

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Saratoga County, New York (County) has elected to prepare its financial statements on the statutory basis required by the New York State Office of the State Comptroller for annual reports submitted to that Office. This statutory basis is another comprehensive basis which varies from accounting principles generally accepted in the United States of America (GAAP) primarily in accounting for governmental units. The statutory basis is the same method used by the County for fiscal year ends prior to December 31, 2002, which was consistent with accounting principles generally accepted in the United States of America applicable to the County prior to that date. For the years ended December 31, 2002 through December 31, 2006, the County prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In preparing the statutory basis financial statements in conformity with the accounting principles described above, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory basis financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying statutory basis financial statements follows.

1. Financial Reporting Entity

The County was established in 1791 and is governed by the general laws of the State of New York and various local laws and ordinances. The County Board of Supervisors, which is the legislative body responsible for the overall operation of the County, consists of 23 supervisors representing the 19 towns and 2 cities within the County. The Town of Clifton Park and the County of Saratoga each are represented by two Supervisors. The Chairman of the Board, elected by the Board each year, is the Chief Executive Officer of the County. The Board of Supervisors also appoints a County Administrator and a Clerk of the Board. The County Administrator acts as the Budget Officer. The County Treasurer, elected at large to a four-year term, is the Chief Fiscal Officer of the County. The County Clerk, Sheriff, and District Attorney are constitutional officials and are elected in accordance with constitutional provisions.

The County provides the following basic services: general government, education assistance for County residents attending community colleges, public safety, social services, health and nursing services, road maintenance, public improvements, and a part-county sewer system. The County administers the Employment and Training Program for Saratoga, Warren, and Washington Counties.

The financial reporting entity consists of (a) the primary government which is the County of Saratoga, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by the Government Accounting Standards Board (GASB) and which has been adopted by the New York State Office of the State Comptroller.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. *Financial Reporting Entity* - Continued

In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the guidelines of the New York State Office of State Comptroller. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the County and/or its citizens, or whether the activity is conducted within the geographic boundaries of the County and is generally available to its citizens. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities.

Based on the application of these criteria, a brief review of each potential component unit addressed in defining the County's reporting entity follows:

Included In the Reporting Entity:

Saratoga County Industrial Development Agency

The Saratoga County Industrial Development Agency (IDA) was created in 1971 by the New York State Legislature pursuant to Article 18-A and Section 890-h of the General Municipal Law. The members of the IDA Board are appointed by the County Board of Supervisors. The County provides office space to support its operations. The IDA is considered a component unit of the County and is discretely presented. Complete financial statements of the component unit can be obtained from its administrative office.

Administrative Office
Saratoga County Industrial Development Agency
50 West High Street
Ballston Spa, New York 12020

Excluded From the Reporting Entity - Although the following organizations, functions, or activities are related to the County, they are not included in the County reporting entity because of the reasons noted:

Saratoga County Water Authority

The Saratoga County Water Authority (Authority) was created by the New York State Legislature. The governing board of the Authority is appointed by the County Board of Supervisors. The County has loaned the Authority over \$10,000,000, \$4,000,000 of which is interest free and \$6,000,000 is earning 4% interest from the date of the issuance of the debt. The Authority has no operating revenues at this time. Other than the debt of the County, the Authority has no other debt. The County does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff. The County has no oversight responsibility for funds of the Authority.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. *Financial Reporting Entity* - Continued

Saratoga County Soil and Water Conservation District

The Saratoga County Soil and Water Conservation District (District) was created by the New York State Legislature. The governing board of the District is appointed by the County Board of Supervisors. The County is not responsible for operating deficits of the District. The District cannot issue any debt. The County does not appoint management of the District nor does it approve the District's budget, contracts, or hiring of staff. The County has no oversight responsibility for the funds of the District.

Saratoga County Economic Development Corporation

The Saratoga Economic Development Corporation (SEDC) was incorporated under the laws of New York State as a 501(c)(4) not-for-profit organization to promote economic growth within the County. Members of the governing board are not appointed by the County Board of Supervisors, and the County exercises no oversight responsibility. SEDC Board members have complete responsibility for management of the corporation and accountability for fiscal matters. The County is not liable for SEDC debt.

2. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets.

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined and "available" means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are recognized as revenue in the year levied. The County considers property taxes available if they are collected within 60 days after year-end. Property taxes determined to be collectible after the 60-day period are recorded as deferred revenues. The County uses an availability period for other significant governmental revenue sources of 15 days. In addition to property taxes, revenues susceptible to accrual include sales tax, franchise taxes, state and federal aid, charges for services, and certain other significant revenues. Fines, permits, and other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received.

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NOTES TO FINANCIAL STATEMENTS

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued*

The County also reports deferred revenue on its fund financial statements for certain revenues other than property taxes. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the County receives resources before it has a legal claim to them, as when grant monies, general state aid, and other intergovernmental aid are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the applicable balance sheet and revenue is recognized.

The proprietary and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. With this measurement focus, all assets and all liabilities are included on the combined balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Payment of prepaid expenses and purchase of inventory type items are recorded as expenditures when the related amounts are due and payable.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are used by employees.
- Current pension costs payable to the New York State Retirement Systems are recorded as expenditures when billed by the Systems.
- Costs of acquiring capital assets are recorded as expenditures when the related acquisition amounts are due and payable.

3. *Fund Accounting*

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The accounts of each fund are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The County's fund types are as follows:

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NOTES TO FINANCIAL STATEMENTS

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Fund Accounting - Continued

Fund Types

Governmental Funds are those funds through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The County's governmental fund types are as follows:

- a. General Fund is the principal operating fund of the County and accounts for the general tax revenues, miscellaneous receipts not allocated by law or contractual agreement to another fund, and general operating expenditures. This fund operates within the financial limits of an annual budget adopted by the Board of Supervisors.
- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the County include the following:

County Road Fund is used to account for revenues generated to finance maintenance, repairs, and improvements to County roads and bridges, snow removal, and other transportation related purposes.

Road Machinery Fund is used to account for revenues generated to finance purchases, repairs, and maintenance of highway machinery, tools, and equipment.

Sewer District Fund is used to report operations of the County's wastewater treatment facilities and sanitary sewer system that is provided to residents and organizations located within the County's Sewer District.

Employment and Training Fund is used to account for federal grants and other revenues generated to finance job training and employment activities.

- c. Capital Projects Funds are used to account for financial resources generated for the acquisition or construction of major capital assets for governmental activities. Financing is generally provided from proceeds of bonds, notes, federal and state grants, and transfers from other governmental funds.

Proprietary funds are those funds used to account for activities for which a fee is charged to external users for goods or services:

Maplewood Manor Fund is used to account for the operations of the County of Saratoga Maplewood Manor (SCMM). SCMM is a long-term care skilled nursing facility which provides room, board, and health care to eligible individuals.

Self-Insurance Fund is used to account for the County's self-insured workers' compensation plan that provides workers' compensation insurance coverage for County employees and for other local governments and related organizations located within the County.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Fund Accounting* - Continued

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

Fiduciary Funds - These funds are used to account for fiduciary activities. Fiduciary activities are those in which the County acts as trustee or agent for resources that belong to others. These activities are not included in the County-wide financial statements because their resources do not belong to the County and are not available to be used.

The County reports the following Fiduciary Funds:

Agency Fund is used to account for monies and other resources held by the County in a trustee or agent pending payment to the applicable agencies.

Private Purpose Trust Fund is used to account for monies donated to the County to benefit certain private cemeteries and other non-County operations.

Component Unit - The component unit consists of the Saratoga County Industrial Development Agency (IDA). The IDA was created in 1971 under the provisions of Article 18-A of the General Municipal Law for the purpose of encouraging economic growth in Saratoga County. The IDA is exempt from federal, New York, and local income taxes. This IDA is included as a component unit because the Board of Supervisors has oversight authority over management through board member appointment. See Notes A1 and L for further disclosures.

