	<u>\$ 1,096,912</u>	<u>\$ 1,829,179</u>

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

Notes to the Basic Financial Statements

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. During 2010, the County Administrator served as the Budget Officer. The County Treasurer serves as the Chief Fiscal Officer, and currently 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. 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. This Statement has been adopted by the County effective for the year beginning January 1, 2010.

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. This Statement has been adopted by the County effective for the year beginning January 1, 2010.

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. This Statement has been adopted by the County effective for the year beginning January 1, 2010.

The following accounting standards have been issued, but have not yet been implemented by 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. 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. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, is intended to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The requirements of the Statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning January 1, 2012 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 61, *Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, is intended to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. The requirements of the Statement are effective for periods beginning after June 15, 2012, which is the fiscal year beginning January 1, 2013 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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is intended to provide a complete set of all pre-November 30, 1989 FASB and AICPA pronouncements that are currently in place and in use by governments. The requirements of the Statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning January 1, 2012 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is intended to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources on the statement of net assets. The requirements of the Statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning January 1, 2012 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, is intended to amend GASB Statement No. 53 and clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The requirements of the Statement are effective for periods beginning after June 15, 2011, which is the fiscal year beginning January 1, 2012 for the County. This Statement is not expected to have a material effect on 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, 41-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 2011 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) *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, 2010, the County's bank balance of \$49.6 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 2010, the County had no investments.

Custodial Accounts – Custodial assets refer to cash and cash equivalents held by the County for a third party. During 2010, 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 2010, there were no funds held by a trustee for the primary government.

(f) *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.

(g) *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) during fiscal years 2009 and 2010.

(h) *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, 2010 are discussed in note 6(c).

(i) *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 2010, the County's real property tax levy (for county-wide purposes) was \$28,884,388, and the composite tax rate was \$7.38344.

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, 2010, the County reflected liabilities to the non-city school districts of \$5,342,401, the city school district of \$208,726, and the villages of \$375,517, for amounts of real property taxes that the County had assumed responsibility for collecting. The County paid the respective school districts and villages the amounts owed by April 1, 2011. 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, 2010, the total real property taxes receivable was \$8,169,889 (after deduction of an allowance for uncollectible taxes of \$975,000). An estimate of these tax liens that will not be collected within the first 60 days of the subsequent year totaled \$2,537,491 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 \$22,417,286 in 2010, of which \$9,310,582 was distributed to towns and villages to decrease County and town tax rates. At December 31, 2010, this amount included an accrual of approximately \$1,487,495 for sales tax transactions that occurred in the State of New York in 2010 that had not been received by the County at December 31, 2010. At December 31, 2010, undistributed excess sales tax collections for towns and villages amounted to \$2,363,046, 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, 2010 was as follows:

Governmental activities:	
General government support	\$ 452,990
Public safety	542,006
Health	71,110
Transportation	2,539,908
Economic assistance and opportunity	173,490
Culture and recreation	10,326
Home and community services	126,408
Total depreciation expense - governmental activities	<u>\$ 3,916,238</u>
Business-type activities:	
Environmental landfill	955,997
Total depreciation expense - business-type activities	<u>\$ 955,997</u>

Capital asset activity of the primary government for the year ended December 31, 2010 is detailed on the following page.

COUNTY OF MADISON, NEW YORK
Notes to the Basic Financial Statements
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Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 933,643	\$ -	\$ -	\$ 933,643
Construction in progress	1,702,570	9,445,898	39,059	11,109,409
Total capital assets, not being depreciated	2,636,213	9,445,898	39,059	12,043,052
Capital assets, being depreciated:				
Buildings	31,622,058	51,739	-	31,673,797
Improvements other than buildings	1,365,431	96,640	-	1,462,071
Infrastructure	103,906,832	5,583,733	-	109,490,565
Machinery and equipment	18,756,894	1,086,166	218,404	19,624,656
Total capital assets being depreciated	155,651,215	6,818,278	218,404	162,251,089
Less accumulated depreciation for:				
Buildings	(10,360,638)	(625,238)	-	(10,985,876)
Improvements other than buildings	(1,044,169)	(28,231)	-	(1,072,400)
Infrastructure	(64,072,902)	(1,953,565)	-	(66,026,467)
Machinery and equipment	(11,647,633)	(1,309,204)	202,183	(12,754,654)
Total accumulated depreciation	(87,125,342)	(3,916,238)	202,183	(90,839,397)
Total capital assets, being depreciated, net	68,525,873	2,902,040	16,221	71,411,692
Governmental activities capital assets, net	\$ 71,162,086	\$ 12,347,938	\$ 55,280	\$ 83,454,744

