

COUNTY OF CAYUGA, NEW YORK

**Basic Financial Statements as of
December 31, 2014
Together with
Independent Auditor's Report**

COUNTY OF CAYUGA, NEW YORK

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INDEPENDENT AUDITOR’S REPORT

September 30, 2015

Honorable Michael H. Chapman, Chairman
 and Honorable Members of the County Legislature
 County of Cayuga, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cayuga, New York (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the Table of Contents. We did not audit the financial statements of the Cayuga County Health Insurance Consortium which is 100% of the total assets, net position and total revenues of this major fund and the business-type activities.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cayuga County Health Insurance Consortium (business-type activities), Cayuga Tobacco Asset Securitization Corporation (aggregate remaining fund information), Cayuga County Deferred Compensation Trust Fund (aggregate remaining fund information), Cayuga County Water and Sewer Authority (discretely presented component unit), Cayuga County Industrial Development Agency (aggregate remaining fund information), Cayuga County Soil and Water Conservation District (discretely presented component unit), or Cayuga County Development Corporation (discretely presented component unit) (entities), which represent the foregoing percentages of the total assets, net position/fund balance, and total revenues as follows:

	<u>Total</u> <u>Assets</u>	<u>Net Position/</u> <u>Fund Balance</u>	<u>Total</u> <u>Revenues</u>
Governmental activities	2%	116%	1%
Business-type activities	100%	100%	100%
Aggregate discretely presented component units:			
Governmental	100%	100%	100%
Proprietary	33%	40%	5%
Aggregate remaining fund information	64%	73%	33%

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INDEPENDENT AUDITORS' REPORT

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Auditor's Responsibility (Continued)

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based solely upon the reports 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. The financial statements of Cayuga County Development Corporation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cayuga, New York as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As described in Note 4 to the financial statements, the County owned and operated the Cayuga County Nursing Home. As of January 1, 2014, the County disposed of the operations related to the Nursing Home and discontinued the use of the Cayuga County Nursing Home Fund (proprietary fund). As a result, a special item has been recorded in the General Fund and governmental activities for the year ended December 31, 2014. Our opinions are not modified with respect to this matter.

(Continued)

INDEPENDENT AUDITORS' REPORT

(Continued)

Corrections of Errors

As described in Note 3 to the financial statements, there was a restatement of net position/ fund balance of the Cayuga County Nursing Home Fund (proprietary fund), General Fund, business type-activities and governmental activities to reflect the dissolution of the Cayuga County Nursing Home Fund (proprietary fund) as further described in the preceding paragraph. Our opinions are not modified with respect to this matter.

As described in Note 3 to the financial statements, there was a restatement of net position as of January 1, 2014 to reflect the correction of an error in the trust fund of the aggregate remaining fund information. The restatement was a result of the deferred compensation trust fund being excluded from the financial statements as of December 31, 2013, in error. Our opinions are not modified with respect to this matter.

As described in Note 3 to the financial statements, there was a restatement of net position as of July 1, 2013 to reflect the correction of an error in the financial statements of Cayuga Community College. The restatement was a result of a transaction that did not meet the criteria for revenue recognition in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As described in Note 3 to the financial statements, there was a restatement of net position as of January 1, 2014 to reflect the correction of an error in the financial statements of Cayuga County Water and Sewer Authority. The restatement was a result of an understatement in net capital assets and expenses as of December 31, 2013. Our opinions are not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, and Other Postemployment Benefits - Schedule of Funding Progress on pages 5-13 and 58-60 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 of 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.

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INDEPENDENT AUDITORS' REPORT
(Continued)

Report on Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the County of Cayuga, New York'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Cayuga, New York's internal control over financial reporting and compliance.

COUNTY OF CAYUGA, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2014

As management of the County of Cayuga, New York (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County as of and for the fiscal year ended December 31, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the County's assets, liabilities and deferred inflows of resources with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as uncollected taxes and earned but unused vacation leave.

The governmental activities of the County include general government support, education, public safety, health, transportation, economic assistance and opportunity, home and community services, and culture and recreation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

- **Governmental Funds (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and the Capital Projects Funds, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

In addition, the Cayuga Tobacco Asset Securitization Corporation (CTASC) has been included in these statements as a blended component unit within the Debt Service Fund. Separate audited financial statements for CTASC may be obtained by contacting CTASC directly.

These financial statements also include the governmental fund of the discretely presented component unit, Cayuga County Soil and Water Conservation District (SWCD). Separate audited financial statements for SWCD may be obtained by contacting SWCD directly.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

- **Proprietary Funds**

Enterprise funds account for those operations that are financed and operated in a manner similar to private business. The County's financial statements include one proprietary fund, the Health Consortium Fund. As of January 1, 2014, the County discontinued operations of the Cayuga County Nursing Home and as a result, dissolved the Nursing Home proprietary fund.

The Cayuga County Health Consortium (the Consortium) is presented in the financial reporting entity as a blended component unit based on the criteria that the Consortium serves and benefits the County almost exclusively. The Consortium is presented as a blended proprietary fund type. Separate audited financial statements for the Consortium may be obtained by contacting the Consortium directly.

In addition, the government-wide financial statements report five proprietary enterprise funds as discretely presented component units. Cayuga Community College (CCC), Cayuga County Water and Sewer Authority (CCWSA), Cayuga County Industrial Development Agency (CCIDA), the proprietary fund of Cayuga County Soil and Water Conservation District (SWCD) and Cayuga County Development Corporation (CCDC). Separate audited financial statements for these entities may be obtained by contacting the entities directly.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

- **Fiduciary Funds**

These funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support County programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County maintains two fiduciary funds, an agency fund and a private purpose trust fund the County's Deferred Compensation Plan. Separate audited financial statements for the Deferred Compensation Plan may be obtained by contacting the County directly.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budget and actual schedules and funding progress for other postemployment benefits plan. These required schedules and notes to the schedules can be found immediately following the notes to the financial statements.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information, as supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 - Summary Statement of Net Position

	Governmental <u>2014</u>	Business-Type <u>2014</u>	Governmental <u>2013</u>	Business-Type <u>2013</u>
Assets:				
Current assets	\$ 56,318,798	\$ 16,027,294	\$ 58,716,279	\$ 16,963,623
Capital assets, net	62,711,250	-	61,286,033	-
Other noncurrent assets	<u>1,334,456</u>	<u>-</u>	<u>1,335,300</u>	<u>23,358</u>
Total assets	<u>120,364,504</u>	<u>16,027,294</u>	<u>121,337,612</u>	<u>16,986,981</u>
Liabilities:				
Current liabilities	22,072,580	950,000	20,975,788	2,318,797
Long-term liabilities	<u>117,197,900</u>	<u>-</u>	<u>114,581,403</u>	<u>-</u>
Total liabilities	<u>139,270,480</u>	<u>950,000</u>	<u>135,557,191</u>	<u>2,318,797</u>
Deferred Inflows of Resources:				
Deferred Revenue	<u>-</u>	<u>22,519</u>	<u>-</u>	<u>19,530</u>
Net Position:				
Net Investment in capital assets	31,126,250	-	27,994,033	-
Restricted	1,511,703	-	1,491,195	-
Unrestricted	<u>(51,543,929)</u>	<u>15,054,775</u>	<u>(43,704,807)</u>	<u>14,648,654</u>
Total net position, as restated	<u>\$ (18,905,976)</u>	<u>\$ 15,054,775</u>	<u>\$ (14,219,579)</u>	<u>\$ 14,648,654</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, liabilities of the County's governmental activities exceeded assets by \$18,905,976 at the close of 2014.

The largest portion of the County's net position reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

There was approximately \$22,300,000 in net depreciable capital asset additions. There an increase to accumulated depreciation in the amount of approximately \$1,500,000. Construction in progress had a net decrease of approximately \$20,700,000. The net capital asset increase was approximately \$1,400,000.

The increase of \$4,200,000 in the long-term liabilities is mainly due to an increase in the County's expected net other postemployment benefit obligation at December 31, 2014 of \$7,100,000, with the majority offset by long term debt payments of \$2,900,000.

Business Type Activities

The increase in the business type activities net position in the amount of approximately \$400,000 is mostly attributed to charges for services in excess of health and dental related claims expenses.

See the summary of the Statement of Activities (Table 2) on the following page for the dollar and percent changes in governmental and business type activities from 2013 to 2014.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Table 2 - Summary Statement of Activities

	Governmental <u>2014</u>	%	Business- <u>Type 2014</u>	%	Governmental <u>2013</u>	%	Business- <u>Type 2013</u>	%
Revenues:								
Program revenues -								
Charges for services	\$ 15,814,274	11.3%	\$ 12,670,810	98.1%	\$ 18,942,744	14.1%	\$ 13,135,641	98.4%
Operating grants and contributions	33,831,979	24.3%	-	0.0%	31,948,901	23.6%	-	0.0%
Capital grants and contributions	<u>3,010,830</u>	<u>2.2%</u>	<u>-</u>	<u>0.0%</u>	<u>697,359</u>	<u>0.5%</u>	<u>-</u>	<u>0.0%</u>
Total program revenues	<u>52,657,083</u>	<u>37.8%</u>	<u>12,670,810</u>	<u>98.1%</u>	<u>51,589,004</u>	<u>38.1%</u>	<u>13,135,641</u>	<u>98.4%</u>
General revenues -								
Property taxes	39,088,187	28.0%	-	0.0%	37,785,063	27.9%	-	0.0%
Other taxes	44,922,757	32.2%	-	0.0%	42,113,196	31.1%	-	0.0%
Other	<u>2,787,173</u>	<u>2.0%</u>	<u>242,758</u>	<u>1.9%</u>	<u>3,755,084</u>	<u>2.8%</u>	<u>219,877</u>	<u>1.6%</u>
Total general revenues	<u>86,798,117</u>	<u>62.2%</u>	<u>242,758</u>	<u>1.9%</u>	<u>83,653,343</u>	<u>61.9%</u>	<u>219,877</u>	<u>1.6%</u>
Total revenues	<u>139,455,200</u>	<u>100.0%</u>	<u>12,913,568</u>	<u>100.0%</u>	<u>135,242,347</u>	<u>100.0%</u>	<u>13,355,518</u>	<u>100.0%</u>
Expenses:								
General governmental	34,994,280	24.3%	-	0.0%	34,632,299	23.3%	-	0.0%
Education	3,572,320	2.5%	-	0.0%	4,003,127	2.6%	-	0.0%
Public safety	22,198,023	15.4%	-	0.0%	17,813,804	11.9%	-	0.0%
Public health	12,115,983	8.4%	-	0.0%	21,484,719	14.4%	-	0.0%
Transportation	10,893,835	7.6%	-	0.0%	9,179,403	6.2%	-	0.0%
Economic assistance	44,692,502	31.0%	-	0.0%	43,604,881	29.3%	-	0.0%
Culture and recreation	1,372,441	1.0%	-	0.0%	1,193,854	0.8%	-	0.0%
Home and community services	1,819,337	1.3%	-	0.0%	1,827,802	1.3%	-	0.0%
Employee benefits	9,134,123	6.3%	-	0.0%	12,266,375	8.2%	-	0.0%
Interest	<u>3,195,202</u>	<u>2.2%</u>	<u>12,507,447</u>	<u>100.0%</u>	<u>2,915,040</u>	<u>2.0%</u>	<u>13,446,639</u>	<u>100.0%</u>
Total expenses	<u>143,988,046</u>	<u>100.0%</u>	<u>12,507,447</u>	<u>100.0%</u>	<u>148,921,304</u>	<u>100.0%</u>	<u>13,446,639</u>	<u>100.0%</u>
Transfers (to) from other funds	<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>	
Special Item	<u>(153,551)</u>		<u>-</u>					
Change in net position	<u>(4,686,397)</u>		<u>406,121</u>		<u>(13,678,957)</u>		<u>(91,121)</u>	
Net position - beginning of year, as restated	<u>(14,219,579)</u>		<u>14,648,654</u>		<u>(540,622)</u>		<u>14,739,775</u>	
Net position - end of year	<u>\$ (18,905,976)</u>		<u>\$ 15,054,775</u>		<u>\$ (14,219,579)</u>		<u>\$ 14,648,654</u>	

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Governmental activities decreased the County's net position by \$4,700,000 as a result of expenses in excess of revenues. This net decrease is down from approximately \$13,700,000 from the prior year. This is a result of the dissolution of the Nursing Home which resulted in a decrease of public health related expenditures of approximately \$9,000,000 and a net decrease of employee benefits in the amount of approximately \$3,000,000. Despite the dissolution of the Nursing Home operations, the governmental activities still had a net decrease in net position with the biggest impact being the increase in other postemployment benefit obligations of approximately \$7,000,000.

Business Type Activities

Business type activities increased the County's net position by approximately \$400,000 from the prior year. There was the result of charges for services of the Health Consortium in excess of the health and dental claims expenses.

GOVERNMENTAL FUND FINANCIAL ANALYSIS

General Fund

Total General Fund, fund balance decreased to approximately \$22,919,000 from \$23,245,656 as a result of a change in fund balance of approximately \$300,000.

Total program and general revenues from the prior year decreased by approximately \$460,000 while expenditures decreased approximately \$2,400,000. These changes in the General Fund were much to the result of the dissolution of the Nursing Home operations as of January 1, 2014, which caused for a decrease in revenues and expenditures. In conjunction with these decreases, the principal and interest payments increased from the prior year, and general government support expenditures increased. Offset with the approximately \$8,000,000 in nursing home expenditure decreases, a net decrease occurred from the prior year. Departmental income increased as well as real property taxes. These increases were offset by approximately \$7,800,000 in revenue decreases from the dissolution of the Nursing Home, resulting in a net decrease in revenues.

With consideration of the restatement of the current assets of the Nursing Home, General Fund total assets decreased by approximately \$2,800,000 to approximately \$48,909,000 at December 31, 2014. This was the result a write-off of nursing home related receivables.

General Fund total liabilities decreased to approximately \$12,400,000, down approximately \$1,400,000 at December 31, 2014. There was a decrease in grant advances of \$700,000 and \$500,000 from a decrease in accrued wages as a result of less employees and due to the dissolution of the nursing home operations.

