

BASIC FINANCIAL STATEMENTS

COUNTY OF CAYUGA, NEW YORK

DECEMBER 31, 2011

COUNTY OF CAYUGA, NEW YORK

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INDEPENDENT AUDITORS' REPORT

Honorable Steven E. Cuddebeck, Chairman
and Honorable Members of the County Legislature
County of Cayuga, New York

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cayuga, New York (the "County"), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cayuga County Nursing Home, Cayuga County Soil and Water Conservation District, Cayuga Tobacco Asset Securitization Corporation, Cayuga Community College, or Cayuga County Industrial Development Agency, which represent the foregoing percentages of the total assets, net assets/fund balance, and total revenues as follows:

	<u>Total Assets</u>	<u>Net Assets/ Fund Balance</u>	<u>Total Revenues</u>
Government-wide:			
Governmental activities	9%	33%	3%
Business-type activities	100%	100%	100%
Component units - governmental type	100%	100%	100%
Component units - proprietary type	71%	65%	97%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for those entities, are based on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

(Continued)

The financial statements of Cayuga County Nursing Home were not audited in accordance with *Government Auditing Standards*, and accordingly are not covered by our report in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

The financial statements of the Cayuga County Health Insurance Consortium ("Consortium") and casualty and liability activity have not been audited, and we were not engaged to audit the Consortium's financial statements or casualty and liability activity as part of our audit of the County's basic financial statements. The Consortium's financial activities and casualty and liability activity are included in the County's basic financial statements as a blended component unit of the General Fund and the governmental activities of the government-wide financial statements, and as a result, we were unable to form an opinion regarding these amounts. The Consortium's financial activities and casualty and liability activity represent 25%, 40%, and 11% of the total assets, fund balance and revenues of the General Fund, respectively. The Consortium's financial activities and casualty and liability activity represent 14%, 64%, and 11%, of total assets, total net assets and total revenues, of the governmental activities, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Consortium's financial statements been audited, based on our audit and the reports of the other auditors, the financial statements referred to previously 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, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Funding Progress on pages 4 through 16 and pages 70 through 72 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accept in the United States of America, which consisted of inquiries of management regarding 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.

(Continued)

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

Testino, Marshall + Associates, LLP

November 12, 2012
Syracuse, New York

COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011

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, 2011.

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 assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets.

Over time, increases or decreases in net assets 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 government's net assets changed during the most recent year. All changes in net assets 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.

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 near-term financing requirements.

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

Fund Financial Statements (Cont'd)

• **Governmental Funds (Cont'd)**

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") and the Cayuga County Health Insurance Consortium ("Consortium") has been included in these statements as a blended component unit within the Debt Service Fund and General Fund, respectively.

These financial statements also include a discretely presented governmental fund component unit, the Cayuga County Soil and Water Conservation District ("SWCD").

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**

The County has one enterprise funds which accounts for those operations that are financed and operated in a manner similar to private business. The County's major enterprise fund is the Cayuga County Nursing Home ("CNH"). Separate audited financial statements for the CNH may be obtained by contacting CNH directly.

In addition, the government-wide financial statements report three proprietary enterprise funds as component units. Cayuga Community College ("CCC"), Cayuga County Industrial Development Agency ("CCIDA"), and Cayuga County Water and Sewer Authority ("CCWSA") are considered to be component units of the County. Separate audited financial statements for the CCC, CCIDA, and CCWSA may be obtained by contacting CCC, CCIDA, and CCWSA directly.

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

Fund Financial Statements (Cont'd)

- **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.

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

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements.

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 - Summary Statement of Net Assets

	<u>Governmental 2011</u>	<u>Business-Type 2011</u>	<u>Governmental 2010</u>	<u>Business-Type 2010</u>
Assets:				
Current assets	\$ 75,847,526	\$ 4,428,526	\$74,994,116	\$ 3,666,225
Capital assets, net	40,550,561	934,107	40,100,957	931,196
Other noncurrent assets	<u>18,387,716</u>	<u>21,652</u>	<u>17,394,657</u>	<u>15,967</u>
Total assets	<u>\$134,785,803</u>	<u>\$ 5,384,285</u>	<u>\$132,489,730</u>	<u>\$ 4,613,388</u>
Liabilities:				
Current liabilities	\$ 34,154,477	\$ 468,422	\$ 25,218,919	\$ 442,745
Long-term liabilities	<u>74,403,113</u>	<u>2,240,016</u>	<u>70,680,494</u>	<u>1,666,643</u>
Total liabilities	<u>\$108,557,590</u>	<u>\$ 2,708,438</u>	<u>\$ 95,899,413</u>	<u>\$ 2,109,388</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 26,300,561	\$ 934,107	\$24,625,957	\$ 931,196
Restricted	4,861,958	-	5,463,108	-
Unrestricted (as restated)	<u>(4,934,306)</u>	<u>1,741,740</u>	<u>6,501,252</u>	<u>1,572,804</u>
Total net assets	<u>\$ 26,228,213</u>	<u>\$ 2,675,847</u>	<u>\$36,590,317</u>	<u>\$ 2,504,000</u>

Governmental Activities

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets of the County's governmental activities exceeded liabilities by \$26,228,213 at the close of 2011.