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 715,347	\$ -	\$ -	\$ 715,347
Construction in progress	76,225	149,480	76,225	149,480
Total capital assets, not being depreciated	791,572	149,480	76,225	864,827
Capital assets, being depreciated:				
Buildings	1,316,249	151,687	-	1,467,936
Improvements other than buildings	11,346,504	7,830	-	11,354,334
Infrastructure	650,015	-	-	650,015
Machinery and equipment	3,528,891	193,030	24,996	3,696,925
Total capital assets, being depreciated	16,841,659	352,547	24,996	17,169,210
Less accumulated depreciation for:				
Buildings	(406,597)	(26,493)	-	(433,090)
Improvements other than buildings	(3,669,019)	(697,494)	-	(4,366,513)
Infrastructure	-	(23,401)	-	(23,401)
Machinery and equipment	(2,309,781)	(208,609)	3,612	(2,514,778)
Total accumulated depreciation	(6,385,397)	(955,997)	3,612	(7,337,782)
Total capital assets, being depreciated, net	10,456,262	(603,450)	21,384	9,831,428
Business-type activities capital assets, net	\$ 11,247,834	\$ (453,970)	\$ 97,609	\$ 10,696,255

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 for the first ten years of membership and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

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

	<u>ERS</u>
2010	\$3,014,188
2009	\$1,785,777
2008	\$1,948,594

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

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years. Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years. Madison County has not elected to bond or amortize any portion of its retirement bills as allowed by the aforementioned Laws of the State of New York.

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

COUNTY OF MADISON, NEW YORK
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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. 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:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Primary</u> <u>Government</u>
Annual required contribution	\$6,890,284	\$208,746	\$7,099,030
Employer contributions	<u>(1,738,717)</u>	<u>(32,566)</u>	<u>(1,771,283)</u>
Increase in net OPEB obligation	5,151,567	176,180	5,327,747
Net OPEB obligation 1/1/10	<u>9,883,296</u>	<u>308,602</u>	<u>10,191,898</u>
Net OPEB obligation 12/31/10	<u>\$15,034,863</u>	<u>\$484,782</u>	<u>\$15,519,645</u>

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

Funded Status

Actuarial Accrued Liability (AAL)	\$72,092,368
Actuarial Value of Plan Assets	<u>-0-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$72,092,368</u>
Actuarial Value of Assets as a Percentage of AAL	-0%
Annual Covered Payroll	\$26,445,509
Ratio of UAAL to Annual Covered Payroll	273%

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.

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For the valuation dated January 1, 2010, 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 net of bond premium amortization for governmental activities for the year ended December 31, 2010 was \$420,261. Detail relating to general obligation bonds of the County, outstanding at December 31, 2010, 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				
Public safety communications	2010	2020	3.11 – 5 28%	\$ <u>16,390,000</u>
Total governmental activities				\$ <u>16,390,000</u>
Total primary government				\$ <u>16,390,000</u>

Principal and interest payments due on the bonds outstanding at December 31, 2010, for the primary government, are as follows:

Governmental Activities		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$1,380,000	\$1,049,727
2012	1,425,000	663,897
2013	1,465,000	615,295
2014	1,520,000	557,615
2015	1,580,000	493,910
2016	1,645,000	419,412
2017	1,730,000	333,180
2018	1,820,000	244,098
2019	1,880,000	150,976
2020	<u>1,945,000</u>	<u>51,367</u>
Total	<u>\$16,390,000</u>	<u>\$4,579,477</u>

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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.