4. *General Budget Process*

The County adopts an annual budget for its main operating funds. Prior to November 15 of each year, the County Administrator submits to the Board of Supervisors a proposed tentative operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments. Prior to December 20, the budget is adopted by the Board of Supervisors. The County Administrator is authorized to approve budget transfer requests within departments within a fund; however, any revisions that alter total expenditures of any department or fund must be approved by the Board of Supervisors. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects that remain in effect for the life of the project. Budgets are prepared for Proprietary Funds primarily to establish the estimated contributions required from other funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the Governmental Funds. Open encumbrances at year-end are reported as reservations of fund balances since the commitments do not constitute expenditures or liabilities.

SARATOGA COUNTY, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. General Budget Process - Continued

Budgetary controls for certain special grants are established in accordance with the applicable grant agreements, which may cover a period other than the County's fiscal year. Budgetary controls for the Federal Forfeitures Fund are established on an as needed basis after revenues have been received.

A reconciliation of actual results for the Special Revenue Fund is as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>	Fund Balance, <u>End of Year</u>
Total funds included in comparison	\$ 28,708,340	\$ 30,478,790	\$ 8,885,681
Funds not included in budget comparison	<u>1,049,208</u>	<u>1,028,222</u>	<u>(70,686)</u>
	<u>\$ 29,757,548</u>	<u>\$ 31,507,012</u>	<u>\$ 8,814,995</u>

5. Cash and Cash Equivalents

Checking, savings, and certificate of deposit bank balances at December 31, 2007, totaled \$48,720,709. These deposits were entirely covered by Federal depository insurance or by collateral held by the County's agent in the County's name.

For purposes of the statement of cash flows, the Proprietary Fund and Internal Service Fund consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

6. Accounts Receivable

Maplewood Manor's accounts receivable are reported herein, net of an allowance for uncollectible accounts, of \$350,000 and contractual allowances at December 31, 2007.

7. Inventories

Inventories in the governmental funds are comprised of general and highway supplies and prescription drugs, medical, and other supplies in the Enterprise Fund. All inventories are valued at the lower of cost or market. In the Governmental Funds, expenditures are recognized when inventory is purchased, but for financial statement purposes, the year-end balance on hand is reported as an asset in the balance sheet with a related reservation of the fund balance for the maximum amount allowed for inventory levels.

8. Resident Assets

Maplewood Manor requires that private pay residents provide security deposits as a condition of admission. These security deposits are classified as assets limited as to use. Patient funds, which are expended on personal items at the direction of the Maplewood Manor patients, are also in resident assets. A corresponding current liability has been recorded to reflect the security deposits, to be returned to the residents when they are discharged, and the patient funds.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. *Capital Assets*

Capital assets include property, plant, equipment, and infrastructure assets, such as roads and bridges. Capital assets are defined by the County as assets with an initial unit cost of \$10,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Asset</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20
Vehicles	5
Computer equipment	5
Other equipment	5-10
Roads	18
Bridges	50
Sewer infrastructure	30

10. *Compensated Absences*

As described in the union contract between the County and Local 846 of the Civil Service Employees' Association, employees are granted the following compensated absences each year:

Personal leave	3 days
Sick leave	12 days
Vacation	10 days

Vacation days granted increase on the basis of longevity of service to the maximum of 20 days. Vacation days do not vest. However, unused vacation days may be carried forward three months into the succeeding year upon approval by the Personnel Department. Sick leave vests for both union and nonunion employees to a maximum of 200 days. Accordingly, liabilities for leave time of \$2,606,174 are reported as accrued liabilities in the appropriate funds.

11. *Post-Retirement Benefits*

The County provides certain health care benefits for retired employees. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. The cost of the retiree health care benefits is recognized as an expenditure as premiums are paid. Total premiums paid on behalf of 565 retirees for 2007 was \$4,520,875.

