

COUNTY OF STEUBEN, NEW YORK

**Single Audit Reports
for the Year Ended
December 31, 2008**

Bonadio & Co., LLP
Certified Public Accountants

COUNTY OF STEUBEN, NEW YORK

SINGLE AUDIT REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

June 22, 2009

To the Board of Legislators of the
County of Steuben, New York:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Steuben, New York (the County), as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Steuben County Industrial Development Agency and the Steuben County Soil and Water Conservation District, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Steuben County Soil and Water Conservation District's statements were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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

Internal Control Over Financial Reporting (Continued)

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See findings 2008-01 and 2008-02.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the County in a separate letter dated June 2009.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Legislators, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bonadio & Co, LLP

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

June 22, 2009

To the Board of Legislators of the
County of Steuben, New York:

Compliance

We have audited the compliance of the County of Steuben, New York (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The County's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)**

Internal Control Over Compliance (Continued)

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 22, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Legislators, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bonadio & Co, LLP

COUNTY OF STEUBEN, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Passed through NYS Department of Social Services - Supplemental Nutrition Assistance Program	10.551	N/A	\$ 9,100,623
Passed through NYS Department of Social Services - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	889,665
Passed through NYS Department of Education - School Breakfast Program	10.553	N/A	<u>14,968</u>
Total - U.S. Department of Agriculture			<u>10,005,256</u>
U.S. Department of Housing and Urban Development:			
Passed through the Governor's Office for Small Cities - Community Development Block Grant - Small Cities Program	14.228	1115HR/154-06	229,611
Shelter Plus Care	14.238	N/A	<u>321,006</u>
Total - U.S. Department of Housing and Urban Development			<u>550,617</u>
U.S. Department of Justice:			
State Criminal Alien Assistance Program	16.606	N/A	2,366
Bulletproof Vest Partnership Program	16.607	N/A	<u>3,201</u>
Total - U.S. Department of Justice			<u>5,567</u>
U.S. Department of Transportation:			
Passed through the NYS Department of Transportation - Highway Planning and Construction	20.205	D009832/ D004228	736,022
Formula Grants for Other Than Urbanized Areas	20.509	C003650	252,850
State and Community Highway Safety	20.600	PT5100201	<u>31,998</u>
Total U.S. Department of Transportation			<u>1,020,870</u>
U.S. Department of Education:			
Passed through the NYS Department of Health - Special Education - Grants for Infants and Families	84.181	C013313	<u>69,433</u>
Total U.S. Department of Education			<u>69,433</u>

(Continued)

COUNTY OF STEUBEN, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Continued)

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Passed through NYS Office of the Aging - Special Programs for the Aging - Title IIID - Disease Prevention and Health Promotion Services	93.043	N/A	17,296
National Family Caregiver Support- Title III-E	93.052	N/A	<u>36,008</u>
			<u>53,304</u>
Special Programs of the Aging Cluster - Special Programs for the Aging - Title IIIB - Grants for Supportive Services and Senior Centers	93.044	N/A	70,424
Special Programs for the Aging - Title IIIC- Nutrition Services Nutrition Services -	93.045	N/A	202,862
Incentive Program	93.053	N/A	<u>101,884</u>
			<u>375,170</u>
Passed through NYS Department of Health - Immunization Grants	93.268	C023270	55,551
Maternal and Child Health Services Block Grant to the States Centers for Disease Control and Prevention -	93.994	N/A	9,527
Investigations and Technical Assistance	93.283	C023358	<u>52,825</u>
			<u>117,903</u>
Passed through NYS Department of Social Services - Temporary Assistance for Needy Families	93.558	N/A	4,293,967
Child Support Enforcement	93.563	N/A	1,125,744
Low-Income Home Energy Assistance	93.568	N/A	6,169,390
Child Care and Development Block Grant	93.575	N/A	2,460,033
Foster Care - Title IV-E	93.658	N/A	1,271,780
Adoption Assistance	93.659	N/A	378,043
Social Services Block Grant	93.667	N/A	<u>913,447</u>
			<u>16,612,404</u>
Passed through NYS Department of Mental Health - Medical Assistance Program	93.778	N/A	<u>1,129,685</u>
Passed through NYS Department of Alcohol and Substance Abuse Services - Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>165,348</u>
Total U.S. Department of Health and Human Services			<u>18,453,814</u>

(Continued)

COUNTY OF STEUBEN, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(Continued)

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Services -			
Retired and Senior Volunteer Program	94.002	N/A	<u>20,217</u>
Total Corporation for National and Community Services			<u>20,217</u>
U.S. Department of Homeland Security:			
Passed Through NYS Division of Criminal Justice Services -			
Disaster Grants - Public Assistance	97.036	C553130	146,897
Homeland Security Grant Program	97.067	N/A	24,800
Passed Through NYS Emergency Management Office -			
Citizen Corps	97.053	N/A	<u>2,393</u>
Total U. S. Department of Homeland Security			<u>174,090</u>
Total Expenditures of Federal Awards			<u>\$ 30,299,864</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF STEUBEN, NEW YORK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2008

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs administered by the County of Steuben, New York (the County), an entity as defined in the basic financial statements, except that it does not include the federal financial assistance programs, if any, of the Steuben County Health Care Facility, Steuben County Industrial Development Agency, Steuben Tobacco Asset Securitization Corporation, and the Steuben County Soil and Water Conservation District.