Capital Projects Fund

The total fund balance at December 31, 2014 is approximately \$(1,200,000). Project expenditures exceeded revenues by approximately \$850,000 in 2014 and transfers out exceeded transfers in by approximately \$400,000. There were no current year debt proceeds in the 2014 fiscal year as there was in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Both the original and modified budget amounts are based upon budgets created and approved for the operational portion of the General Fund only. The actual amounts reflect the year ended December 31, 2014 balances of the General Fund including the unemployment reserve and casualty and liability activity but exclude the Consortium as is consistent with the 2014 financial statements. A modified budget to actual comparison of the operational portion of the General Fund only at December 31, 2014 is as follows:

Table 3 - Budgetary Comparison Schedules

	Modified	Actual at		Variance
	Budget	December 31, 2014	Encumbrances	Favorable (Unfavorable)
REVENUES:				
Real property taxes and tax items	\$ 39,360,739	\$ 38,919,469	\$ -	\$ (541,270)
Non-property tax items	44,156,000	44,922,757	-	766,757
Departmental income	9,894,073	13,240,536	-	3,346,463
Intergovernmental charges	220,278	318,827	-	98,549
Use of money and property	229,337	226,791	-	(2,546)
Licenses and permits	15,000	13,495	-	(1,505)
Fines and forfeitures	151,997	148,744	-	(3,253)
Sale of property and compensation for loss	45,000	119,249	-	74,249
Miscellaneous	2,235,816	2,295,070	-	59,254
State aid	16,909,751	15,675,765	-	(1,233,986)
Federal aid	<u>13,532,407</u>	<u>12,744,033</u>	-	<u>(788,374)</u>
Total revenues	<u>126,750,398</u>	<u>128,524,736</u>	-	<u>1,774,338</u>
EXPENDITURES:				
General government support	35,553,742	36,103,228	72,673	(622,159)
Education	3,279,373	3,282,011	-	(2,638)
Public safety	18,564,044	18,661,722	49,762	(147,440)
Public health	14,142,465	12,174,679	10,992	1,956,794
Transportation	176,200	162,396	-	13,804
Economic assistance and opportunity	45,519,023	44,125,095	2,083	1,391,845
Culture and recreation	1,281,533	1,212,522	6,503	62,508
Home and community services	1,789,639	1,678,936	-	110,703
Employee benefits	206,664	204,248	-	2,416
Debt service:				
Principal	3,102,000	3,102,000	-	-
Interest	<u>1,535,355</u>	<u>1,535,354</u>	-	<u>1</u>
Total expenditures	<u>125,150,038</u>	<u>122,242,191</u>	<u>142,013</u>	<u>2,965,834</u>
Excess of revenues over expenditures	<u>1,600,360</u>	<u>6,282,545</u>	<u>(142,013)</u>	<u>4,540,172</u>
Other financing sources (uses)				
Operating transfers – in	230,651	1,007,577	-	776,926
Operating transfers - out	<u>(7,403,175)</u>	<u>(7,598,989)</u>	-	<u>(195,814)</u>
Total other financing sources (uses)	<u>(7,172,524)</u>	<u>(6,591,412)</u>	-	<u>581,112</u>
Special Item	-	<u>(17,394)</u>	-	<u>(17,394)</u>
Change in fund balance	(5,572,164)	(326,261)	(142,013)	5,103,890
Fund balance - beginning of year	<u>24,095,381</u>	<u>23,245,656</u>	-	<u>849,725</u>
Fund balance - end of year	<u>\$ 18,523,217</u>	<u>\$ 22,919,395</u>	<u>\$ (142,013)</u>	<u>\$ 5,953,615</u>

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

The County had a favorable variance of excess revenues over expenditures in the General Fund by approximately \$5,100,000 after consideration of any encumbrances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2014 amounted to \$62,711,250 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways and bridges.

Table 4 - Capital Assets - Governmental and Business-Type Activities (Net of Depreciation)

	Governmental <u>2014</u>	Business-Type <u>2014</u>	Governmental <u>2013</u>	Business-Type <u>2013 (restated)</u>
Land and land improvements	\$ 2,866,463	\$ -	\$ 2,936,872	\$ -
Buildings and improvements	47,826,696	-	25,647,445	-
Machinery and equipment	3,306,866	-	4,122,882	-
Infrastructure	6,360,395	-	5,476,757	-
Construction-in-progress	<u>2,350,830</u>	<u>-</u>	<u>23,102,077</u>	<u>-</u>
Total	<u>\$ 62,711,250</u>	<u>\$ -</u>	<u>\$ 61,286,033</u>	<u>\$ -</u>

The \$6,360,395 for 2014 and \$5,476,757 for 2013 of infrastructure represents the depreciated book value of County roads and bridges.

The \$2,350,830 for 2014 and \$23,102,077 for 2013 of construction-in-progress represents the cost to date of construction on various County projects that have not been completed. The decrease of \$20,751,247 reflects major projects that are ongoing netted with completed projects that have been added to capital assets

Additional information on the County's capital assets can be found in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Administration

Table 5 - Long-Term Debt

	Governmental <u>2014</u>	Business-Type <u>2014</u>	Governmental <u>2013</u>	Business-Type <u>2013 (restated)</u>
Serial bonds - excluding CTASC	\$ 31,585,000	\$ -	\$ 33,292,000	\$ -
Serial bonds - CTASC	24,958,502	-	24,550,739	-
Certificates of participation - AMH	9,465,000	-	10,860,000	-
Pollution remediation obligation	71,000	-	121,000	-
Compensated absences	2,413,250	-	2,547,335	-
Other postemployment benefits	<u>56,218,398</u>	<u>-</u>	<u>49,154,664</u>	<u>-</u>
Total	<u>\$ 124,711,150</u>	<u>\$ -</u>	<u>\$ 120,525,738</u>	<u>\$ -</u>

The County continues to maintain an A1 rating from Moody's Investor Services for its general obligation debt. Additional information on the County's long-term debt can be found in the notes to the financial statements.

Long-term debt increased by a net amount of approximately \$4,000,000. This was mostly a result of the increase in other postemployment benefits of approximately \$7,000,000 and an increase in compensated absences of \$135,000 offset partially by payments of approximately \$3,100,000 on serial bonds and certificates of participation.

ECONOMIC FACTORS

Other than a slight increase in the unemployment rate, there have been no significant changes in economic factors that would affect the County either negatively or positively.

ADDITIONAL FINANCIAL IMPLICATIONS

As part of a transfer agreement (transfer agreement) dated July 30, 2013, by and between the County, Auburn Senior Services, Inc. (ASSI) and Loretto Management Corporation (Loretto), ASSI will accept transfer of the operating certificate (operating certificate) of the Cayuga County Nursing Home (Nursing Home), in accordance with a HEAL-21 grant. As part of this transfer agreement, all real estate, including buildings and fixtures associated with the Nursing Home, shall remain the property of the County. As part of ASSI's acceptance of the operating certificate, ASSI does not assume any liabilities, financial obligations, or contractual commitments of the County as of the effective date of the transfer. Effective January 1, 2014, the County disposed of the Nursing Home and transferred operations to ASSI. The County discontinued use of the nursing home proprietary fund, and balances have been restated as necessary as of January 1, 2014.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Cayuga County Treasurer, 160 Genesee Street, 5th floor, Auburn, New York 13021.

COUNTY OF CAYUGA, NEW YORK

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental	Proprietary
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 14,343,809	\$ 11,945,166	\$ 26,288,975	\$ 168,552	\$ 7,077,562
Investments	-	3,125,091	3,125,091	-	13,584,716
Accounts receivable, net	1,617,621	9,037	1,626,658	43,323	5,217,507
Tax receivable, net	8,653,636	-	8,653,636	-	-
Notes and loans receivable, net	9,822,236	-	9,822,236	-	-
State and federal aid receivable	17,580,544	-	17,580,544	59,622	-
Internal balances	-	-	-	298,591	(298,591)
Due from other governments	506,093	-	506,093	-	898,362
Due from component units	2,104,821	-	2,104,821	-	-
Prepaid expenses and other current assets	1,530,138	948,000	2,478,138	-	152,057
Inventories	159,900	-	159,900	-	553,326
Non-current assets:					
Cash and cash equivalents, restricted	1,334,456	-	1,334,456	1,178,021	973,517
Capital assets, net	62,711,250	-	62,711,250	109,909	63,104,630
Total assets	120,364,504	16,027,294	136,391,798	1,858,018	91,263,086
LIABILITIES					
Accounts payable and other current liabilities	4,842,529	-	4,842,529	3,729	1,491,187
Accrued wages and benefits	942,794	-	942,794	95,192	1,672,966
Grant advances	2,962,555	-	2,962,555	-	-
Due to fiduciary fund	4,547	-	4,547	-	-
Due to County	-	-	-	-	1,450,000
Due to other governments	5,806,905	-	5,806,905	-	132,009
Unearned revenue	-	-	-	676,527	10,985
Incurred but not reported health claims	-	950,000	950,000	-	-
Due to other funds	-	-	-	-	11,475
Long-term liabilities:					
Due within one year	7,513,250	-	7,513,250	-	1,505,266
Due in more than one year	117,197,900	-	117,197,900	1,801,364	21,736,644
Total liabilities	139,270,480	950,000	140,220,480	2,576,812	28,010,532
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	-	22,519	22,519	-	5,144,225
NET POSITION					
Net investment in capital assets	31,126,250	-	31,126,250	109,909	47,088,602
Restricted:					
Capital projects	36,055	-	36,055	-	-
Debt service	1,334,456	-	1,334,456	-	-
Other purposes	141,192	-	141,192	751,188	10,983,013
Unrestricted (deficit)	(51,543,929)	15,054,775	(36,489,154)	(1,579,891)	36,714
Total net position	\$ (18,905,976)	\$ 15,054,775	\$ (3,851,201)	\$ (718,794)	\$ 58,108,329

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Net (Expense) Revenue and Changes in Net Position								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Governmental	Proprietary
Primary government:									
Governmental activities:									
General government support	\$ 34,994,280	\$ 5,684,883	\$ 1,717,763	\$ 2,388,541	\$ (25,203,093)		\$ (25,203,093)		
Education	3,572,320	765,497	-	347,893	(2,458,930)		(2,458,930)		
Public Safety	22,198,023	2,155,125	832,791	267,109	(18,942,998)		(18,942,998)		
Public Health	12,115,983	4,480,855	5,270,856	-	(2,364,272)		(2,364,272)		
Transportation	10,893,835	1,240,153	4,725,747	7,287	(4,920,648)		(4,920,648)		
Economic assistance and opportunity	44,692,502	1,017,581	20,856,052	-	(22,818,869)		(22,818,869)		
Culture and recreation	1,372,441	272,043	280,027	-	(820,371)		(820,371)		
Home and community services	1,819,337	198,137	148,743	-	(1,472,457)		(1,472,457)		
Employee benefits	9,134,123	-	-	-	(9,134,123)		(9,134,123)		
Interest expense	3,195,202	-	-	-	(3,195,202)		(3,195,202)		
Total governmental activities	<u>143,988,046</u>	<u>15,814,274</u>	<u>33,831,979</u>	<u>3,010,830</u>	<u>(91,330,963)</u>		<u>(91,330,963)</u>		
Business-type activities:									
Cayuga County Health Insurance Consortium	12,507,447	12,670,810	-	-	-	163,363	163,363		
Total primary government:	<u>156,495,493</u>	<u>28,485,084</u>	<u>33,831,979</u>	<u>3,010,830</u>	<u>(91,330,963)</u>	<u>163,363</u>	<u>(91,167,600)</u>		
Component units:									
Governmental:									
Cayuga County Soil and Water Conservation District	2,124,001	405,004	532,911	-				(1,186,086)	
Proprietary:									
Cayuga County Community College	43,396,178	8,865,767	30,219,093	-					(4,311,318)
Cayuga County Water and Sewer Authority	1,493,203	1,302,409	325,537	-					134,743
Cayuga County Industrial Development Agency	136,071	49,384	95,015	-					8,328
Cayuga County Soil and Water Conservation District	941,021	252,486	-	-					(688,535)
Cayuga County Development Corporation	19,292	-	-	-					(19,292)
Total component units	<u>\$ 48,109,766</u>	<u>\$ 10,875,050</u>	<u>\$ 31,172,556</u>	<u>\$ -</u>				<u>(1,186,086)</u>	<u>(4,876,074)</u>
General revenues and transfers:									
Real property taxes and real property tax items					39,088,187	-	39,088,187	-	-
Nonproperty tax items					44,922,757	-	44,922,757	-	-
Sale of property and compensation for loss					119,249	-	119,249	-	-
Investment income					-	-	-	-	1,786,639
Use of money and property					232,331	53,483	285,814	88,483	1,815
Miscellaneous					2,435,593	189,275	2,624,868	72,161	2,930,789
Contributions from County					-	-	-	687,241	-
Transfers					-	-	-	(214,998)	214,998
Total general revenues and transfers					<u>86,798,117</u>	<u>242,758</u>	<u>87,040,875</u>	<u>632,887</u>	<u>4,934,241</u>
Special item (Note 4)					(153,551)	-	(153,551)	-	-
Changes in net position					<u>(4,686,397)</u>	<u>406,121</u>	<u>(4,280,276)</u>	<u>(553,199)</u>	<u>58,167</u>
Net position at beginning of year, as previously reported					(15,423,006)	15,852,081	429,075	165,595	58,335,602
Prior period adjustment (Note 3)					1,203,427	(1,203,427)	-	-	(285,440)
Net position at beginning of year, as restated					<u>(14,219,579)</u>	<u>14,648,654</u>	<u>429,075</u>	<u>165,595</u>	<u>58,050,162</u>
Net position at end of year					<u>\$ (18,905,976)</u>	<u>\$ 15,054,775</u>	<u>\$ (3,851,201)</u>	<u>\$ (387,604)</u>	<u>\$ 58,108,329</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

**BALANCE SHEET
GOVERNMENTAL FUNDS**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,446,126	\$ 1,420,399	\$ 3,477,284	\$ 14,343,809
Accounts receivable	237,383	60,438	1,319,800	1,617,621
Tax receivable, net	8,653,636	-	-	8,653,636
Notes and loans receivable, net	9,465,000	-	357,236	9,822,236
State and federal aid receivable	13,666,472	2,470,122	1,443,950	17,580,544
Due from other governments	506,093	-	-	506,093
Due from component units	547,995	1,556,826	-	2,104,821
Prepaid expenses	1,381,660	-	148,478	1,530,138
Due from other funds	4,979,436	36,732	-	5,016,168
Cash and cash equivalents, restricted	-	-	1,334,456	1,334,456
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 48,883,801</u>	<u>\$ 5,544,517</u>	<u>\$ 8,081,204</u>	<u>\$ 62,509,522</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts payable and other current liabilities	\$ 2,751,162	\$ 1,851,532	\$ 239,835	\$ 4,842,529
Accrued wages and benefits	844,535	-	98,259	942,794
Grant advances	2,962,555	-	-	2,962,555
Due to other funds	41,239	4,896,904	82,572	5,020,715
Due to other governments	5,753,949	-	52,956	5,806,905
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>12,353,440</u>	<u>6,748,436</u>	<u>473,622</u>	<u>19,575,498</u>
Deferred inflows of resources:				
Deferred revenue	13,610,966	-	356,383	13,967,349
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance:				
Nonspendable	1,381,660	-	148,478	1,530,138
Restricted	141,192	36,055	1,334,456	1,511,703
Assigned	2,112,964	-	5,768,265	7,881,229
Unassigned	19,283,579	(1,239,974)	-	18,043,605
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>22,919,395</u>	<u>(1,203,919)</u>	<u>7,251,199</u>	<u>28,966,675</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
	<u>\$ 48,883,801</u>	<u>\$ 5,544,517</u>	<u>\$ 8,081,204</u>	<u>\$ 62,509,522</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2014