(b) Long-term Liabilities

The following is a summary of long-term liabilities for the primary government as of December 31, 2010:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/10</u>	<u>Current</u> <u>Portion</u>
Governmental Activities					
Compensated absences	\$3,461,646	\$299,066	\$(86,444)	\$3,674,268	\$50,396
Other postemployment benefits (OPEB) obligation	9,883,296	6,890,284	(1,738,717)	15,034,863	-
Bonds payable	350,000	16,390,000	(350,000)	16,390,000	1,380,000
Deferred bond premium	-	614,480	(39,258)	575,222	-
Total long-term liabilities	<u>\$13,694,942</u>	<u>\$24,193,830</u>	<u>\$(2,214,419)</u>	<u>\$35,674,353</u>	<u>\$1,430,396</u>
Business-type Activities/Environmental Landfill					
Compensated absences	\$140,511	\$ -	\$(31,200)	\$109,311	\$ -
Other postemployment benefits (OPEB) obligation	308,602	208,746	(32,566)	484,782	-
Landfill closure/post closure	4,512,484	265,632	-	4,778,116	-
Total long-term liabilities	<u>\$4,961,597</u>	<u>\$474,378</u>	<u>\$(63,766)</u>	<u>\$5,372,209</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. During 1996 through 1999, the County expended \$1,477,418 in closure costs, completing the closure during 1999. 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, 2010, the Phase I, II and III areas had a capacity to accept approximately 1,117,460 tons of waste. The Phase I, II and III areas of the West Side landfill have accepted 844,586 tons of waste and have a useful life of approximately 6.17 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.

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The County has recognized a liability in the Enterprise Environmental Landfill Fund of \$4,778,116 for closure and post-closure costs. The balance associated with landfill closure and post-closure costs of \$1,378,884 will be recognized in subsequent years. The funds required for these costs are provided as part of tipping fees charged to customers.

These amounts are based on what it would cost to perform all closure and post-closure care as of December 31, 2010. 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, 2010 are as follows:

	Interfund Receivables						Total
	Governmental Activities						
	General Fund	Non-major Governmental Funds					
	County Road	Road Machinery	Community Development	Sewer District	Capital Projects		
Interfund Payables							
Governmental activities:							
General Fund	\$ -	\$ 7,208	\$ 122,414	\$ 708	\$ 1,288	\$ 21,554	\$ 153,172
Non-major Governmental Funds:							
Special Revenue:							
County Road	265,839	-	-	-	-	-	265,839
Road Machinery	33,309	-	-	-	-	-	33,309
Sewer District	7,730	-	-	-	-	-	7,730
Community Development	62,730	-	-	-	-	-	62,730
Capital Projects	12,500	-	-	-	-	-	12,500
Total Non-major	<u>382,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>382,108</u>
Total Governmental Activities	<u>382,108</u>	<u>7,208</u>	<u>122,414</u>	<u>708</u>	<u>1,288</u>	<u>21,554</u>	<u>535,280</u>
Business-type activities:							
Environmental Landfill	75,138	-	2,160	-	-	-	77,298
Agency Funds	5,720,405	-	-	-	-	-	5,720,405
Total Primary Government	<u>\$ 6,177,651</u>	<u>\$ 7,208</u>	<u>\$ 124,574</u>	<u>\$ 708</u>	<u>\$ 1,288</u>	<u>\$ 21,554</u>	<u>\$ 6,332,983</u>

8. OPERATING TRANSFERS

The following is a summary of operating transfers for the year ended December 31, 2010. All of the operating transfers were normal budgeted transfers.

COUNTY OF MADISON, NEW YORK
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Interfund Transfers To

	Governmental Activities						Business-type	Total
	General Fund	Community Development	Nonmajor Governmental Funds				Activities	
			County Road	Road Machinery	Debt Service	Capital Projects	Landfill	
Interfund Transfers From								
Governmental activities:								
General Fund	\$ -	\$ 3,017	\$ 6,943,272	\$ 1,955,043	\$ 254,579	\$ 871,128	\$ 142	\$ 10,027,181
Non-major Governmental Funds:								
Special Revenue:								
Road Machinery	-	-	5,000	-	93,527	-	-	98,527
Total Non-major	-	-	5,000	-	93,527	-	-	98,527
Total Governmental Activities	-	3,017	6,948,272	1,955,043	348,106	871,128	142	10,125,708
Business-type activities:								
Environmental Landfill	25,000	-	-	-	-	-	-	25,000
Total primary government	\$ 25,000	\$ 3,017	\$ 6,948,272	\$ 1,955,043	\$ 348,106	\$ 871,128	\$ 142	\$ 10,150,708

Note: During 2010, the Landfill purchased a vehicle for \$19,749 and transferred this capital asset to the County.