12. *Reserves*

The County records reserves to indicate the portion of the fund balance that is legally segregated for a specific future use or not available for current appropriation.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. *Real Property Taxes*

The levy and collection of real property taxes is governed by the Real Property Tax Law of the State of New York. Real property taxes are levied each year and become a property lien on January 1. County taxes are levied together with town taxes as a single tax bill. The tax levy is fully accrued at the beginning of the fiscal year and accounted for in the General Fund. Accruals for amounts due to other funds are recorded in the General Fund for the portion of the tax levy allocated to other funds or activities. The current year's property taxes are levied based on the assessed value of real property within the County. The town tax collecting officials are responsible for collection of taxes until the warrant for collection expires on March 31. At that time, settlement proceedings take place wherein the County becomes the enforcement agent for tax liens on all County real property except property within the cities of Saratoga Springs and Mechanicville. These cities assess and collect all County taxes on property within the cities and serve as enforcement agent for tax liens on such property. County taxes collected by these cities are remitted to the County periodically.

The County enforces collection of unpaid taxes levied by the villages and non-County school districts located within the County. Uncollected tax accounts are returned to the County in November of each year for collection. Any amounts remaining unpaid are relevied in the County's subsequent January 1 tax levy. On or before the next April 1, the County is required to pay the villages and school districts the amount of unpaid taxes returned for collection and enforcement. Unpaid village and school taxes are included in the financial statements as taxes receivable and are offset by corresponding liabilities to the applicable village and school district governments.

14. *Non-Property Taxes*

The primary non-property tax item is sales tax. Effective June 1, 1982, the County enacted a 3% County-wide sales tax, which it shares with other local governments within the County. Sales tax is recorded at gross in the General Fund, and the amounts distributed to local governments are recorded as an expenditure.

15. *Resident Service Revenue, Net*

Net resident service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered.

Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with finance related legal and contractual provisions are discussed in a separate "Compliance Report on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*."

SARATOGA COUNTY, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE C - RESTRICTED CASH

Restricted cash is comprised of \$68,449 in security deposits and patient funds which are expended on personal items at the direction of the Maplewood Manor patients, and \$2,958,248 of workers' compensation reserve funds.

NOTE D - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Saratoga County</u>	Balance January 1, 2007	Additions	Retirements/ Reclassifications	Balance December 31, 2007
Land	\$ 2,600,524	\$ -	\$ -	\$ 2,600,524
Buildings	124,945,802	3,602,267	-	128,548,069
Machinery and equipment	19,870,597	4,791,002	(1,166,866)	23,736,579
Infrastructure	135,997,917	9,496,651	(3,111,854)	142,382,714
Work in progress	<u>1,793,307</u>	<u>-</u>	<u>(1,793,307)</u>	<u>-</u>
 Total capital assets	 <u>\$ 285,208,147</u>	 <u>\$17,889,920</u>	 <u>\$(5,830,181)</u>	 <u>\$297,026,040</u>

<u>Maplewood Manor</u>	Balance January 1, 2007	Additions	Retirements/ Reclassifications	Balance December 31, 2007
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Buildings	8,702,983	12,590	-	8,715,573
Improvements other than buildings	140,773	-	-	140,773
Machinery and equipment	<u>4,713,444</u>	<u>77,909</u>	<u>(68,527)</u>	<u>4,722,826</u>
Total capital assets	13,611,200	<u>90,499</u>	<u>(68,527)</u>	13,633,172
 Less accumulated depreciation	 <u>7,827,047</u>	 <u>\$ 536,105</u>	 <u>\$(68,527)</u>	 <u>8,294,625</u>
 Net capital assets	 <u>\$ 5,784,153</u>			 <u>\$ 5,338,547</u>

Depreciation expense charged to the Maplewood Manor activity during 2007 was \$536,105.

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**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE D - CHANGES IN CAPITAL ASSETS - Continued

Component Unit (Saratoga County IDA)

	Balance January 1, <u>2007</u>	Net <u>Additions</u>	Balance December 31, <u>2007</u>
Land for Railroad Spur	\$ <u>132,400</u>	\$ <u>-</u>	\$ <u>132,400</u>