Total fund balances - governmental funds	\$ 28,966,675
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	62,711,250
The revenue related to notes receivable and a portion of tax receivable are not both measurable and available and therefore is recorded as a deferred inflow of resources in the governmental funds.	13,967,349
Long term liabilities do not require the use of current financial resources and therefore are not reported in the governmental funds. They are as follows:	
Serial bonds - excluding CTASC	(31,585,000)
Serial bonds - CTASC	(24,958,502)
Certificates of participation - Hospital	(9,465,000)
Pollution remediation obligation	(71,000)
Compensated absences	(2,413,250)
Other postemployment benefits	(56,218,398)
Inventory is noncurrent in nature and is therefore not reported in the governmental funds.	<u>159,900</u>
Total net position - governmental activities	<u>\$ (18,905,976)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real property taxes and tax items	\$ 38,819,469	\$ -	\$ -	\$ 38,819,469
Non-property tax items	44,922,757	-	-	44,922,757
Departmental income	13,240,536	-	163,762	13,404,298
Intergovernmental charges	318,827	765,497	1,240,011	2,324,335
Use of money and property	226,791	3,681	1,859	232,331
Licenses and permits	13,495	-	140	13,635
Fines and forfeitures	148,744	-	-	148,744
Sale of property and compensation for loss	119,249	-	-	119,249
Miscellaneous	2,295,070	-	1,535,523	3,830,593
State and county aid	15,675,765	3,003,542	4,725,747	23,405,054
Federal aid	12,744,033	7,287	686,436	13,437,756
	<u>128,524,736</u>	<u>3,780,007</u>	<u>8,353,478</u>	<u>140,658,221</u>
Total revenues				
EXPENDITURES:				
Current:				
General government support	36,103,228	685,983	139,437	36,928,648
Education	3,282,011	290,309	-	3,572,320
Public safety	18,661,722	3,432,828	-	22,094,550
Public health	12,174,679	-	-	12,174,679
Transportation	162,396	3,758	10,422,319	10,588,473
Economic assistance and opportunity	44,125,095	-	538,738	44,663,833
Culture and recreation	1,212,522	161,996	-	1,374,518
Home and community services	1,678,936	54,994	85,407	1,819,337
Employee benefits	204,248	-	2,000,226	2,204,474
Debt Service:				
Principal	3,102,000	-	445,000	3,547,000
Interest	1,535,354	-	807,085	2,342,439
	<u>122,242,191</u>	<u>4,629,868</u>	<u>14,438,212</u>	<u>141,310,271</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,282,545</u>	<u>(849,861)</u>	<u>(6,084,734)</u>	<u>(652,050)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers - in	1,007,577	208,074	9,316,360	10,532,011
Operating transfers - out	<u>(7,598,989)</u>	<u>(982,862)</u>	<u>(1,950,160)</u>	<u>(10,532,011)</u>
Total other financing sources (uses)	(6,591,412)	(774,788)	7,366,200	-
SPECIAL ITEM (Note 4)	<u>(17,394)</u>	<u>-</u>	<u>-</u>	<u>(17,394)</u>
CHANGES IN FUND BALANCE	(326,261)	(1,624,649)	1,281,466	(669,444)
FUND BALANCE - beginning of year, as previously reported	20,163,434	420,730	5,969,733	26,553,897
Prior period adjustment (Note 3)	<u>3,082,222</u>	<u>-</u>	<u>-</u>	<u>3,082,222</u>
FUND BALANCE - beginning of year, as restated	<u>23,245,656</u>	<u>420,730</u>	<u>5,969,733</u>	<u>29,636,119</u>
FUND BALANCE - end of year	<u>\$ 22,919,395</u>	<u>\$ (1,203,919)</u>	<u>\$ 7,251,199</u>	<u>\$ 28,966,675</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, 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, 2014

Net changes in fund balance - governmental funds	\$ (669,444)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital assets (in the amount of \$4,799,504) as expenditures because such outlays use current financial resources, however the Statement of Activities capitalizes these expenditures. The outlay is allocated over assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays exceed depreciation expense.	1,425,217
Principal payments on debt service are reported as an expenditure in the governmental funds, and therefore reduce fund balance. These payments are not an expense in the Statement of Activities.	3,547,000
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 the governmental funds. The current year increase (decrease) to changes in net position are shown here:	
Accrued interest on long-term debt	(72,557)
Compensated absences	134,085
Other postemployment benefit obligations	(7,063,734)
Income due to the change in deferred inflows of resources related to property tax revenue not recorded in governmental funds.	268,718
Net borrowings on Community Development Block Grant loans receivable, not recorded in governmental funds.	(76,739)
Revenue related to the Hospital's COP principal not recorded in governmental activities.	(1,395,000)
Reduction of pollution abatement costs are recored as expenditures in the current period activity of the governmental funds, but is a reduction of the liability in the government-wide statements.	50,000
Current year accretion of capital appreciation bonds is not reflected in the governmental funds.	(852,763)
In the governmental funds, inventory purchases are reported as an expenditure. In the Statement of Activities, inventory is expensed as used.	<u>18,820</u>
Change in net position - governmental activities	<u>\$ (4,686,397)</u>

COUNTY OF CAYUGA, NEW YORK

**STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014**

Cayuga County
Health Insurance
Consortium

ASSETS

Current assets:	
Cash and cash equivalents	\$ 11,945,166
Accounts receivable, net	9,037
Investments	3,125,091
Prepaid expenses and other current assets	<u>948,000</u>
Total assets	<u>16,027,294</u>

LIABILITIES

Current liabilities:	
Incurred but not reported health claims	<u>950,000</u>
Total liabilities	<u>950,000</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	<u>22,519</u>
Total deferred inflows of resources	<u>22,519</u>

NET POSITION

Unrestricted	<u>15,054,775</u>
Total net position	<u>\$ 15,054,775</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Cayuga County Health Insurance <u>Consortium</u>
OPERATING REVENUES:	
Charges for services	\$ 12,670,810
Other operating revenue	<u>189,275</u>
Total operating revenues	<u>12,860,085</u>
OPERATING EXPENSES:	
Administrative	734,792
Health and dental claims	<u>11,772,655</u>
Total operating expenses	<u>12,507,447</u>
OPERATING INCOME	352,638
NON-OPERATING REVENUE:	
Interest income	90,427
Unrealized loss on investments	<u>(36,944)</u>
Total non-operating revenues	<u>53,483</u>
INCOME BEFORE TRANSFERS	<u>406,121</u>
CHANGE IN NET POSITION	406,121
NET POSITION - beginning of year	<u>14,648,654</u>
NET POSITION - end of year	<u>\$ 15,054,775</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Cayuga County Health Insurance <u>Consortium</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Contributions for benefit costs:	
County	\$ 7,480,887
Other governments	3,485,607
Participants	1,750,127
Rebates received	189,275
Health claims paid	(12,642,317)
Dental claims paid	(475,777)
Payment for administrative expenses	<u>(734,792)</u>
Net cash from operating activities	<u>(946,990)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>90,427</u>
Net cash from investing activities	<u>90,427</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(856,563)
CASH AND CASH EQUIVALENTS - beginning of year	<u>12,801,729</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 11,945,166</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income	\$ 352,638
Adjustments to reconcile operating loss to net cash flows provided by operating activities:	
Accounts receivable	42,822
Incurred but not reported health claims	(1,345,439)
Unearned revenue	<u>2,989</u>
Net cash from operating activities	<u>\$ (946,990)</u>

COUNTY OF CAYUGA, NEW YORK

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	<u>Deferred Compensation Trust Fund</u>	<u>Agency</u>
ASSETS:		
Cash and cash equivalents	\$ -	\$ 1,577,247
Investments	9,523,376	-
Due from other funds	-	7,043
Other asset	-	<u>25,968</u>
Total assets	<u>9,523,376</u>	<u>1,610,258</u>
LIABILITIES:		
Accounts payable and other current liabilities	-	1,607,762
Due to other funds	-	<u>2,496</u>
Total liabilities	<u>-</u>	<u>\$ 1,610,258</u>
NET POSITION	<u>\$ 9,523,376</u>	

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	<u>Deferred Compensation Trust Fund</u>
ADDITIONS:	
Contributions	\$ 614,649
Transfers in	137,096
Investment income and gains	<u>1,249,716</u>
Total additions	<u>2,001,461</u>
DEDUCTIONS/ BENEFITS PAID	
Payments to participants	221,212
Transfers out	125,072
Administrative fees	<u>26,265</u>
Total deductions/ benefits paid	<u>372,549</u>
Net change in fund balance	1,628,912
Net position at beginning of year, as previously reported	-
Prior period adjustment (Note 3)	<u>7,894,464</u>
Net position at beginning of year, as restated	<u>7,894,464</u>
Net position at end of year	<u>\$ 9,523,376</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

COMBINING STATEMENT OF NET POSITION
 PROPRIETARY COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Cayuga Community <u>College</u>	Cayuga County Water and <u>Sewer Authority</u>	Cayuga County Industrial Development <u>Agency</u>	Cayuga County Soil and Water Conservation <u>District</u>	Cayuga County Development <u>Corporation</u>	<u>Total</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,686,827	\$ 470,180	\$ 644,859	\$ 40,116	\$ 235,580	\$ 7,077,562
Investments	13,584,716	-	-	-	-	13,584,716
Accounts receivable, net	3,973,713	1,216,332	27,462	-	-	5,217,507
Due from other governments	898,362	-	-	-	-	898,362
Prepaid expenses and other assets	135,922	16,135	-	-	-	152,057
Inventories	-	-	553,326	-	-	553,326
Non-current assets:						
Cash and cash equivalents, restricted	448,853	524,664	-	-	-	973,517
Capital assets, net	<u>36,313,630</u>	<u>16,972,692</u>	<u>-</u>	<u>9,818,308</u>	<u>-</u>	<u>63,104,630</u>
Total assets	<u>61,042,023</u>	<u>19,200,003</u>	<u>1,225,647</u>	<u>9,858,424</u>	<u>235,580</u>	<u>91,561,677</u>
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	1,254,157	99,002	29,563	108,465	-	1,491,187
Accrued wages and benefits	1,666,259	-	-	6,707	-	1,672,966
Due to other governments	132,009	-	-	-	-	132,009
Due to County	-	-	-	1,450,000	-	1,450,000
Due to other funds	11,475	-	-	298,591	-	310,066
Other liabilities	-	-	10,985	-	-	10,985
Long-term liabilities:						
Due within one year	619,809	864,259	-	21,198	-	1,505,266
Due in more than one year	<u>17,077,533</u>	<u>4,347,961</u>	<u>-</u>	<u>311,150</u>	<u>-</u>	<u>21,736,644</u>
Total liabilities	<u>20,761,242</u>	<u>5,311,222</u>	<u>40,548</u>	<u>2,196,111</u>	<u>-</u>	<u>28,309,123</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Revenues	<u>5,144,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,144,225</u>
NET POSITION						
Net investment in capital assets	26,990,168	11,769,472	-	8,328,962	-	47,088,602
Restricted	10,290,607	692,406	-	-	-	10,983,013
Unrestricted	<u>(2,144,219)</u>	<u>1,426,903</u>	<u>1,185,099</u>	<u>(666,649)</u>	<u>235,580</u>	<u>36,714</u>
Total net position	<u>\$ 35,136,556</u>	<u>\$ 13,888,781</u>	<u>\$ 1,185,099</u>	<u>\$ 7,662,313</u>	<u>\$ 235,580</u>	<u>\$ 58,108,329</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

COMBINING STATEMENT OF ACTIVITIES - PROPRIETARY COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Cayuga Community College	Cayuga County Water and Sewer Authority	Cayuga County Industrial Development Agency	Cayuga County Soil and Water Conservation District	Cayuga County Development Corporation	Total
OPERATING REVENUES:						
Charges for services, net	\$ 8,865,767	\$ 1,302,409	\$ 49,384	\$ 252,486	\$ -	\$ 10,470,046
Rental fees	-	-	1,815	-	-	1,815
Federal grants	335,351	-	-	-	-	335,351
State and local grants	907,510	-	-	-	-	907,510
Other grants and contracts	500,316	-	95,015	-	-	595,331
Other revenue	1,128,131	-	49	8,363	-	1,136,543
Total operating revenues	11,737,075	1,302,409	146,263	260,849	-	13,446,596
OPERATING EXPENSES:						
Instruction	13,120,558	-	-	-	-	13,120,558
Public service	259,295	-	-	-	-	259,295
Academic support	4,252,476	-	-	-	-	4,252,476
Student services	3,627,036	-	-	-	-	3,627,036
Institutional support	7,796,380	-	-	-	-	7,796,380
Operation and maintenance	5,287,348	13,457	-	-	-	5,300,805
Grant expenses	-	-	95,015	-	-	95,015
Scholarships and fellowships	6,434,265	-	-	-	-	6,434,265
Administration	-	22,275	29,617	-	-	51,892
Water and sewer	-	534,098	-	-	-	534,098
Payroll, benefits and payroll taxes	-	170,365	-	147,892	-	318,257
Utilities	-	35,513	-	269,128	-	304,641
Legal and accounting	-	14,327	3,474	-	3,767	21,568
Insurance	-	16,441	-	-	-	16,441
Telephone	-	5,896	-	-	-	5,896
Depreciation	1,397,616	562,801	-	377,237	-	2,337,654
Other expenses	1,221,204	-	7,965	91,111	15,525	1,335,805
Total operating expenses	43,396,178	1,375,173	136,071	885,368	19,292	45,812,082
OPERATING INCOME (LOSS):	(31,659,103)	(72,764)	10,192	(624,519)	(19,292)	(32,365,486)
NON-OPERATING REVENUE (EXPENSE):						
Federal grants	11,396,197	325,537	-	-	-	11,721,734
State appropriations	8,947,489	-	-	-	-	8,947,489
Local appropriations	9,164,009	-	-	-	-	9,164,009
Federal tuition grants	777,025	-	-	-	-	777,025
State tuition grants	(2,155,099)	-	-	-	-	(2,155,099)
Private contributions	346,295	-	-	-	-	346,295
Interest income	1,782,821	214	3,480	16	108	1,786,639
Interest expense	-	(111,488)	-	(55,653)	-	(167,141)
Transfers - net	-	-	-	214,998	-	214,998
Other revenue	1,533,387	260,307	552	-	-	1,794,246
Other expense	-	(6,542)	-	-	-	(6,542)
Total non-operating revenue	31,792,124	468,028	4,032	159,361	108	32,423,653
CHANGE IN NET POSITION	133,021	395,264	14,224	(465,158)	(19,184)	58,167
NET POSITION - beginning of year, as previously reported	35,403,082	13,379,410	1,170,875	8,127,471	254,764	58,335,602
Prior period adjustment	(399,547)	114,107	-	-	-	(285,440)
NET POSITION - beginning of year, as restated	35,003,535	13,493,517	1,170,875	8,127,471	254,764	58,050,162
NET POSITION - end of year	\$ 35,136,556	\$ 13,888,781	\$ 1,185,099	\$ 7,662,313	\$ 235,580	\$ 58,108,329

The accompanying notes are an integral part of these statements.