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 affirmed Judge Kahn's judgment dismissing the Oneidas possessory land claims against the County and dismissing all of the Oneidas' purportedly non-possessory claims. The Oneidas and the United States requested rehearing and, alternatively, rehearing en banc; and by order dated December 16, 2010, the Second Circuit denied those requests. We are advised that the Oneidas and the United States intend to file petitions for a writ of certiorari with the Supreme Court of the United States. Pending a final determination in the Oneida land claim, the land claim brought by the Stockbridge-Munsee Community has been stayed by Judge Kahn. 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. These various 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, 2010, the County has accrued a liability in its governmental activities and general fund of \$392,588, representing incurred but not yet reported health insurance claims and \$446,085 representing general liability claims. The governmental fund liability at December 31, 2010 is recorded entirely in the General Fund as accounts payable. The County has also accrued a liability of \$980,217 for workers' compensation premiums, unresolved claims and legal costs in its business-type activities and major enterprise fund (Workers' Compensation) at December 31, 2010.

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 2010, 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.



**Required Supplementary
Information
(Unaudited)**



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, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Real property taxes	\$ 28,884,388	\$ 28,884,388	\$ 27,803,727	\$ (1,080,661)
Real property tax items	1,180,000	1,180,000	1,325,814	145,814
Non-property tax items	21,471,448	22,086,945	22,891,420	804,475
Departmental income	9,498,355	9,534,168	9,025,633	(508,535)
Intergovernmental charges	616,500	616,500	290,575	(325,925)
Use of money and property	413,750	413,750	218,972	(194,778)
Licenses and permits	12,000	12,000	11,457	(543)
Fines and forfeitures	169,524	186,611	201,750	15,139
Sale of property and compensation for loss	1,217,050	1,217,050	1,038,752	(178,298)
Miscellaneous local sources	1,312,230	1,520,601	1,673,649	153,048
Interfund	2,155,129	2,210,386	206,427	(2,003,959)
State aid	11,690,277	12,308,846	13,428,746	1,119,900
Federal aid	7,338,718	8,531,300	8,426,265	(105,035)
Total Revenues	85,959,369	88,702,545	86,543,187	(2,159,358)
EXPENDITURES				
General government support	20,396,376	21,551,318	18,443,749	3,107,569
Education	5,439,373	5,504,605	5,141,256	363,349
Public safety	11,019,444	12,056,873	10,109,174	1,947,699
Health	11,492,060	11,994,581	10,974,380	1,020,201
Transportation	1,787,571	1,872,928	955,138	917,790
Economic assistance and opportunity	28,755,690	29,163,307	25,713,882	3,449,425
Culture and recreation	646,892	731,105	620,583	110,522
Home and community services	1,231,263	1,278,876	1,206,693	72,183
Unallocated employee benefits	3,376,587	3,643,810	2,492,760	1,151,050
Total Expenditures	84,145,256	87,797,403	75,657,615	12,139,788
Excess of revenues over expenditures	1,814,113	905,142	10,885,572	9,980,430
OTHER FINANCING SOURCES (USES)				
Appropriation of Reserves	244,850	734,200	-	(734,200)
Transfers in	950,871	950,871	25,000	(925,871)
Transfers out	(9,809,834)	(10,170,744)	(10,027,181)	143,563
Total other financing sources (uses)	(8,614,113)	(8,485,673)	(10,002,181)	(1,516,508)
Net change in fund balance	(6,800,000)	(7,580,531)	883,391	8,463,922
Fund balance - beginning	20,117,844	20,117,844	20,117,844	-
Fund balance - ending	\$ 13,317,844	\$ 12,537,313	\$ 21,001,235	\$ 8,463,922

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.