NOTE E - INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at December 31, 2007, arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 5,245,917
Special Revenue Funds		
County Road Fund	220,192	-
Machinery Fund	221,711	-
Employment and Training Fund	-	47,884
Sewer District	456,033	-
Capital Projects Funds	7,845,444	3,929,897
Proprietary Funds		
Maplewood Manor	-	1,239,844
Internal Service Fund	122,287	-
Fiduciary Funds		
Agency	<u>1,597,875</u>	<u>-</u>
Totals	<u>\$ 10,463,542</u>	<u>\$ 10,463,542</u>

Interfund transfers as of December 31, 2007, were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
General Fund		
Special Revenue Funds	\$ -	\$ 19,844,727
County Road Fund	10,656,938	-
Machinery Fund	2,156,324	-
Employment and Training Fund	300,000	-
Capital Projects Fund	426,000	-
Proprietary Funds		
Maplewood Manor	<u>6,305,465</u>	<u>-</u>
	<u>\$ 19,844,727</u>	<u>\$ 19,844,727</u>

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE F - RETIREMENT SYSTEM

Retirement Plan - The County participates in the New York State and Local Retirement System, Employees Retirement System program (ERS). This is a cost sharing multiple public employer retirement system. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (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 and 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 System, 110 State Street, Albany, New York 12244.

Funding Policy - The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The County is required to contribute at an actuarially determined rate. The required contribution for the current year and two preceding years were:

	<u>ERS</u>
2007	\$ 5,615,165
2006	5,538,905
2005	6,053,411

The County's contributions made to the System were equal to 100 percent of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The County elected to make full payment on December 15, 1989.

NOTE G - LIABILITIES TO OTHER GOVERNMENTS

As indicated in Note A14, the County acts as a tax enforcement agent for the villages and non-County school districts in the County. The County also receives other monies which are distributed to certain local governments. The following represents the liabilities "due to other governments" in the General Fund and governmental activities at December 31, 2007:

	<u>General</u>
Due to villages	\$ 390,829
Due to school districts	10,506,454
Due to other governments and agencies	<u>546,383</u>
Total due to other governments	<u>\$ 11,443,666</u>

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE H - INDEBTEDNESS

The following is a summary of the County's indebtedness:

	Payable at January 1, <u>2007</u>	<u>Additions</u>	Principal Payments	Payable at December 31, <u>2007</u>
Capital lease obligations	\$ 2,433,177	\$ -	\$ 379,480	\$ 2,053,697
Software license	129,215	-	26,281	102,934
State loans payable	10,245,000	-	820,000	9,425,000
General obligations bonds	<u>4,640,000</u>	<u>-</u>	<u>200,000</u>	<u>4,440,000</u>
	<u>\$ 17,447,392</u>	<u>\$ -</u>	<u>\$ 1,425,761</u>	<u>\$ 16,021,631</u>

State Loans Payable

Principal

\$16,501,800 Revenue Bond Series 1997A by New York State Environmental Facilities Corporation for the financing of the Sewer Plant upgrade, with a maturity date of August 15, 2017, and interest rates from 3.40% to 5.65%	\$ 9,220,000
\$350,909 Revenue Bond Series 1999A by New York State Environmental Facilities Corporation, due in annual installments through 2017 with interest at 2.77% to 4.86%	<u>205,000</u>
	<u>\$ 9,425,000</u>

General Obligation Bonds

\$5,200,000 County Sewer District serial bonds, due in annual installments of \$180,000 to \$360,000 through 2023 with interest at 3.65%	<u>\$ 4,440,000</u>
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The annual requirements to amortize debt outstanding on bonds and loans payable as of December 31, 2007, are as follows:

<u>General Obligation Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 210,000	\$ 162,060	\$ 372,060
2009	215,000	154,395	369,395
2010	225,000	146,547	371,547
2011	230,000	138,335	368,335
2012	240,000	129,940	369,940
Thereafter	<u>3,320,000</u>	<u>770,333</u>	<u>4,090,333</u>
Total	<u>\$ 4,440,000</u>	<u>\$ 1,501,610</u>	<u>\$ 5,941,610</u>