COUNTY OF CAYUGA, NEW YORK

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2014

1. ORGANIZATION

Background

The County of Cayuga, New York (the County) is governed by County law, general laws of the State of New York and various local laws and ordinances. The County Board of Legislators (Board of Legislators), which is the legislative body responsible for the overall operation of the County, consists of the fifteen supervisors representing the towns in the County with each member's vote weighted on the basis of population in the town represented. The Chairman of the Board of Legislators serves as chief executive officer and the County Treasurer serves as chief fiscal officer of the County.

The County provides the following basic services: highway construction and maintenance, economic assistance and opportunity, educational assistance, public safety and law enforcement, public health, culture and recreation and home and community services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, including blended component units and (b) organizations that meet the definition of a discretely presented component unit based on statements issued by the Governmental Accounting Standard Board (GASB).

The accompanying basic financial statements are intended to report upon the financial position and results of operations of the individual major and nonmajor funds in accordance with generally accepted accounting principles in the United States of America as promulgated by the GASB.

Component Units - Discretely Presented

Cayuga County Soil and Water Conservation District (SWCD)

SWCD was established in September 1940, in accordance with the Soil and Water Conservation Districts Law, to provide for the conservation of the County's soil and water resources. SWCD is presented in the financial reporting entity as a discretely presented component unit based on the criteria that members of the SWCD's board of directors are appointed by the Board of Legislators, and the County has the potential to provide a financial benefit or burden on SWCD. SWCD has both governmental and proprietary fund types and as such is presented as a proprietary fund type and in the governmental activities. Separate audited financial statements for the SWCD may be obtained by contacting SWCD directly.

In 2011, SWCD borrowed \$1,500,000 from the County. At December 31, 2014, remaining balance due was \$1,450,000. SWCD total interest expense during the fiscal year ending December 31, 2014 was approximately \$55,000. At December 31, 2014, total accrued interest since the inception of the loan was \$96,142. SWCD recorded revenue from the County in the amount of \$687,241 for the year ending December 31, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Units - Discretely Presented (Continued)

Cayuga Community College (CCC)

CCC was established in 1975 with the County as the local sponsor under the provisions of Article 126 of the Education Law. A Board of Trustees consisting of ten voting members administers the CCC; five are appointed by the Cayuga Legislature, four by the governor and one is elected by the students of CCC. The CCC budget is subject to approval of the County Legislature. The County provides approximately one-half of the capital costs and one-third of the operating costs for CCC. Real property of CCC vests with the County. Certain bonds and notes for CCC capital costs are issued and guaranteed by the County. Although these assets and related debt are recorded on the financial statements of CCC, they are considered to be assets and debt of the County. To avoid recording these transactions twice, the Statement of Net Position reflects these items in the CCC column and are eliminated from the Governmental Activities column. The County also pays a portion of tuition and capital costs charged for County residents attending other community colleges. CCC is presented in the financial reporting entity as a discretely presented component unit based on the criteria that CCC is fiscally dependent on the County and the County has the potential to provide a financial benefit or burden on CCC. CCC is presented as a proprietary fund type.

The CCC financial statements include two discretely reported component units; the Cayuga Community College Foundation, Inc. and the Faculty Student Association of Cayuga County Community College, Inc. of which are included in this financial reporting entity as part of CCC. The CCC has a fiscal year ending August 31. Balances for CCC in the County's December 31, 2014 financial statements reflect balances at August 31, 2014. Separate audited financial statements for CCC may be obtained by contacting CCC directly.

Cayuga County Water and Sewer Authority District (CCWSA)

CCWSA is a public benefit corporation organized in July 1995 pursuant to Title 8-G of the Public Authorities Law of the State of New York. The CCWSA was created to finance, construct, operate, and maintain water and sewage facilities for the benefit of the residents of the County. CCWSA is presented in the financial reporting entity as a discretely presented component unit based on the criteria that members of the CCWSA are appointed by the County Board of Legislators and the County has the potential to provide a financial benefit or burden on CCWSA. CCWSA is presented as a proprietary fund type. Separate audited financial statements for the CCWSA may be obtained by contacting CCWSA directly.

During the fiscal year ending December 31, 2014, CCWSA did not receive intergovernmental assistance from the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Units - Discretely Presented (Continued)

Cayuga County Industrial Development Agency (CCIDA)

CCIDA is a public benefit corporation created by state legislation to promote the economic welfare, opportunities, and prosperity of the County's inhabitants. CCIDA has the authority to issue tax exempt and taxable industrial revenue bonds for eligible projects in the County. CCIDA is presented in the financial reporting entity as a discretely presented component unit based on the criteria that members of CCIDA are appointed by the Board of Legislators and the County has the potential to provide a financial benefit or burden on the CCIDA. CCIDA is presented as a proprietary fund type. Separate audited financial statements for the CCIDA may be obtained by contacting CCIDA directly.

Cayuga County Development Corporation (CCDC)

CCDC is a local development corporation whose purpose is to relieve and reduce unemployment; promote and provide for additional employment and maintain job opportunities; lessen the burden of government and act in the public interest. CCDC is presented in the financial reporting entity as a discretely presented component unit based on the criteria that the County appoints a voting majority of CCDC's governing body and there is a potential for the County to impose its will on CCDC as the County is the sole member of CCDC. CCDC is presented as a proprietary fund type.

Component Units - Blended

Cayuga Tobacco Asset Securitization Corporation (CTASC)

CTASC is a special purpose, bankruptcy-remote local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. CTASC was established in October 2000. CTASC is presented in the financial reporting entity as a blended component unit based on the criteria that CTASC serves and benefits the County exclusively. CTASC is presented as a governmental fund type and blended with the Debt Service Fund. Separate audited financial statements for CTASC may be obtained by contacting CTASC directly.

On December 7, 2000, pursuant to a Purchase and Sale Agreement with the County, the County sold to CTASC all of its future rights, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement between the settling states and the Participating Manufacturers (PMs), and the decree and final judgment.

The purchase price of the County's future right, title and interest in the TSRs has been financed by the issuance of serial bonds. A Residual Certificate exists which represents the entitlement to receive all amounts required to be distributed after payment of debt service, operating expenses and certain other costs as set forth in the indenture. Payments on the Residual Certificate from TSR collections are subordinate to payments on the bonds and payment of certain other costs specified in the indenture. Excess TSRs not required by CTASC to pay various expenses, debt service or required reserves with respect to the bonds are transferred to the CTASC Residual Trust (the Trust). The County is the beneficial owner of the Trust and thus the funds received by the Trust will ultimately transfer to the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Units - Blended (Continued)

Cayuga County Health Insurance Consortium (the Consortium)

The County, CCC, and the SWCD are all participants in a municipal cooperation agreement to create the Consortium for the sole purpose of purchasing a health insurance policy for its members. The participants have established a joint body which oversees the administration of the plan. Each participant shares in the cost of, and assumes the liabilities for medical, surgical, hospital, and prescription drug benefits provided under the plan. The Consortium is presented in the financial reporting entity as a blended component unit based on the criteria that the Consortium serves and benefits the County almost exclusively. The Consortium is presented as a blended proprietary fund type. Separate audited financial statements for the Consortium may be obtained by contacting the Consortium directly.

During the fiscal year ending December 31, 2013, the Consortium agreed to lend \$4,000,000 to the County under a short-term loan with no interest due March 31, 2014. The balance was paid in full to the Consortium as of December 31, 2013.

Basis of Presentation

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major and non-major funds).

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The County first uses restricted resources to fund qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions, i.e., public safety, transportation, and economic assistance and opportunity. The functions are also supported by general government revenues (real property taxes and sales tax). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and grants and contributions. Program revenues must be directly associated with the function and will be allocated as such, when applicable. Grants include operating-specific and discretionary (either operating or capital) grants. The net costs by function are normally covered by general revenue (real property taxes and sales taxes).

In addition, as a general rule, interfund activity has been eliminated from the government-wide financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

Amounts reported as charges for services include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of the assets, liabilities, deferred outflows and inflows of resources, when applicable, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Governmental funds are those major and nonmajor 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 measurement focus of the governmental funds is upon determination of financial position and changes in financial position using the modified accrual basis of accounting. The following are the County's governmental fund types.

Major Governmental Funds:

- General Fund - is the principal fund of the County and includes all operations not required to be recorded in other funds. The self-insurance fund of the County is reported here for financial reporting purposes, but is excluded from the budgetary comparison as it does not have a legally adopted budget.
- Capital Projects Fund - used to account for financial resources to be used for the acquisition, construction or renovation of capital facilities; or the acquisition of equipment.

Nonmajor governmental funds are other funds which do not meet the major fund criteria and are aggregated and reported as nonmajor governmental funds. The following are reported as nonmajor governmental funds:

- Special Revenue Funds - used to account for taxes, user fees, or other revenues, which are raised or received and designated to provide special services to areas that may or may not encompass the whole County. Non-major special revenue funds include, Road Machinery Fund, County Road Fund, Special Grant Fund, and Miscellaneous Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Debt Service Fund - used to account for current payments of principal and interest on general obligation long-term debt and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness not being financed by proprietary funds. As noted previously, CTASC is reported as a blended component unit within the Debt Service fund.

Major Proprietary Fund:

- Consortium - see description under Component Units - Blended

Proprietary funds distinguish operating revenues and expenses from non-operating 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 are charges to customers for sales and services. Operating expenses for enterprise funds 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 non-operating revenues and expenses.

Fiduciary Funds:

The Town maintains a deferred compensation plan for eligible employees. The funds associated with this plan are held by the local government in a trustee capacity, and as such, are not incorporated into the government-wide financial statements. The financial statements as of December 31, 2014 were not available, and as such, these group financial statements include the deferred compensation plan as of December 31, 2014. Separate audited financial statements for the Plan may be obtained by contacting the County directly.

The County maintains an Agency Fund. Since by definition these assets are being held for the benefit of a third-party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus

Accrual

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied, or when the related expense is incurred.

Modified Accrual

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are deemed measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes receivable, which use a 60-day available period.

Material revenues that are accrued include real property taxes, state and federal aid, distributed sales taxes, certain user charges, and some departmental fees. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred except that:

- a) Expenditures for prepaid expenses and inventory-type items are recognized at the time of the disbursement.
- b) Principal and interest on indebtedness are not recognized as an expenditure until due and paid.
- c) Compensated absences, such as vacation and compensatory time which vests or accumulates, are charged as an expenditure when paid.

Cash, Cash Equivalents and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the County to invest its surplus cash in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities of the United States, 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. CTASC is authorized to invest its surplus cash in the same manner as the County as well as short-term commercial paper. Investments for the County, as well as for its component units, are reported at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued)

CNH, as trustee, holds residents' funds in an escrow account. These funds are expended at the direction of the residents for personal items. New York State Department of Health Regulations requires that these funds be reported as an asset and a liability on the balance sheet.

Accounts Receivable

Governmental Funds

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided in the General Fund or Capital Projects Fund since it is believed that such allowance would not be material.

Enterprise Fund

CCC accounts receivable are stated net of an allowance for doubtful accounts. The allowance of \$923,540 is based on an estimate of uncollectible student tuition and fees.

Due To/From Other Funds

The amounts reported on the Governmental Funds Balance Sheet for due to and due from other funds represents amounts due between different governmental funds. Eliminations have been made for amounts due to and due from within the same fund type and within the governmental activities. A detailed description of the individual fund balances due to and from at year end is provided subsequently in these notes.

Notes and Loans Receivable

Notes and loans receivable consists of microenterprise development loans funded through the Small Cities Community Development Block Grant within the Special Grant Fund, and a sublease agreement with Auburn Memorial Hospital (the Hospital) in 1994 to secure financing related to a Certificates of Participation (COP) issue by the County for hospital improvements recorded in the General Fund.

Tax Receivable

There is an allowance for doubtful accounts for tax collections in the amount of approximately \$210,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due From Other Governments

Due from other governments includes reimbursement claims for various grant programs from State and Federal agencies.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements, as applicable.

Capital Assets

General capital assets are assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental-activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Governmental Funds

Depreciation on all assets is provided on the straight-line basis over the following useful lives (in years):

Land and Improvements	20
Buildings and Improvements	30
Machinery and equipment	3 - 5
Infrastructure	20

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt, where such amounts are material. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is reflected as a component of non-operating income for the period. Maintenance and repairs are charged to expense as incurred; significant renewals and improvements are capitalized.

Deferred Inflow of Resources

In addition to liabilities, the balance sheet and the statement of net position report a separate section referred to as deferred inflows of resources. This separate financial statement element represents a consumption of fund balance or net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports, in the General Fund Balance Sheet, \$13,610,966 of which \$3,709,847 relates to an offset of the note receivable and \$9,901,119 relates to an offset of the tax receivable neither of which are both measurable and available at December 31, 2014. The County reports, in the Special Grant Fund, Balance Sheet, \$356,383 of which relates to the CDBG revolving loan, as further described in Note 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

A liability for compensated absences (unused vacation and compensatory time) is attributable to services already rendered and is not contingent on a specific event that is outside the control of the employer or employee. Compensated absences are accrued as employees earn the rights to the benefits.

County employees are granted varying amounts of vacation, compensatory and sick leave in accordance with their employee group and various employee unions. Upon retirement, unused sick time may be applied towards additional service credit pursuant to Sections 33 and 41J of the Retirement and Social Security Law; therefore, no payments are made for unused sick leave.

The County has computed the value of earned and unused vacation and compensatory time related to the governmental activities as of December 31, 2014 to be \$2,413,250. This represents vacation and compensatory time earned but not usable until 2015. It is anticipated that this time will be used in 2015. The earned and unused leave has been recorded as a liability in the government-wide financial statements. The expenditure for these fringe benefits is recorded in the applicable governmental fund at the time the benefit is paid.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Encumbrances

Encumbrance accounting, whereby purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the General Fund and non-major funds. Encumbrances are reported as assigned fund balance since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- *Net investment in capital assets* - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Government-Wide Financial Statements (Continued)

- *Restricted net position* - consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations for other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* - all other remaining net position that does not meet the definitions above.