COUNTY OF MADISON, NEW YORK
Notes to Required Supplementary Information
Year Ended December 31, 2010

2. BUDGETARY SUMMARIES

(a) *General Fund*

A summary of legally adopted budgetary activity for the County's General Fund for the fiscal year 2010 follows:

	<u>General Fund</u>
Original Revenue Budget:	
Estimated revenues and other financing sources	\$87,155,090
Appropriated fund balance	<u>6,800,000</u>
Total Original Budget	93,955,090
Authorized Revisions:	
Authorized revisions and transfers	2,552,236
Additional appropriation of reserves	489,350
Grant reappropriations	<u>971,471</u>
Modified Revenue Budget-Budget Basis	<u>\$97,968,147</u>
Original Appropriations Budget:	
Appropriations and other financing uses	\$93,955,090
Total Original Budget	93,955,090
Authorized Revisions:	
Authorized revisions and transfers	3,041,586
Grant reappropriations	<u>971,471</u>
Modified Appropriations Budget-Budget Basis	<u>\$97,968,147</u>

COUNTY OF MADISON, NEW YORK
Notes to Required Supplementary Information
Year Ended December 31, 2010

(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 2010 follows:

Revenues and other financing sources (budgetary basis)	\$86,568,187
Adjustment:	
Interdepartmental and intrafund reimbursements treated as revenue for GAAP purposes and as an offset to such costs (contra revenue) for budgetary purposes	<u>1,653,759</u>
Revenue and other financing sources (GAAP basis)	<u>\$88,221,946</u>
Expenditures and other financing uses (budgetary basis)	\$85,684,796
Adjustment:	
Interdepartmental and intrafund reimbursements treated as expenditures for GAAP purposes and as an offset to such costs (contra expenditures) for budgetary purposes	<u>1,653,759</u>
Expenditures and other financing uses (GAAP basis)	<u>\$87,338,555</u>

Combining Financial Information

**COUNTY OF MADISON, NEW YORK
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of December 31, 2010**

	Special Revenue Funds	Capital Projects	Debt Service	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,680,459	\$17,838,008	\$ -	\$ 24,518,467
Accounts receivable	1,832,227	-	-	1,832,227
Due from other funds	133,778	21,554	-	155,332
Loans receivable	711,451	-	-	711,451
State and federal receivables	602,439	-	-	602,439
Inventories	1,358,481	-	-	1,358,481
Prepaid expenses	111,276	-	-	111,276
Total Assets	\$ 11,430,111	\$17,859,562	\$ -	\$ 29,289,673
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 679,220	\$ 6,257,887	\$ -	\$ 6,937,107
Accrued liabilities	99,009	-	-	99,009
Other liabilities	-	47,692	-	47,692
Due to other funds	369,608	12,500	-	382,108
Deferred revenue	2,871,659	-	-	2,871,659
Total Liabilities	4,019,496	6,318,079	-	10,337,575
Fund Balances:				
Reserved for:				
Encumbrances	238,507	-	-	238,507
Inventories	1,358,481	-	-	1,358,481
Unreserved fund balances:				
Designated for 2011 budgeted appropriations	1,218,559	-	-	1,218,559
Undesignated	4,595,068	11,541,483	-	16,136,551
Total Fund Balances	7,410,615	11,541,483	-	18,952,098
Total Liabilities and Fund Balances	\$ 11,430,111	\$17,859,562	\$ -	\$ 29,289,673