SARATOGA COUNTY, NEW YORK

**NOTES TO FINANCIAL STATEMENTS
December 31, 2007**

NOTE H - INDEBTEDNESS - Continued

<u>State Loans Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Environmental Facilities - 1997 and 1999A			
2008	\$ 845,000	\$ 512,265	\$ 1,357,265
2009	865,000	469,404	1,334,404
2010	885,000	216,096	1,101,096
2011	910,000	377,967	1,287,967
2012	935,000	329,041	1,264,041
Thereafter	<u>4,985,000</u>	<u>842,146</u>	<u>5,827,146</u>
Total	<u>\$ 9,425,000</u>	<u>\$ 2,746,919</u>	<u>\$ 12,171,919</u>

Capital Lease Obligations

In December 2002, the County, on behalf of Maplewood Manor, completed construction of a co-generation project which is being accounted for as a capitalized lease. As of December 31, 2007, future minimum lease payments under this capital lease are as follows:

2008	\$ 482,629
2009	482,629
2010	482,649
2011	482,629
Thereafter	<u>361,972</u>
	2,292,488
Less amounts representing interest	<u>238,791</u>
Present value	<u>\$ 2,053,697</u>
Current portion	\$ 396,847
Long-term portion	<u>1,656,850</u>
	<u>\$ 2,053,697</u>

Capitalized property and equipment covered by this lease consist of the following:

Building improvements	\$ 3,750,403
Fixed equipment	<u>147,773</u>
	3,898,176
Less accumulated depreciation	<u>1,077,387</u>
	<u>\$ 2,820,789</u>

Construction period interest of \$157,240 was capitalized and included in the above components of property and equipment.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE H - INDEBTEDNESS - Continued

Software License

During 2007, Maplewood Manor purchased a software package which included a five-year license. Maplewood Manor will pay the license fee monthly over the five-year period. As of December 31, 2007, future minimum license payments under this software package are as follows:

2008	\$ 26,281
2009	26,281
2010	26,281
2011	<u>24,091</u>
	<u>\$ 102,934</u>

NOTE I - CONTINGENT LIABILITIES

The County is a defendant in a number of lawsuits. It is the opinion of the County attorney, after considering all relevant facts, that the ultimate losses not covered by insurance carriers resulting from such litigation will not exceed \$1,887,149. The County has recorded such amount as a reserve of fund balance (other purposes) in the General Fund.

NOTE J - SELF INSURANCE FUND

The County established its own self-insurance plan for workers' compensation under Local Law Nos. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality or public entity for participation. There were 54 participants at December 31, 2007. The County is responsible for administration of the plan and its reserves. The plan purchases commercial insurance for employer's liability in third-party suits; the limit is \$1,000,000 with a retention of \$100,000. Settled claims have not resulted in a claim against this excess liability coverage since the inception of the plan.

All funds of the County participate in the program and make payments to the self-insurance fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. A balance in the amount of \$3,103,589 was reserved at December 31, 2007.

Accounting principles generally accepted in the United States of America as adopted by the New York State Office of the State Comptroller require that the estimated loss from the incurrence of a contingent liability be accrued by a charge to income. The County has not computed or recorded the estimated unpaid claims liability, nor the estimated "incurred but not reported" claims liability of its self-insurance fund. Therefore, the financial statements for the Self Insurance Fund, as presented, are not in accordance with accounting principles as prescribed by the New York State Office of the State Comptroller.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE K - INTER-GOVERNMENTAL TRANSFER

The County did not receive the inter-governmental transfer funds during 2007.

NOTE L - DETAIL NOTES TO DISCRETELY PRESENTED COMPONENT UNIT

Saratoga County Industrial Development Agency

Industrial Revenue Bond and Note Transactions - Certain industrial development revenue bonds and notes issued by the IDA are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the IDA or the County. The IDA does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this conduit debt financing service, the IDA receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes, or the closing of straight lease transactions. At December 31, 2007, the outstanding financing balance of the bonds and notes (issued in the name of the IDA) of the borrowing companies on open projects was \$90,571,428.

Investment Policy - The IDA's investment policies are governed by statutes of the State. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The Treasurer of the IDA is authorized to use demand, savings, and money market accounts and certificates of deposit.

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

Deposits and investments at December 31, 2007, were entirely covered by FDIC insurance or collateral investments, as required.