Fund Financial Statements

Governmental fund balances are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used.

- *Nonspendable fund balance* - amounts that are not in a spendable form or are required to be maintained intact. Nonspendable balances are comprised of prepaid expenses in the amount of \$1,381,660 in the General Fund and \$148,478 in prepaid expenses in the nonmajor governmental funds.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Restricted balances are comprised of \$141,192 restricted by New York State for DWI Programs in the General Fund, \$36,055 unspent debt proceeds on a previously completed capital project, and \$1,334,456 of restricted cash in the Debt Service Fund.
- *Assigned fund balance* - amounts the County intends to use for a specific purpose; intent for which must be expressed by the County Legislature or Department management. Any remaining positive fund balance amounts for funds other than General Fund are classified as assigned. In the General Fund, assigned fund balance is comprised of \$2,112,964 of 2015 appropriated fund balance; \$510,006 in casualty and liability designations; \$553,200 in unemployment designations; \$142,013 in encumbrances; \$907,745 in various appropriations.
- *Unassigned fund balance* - amounts within the General Fund that do not meet the definition of the above classifications, or any remaining negative fund balance for funds other than General Fund.

When funds from more than one classification may be used to satisfy an expense/expenditure, the County's policy is to utilize funds with the most restrictive spending constraints first.

Effective January 1, 2013, the County Legislature adopted a policy in which the County is to maintain an unassigned General Fund, fund balance of at least 10%, but not more than 15%, of General Fund revenues. The County was in compliance this policy at December 31, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

County real property taxes are levied annually no later than December 31st, become a lien on January 1 and are due within 30 days. Taxes are collected during the period January 1 to no later than November 30. Taxes for County purposes apportioned to the area of the County outside the City of Auburn are levied together with taxes for town and special district purposes as a single bill. Accordingly, property tax is recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period of sixty days thereafter. Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are included in deferred inflow of resources. The County assumes enforcement responsibility for all taxes levied within the towns. The collection of County taxes levied on properties within the City of Auburn, are enforced by the city; the County receives the full amount of such taxes within the year of the levy. All unpaid non-city school district taxes and village taxes are turned over to the County and are relieved as County taxes in the subsequent year.

The returned school and delinquent town taxes represent the unpaid portion of taxes from other governments which will be added to the County levy on the following January 1. These assets are offset by deferred tax revenue of approximately \$3,700,000 that represents the amount of taxes not expected to be collected within 60 days after year end.

The County is permitted by the New York State Constitution to levy taxes up to 2.0% of the most recent five-year average full valuation of taxable real property (the "legal margin").

Sales Tax Revenues

Sales tax revenues are reported on an accrual basis to include the portion of sales tax revenues attributable to the current year that is remitted to New York State and ultimately paid to the County in the subsequent year.

Interfund Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

Short-term advances between funds are accounted for in the appropriate due from (to) other funds accounts. Transactions between funds that would be treated as revenues or expenditures/expenses if they involved organizations external to the governmental unit are accounted for as revenues or expenditures/expenses in the funds involved. Transactions that constitute reimbursements to a fund for expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditure in the fund that is reimbursed. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. **RESTATEMENT**

Governmental Activities, General Fund, Cayuga County Nursing Home (proprietary fund)

Prior to January 1, 2014, the County owned and operated the Cayuga County Nursing Home (Nursing Home). As of January 1, 2014, the County disposed of the operations related to the Nursing Home and discontinued use of the Cayuga County Nursing Home proprietary fund. As a result, any remaining nursing home activity is included in the General Fund and governmental activities. This change was applied retroactively and beginning balances were adjusted as follow:

	Cayuga County <u>Nursing Home</u>	<u>General Fund</u>	Business Type <u>Activities</u>	Governmental <u>Activities</u>
Net Position/Fund Balance Previously Reported- December 31, 2013	\$ 1,203,427	\$ 20,163,434	\$ 15,852,081	\$ (15,423,006)
Current assets	(5,167,027)	5,167,027	(5,167,027)	5,167,027
Capital assets	(1,272,444)	-	(1,272,444)	1,272,444
Current Liabilities	2,084,805	(2,084,805)	2,084,805	(2,084,805)
Other postemployment benefits	<u>3,151,239</u>	<u>-</u>	<u>3,151,239</u>	<u>(3,151,239)</u>
Net Position/Fund Balance Restated-January 1, 2014	<u>\$ -</u>	<u>\$ 23,245,656</u>	<u>\$ 14,648,654</u>	<u>\$ (14,219,579)</u>

Aggregate Remaining Fund Information - Deferred Compensation Trust Fund

Net position as of January 1, 2014 has been restated to reflect the correction of an error in the financial statements of the Deferred Compensation Trust Fund. As of December 31, 2013, the County's financial statements erroneously excluded the Deferred Compensation Trust Fund and additions were understated by \$1,344,079, deductions understated by \$367,771 and total assets were understated by \$7,894,464. As a result, net position as of January 1, 2014 has been adjusted to reflect the following:

Net Position Previously Reported <u>December 31, 2013</u>	Effect of <u>Restatement</u>	Net Position Restated at <u>January 1, 2014</u>
\$ -	\$ 7,894,464	\$ 7,894,464

3. RESTATEMENT (Continued)

Aggregate Discretely Presented Component Units - CCC

Net position as of July 1, 2013 has been restated to reflect the correction of an error in the financial statements of CCC. As of June 30, 2013, the Faculty Student Association of Cayuga Community College (a discretely presented component unit of CCC), recognized a receivable and contribution revenue amount to \$399,547. This transaction did not meet the criteria for revenue recognition in accordance with generally accepted accounting principles.

As a result, net position as of July 1, 2013 has been adjusted to reflect the following:

Net Position Previously Reported <u>June 30, 2013</u>	Effect of <u>Restatement</u>	Net Position Restated at <u>July 1, 2013</u>
\$ 35,403,082	\$ (399,547)	\$ 35,003,535

Aggregate Discretely Presented Component Units - CCWSA

Net position as of January 1, 2014 has been restated to reflect the correction of an error in the financial statements of CCWSA. As of December 31, 2013, net investment in capital assets was understated by \$131,030 and interest and operating expenses were overstated by \$131,030.

As a result, net position and accounts payable were increased by \$114,107 and \$17,023, respectively, as of January 1, 2014.

Net Position Previously Reported <u>December 31, 2013</u>	Effect of <u>Restatement</u>	Net Position Restated at <u>January 1, 2014</u>
\$ 13,379,410	\$ 114,107	\$ 13,493,517

4. SPECIAL ITEM

As part of a transfer agreement (transfer agreement) dated July 30, 2013, by and between the County, Auburn Senior Services, Inc. (ASSI) and Loretto Management Corporation (Loretto), ASSI accepted transfer of the operating certificate (operating certificate) of the Cayuga County Nursing Home (Nursing Home or CNH), in accordance with a HEAL-21 grant. As part of this transfer agreement, all real estate, including buildings and fixtures associated with the Nursing Home, remained the property of the County. As part of ASSI's acceptance of the operating certificate, ASSI did not assume any liabilities, financial obligations, or contractual commitments of the County as of the effective date of the transfer.

As part of a transition plan (transition plan) dated December 5, 2013, by and between the County and ASSI, the County remained solely responsible for all debt obligations arising or accruing before the transfer date. The County terminated the employment of all Nursing Home employees and compensated those employees for all wages, salaries, and accrued vacation, including fringe benefit plans, pension plans or other employee benefit plan expenses. As part of this transition plan, ASSI provided billing and financial services to the County, following the date of the transfer. As consideration for this service, the County paid \$5,000 per month, which was offset by amounts due from ASSI to the County.

4. SPECIAL ITEM (Continued)

As part of a lease agreement (lease agreement) dated December 5, 2013, by and between the County and ASSI, ASSI leased the County's building and equipment for consideration of \$1 paid to the County by ASSI. The lease agreement commenced on the date that the DOH issues an operating certificate to ASSI, and shall terminate 5 years thereafter with a 5 year extension option. During the first 3 years of the lease agreement, ASSI shall pay \$5,000 rent per month to the County, which was offset by monthly payments of \$5,000 owed by the County to ASSI. If the lease agreement goes beyond 3 years, ASSI shall pay rent in an amount equal to fair market value, as agreed upon by both the County and ASSI.

Effective January 1, 2014, the County disposed of the Nursing Home and transferred operations to ASSI. The disposal of this government operation was recorded in accordance with GASB Statement No. 69 - *Government Combinations and Disposals of Government Operations*. As a result, at December 31, 2014, a special item loss was recorded in the governmental activities in the amount of \$153,551.

Loss on disposal of capital assets	\$	136,157
Loss on transfer of inventory (supplies)		<u>17,394</u>
Total	\$	<u>153,551</u>

A special item loss was recorded in the General Fund in the amount of \$17,394 for the loss on transfer of inventory.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

State statutes govern the County's investment policies. The County has its own written deposit and investment policy, which is compliant with Section 39 of the General Municipal Law. County monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within New York State. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and its agencies, repurchase agreements, and general obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities. At year-end, demand deposits and certificates of deposit for the County were entirely covered by FDIC insurance or collateral held by trust companies located within the State.

Cash and cash equivalents consisted of demand deposit accounts, money market accounts, savings accounts, and short-term certificates of deposit. Restricted cash and cash equivalents represent cash and cash equivalents where use is limited by legal requirements.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. 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

The County's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the County's investment and deposit policy, all deposits of the County including certificates of deposit 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 from 100% to 104% where noted, of the aggregate amount of deposits. The County restricts the securities to the following eligible items:

- Obligations issued, fully insured, or guaranteed as to the payment of principal and interest, by the United States, an agency thereof, or a United States government sponsored corporation.
- Obligations partially insured or guaranteed by any agency of the United States.
- Obligations issued or fully insured or guaranteed by New York State.
- Obligations issued by a municipal corporation, school district, or district corporation of New York State.
- Obligations of counties, cities, and other governmental entities of a state other than New York State having the power to levy taxes that are backed by the full faith and credit of such governmental entity.
- By a pledge of eligible securities with an aggregate market value equal to the aggregate of deposits, from the categories designated in the County's investment policy.
- By an eligible irrevocable letter-of-credit issued by a qualified bank other than the bank with deposits in favor of the County of a term not to exceed ninety days with an aggregate value equal to 104% of the amount of deposits and the agreed upon interest, if any.
- By an eligible surety bond payable to the County for an amount equal to 100% of the aggregate amount of the deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims paying ability is rated in the highest category by at least two nationally recognized statistical rating organizations.

The County does not have any foreign currency investments, securities lending agreements, or derivative instruments.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

At December 31, 2014, the County's cash was covered by FDIC insurance or eligible securities held in the County's name by a third-party custodial bank or by the bank's trust department. The County's deposits consisted of the following at December 31, 2014:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Money market accounts	\$ 74,722	\$ 74,722
Certificates of deposit	9,569,091	9,569,091
Cash	<u>21,524,447</u>	<u>19,556,865</u>
Total	<u>\$ 31,168,260</u>	<u>\$ 29,200,678</u>

These deposits were insured or collateralized as follows:

FDIC insurance	\$ 1,527,209
Collateralized by third party	<u>29,641,051</u>
	<u>\$ 31,168,260</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund Receivables and Payables

To improve cash management, most County disbursements are made from a pooled account in the General Fund. This cash management practice, as well as normal delays in processing interfund transfers and reimbursements, is the main reason why interfund receivables and payables exist. These receivables and payables are short term in nature and are typically repaid in less than one year. The following schedule summarizes individual fund interfund receivables and payables at December 31, 2014:

<u>Due To:</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Grant Fund</u>	<u>Miscellaneous Fund</u>	<u>Agency Fund</u>
General Fund	\$ -	\$ (4,860,172)	\$ (80,000)	\$ (36)	\$ 2,011
Capital Projects Fund	4,860,172	-	-	-	-
Special Grant Fund	80,000	-	-	-	-
Miscellaneous Fund	36	-	-	-	2,536
Agency Fund	<u>(2,011)</u>	<u>-</u>	<u>-</u>	<u>(2,536)</u>	<u>-</u>
	<u>\$ 4,938,197</u>	<u>\$ (4,860,172)</u>	<u>\$ (80,000)</u>	<u>\$ (2,572)</u>	<u>\$ 4,547</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS (Continued)

Interfund Transfers

Cash transfers from one fund to another without a requirement for repayment are reported as interfund transfers and are part of the annual budget process. Interfund transfers are reported as other financing sources/uses in governmental funds. For the primary government, operating transfers in, and operating transfers out, which were routine in nature, for the year ended December 31, 2014 were as follows:

<u>Transfer To:</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>County Road Fund</u>	<u>Road Machinery</u>	<u>Miscellaneous Fund</u>	<u>Debt Service Fund</u>
General Fund	\$ -	\$ (787,048)	\$ 7,403,175	\$ -	\$ (11,129)	\$ (13,586)
Capital Projects Fund	787,048	-	(12,260)	1,913,185	-	-
County Road Fund	(7,403,175)	12,260	-	-	-	-
Road Machinery	-	-	(1,913,185)	-	-	-
Miscellaneous Fund	11,129	-	-	-	-	-
Debt Service Fund	<u>13,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (6,591,412)</u>	<u>\$ (774,788)</u>	<u>\$ 5,477,730</u>	<u>\$ 1,913,185</u>	<u>\$ (11,129)</u>	<u>\$ (13,586)</u>

7. NOTES AND LOANS RECEIVABLE

Notes receivable in the Special Grant Fund consist of microenterprise development loans funded through the Small Cities Community Development Block Grant, with interest rates ranging from 0% - 5%.