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, 2010

	Special Revenue Funds	Capital Projects	Debt Service	Total Non-major Governmental Funds
REVENUES				
Real property taxes	\$ 5,400	\$ -	\$ -	\$ 5,400
Non-property tax items	416,575	-	-	416,575
Departmental income	642,838	-	-	642,838
Intergovernmental charges	1,018,340	-	-	1,018,340
Use of money and property	176,447	66,363	-	242,810
Sale of property and compensation for loss	48	-	-	48
Miscellaneous local sources	53,825	614,705	-	668,530
Interfund	716,252	-	-	716,252
State aid	2,311,311	18,750	-	2,330,061
Federal aid	1,023,145	-	-	1,023,145
Total Revenues	<u>6,364,181</u>	<u>699,818</u>	<u>-</u>	<u>7,063,999</u>
EXPENDITURES				
Public safety	5,662	8,803,461	-	8,809,123
Transportation	11,923,406	-	-	11,923,406
Economic assistance and opportunity	789,684	174,249	-	963,933
Home and community services	865,331	39,996	-	905,327
Employee benefits	1,728,562	-	-	1,728,562
Debt service:				
Principal	-	-	350,000	350,000
Interest	-	-	5,425	5,425
Total Expenditures	<u>15,312,645</u>	<u>9,017,706</u>	<u>355,425</u>	<u>24,685,776</u>
Excess of expenditures over revenues	<u>(8,948,464)</u>	<u>(8,317,888)</u>	<u>(355,425)</u>	<u>(17,621,777)</u>
OTHER FINANCING SOURCES (USES)				
Serial bonds	-	16,390,000	-	16,390,000
Transfers in	8,906,332	871,128	348,106	10,125,566
Transfers out	(98,527)	-	-	(98,527)
Total other financing sources	<u>8,807,805</u>	<u>17,261,128</u>	<u>348,106</u>	<u>26,417,039</u>
Net change in fund balances	(140,659)	8,943,240	(7,319)	8,795,262
Fund balances at beginning of year	<u>7,551,274</u>	<u>2,598,243</u>	<u>7,319</u>	<u>10,156,836</u>
Fund balances at end of year	<u>\$ 7,410,615</u>	<u>\$ 11,541,483</u>	<u>\$ -</u>	<u>\$ 18,952,098</u>

**COUNTY OF MADISON, NEW YORK
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
As of December 31, 2010**

	<u>Community Development</u>	<u>Cowaselon Creek</u>	<u>Law Enforcement Trust</u>	<u>County Road</u>
ASSETS				
Cash and cash equivalents	\$ 1,195,761	\$ 30,106	\$ 33,546	\$ 3,255,781
Accounts receivable	1,801,760	-	-	24,212
Due from other funds	708	-	-	7,208
Loans receivable	711,451	-	-	-
State and federal receivables	139,341	-	-	463,098
Inventories	-	-	-	676,518
Prepaid expenses	8,315	-	-	83,511
Total Assets	<u>\$ 3,857,336</u>	<u>\$ 30,106</u>	<u>\$ 33,546</u>	<u>\$ 4,510,328</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 22,870	\$ -	\$ -	\$ 525,341
Accrued liabilities	-	-	-	85,617
Due to other funds	62,730	-	-	265,839
Deferred revenue	2,665,457	-	-	206,202
Total Liabilities	<u>2,751,057</u>	<u>-</u>	<u>-</u>	<u>1,082,999</u>
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	126,778
Inventories	-	-	-	676,518
Unreserved fund balances:				
Designated for 2011 budgeted appropriations	-	30,106	-	700,000
Undesignated	1,106,279	-	33,546	1,924,033
Total Fund Balances	<u>1,106,279</u>	<u>30,106</u>	<u>33,546</u>	<u>3,427,329</u>
Total Liabilities and Fund Balances	<u>\$ 3,857,336</u>	<u>\$ 30,106</u>	<u>\$ 33,546</u>	<u>\$ 4,510,328</u>

COUNTY OF MADISON, NEW YORK
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
As of December 31, 2010

	<u>Road Machinery</u>	<u>Madison County Sewer District</u>	<u>Total Special Revenue Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,286,602	\$ 878,663	\$ 6,680,459
Accounts receivable	6,255	-	1,832,227
Due from other funds	124,574	1,288	133,778
Loans receivable	-	-	711,451
State and federal receivables	-	-	602,439
Inventories	681,963	-	1,358,481
Prepaid expenses	15,762	3,688	111,276
	<u>15,762</u>	<u>3,688</u>	<u>111,276</u>
Total Assets	<u><u>\$ 2,115,156</u></u>	<u><u>\$ 883,639</u></u>	<u><u>\$ 11,430,111</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 113,114	\$ 17,895	\$ 679,220
Accrued liabilities	13,213	179	99,009
Due to other funds	33,309	7,730	369,608
Deferred revenue	-	-	2,871,659
	<u>-</u>	<u>-</u>	<u>2,871,659</u>
Total Liabilities	<u>159,636</u>	<u>25,804</u>	<u>4,019,496</u>
Fund Balances:			
Reserved for:			
Encumbrances	111,729	-	238,507
Inventories	681,963	-	1,358,481
Unreserved fund balances:			
Designated for 2011 budgeted appropriations	315,000	173,453	1,218,559
Undesignated	846,828	684,382	4,595,068
	<u>846,828</u>	<u>684,382</u>	<u>4,595,068</u>
Total Fund Balances	<u>1,955,520</u>	<u>857,835</u>	<u>7,410,615</u>
Total Liabilities and Fund Balances	<u><u>\$ 2,115,156</u></u>	<u><u>\$ 883,639</u></u>	<u><u>\$ 11,430,111</u></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, 2010