NOTE M - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially expose the County to concentrations of credit risk consist primarily of taxes receivable and tax sale certificates which are secured by property values throughout the County.

Maplewood Manor's patient census includes a large number of patients who are eligible for federal and state assistance under the Medicare and Medicaid programs. Although the nursing home is directly affected by the financial well being of the state and federal health care reimbursement programs, management does not believe significant credit risk exists at December 31, 2007.

NOTE N - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED

The County has not implemented the following accounting pronouncements that are required for financial statements presented in accordance with accounting principles generally accepted in the United States of America, but are not required for financial reporting to the New York State Office of the State Comptroller.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE N - ACCOUNTING STANDARDS ISSUED NOT YET IMPLEMENTED - Continued

During June 1999, GASB issued Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement established new financial reporting requirements for state and local governments throughout the United States. If implemented, it creates new information and restructures much of the information that governments have presented in the past. These new requirements were developed to make annual reports more comprehensive and easier to understand and use. This Statement was effective for the County as of January 1, 2002, but is not required by the New York State Office of the State Comptroller.

During June 2001, GASB issued statement 38, *Certain Financial Statement Note Disclosures*. This Statement established and modified disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, desegregations of receivable and payable balances, and interfund balances and transfers. This Statement applies to all state and local governments. This Statement was effective for the County as of January 1, 2002, but is not required by the New York State Office of the State Comptroller.

During June 2005, GASB issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. This Statement establishes new standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities, note disclosures, and applicable supplementary information in the financial reports of state and local government employers throughout the United States. When implemented, it will require new information regarding current and long-term liabilities for post-employment healthcare and other similar benefits. The County was required to implement this standard in its fiscal year beginning January 1, 2007, and is currently in the process of obtaining an actuary to perform the calculations, but is considered optional by the New York State Office of the State Comptroller.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, established standards for accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This Statement is effective for the County as of January 1, 2008. At present, management believes that there are no pollution remediation obligations.

GASB Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*, more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and enhances information disclosed in notes to financial statements or presented as required supplementary information by employers that provide pension benefits. This Statement amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for the County as of January 1, 2008, but is considered optional by the New York State Office of the State Comptroller.

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 is effective for the County as of January 1, 2010.

SARATOGA COUNTY, NEW YORK

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE O - SUBSEQUENT EVENT

On July 22, 2008, Saratoga County issued Bond Anticipation Notes for \$32,000,000 with an interest rate of 2.75% to yield 1.57% for the expansion and upgrade of the County sewer system.

The factors affecting the County's financial condition and the notes are described in the "Official Statement of the County of Saratoga, New York relating to \$32,000,000 Bond Anticipation Notes, 2008." Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the County tax base, revenues, and expenditures, the Statement should be read in its entirety.

The notes are general obligations of the County, and will contain a pledge of its faith and credit for payment of the principal of and interest on the notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the County is subject to the levy of ad valorem taxes to pay the notes and interest thereon, without limitation as to rate or amount.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION**

Chairman and Board of Supervisors
Saratoga County, New York

Our audit was made for the purpose of forming an opinion on the financial statements - statutory basis taken as a whole of Saratoga County, New York, as of and for the year ended December 31, 2007, which are presented in the preceding section of this report. The supplemental information listed in the Contents of this report is presented for purposes of additional analysis and is not a required part of the financial statements. Our report covering the financial statements explains that the County has not computed or recorded the estimated unpaid claims liability nor the estimated incurred but not reported claims liability of its Self Insurance Fund. Such information has been subjected to the audit procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bollam Sheedy Torani & Co LLP