	<u>Balance at January 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at December 31, 2014</u>
CDBG loans	<u>\$ 433,122</u>	<u>\$ 156,333</u>	<u>\$ 233,072</u>	<u>\$ 356,383</u>

8. CAPITAL ASSETS

The County's capital assets activity for the year ended December 31, 2014 for governmental activities was as follows:

	<u>Balance at</u> <u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>December 31</u>
Nondepreciable assets:				
Land	\$ 2,866,463	\$ -	\$ -	\$ 2,866,463
Construction in progress	<u>23,102,077</u>	<u>4,139,758</u>	<u>(24,891,005)</u>	<u>2,350,830</u>
Total non-depreciable assets	<u>25,968,540</u>	<u>4,139,758</u>	<u>(24,891,005)</u>	<u>5,217,293</u>
Depreciable assets:				
Buildings and improvements	48,355,477	23,518,784	-	71,874,261
Machinery and equipment	17,982,049	659,747	(1,579,426)	17,062,370
Infrastructure	<u>22,909,148</u>	<u>1,372,220</u>	<u>(246,605)</u>	<u>24,034,763</u>
Total depreciable assets	<u>89,246,674</u>	<u>25,550,751</u>	<u>(1,826,031)</u>	<u>112,971,394</u>
Accumulated depreciation:				
Buildings and improvements	(22,637,623)	(1,409,942)	-	(24,047,565)
Machinery and equipment	(13,859,167)	(1,348,358)	1,452,021	(13,755,504)
Infrastructure	<u>(17,432,391)</u>	<u>(488,582)</u>	<u>246,605</u>	<u>(17,674,368)</u>
Total accumulated depreciation	<u>(53,929,181)</u>	<u>(3,246,882)</u>	<u>1,698,626</u>	<u>(55,477,437)</u>
Net depreciable assets	<u>35,317,493</u>	<u>22,303,869</u>	<u>(127,405)</u>	<u>57,493,957</u>
Capital assets, net	<u>\$ 61,286,033</u>	<u>\$ 26,443,627</u>	<u>\$ (25,018,410)</u>	<u>\$ 62,711,250</u>

Depreciation expense was charged to the County's functions and programs as follows:

Governmental activities:	
General government support	\$ 2,173,501
Public safety	395,533
Public health	5,545
Transportation	603,962
Economic assistance and development	42,257
Culture and recreation	<u>26,084</u>
Total depreciation expense	<u>\$ 3,246,882</u>

9. PENSION PLANS

The County and CCC participate in the New York State and Local Employees' Retirement System (ERS) with CCC also participating in the New York State Teachers' Retirement System (TRS) and the TIAA-CREF optional retirement plan. These are cost sharing multiple employer retirement systems. 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 serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its funds. The Systems issue a publicly available financial report that included financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The Systems are non-contributory except for employees who joined New York State and Local Employees' Retirement System after July 27, 1976 and have less than ten years of service, who contribute 3% of their salary. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3% (ERS) or 3.5% (TRS) of compensation through March 31, 2013. Beginning April 1, 2013, these participants contribute a percentage ranging from 3% to 6% each year, dependent on their compensation throughout their career. For ERS, the Statement Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the College to the pension accumulation fund. For TRS, pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annual by the New York State Teachers' Retirement Board.

The County and CCC are required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	County (excluding CNH)		CNH		CCC
2014	\$ 6,087,417	\$	-	\$	1,619,155
2013	\$ 5,604,588	\$	454,245	\$	1,565,192
2012	\$ 5,210,874	\$	467,560	\$	1,324,342

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

Contributions by CCC to the TIAA/CREF optional retirement plan were \$693,773; \$702,588; \$568,767 in 2014, 2013 and 2012, respectively.

10. FINANCING ARRANGEMENTS

Short-term Notes

Liabilities for bond anticipation notes (BAN) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter.

State law requires that BANs issued for capital purposes be retired or converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The County did not issue any BANs during 2014.

Short-term Notes - CCWSA

The Authority utilizes short-term notes to fund construction on a sewer project in anticipation of receiving federal grants and long-term financing. During 2014, the Authority's revenue refunding note (RRN) was renewed for an amount of \$550,000 with interest of 1.47%. Total principal repayments of \$775,000 were made during the year.

	<u>Balance at</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>December 31</u>
2014 Revenue refunding note	\$ -	\$ 550,000	\$ -	\$ 550,000
2013 Revenue refunding note	<u>775,000</u>	<u>-</u>	<u>(775,000)</u>	<u>-</u>
	<u>\$ 775,000</u>	<u>\$ 550,000</u>	<u>\$ (775,000)</u>	<u>\$ 550,000</u>

Serial Bonds - Excluding CTASC

The County borrows money in order to acquire land or high cost equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the County. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Total long-term serial bond interest expense excluding CTASC for 2014 was approximately \$1,500,000.

10. FINANCING ARRANGEMENTS (Continued)

Serial Bonds - CTASC

The original purchase price for the County's future rights, title and interest in the Tobacco Settlement Revenues (TSR) was financed through the issuance of Series 2000 bonds in the amount of \$16,740,000. The bonds were sold at a discount of \$241,282, for a net issue price of \$16,498,718. The discount is being amortized over the maturity period of the bonds using the straight-line method. Interest rates on the bonds range from 5.0% to 6.25%. The Series 2000 bonds are secured by a perfected security interest in, and pledge of, the Trust Estate, as defined in the Indenture, which includes, among other things, the TSRs and all investment earnings on amounts on deposit in the accounts established under the Indenture (collectively, the Collections). Among the accounts so established are the Liquidity Reserve Account and the Debt Service Account. CTASC retains TSRs in an amount sufficient to service its debt and pay its operating expenses.

CTASC issued \$37,338,337 in capital appreciation bonds for proceeds of \$7,334,797 on November 29, 2005. The Series 2005 bonds are payable solely from and secured solely by the future right, title and interest of the Corporation in the collection of TSRs previously purchased by CTASC from the County. The Series 2005 bonds are subordinate and subject to the rights of the holders of the Series 2000 bonds previously issued by CTASC. This series consists of subordinate turbo capital appreciation bonds (CAB) that provide long-dated financing for CTASC and take advantage of current market conditions where interest rates are low, investors have a favorable view of litigation events and where institutional investors are looking for high yield investments. CTASC is required by covenant not to issue additional bonds or refunding bonds that would extend the term of the capital appreciation bonds or other outstanding bonds.

The Series 2000 bonds are composed of the bonds which mature through June 1, 2042, without flexible amortization, and through June 1, 2026 under a flexible amortization payment schedule. Interest on the bonds range from 5.00% to 6.25%. Payments on the term bonds are through 2026.

The Series 2005 bonds are composed of the following:

- \$2,043,971 Tobacco Settlement Asset-Backed Bonds, Series 2005 S1 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2023, with an accreted value at maturity of \$16,470,000.
- \$1,207,315 Tobacco Settlement Asset-Backed Bonds, Series 2005 S2 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2026, with an accreted value at maturity of \$17,510,000.
- \$1,163,141 Tobacco Settlement Asset-Backed Bonds, Series 2005 S3 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2029, with an accreted value at maturity of \$32,645,000.
- \$2,553,792 Tobacco Settlement Asset-Backed Bonds, Series 2005 S4B (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2039, with an accreted value at maturity of \$169,800,000.

10. FINANCING ARRANGEMENTS (Continued)

Other Long-Term Obligations

In addition to long-term bonded debt, the County had the following other obligations:

Conduit Debt

In 1994, the County issued COPs to provide financial assistance to the Hospital for the costs associated with the improvement of certain facilities. The COPs are secured by the property financed and are payable solely from payments received from the Hospital to the County based on a sublease agreement between the County and Cayuga County Hospital Improvement Corporation, a not-for-profit corporation created by the Hospital. Under terms of the agreements, the County is only liable for the amount that it has appropriated. The County did appropriate funds in its 2008-2010 budgets for this purpose, offset by an equal amount of estimated revenues from the Hospital. At December 31, 2014, the COPs outstanding aggregated \$9,465,000 and are to be paid serially in varying amounts through 2020. Interest paid in connection with this agreement was \$651,600.

The following is a summary of maturing debt service requirements of the COPs:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,475,000	\$ 567,900	\$ 2,042,900
2016	1,565,000	479,400	2,044,400
2017	1,655,000	385,500	2,040,500
2018	1,755,000	286,200	2,041,200
2019	1,465,000	180,900	1,645,900
2020	<u>1,550,000</u>	<u>93,000</u>	<u>1,643,000</u>
	<u>\$ 9,465,000</u>	<u>\$ 1,992,900</u>	<u>\$ 11,457,900</u>

Pollution Remediation Obligations

In 2014, the County recognize recoveries in the amount of \$50,000. The total liability at December 31, 2014 was \$71,000. The expense provision was measured at its current value utilizing the prescribed expected cash flow method. The liability related to future remediation activities associated with the removal of materials and soil contamination of a landfill.

10. FINANCING ARRANGEMENTS (Continued)

Summary of Long-Term Debt

The following is a summary of long-term obligations outstanding at December 31:

	Balance <u>January 1, as</u> <u>restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due in</u> <u>One Year</u>
Governmental activities:					
Serial Bonds - excluding CTASC	\$ 33,292,000	\$ -	\$ (1,707,000)	\$ 31,585,000	\$ 1,735,000
Serial Bonds - CTASC	24,550,739	852,763	(445,000)	24,958,502	1,890,000
Certificates of participation - Hospital	10,860,000	-	(1,395,000)	9,465,000	1,475,000
Pollution remediation obligation	121,000	-	(50,000)	71,000	-
Compensated absences	2,547,335	-	(134,085)	2,413,250	2,413,250
Other postemployment benefits	<u>49,154,664</u>	<u>10,627,034</u>	<u>(3,563,300)</u>	<u>56,218,398</u>	<u>-</u>
Total governmental activities	<u>\$120,525,738</u>	<u>\$ 11,479,797</u>	<u>\$ (7,294,385)</u>	<u>\$124,711,150</u>	<u>\$ 7,513,250</u>

The following is a summary of maturity of the long-term indebtedness:

	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>
Governmental activities:			
Serial Bonds - excluding CTASC:			
Public improvement serial bonds	2010	2028	2.00-3.375%
Public improvement serial bonds	2013	2029	2.25-3.0%
Public improvement serial bonds	2013	2033	3.0-4.5%
COPs - Hospital	2005	2020	6.00%
Serial Bonds - CTASC	2000	2042	5.00- 6.25%
Serial Bonds - CTASC	2005	2039	6.00- 7.85%

The following is a summary of maturing debt service requirements for general obligation serial bonds excluding CTASC:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,735,000	\$ 844,657	\$ 2,579,657
2016	1,780,000	804,739	2,584,739
2017	1,825,000	761,407	2,586,407
2018	1,880,000	714,476	2,594,476
2019	1,935,000	666,157	2,601,157
2020-2024	10,615,000	2,538,179	13,153,179
2025-2029	11,425,000	934,666	12,359,666
2030-2034	<u>390,000</u>	<u>36,169</u>	<u>426,169</u>
	<u>\$ 31,585,000</u>	<u>\$ 7,300,450</u>	<u>\$ 38,885,450</u>

10. FINANCING ARRANGEMENTS (Continued)

Summary of Long-Term Debt (Continued)

The following is a summary of maturing debt service requirements, including accreted interest, for CTASC. Principal payments (including discount and accretion on capital appreciation bonds) based upon the required maturities are as follows for the years ended December 31:

	2000 <u>Series</u>	2005 <u>Series</u>
2015	\$ 1,890,000	\$ -
2016	665,000	339,101
2017	700,000	562,008
2018	895,000	672,877
2019	945,000	704,101
2020-2024	5,670,000	2,978,595
2025-2029	1,435,000	9,999,045
2030-2034	-	10,285,870
2035-2039	-	10,795,534
	<u>\$ 12,200,000</u>	<u>\$ 36,337,131</u>

Required maturities for the Series 2005 bonds represent the minimum amount of principal that CTASC must pay as of the specific distribution dates in order to avoid a default. Turbo (accelerated) amortization payments are required to be made against outstanding principal providing that the CTASC receives sufficient TSRs to make the Turbo payments. The interest payment requirements shown are based on the required principal maturity schedule and include the accreted value portion of capital appreciation bonds in the year in which they are required to be redeemed.

Under the terms of the Indenture, CTASC is required to maintain certain deposits to fund debt service payments, if needed. Such deposits are included investments in the basic financial statements. In addition, CTASC is subject to various debt covenants, including limitations on expenses/expenditures, and compliance with Indenture agreement requirements.

A principal payment in the amount of \$445,000 was made during 2014 in accordance with the Series 2000 bonds.

Interest - CTASC

Interest expense on CTASC bonds payable was \$1,657,577 in 2014. In 2014, cash paid for interest was \$807,085.

EFC Bonds - Component Unit - CCWSA

In 1999 the County was the recipient of \$3,517,809 in New York State Environmental Facilities Corporation (EFC) bonds for the sole purpose of construction of a water main by CCWSA. Proceeds from the bonds on the closing date were sent directly to the CCWSA by NYS EFC; this was a noncash transaction for the County. The County acts as the guarantor of the bonds. All principal and interest payments are made by the CCWSA with CCWSA funds. The bonds are reported on the financial statements of the CCWSA, and not the books of the County. As the County is the guarantor, the following information is presented:

10. FINANCING ARRANGEMENTS (Continued)

Summary of Long-Term Debt (Continued)

EFC Bonds - Component Unit – CCWSA (Continued)

The following is the activity of the EFC bonds in 2014:

	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>	Due in <u>One Year</u>
EFC bonds	\$ 880,000	\$ -	\$ (215,000)	\$ 665,000	\$ 220,000

The following is a summary of maturing debt service requirements for the CCWSA EFC bonds:

	EFC Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 220,000	\$ 14,822	\$ 234,822
2016	225,000	9,377	234,377
2017	<u>220,000</u>	<u>3,207</u>	<u>223,207</u>
	<u>\$ 665,000</u>	<u>\$ 27,406</u>	<u>\$ 692,406</u>

Component Units

	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>	Due in <u>One Year</u>
Governmental Component Units:					
SWCD -					
Other postemployment benefits	\$ 1,267,934	\$ 365,113	\$ (33,614)	\$ 1,599,433	\$ -
Compensated absences	<u>179,206</u>	<u>22,725</u>	<u>-</u>	<u>201,931</u>	<u>-</u>
Total governmental	<u>\$ 1,447,140</u>	<u>\$ 387,838</u>	<u>\$ (33,614)</u>	<u>\$ 1,801,364</u>	<u>\$ -</u>
Proprietary Component Units:					
SWCD -					
Other postemployment benefits	\$ 222,526	\$ 40,201	\$ (3,701)	\$ 259,026	\$ -
Capital leases	59,929	-	(20,583)	39,346	21,198
Compensated absences	31,451	2,525	-	33,976	-
CCC -					
Notes and mortgage payable	8,167,508	-	(572,746)	7,594,762	619,809
Other postemployment benefits	8,747,217	1,355,363	-	10,102,580	-
CCWSA -					
Notes and bonds payable -					
Including EFC bonds	<u>5,841,965</u>	<u>1,084,000</u>	<u>(2,263,745)</u>	<u>4,662,220</u>	<u>314,259</u>
Total proprietary	<u>\$ 23,070,596</u>	<u>\$ 2,482,089</u>	<u>\$ (2,860,775)</u>	<u>\$ 22,691,910</u>	<u>\$ 955,266</u>

10. FINANCING ARRANGEMENTS (Continued)

Summary of Long-Term Debt (Continued)

Component Units (Continued)

The following is a summary of maturing debt service requirements for the CCC and CCWSA bonds (excluding the CCWSA 2014 RRN):

	CCC			CCWSA		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 619,809	\$ -	\$ 619,809	\$ 314,259	\$ 102,677	\$ 416,936
2016	6,974,953	-	6,974,953	311,471	87,569	399,040
2017	-	-	-	307,694	79,918	387,612
2018	-	-	-	88,928	75,156	164,084
2019	-	-	-	95,174	73,499	168,673
2020 - 2024	-	-	-	496,004	339,615	835,619
2025 - 2029	-	-	-	524,267	289,961	814,228
2030 - 2034	-	-	-	598,806	234,050	832,856
2035 - 2039	-	-	-	674,307	170,442	844,749
2040 - 2044	-	-	-	579,310	102,620	681,930
2045 - 2049	-	-	-	550,000	43,941	593,941
2050	-	-	-	<u>122,000</u>	<u>2,404</u>	<u>124,404</u>
	<u>\$ 7,594,762</u>	<u>\$ -</u>	<u>\$ 7,594,762</u>	<u>\$ 4,662,220</u>	<u>\$ 1,601,852</u>	<u>\$ 6,264,072</u>

11. OPERATING LEASES

The County leases portions of property to unrelated business organizations under both cancelable and non-cancelable operating lease agreements. Payments under the leases are received monthly in accordance with lease agreements. Rental income in 2014 amounted to approximately \$210,000 and is included in the statement of activities as use of money and property. The future minimum rentals under non-cancelable leases are as follows:

2015	\$ 114,017
2016	100,575
2017	<u>102,251</u>
Total	<u>\$ 316,843</u>

12. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all County employees, permits them to defer a portion of their salary until future years. Nationwide Trust Company FSB is the administrator of the Plan.