2. PASS-THROUGH PROGRAMS

Where the County receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the County's financial management system. The County has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards.

3. NONMONETARY FEDERAL PROGRAMS

The County is the recipient of a federal financial assistance program that does not result in cash receipts or disbursements, termed "nonmonetary programs." During the year ended December 31, 2008, the County distributed \$9,100,623 of food stamps to eligible persons participating in the Supplemental Nutrition Assistance Program (CFDA Number 10.551).

Beginning in 2007, New York State began payment of benefits directly to vendors, primarily utility companies, on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA Number 93.568). Included in the amount presented on the schedule of expenditures of federal awards is \$5,805,486 in direct payments.

4. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the County's general ledger. For programs with funding ceilings and caps, federal expenditures are only recorded and presented in the schedule of expenditures of federal awards up to such amounts.

5. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented.

6. MATCHING COSTS

Matching costs, i.e., the County's share of certain program costs, are not included in the schedule of expenditures of federal awards.

7. SUBRECIPIENTS

The following programs provided federal awards to subrecipients during the year ended December 31, 2008:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant - Small Cities Program	14.228	\$ 222,111
Shelter Plus Care	14.238	278,376
Formula Grants for Other Than Urbanized Areas	20.509	252,850
Special Programs for the Aging - Title IIID - Disease Prevention and Health Promotion Services	93.043	12,125
Special Programs for the Aging - Title IIIC - Nutrition Services	93.045	202,862
Special Programs for the Aging - Nutrition Services Incentive Program	93.053	101,884
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>165,348</u>
		<u>\$ 1,235,556</u>

COUNTY OF STEUBEN, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the County of Steuben, New York (the County).
2. Two material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the County were disclosed during the audit.
4. No reportable conditions relating to the audit of major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the County's major federal award programs expresses an unqualified opinion.
6. There are no audit findings relative to major federal award programs for the County.
7. The programs tested as major programs were:
 - CFDA No. 93.563 Child Support Enforcement
 - CFDA No. 93.568 Low - Income Home Energy Assistance
 - CFDA No. 93.575 Child Care and Development Block Grant
 - CFDA No. 93.658 Foster Care - Title IV-E
 - CFDA No. 93.667 Social Services Block Grant
8. The threshold for distinguishing Type A and B programs was \$908,996.
9. The County was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2008-01 - Landfill Closure and Post-Closure Liabilities

Condition: In prior financial statements, the accruals for closure and post-closure landfill liabilities were improperly stated. Management identified a prior period adjustment to record a material liability in order for the financial statements to be fairly presented in all material respects in conformity with generally accepted accounting principles.

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Finding 2008-01 - Landfill Closure and Post-Closure Liabilities (Continued)

Criteria: In order to comply with Governmental Accounting Standards Board (GASB) Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, estimates of landfill closure and post-closure costs must be accrued during the life of the landfill.

Effect: The County recorded a prior period adjustment of approximately \$2,900,000 to record liabilities related to the landfill.

Cause: Management at the County realized that the landfill closure and post-closure liabilities should have been accrued in prior years and proposed a prior period adjustment to the auditors.

Recommendation: We recommend that the County review its year-end closing procedures to ensure all liabilities have been accrued.

Management Response: County management continues to make improvements to financial systems. At any point that an unrecorded transaction is identified the appropriate entries will be recorded to properly reflect the financial impact.

Finding 2008-02 -Steuben Tobacco Asset Securitization Corporation Prior Period Adjustments

Condition: The financial statements for the year ended December 31, 2007 were presented improperly. The financial statements presented Steuben Tobacco Asset Securitization Corporation as a proprietary fund instead of a Debt Service Fund in accordance with generally accepted accounting principles.

Criteria: In order to comply with Government Accounting Standards Board (GASB) Statement No. 34: *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, funds of government must be presented as a governmental or proprietary fund in the financial statements. The Steuben Tobacco Asset Securitization Corporation (STASC) has one major governmental fund, which is a Debt Service Fund. A Debt Service Fund accounts for resources accumulated and payments made for operations and principal debt service on long-term general obligation debt. Capital appreciation bonds increase annually in accordance with their accretion schedule to maturity and this accretion is recorded as a liability on the government-wide financial statements not as a bond discount. Accretion was calculated improperly using the incorrect assumption tables.

Effect: Financial statements were historically improperly presented. As a proprietary fund in the prior years, the results of the STASC were reported only as a business-type activity and proprietary fund, which was incorrect. Therefore, the nonmajor fund and proprietary funds were both overstated. The governmental activities were understated and the business-type activities were overstated.

Cause: Lack of understanding of the financial reporting requirements for Steuben Tobacco Asset Securitization Corporation.

Recommendation: Management should take steps to improve its understanding of the financial reporting requirements of STASC.

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Finding 2008-02 -Steuben Tobacco Asset Securitization Corporation Prior Period Adjustments (Continued)

Management Response: County management continues to learn about the accounting and reporting requirements of the STASC relying on bond counsel, financial consultants, auditors and other professionals for knowledge and advice.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.