Albany, New York
August 27, 2008

SARATOGA COUNTY, NEW YORK

**COMBINING BALANCE SHEET - SPECIAL REVENUES FUND TYPES
December 31, 2007**

	Employment and Training Fund	County Road	County Machinery	Sewer	Total December 31, 2007
ASSETS					
Cash and cash equivalents	\$ 11,598	\$ 38,117	\$ -	\$ 8,503,154	\$ 8,552,869
Other receivables	70,694	158,075	161	787,809	1,016,739
Federal and state receivables	-	4,434	-	-	4,434
Due from other governments	-	15,864	-	-	15,864
Due from other funds	-	220,192	221,711	456,033	897,936
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 82,292</u>	<u>\$ 436,682</u>	<u>\$ 221,872</u>	<u>\$ 9,746,996</u>	<u>\$ 10,487,842</u>
 LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 62,949	\$ 191,093	\$ 129,903	\$ 800,346	\$ 1,184,291
Retained percentages	-	1,300	-	34,743	36,043
Due to other funds	47,884	-	-	-	47,884
Accrued employee compensated absences	27,708	201,044	30,576	130,864	390,192
Deferred revenue	14,437	-	-	-	14,437
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>152,978</u>	<u>393,437</u>	<u>160,479</u>	<u>965,953</u>	<u>1,672,847</u>
 FUND BALANCE					
Reserved for					
Encumbrances	-	-	-	8,895	8,895
Unreserved					
Appropriated	-	-	-	700,092	700,092
Unappropriated	(70,686)	43,245	61,393	8,072,056	8,106,008
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>(70,686)</u>	<u>43,245</u>	<u>61,393</u>	<u>8,781,043</u>	<u>8,814,995</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 82,292</u>	<u>\$ 436,682</u>	<u>\$ 221,872</u>	<u>\$ 9,746,996</u>	<u>\$ 10,487,842</u>

SARATOGA COUNTY, NEW YORK

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - SPECIAL REVENUES FUND TYPES
Year Ended December 31, 2007

	Employment and Training Fund	County Road	County Machinery	Sewer	Total December 31, 2007
REVENUES					
Departmental income	\$ 1,400	\$ -	\$ -	\$ 10,122,606	\$ 10,124,006
Intergovernmental charges	-	194,619	-	-	194,619
Use of money and property	-	271	1,176,000	476,236	1,652,507
Sale of property and compensation for loss	-	894,769	42,208	43,938	980,915
Miscellaneous local sources	16,622	93,821	264,055	511,168	885,666
State aid	-	1,975,908	-	-	1,975,908
Federal aid	731,186	99,479	-	-	830,665
Total revenues	<u>749,208</u>	<u>3,258,867</u>	<u>1,482,263</u>	<u>11,153,948</u>	<u>16,644,286</u>
EXPENDITURES					
Public safety	-	441,889	-	-	441,889
Transportation	-	14,424,933	3,630,488	-	18,055,421
Economic assistance and opportunity	1,028,222	-	-	-	1,028,222
Home and community services	-	-	-	10,504,630	10,504,630
Debt service, principal	-	-	-	1,020,000	1,020,000
Debt service, interest	-	-	-	456,850	456,850
Total expenditures	<u>1,028,222</u>	<u>14,866,822</u>	<u>3,630,488</u>	<u>11,981,480</u>	<u>31,507,012</u>
Excess (deficiency) of revenues over expenditures	(279,014)	(11,607,955)	(2,148,225)	(827,532)	(14,862,726)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	<u>300,000</u>	<u>10,656,938</u>	<u>2,156,324</u>	<u>-</u>	<u>13,113,262</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	20,986	(951,017)	8,099	(827,532)	(1,749,464)
FUND BALANCE, beginning of year	<u>911</u>	<u>1,006,729</u>	<u>55,178</u>	<u>9,623,538</u>	<u>10,686,356</u>
Prior period adjustment	<u>(92,583)</u>	<u>(12,467)</u>	<u>(1,884)</u>	<u>(14,963)</u>	<u>(121,897)</u>
FUND BALANCE, beginning of year restated	<u>(91,672)</u>	<u>994,262</u>	<u>53,294</u>	<u>9,608,575</u>	<u>10,564,459</u>
FUND BALANCE, end of year	<u>\$ (70,686)</u>	<u>\$ 43,245</u>	<u>\$ 61,393</u>	<u>\$ 8,781,043</u>	<u>\$ 8,814,995</u>

See Report of Independent Certified Public Accountants on Supplemental information.