12. DEFERRED COMPENSATION PLAN (Continued)

Employees contribute to the Plan through voluntary salary deductions. Participation in the Plan is voluntary and the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan is administered by an independent firm which is responsible for administering the fund's investments and record keeping. Investments and related net assets for employee's contributions totaled \$9,523,376 at December 31, 2013. Contributions made by employees during the year ended December 31, 2013 were \$614,649.

13. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The County provides certain health care benefits for retired employees of the County and CCC. The County administers the Retirement Benefits Plan (the Retirement Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB).

In general, the County provides health insurance coverage for retired employees, their spouses and their dependents. Substantially all the County's employees may become eligible for this benefit if they reach the normal retirement age while working and meet the years of service requirement, based on hire date.

The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at December 31, 2014 was approximately 455. The Retirement Plan does not 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

The obligations of the Retirement Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. The County will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree and spouse. The costs of administering the Retirement Plan are paid by the County. The County currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the County's net OPEB obligation, including those amounts allocated to CCC:

13. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

	<u>County</u>	<u>CCC</u>
Annual required contribution	\$ 11,760,750	\$ 3,020,654
Interest on net OPEB obligation	1,966,187	403,985
Adjustment to ARC	<u>(3,099,903)</u>	<u>(621,632)</u>
Annual OPEB cost	10,627,034	2,803,007
Contributions made	<u>(3,563,300)</u>	<u>(1,447,644)</u>
Increase in net OPEB obligation	7,063,734	1,355,363
Net OPEB obligation - beginning of year	<u>49,154,664</u>	<u>8,747,217</u>
Net OPEB obligation - end of year	<u>\$ 56,218,398</u>	<u>\$ 10,102,580</u>
Percentage of Annual OPEB Cost Contributed	33.5%	50.2%

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Retirement Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Retirement Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In accordance with requirements, the County receives an actuarial valuation every 2 years. The following methods and assumptions were used for the County's January 1, 2014 actuarial valuation:

Actuarial cost method	Projected unit credit
Discount rate	4.0%
Inflation assumption	2.9%
Medical care cost trend rate	4.29% to 6.10% for medical cost and prescription drug costs.
Unfunded actuarial accrued liability:	
Amortization period	24 years
Amortization method	Level percentage of payroll
Amortization basis	Closed

13. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

In the September 1, 2012 actuarial valuation for CCC, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate	4.0%
Medical care cost trend rate	6.00% to 6.03% for medical cost and prescription drug costs.
Unfunded actuarial accrued liability:	
Amortization period	25 years
Amortization method	Level dollar
Amortization basis	Closed

14. CONCENTRATIONS AND CONTINGENCY COMMITMENTS

Concentrations

The County has collective bargaining agreements (CBA) with several employee unions. These CBA expire at various times. The unions represent greater than 65% of the County's workforce.

Contingencies - General

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time although the County government expects such amount, if any, to be immaterial.

The County is the defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material effect on the financial condition of the County government.

15. RISK MANAGEMENT

Liability

The County assumes the liability for some risk including, but not limited to, general and personal injury liability. The County is insured up to \$10,000,000 with a deductible of \$100,000 per occurrence, subject to an aggregate annual limit of \$20,000,000.

Workers' Compensation

The County is fully insured for workers' compensation benefits through a private carrier.

Unemployment

County employees are entitled to coverage under the New York State Unemployment Insurance Law. The County has elected to discharge its liabilities to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the Fund for benefits paid from the Fund to former employees.

16. NEW AND UPCOMING PRONOUNCEMENTS

New Pronouncements

As of January 1, 2014, the County adopted the provision of GASB Statement No. 69 - *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Adoption of this guidance resulted in a special item of in the General Fund, as described in Note 4.

As of January 1, 2014, the County adopted the provision of GASB Statement No. 70 – *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This statement establishes accounting and financial reporting standards for financial guarantees that are non-exchange transactions (non-exchange financial guarantees) extended or received by a state or local government. The County adopted the provisions of this Statement with no material effect on the financial statements.

Upcoming Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. In addition, the GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The County is required to adopt the provisions of Statement No. 68 for the year ending December 31, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date - an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The County is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68.

COUNTY OF CAYUGA, NEW YORK

**BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Encumbrances	Variance Favorable (Unfavorable)
	Original	Modified			
REVENUES:					
Real property taxes and tax items	\$ 39,360,739	\$ 39,360,739	\$ 38,819,469	\$ -	\$ (541,270)
Non-property tax items	44,156,000	44,156,000	44,922,757	-	766,757
Departmental income	9,727,820	9,894,073	13,240,536	-	3,346,463
Intergovernmental charges	220,278	220,278	318,827	-	98,549
Use of money and property	221,087	229,337	226,791	-	(2,546)
Licenses and permits	15,000	15,000	13,495	-	(1,505)
Fines and forfeitures	151,997	151,997	148,744	-	(3,253)
Sale of property and compensation for loss	45,000	45,000	119,249	-	74,249
Miscellaneous	2,204,000	2,235,816	2,295,070	-	59,254
State and county aid	15,072,979	16,909,751	15,675,765	-	(1,233,986)
Federal aid	11,897,512	13,532,407	12,744,033	-	(788,374)
Total revenues	123,072,412	126,750,398	128,524,736	-	1,774,338
EXPENDITURES:					
Current:					
General government support	35,183,633	35,553,742	36,103,228	72,673	(622,159)
Education	3,279,373	3,279,373	3,282,011	-	(2,638)
Public safety	17,646,324	18,564,044	18,661,722	49,762	(147,440)
Public health	12,551,425	14,142,465	12,174,679	10,992	1,956,794
Transportation	176,200	176,200	162,396	-	13,804
Economic assistance and opportunity	42,446,922	45,519,023	44,125,095	2,083	1,391,845
Culture and recreation	1,159,871	1,281,533	1,212,522	6,503	62,508
Home and community services	1,798,495	1,789,639	1,678,936	-	110,703
Employee benefits	206,664	206,664	204,248	-	2,416
Debt service:					
Principal	3,102,000	3,102,000	3,102,000	-	-
Interest	1,535,355	1,535,355	1,535,354	-	1
Total expenditures	119,086,262	125,150,038	122,242,191	142,013	2,765,834
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,986,150	1,600,360	6,282,545	(142,013)	4,540,172
OTHER FINANCING SOURCES (USES)					
Operating transfers - in	230,651	230,651	1,007,577	-	776,926
Operating transfers - out	(7,403,175)	(7,403,175)	(7,598,989)	-	(195,814)
Total other financing uses	(7,172,524)	(7,172,524)	(6,591,412)	-	581,112
SPECIAL ITEM (Note 4)	-	-	(17,394)	-	(17,394)
CHANGES IN FUND BALANCE	(3,186,374)	(5,572,164)	(326,261)	(142,013)	5,103,890
FUND BALANCE - beginning of year	24,095,381	24,095,381	23,245,656	-	(849,725)
FUND BALANCE - end of year	\$ 20,909,007	\$ 18,523,217	\$ 22,919,395	\$ (142,013)	\$ 4,254,165

County of Cayuga, New York

Required Supplementary Information Other Postemployment Benefits - Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ration (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
12/31/2012	1/1/2012	\$ -	\$132,472,578	\$132,472,578	0.0%	\$ 31,694,972	415%
12/31/2013	1/1/2012	\$ -	\$135,809,943	\$135,809,943	0.0%	\$ 21,162,919	642%
12/31/2014	1/1/2014	\$ -	\$115,804,817	\$115,804,817	0.0%	\$ 28,338,318	409%

See Notes to the Required Supplementary Information

COUNTY OF CAYUGA, NEW YORK

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2014

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

The only fund required to have a legally approved budget is the General Fund, and it is presented as required supplementary information in the financial statement. After public hearings are conducted to obtain taxpayer comments, but no later than December 20, the Board of Legislators adopts the County budget.

The annual budget, as amended, sets limitations on the amount of resources which can be expended during the year except for the following:

a. *Capital Projects Fund*

Budgetary controls are established for the Capital Projects Fund through resolutions as adopted by the Legislative Board authorizing individual projects which remain in effect for the life of the project.

b. *Special Grant Fund*

Budgetary controls for the Special Grant Fund are established in accordance with the Grant agreement which covers a period other than that of the County's year. However, the County does account for the Special Grant Funds on a County year basis.

Budgetary Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

2. BUDGETARY COMPARISON SCHEDULE

Both the original and modified budget amounts are based upon budgets created and approved for the operational portion of the General Fund only. The actual amounts reflect the year ended December 31, 2014 balances of the General Fund which includes the casualty and liability activity. These differences result in both favorable and unfavorable variances.

COUNTY OF CAYUGA, NEW YORK

**COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Debt Service <u>Fund</u>	Special Revenue <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 131,469	\$ 3,345,815	\$ 3,477,284
Accounts receivable	1,225,000	94,800	1,319,800
Loans receivable	-	357,236	357,236
State and federal aid receivable	-	1,443,950	1,443,950
Prepaid expenses	-	148,478	148,478
Cash and cash equivalents, restricted	<u>1,334,456</u>	<u>-</u>	<u>1,334,456</u>
Total assets	<u>\$ 2,690,925</u>	<u>\$ 5,390,279</u>	<u>\$ 8,081,204</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable and other current liabilities	\$ -	\$ 239,835	\$ 239,835
Accrued wages and benefits	-	98,259	98,259
Due to other funds	-	82,572	82,572
Due to other governments	<u>-</u>	<u>52,956</u>	<u>52,956</u>
Total liabilities	<u>-</u>	<u>473,622</u>	<u>473,622</u>
Deferred inflows of resources:			
Deferred revenue	<u>-</u>	<u>356,383</u>	<u>356,383</u>
Fund balance:			
Nonspendable	-	148,478	148,478
Restricted	1,334,456	-	1,334,456
Assigned	<u>1,356,469</u>	<u>4,411,796</u>	<u>5,768,265</u>
Total fund balances	<u>2,690,925</u>	<u>4,560,274</u>	<u>7,251,199</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,690,925</u>	<u>\$ 5,390,279</u>	<u>\$ 8,081,204</u>

COUNTY OF CAYUGA, NEW YORK

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Debt Service Fund	Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:			
Departmental income	\$ -	\$ 163,762	\$ 163,762
Intergovernmental charges	-	1,240,011	1,240,011
Use of money and property	42	1,817	1,859
Licenses and permits	-	140	140
Miscellaneous	1,367,145	168,378	1,535,523
State aid	-	4,725,747	4,725,747
Federal aid	-	686,436	686,436
	<u>1,367,187</u>	<u>6,986,291</u>	<u>8,353,478</u>
Total revenues			
EXPENDITURES:			
Current:			
General government support	40,972	98,465	139,437
Transportation	-	10,422,319	10,422,319
Economic assistance and opportunity	-	538,738	538,738
Home and community services	-	85,407	85,407
Employee benefits	-	2,000,226	2,000,226
Debt service:			
Principal	445,000	-	445,000
Interest and other charges	807,085	-	807,085
	<u>1,293,057</u>	<u>13,145,155</u>	<u>14,438,212</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>74,130</u>	<u>(6,158,864)</u>	<u>(6,084,734)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers - in	-	9,316,360	9,316,360
Operating transfers - out	(13,586)	(1,936,574)	(1,950,160)
	<u>(13,586)</u>	<u>7,379,786</u>	<u>7,366,200</u>
Total other financing sources (uses)			
CHANGES IN FUND BALANCE	60,544	1,220,922	1,281,466
FUND BALANCE - beginning of year	<u>2,630,381</u>	<u>3,339,352</u>	<u>5,969,733</u>
FUND BALANCE - end of year	<u>\$ 2,690,925</u>	<u>\$ 4,560,274</u>	<u>\$ 7,251,199</u>

COUNTY OF CAYUGA, NEW YORK

**COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

	Road Machinery <u>Fund</u>	County Road <u>Fund</u>	Special Grant <u>Fund</u>	Miscellaneous <u>Funds</u>	Total Nonmajor Special Revenue <u>Funds</u>
ASSETS					
Cash and cash equivalents	\$ 954,140	\$ 169,477	\$ 1,990,825	\$ 231,373	\$ 3,345,815
Accounts receivable	76,198	-	-	18,602	94,800
Notes and loans receivable	-	-	357,236	-	357,236
State and federal aid receivable	69,529	1,247,921	126,500	-	1,443,950
Prepaid expenses	<u>20,578</u>	<u>111,489</u>	<u>16,411</u>	<u>-</u>	<u>148,478</u>
Total assets	<u>\$ 1,120,445</u>	<u>\$ 1,528,887</u>	<u>\$ 2,490,972</u>	<u>\$ 249,975</u>	<u>\$ 5,390,279</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts payable and other current liabilities	\$ 92,458	\$ 147,230	\$ 147	\$ -	\$ 239,835
Accrued wages and benefits	14,185	72,791	11,283	-	98,259
Due to other funds	-	-	80,000	2,572	82,572
Due to other governments	<u>-</u>	<u>-</u>	<u>52,956</u>	<u>-</u>	<u>52,956</u>
Total liabilities	<u>106,643</u>	<u>220,021</u>	<u>144,386</u>	<u>2,572</u>	<u>473,622</u>
Deferred inflows of resources:					
Deferred revenue	<u>-</u>	<u>-</u>	<u>356,383</u>	<u>-</u>	<u>356,383</u>
Fund balance:					
Nonspendable	20,578	111,489	16,411	-	148,478
Assigned	<u>993,224</u>	<u>1,197,377</u>	<u>1,973,792</u>	<u>247,403</u>	<u>4,411,796</u>
Total fund balance	<u>1,013,802</u>	<u>1,308,866</u>	<u>1,990,203</u>	<u>247,403</u>	<u>4,560,274</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,120,445</u>	<u>\$ 1,528,887</u>	<u>\$ 2,490,972</u>	<u>\$ 249,975</u>	<u>\$ 5,390,279</u>