	<u>Community Development</u>	<u>Cowaselon Creek</u>	<u>Law Enforcement Trust</u>	<u>County Road</u>
REVENUES				
Real property taxes	\$ -	\$ 5,400	\$ -	\$ -
Non-property tax items	-	-	-	416,575
Departmental income	137,075	-	-	-
Intergovernmental charges	-	-	-	1,018,340
Use of money and property	148,956	-	69	17,382
Sale of property and compensation for loss	-	-	-	48
Miscellaneous local sources	49,302	-	4,383	-
Interfund	77,890	-	-	35,775
State aid	-	-	-	2,309,311
Federal aid	949,604	-	-	73,541
Total Revenues	<u>1,362,827</u>	<u>5,400</u>	<u>4,452</u>	<u>3,870,972</u>
EXPENDITURES				
Public safety	-	-	5,662	-
Transportation	-	-	-	9,593,436
Economic assistance and opportunity	789,684	-	-	-
Home and community services	566,418	3,909	-	-
Employee benefits	93,932	-	-	1,341,776
Total Expenditures	<u>1,450,034</u>	<u>3,909</u>	<u>5,662</u>	<u>10,935,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,207)</u>	<u>1,491</u>	<u>(1,210)</u>	<u>(7,064,240)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,017	-	-	6,948,272
Transfers out	-	-	-	-
Total other financing sources	<u>3,017</u>	<u>-</u>	<u>-</u>	<u>6,948,272</u>
Net change in fund balances	<u>(84,190)</u>	<u>1,491</u>	<u>(1,210)</u>	<u>(115,968)</u>
Fund balances at beginning of year	<u>1,190,469</u>	<u>28,615</u>	<u>34,756</u>	<u>3,543,297</u>
Fund balances at end of year	<u>\$ 1,106,279</u>	<u>\$ 30,106</u>	<u>\$ 33,546</u>	<u>\$ 3,427,329</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, 2010

	<u>Road Machinery</u>	<u>Madison County Sewer District</u>	<u>Total Special Revenue Funds</u>
REVENUES			
Real property taxes	\$ -	\$ -	\$ 5,400
Non-property tax items	-	-	416,575
Departmental income	-	505,763	642,838
Intergovernmental charges	-	-	1,018,340
Use of money and property	5,345	4,695	176,447
Sale of property and compensation for loss	-	-	48
Miscellaneous local sources	-	140	53,825
Interfund	602,587	-	716,252
State aid	-	2,000	2,311,311
Federal aid	-	-	1,023,145
Total Revenues	<u>607,932</u>	<u>512,598</u>	<u>6,364,181</u>
EXPENDITURES			
Public safety	-	-	5,662
Transportation	2,329,970	-	11,923,406
Economic assistance and opportunity	-	-	789,684
Home and community services	-	295,004	865,331
Employee benefits	226,990	65,864	1,728,562
Total Expenditures	<u>2,556,960</u>	<u>360,868</u>	<u>15,312,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,949,028)</u>	<u>151,730</u>	<u>(8,948,464)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,955,043	-	8,906,332
Transfers out	(98,527)	-	(98,527)
Total other financing sources	<u>1,856,516</u>	<u>-</u>	<u>8,807,805</u>
Net change in fund balances	<u>(92,512)</u>	<u>151,730</u>	<u>(140,659)</u>
Fund balances at beginning of year	<u>2,048,032</u>	<u>706,105</u>	<u>7,551,274</u>
Fund balances at end of year	<u>\$ 1,955,520</u>	<u>\$ 857,835</u>	<u>\$ 7,410,615</u>