COUNTY OF CAYUGA, NEW YORK

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Road Machinery Fund	County Road Fund	Special Grant Fund	Miscellaneous Fund	Total Nonmajor Special Revenue Funds
REVENUES:					
Departmental income	\$ -	\$ -	\$ 163,762	\$ -	\$ 163,762
Intergovernmental charges	1,240,011	-	-	-	1,240,011
Use of money and property	-	-	1,622	195	1,817
Licenses and permits	-	140	-	-	140
Miscellaneous	21,301	7,819	5,000	134,258	168,378
State aid	69,529	4,656,218	-	-	4,725,747
Federal aid	-	-	686,436	-	686,436
Total revenues	<u>1,330,841</u>	<u>4,664,177</u>	<u>856,820</u>	<u>134,453</u>	<u>6,986,291</u>
EXPENDITURES:					
Current:					
General government support	-	-	-	98,465	98,465
Transportation	2,710,604	7,711,715	-	-	10,422,319
Economic assistance and opportunity	-	-	538,738	-	538,738
Home and community services	-	-	85,407	-	85,407
Employee benefits	214,290	1,633,605	152,331	-	2,000,226
Total expenditures	<u>2,924,894</u>	<u>9,345,320</u>	<u>776,476</u>	<u>98,465</u>	<u>13,145,155</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,594,053)</u>	<u>(4,681,143)</u>	<u>80,344</u>	<u>35,988</u>	<u>(6,158,864)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers - in	1,913,185	7,403,175	-	-	9,316,360
Operating transfers - out	-	(1,925,445)	-	(11,129)	(1,936,574)
Total other financing sources	<u>1,913,185</u>	<u>5,477,730</u>	<u>-</u>	<u>(11,129)</u>	<u>7,379,786</u>
CHANGES IN FUND BALANCE	319,132	796,587	80,344	24,859	1,220,922
FUND BALANCE - beginning of year	<u>694,670</u>	<u>512,279</u>	<u>1,909,859</u>	<u>222,544</u>	<u>3,339,352</u>
FUND BALANCE - end of year	<u>\$ 1,013,802</u>	<u>\$ 1,308,866</u>	<u>\$ 1,990,203</u>	<u>\$ 247,403</u>	<u>\$ 4,560,274</u>

**INDEPENDENT AUDITOR'S 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**

September 30, 2015

Honorable Michael H. Chapman, Chairman
and Honorable Members of the County Legislature
County of Cayuga, New York:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cayuga, New York (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report, thereon dated September 30, 2015. Our report includes a reference to other auditors who audited the financial statements of Cayuga County Health Insurance Consortium, Cayuga Tobacco Asset Securitization Corporation, Cayuga County Deferred Compensation Trust Fund, Cayuga Community College, Cayuga County Water and Sewer Authority, Cayuga County Industrial Development Agency, Cayuga County Soil and Water Conservation District and Cayuga County Development Corporation 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 financial statements of Cayuga County Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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INDEPENDENT AUDITOR'S 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 *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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*.

County of Cayuga, New York's Responses to Findings

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2015

Honorable Michael H. Chapman, Chairman
and Honorable Members of the County Legislature
County of Cayuga, New York:

Report on Compliance for Each Major Federal Program

We have audited the County of Cayuga, New York's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of Cayuga County Health Insurance Consortium, Cayuga Tobacco Asset Securitization Corporation, Cayuga Community College, Cayuga County Water and Sewer Authority, Cayuga County Industrial Development Agency, Cayuga County Soil and Water Conservation District and Cayuga County Development Corporation, whose federal awards, when applicable, are not included in this schedule of expenditures of federal awards for the year ended December 31, 2014. Our audit, described below, did not include the federal awards of the above entities as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cayuga County, New York as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

COUNTY OF CAYUGA, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through NYS Department of Health:			
Supplemental Nutrition Assistance Program State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 955,449
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		1,363,477
WIC Farmers' Market Nutrition Program (FMNP)	10.572		<u>11,904</u>
Total U.S. Department of Agriculture			<u>2,330,830</u>
U.S. Department of Housing and Urban Development			
Pass-Through the Governor's Office for Small Cities:			
CDBG - State-Administered Small Cities Program Community Development Block Grants/ Entitlement Grants (revolving)	14.228		<u>156,333</u>
Total U.S. Department of Housing and Urban Development			<u>156,333</u>
U.S. Department of the Interior			
Pass-Through NYS Department of Environmental Conservation:			
Fish and Wildlife Management Assistance	15.608	52270-B-G-0157	<u>21,382</u>
Total U.S. Department of the Interior			<u>21,382</u>
U.S. Department of Justice			
Direct Program:			
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2012-MO-BX	10,236
Pass-Through NYS Department of Criminal Justice:			
Office of Victim Services	16.575	C-501023	32,699
Violence Against Women Office	16.588	T-544146	<u>43,852</u>
Total U.S. Department of Justice			<u>86,787</u>

COUNTY OF CAYUGA, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Labor			
Pass-Through County of Cortland:			
WIA Cluster -			
WIA Adult Program	17.258		144,930
WIA Youth Activities	17.259		150,115
WIA Dislocated Worker Formula Grants	17.278		<u>171,287</u>
Total WIA Cluster			<u>466,332</u>
Total U.S. Department of Labor			<u>466,332</u>
U.S. Department of Transportation			
Pass-Through NYS Department of Transportation:			
State and Community Highway Safety	20.600		3,468
Pass-Through NYS Office of Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>6,573</u>
Total U.S. Department of Transportation			<u>10,041</u>
U.S. Environmental Protection Agency			
Pass-Through New York State Department of Health:			
State Indoor Radon Grants	66.032	T-027069	<u>1,302</u>
Total U.S. Environmental Protection Agency			<u>1,302</u>
U.S. Department of Education			
Pass-Through New York State Department of Health:			
Early Intervention Services (IDEA) Cluster -			
Special Education - Grants for Infants and Families	84.181	C-027468	<u>49,481</u>
Total U.S. Department of Education			<u>49,481</u>
U.S. Department of Health and Human Services			
Pass-Through New York State Office of Aging:			
Special Programs for the Aging - Title IIID -			
Disease Prevention and Health Promotion Services	93.043		<u>5,331</u>
National Family Caregiver Support, Title III E, Part E	93.052		<u>38,108</u>
Medicare Improvements for Patients & Providers Act	93.071		<u>7,500</u>

(Continued)

COUNTY OF CAYUGA, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Health and Human Services (Cont'd)			
Pass-Through New York State Office of Aging (Cont'd):			
Child Care and Development Block Grant	93.575		<u>1,705,375</u>
Low-Income Home Energy Assistance	93.568		<u>3,258,780</u>
Social Services Block Grant Cluster -			
Stephanie Tubbs Child Welfare Services Program	93.645		87,479
Social Services Block Grant	93.667		<u>466,522</u>
Total Social Services Block Grant Cluster			<u>554,001</u>
Maternal and Child Health Services Block Grant to the States	93.994	C-026497	17,374
Maternal and Child Health Services Block Grant to the States	93.994	C-29706	6,028
Maternal and Child Health Services Block Grant to the States	93.994	C-024605	<u>15,350</u>
Total Maternal and Child Health Services Block Grant to the States			<u>38,752</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959		<u>213,236</u>
Pass-Through New York State Department of Health:			
Immunization Cooperative Agreements	93.268	C-028280	<u>21,777</u>
Foster Care - Title IV-E	93.658		<u>1,293,724</u>
Adoption Assistance	93.659	62402	<u>613,106</u>
Medical Assistance Program	93.778		<u>64,176,832</u>
Center for Medicare and Medicaid Services	93.779		<u>21,068</u>
Pass-Through New York State Office of Temporary and Disability Assistance:			
Temporary Assistance for Needy Families	93.558		<u>6,441,159</u>
Direct Program:			
Aging Cluster -			
Special Programs for the Aging - Title IIIB - Grants for Supportive Services and Senior Centers	93.044		102,335
Special Programs for the Aging - Title IIIC - Nutrition Services	93.045		163,946
Nutrition Services Incentive Program	93.053		<u>52,621</u>
Total Aging Cluster			<u>318,902</u>

COUNTY OF CAYUGA, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/Program Title	CFDA #	Pass-Through Grantor ID #	Federal Expenditures
U.S. Department of Health and Human Services (Cont'd)			
Pass-Through New York State Department of Family Assistance:			
Child Support Enforcement	93.563		<u>460,089</u>
Total Child Support Enforcement			<u>460,089</u>
Pass-Through Health Research, Inc.:			
Centers for Disease Control and Prevention			
Public Health Emergency Preparedness	93.069	1585-10	<u>76,936</u>
Total Centers for Disease Control and Prevention			<u>76,936</u>
Pass-Through Department of Health and Human Services:			
Voting Access for Individuals with Disabilities- Grants to States	93.617	T-002646	<u>4,537</u>
Total U.S. Department of Health and Human Services			<u>79,249,213</u>
U.S. Department of Homeland Security			
Pass-Through NYS Emergency Management Office:			
Emergency Management Performance Grants	97.042	T-182025	<u>33,680</u>
Hazard Mitigation Grant	97.039	1867-0015	<u>7,624</u>
Pass-Through NYS Office of Homeland Security:			
Homeland Security Grant Program	97.067	C-969410	83,041
Homeland Security Grant Program	97.067	C-836700	17,475
Homeland Security Grant Program	97.067	C-182319	53,975
Homeland Security Grant Program	97.067	C-182399	33,863
Homeland Security Grant Program	97.067	C-182329	32,931
Homeland Security Grant Program	97.067	C-969420	26,245
Homeland Security Grant Program	97.067	C-836790	30,377
Homeland Security Grant Program	97.067	WM11182019	67,239
Homeland Security Grant Program	97.067	C-836702	88,072
Homeland Security Grant Program	97.067	C969412	62,103
Homeland Security Grant Program	97.067	C-182009	<u>47,370</u>
Total Homeland Security Grant Program			<u>542,691</u>
Total U.S. Department of Homeland Security			<u>583,995</u>
Total Expenditures of Federal Awards			<u>\$ 82,955,696</u>

COUNTY OF CAYUGA, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2014

1. BASIS OF PRESENTATION

Pass-Through Programs

Where the County of Cayuga, New York (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 when advised by the pass-through grantor.

Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors, are not maintained in the County's financial management system. County management has identified certain pass-through identifying numbers, referred to as pass-through grantor ID #'s, and included them in the Schedule of Expenditures of Federal Awards (SEFA).

Non-Monetary Federal Programs

The County is the recipient of financial assistance that does not result in cash receipts or disbursements, termed "non-monetary programs." During the fiscal year ended December 31, 2014, \$3,127,457 in payments made by the state to eligible persons participating in the Low-Income Home Energy Assistance (93.568), \$57,696,302 for the Medical Assistance Program (93.778), and \$968,941 of Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557) of food instruments were distributed to eligible persons participating in the WIC Program, as listed in the accompanying SEFA.

2. BASIS OF ACCOUNTING

The accompanying SEFA presents the activity of federal financial assistance programs administered by the County, an entity as defined in the basic financial statements. The information in this schedule is presented on the modified accrual basis of accounting and in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

3. 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.

4. MATCHING COSTS

Matching costs, i.e., the County's and/or State's share of certain program costs, are not included in the SEFA.

COUNTY OF CAYUGA, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiencies identified? yes none reported
 Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiencies identified? yes none reported
 Type of auditor's report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Program Title</u>
93.558	U.S. Department of Health and Human Services - Temporary Assistance for Needy Families
93.568	U.S. Department of Health and Human Services - Low-Income Home Energy Assistance
93.778	U.S. Department of Health and Human Services - Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$2,488,671

Auditee qualified as low-risk auditee yes no

Part II - Findings and Questioned Costs Relating to Financial Statements

Reference Number: 2014-001

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure all material transactions are recorded properly.

Condition/Cause:

A material transaction was not recorded in the proper fiscal year in the Capital Projects Fund.

Effect:

There was a material audit adjustment in the amount of \$267,709 to increase expenditures and accounts payable and other current liabilities in the Capital Projects Fund as a result of our audit.

Recommendation:

Supporting documentation of transactions should be reviewed to ensure they are recorded in the proper fiscal year.

Management's Response:

This transaction was questioned during our closing. We contacted the department head in charge of the project to determine which year the invoices were to be applied. We were informed they were for 2015. When questioned during the audit we contacted them again and determined they had given us incorrect information as to the period for some of the invoices.

We have had discussions with the department head to set up procedures to ensure that invoices are recorded to the proper period.

Part III - Federal Award Findings and Questioned Costs

Reference Number: 2014-002

Federal Grantor/Pass-through Grantor/Program Title/CFDA:

U.S. Department of Health and Human Services
Pass-Through New York State Office Of Temporary and Disability Assistance
Temporary Assistance for Needy Families - 93.558

Program Year(s):

2014

Criteria:

Internal controls should provide reasonable assurance that all payments made to recipients of public assistance programs are made to eligible individuals in accordance with the program's compliance requirements.

Condition/Cause:

The County has policies and procedures in place for proper completion and accuracy of documentation as it relates to federal requirements including eligibility determination. In five of the forty-five cases selected for testing, the application or recertification was missing an eligibility authorization period as determined by the caseworker. The period of eligibility could only be noted on the DSS Authorization Form 3209.

Effect:

Of the cases referenced, no payments to ineligible individuals were noted. However, a deviation from prescribed controls results in an increased risk of noncompliance with federal program guidelines. Without review of other supporting documentation, the period of eligibility cannot be easily determined.

Questioned Costs:

None.

Recommendation:

We recommend the County adheres to existing policies and procedures and that all applications and recertifications be reviewed for accuracy and completion including period of availability for each applicant.

Management's Response:

Supervisory staff within the Temporary Assistance Unit will be informed of the finding and will be asked to inform the other employees within their unit as well. This will ensure that in the future, applications and re-certifications are filled out correctly by the workers. This will also ensure that during the review process, those applications and re-certifications are looked at more carefully to be sure that all the necessary information is both included and accurate.

Part IV - Status of Prior Year Federal Award Findings and Questioned Costs

Reference 2013-002

Status: See current year finding 2014-002

Reference 2013-003

Status: Management has taken corrective action.