The largest portion of the County's net assets 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.

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT'D)

Governmental Activities (Cont'd)

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

Beginning in 2011 the County changed the threshold for capitalizing assets from \$200 to \$5,000. The effect of this change was a decrease in capital assets of \$1,977,520, net of accumulation depreciation. There was \$2,942,274 in depreciable capital asset additions. There was an increase to accumulated depreciation in the amount of \$1,468,483. Construction in progress had a net increase of approximately \$2,500,000. The net capital asset increase was approximately \$470,000.

The increase of \$2,186,913 in governmental current assets is mainly attributable to an approximate increase of \$2,800,000 in State and Federal Receivables due to a slow-down in payments by these agencies, offset by a decrease in investments of approximately \$1,000,000.

The increase in the long-term liabilities is mainly due to an increase of \$5,886,817 in the County's expected net other postemployment benefit obligation at December 31, 2011, offset by debt payments of \$1,170,000 on the County's hospital's Certificates of Participation ("COP") debt, and a net increase in payments on other debt in the amount of approximately \$887,000.

The increase in current liabilities of \$8,935,558 was due mainly to additional Bond Anticipation Note borrowing of \$10,000,000 and an increase in deferred revenue due to an overpayment to the County of \$1,980,585 from the New York State Department of Social Services.

Business Type Activities

The increase in the business type activities net assets in the amount of approximately \$172,000 was mostly attributed to the approximate \$760,000 increase in cash offset with the approximate \$600,000 increase in long term liabilities. The increase in the long term liabilities is mostly attributed to the increase in other postemployment benefits.

The increase in business-type capital assets, net of accumulated depreciation, is primarily due to the purchase of \$127,026 in capital assets by CNH and the annual depreciation of \$124,115 on all of CNH's assets.

See the summary of the Statement of Net Assets activity (Table 2) on the following page for the dollar and percent changes in the governmental and business-type activities from 2010 to 2011.

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT'D)

Table 2 - Summary Statement of Activities

	<u>Governmental 2011</u>	<u>%</u>	<u>Business- Type 2011</u>	<u>%</u>	<u>Governmental 2010</u>	<u>%</u>	<u>Business- Type 2010</u>	<u>%</u>
Revenues:								
Program revenues -								
Charges for services	\$16,936,523	13.0%	\$7,932,657	93.2%	\$21,207,970	16.0%	\$6,699,375	94.6%
Operating grants and contributions	32,141,097	24.7%	-	0.0%	30,714,941	23.3%	-	0.0%
Capital grants and contributions	476,301	.4%	-	0.0%	211,142	.2%	-	0.0%
Total program revenues	<u>49,553,921</u>	<u>38.1%</u>	<u>7,932,657</u>	<u>93.2%</u>	<u>52,134,053</u>	<u>39.5%</u>	<u>6,699,375</u>	<u>94.6%</u>
General revenues -								
Property taxes	36,101,137	27.7%	-	0.0%	36,199,867	27.4%	-	0.0%
Other taxes	40,730,599	31.2%	-	0.0%	39,463,374	29.9%	-	0.0%
Other	<u>3,947,926</u>	<u>3.0%</u>	<u>344,448</u>	<u>6.8%</u>	<u>4,302,130</u>	<u>3.2%</u>	<u>383,934</u>	<u>5.4%</u>
Total general revenues	<u>80,779,662</u>	<u>61.9%</u>	<u>344,448</u>	<u>6.8%</u>	<u>79,965,371</u>	<u>60.5%</u>	<u>383,934</u>	<u>5.4%</u>
Total revenues	<u>130,333,583</u>	<u>100.0%</u>	<u>8,277,105</u>	<u>100.0%</u>	<u>132,099,424</u>	<u>100.0%</u>	<u>7,083,309</u>	<u>100.0%</u>

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT'D)

Table 2 - Summary Statement of Activities

	Governmental 2011	%	Business- Type 2011	%	Governmental 2010	%	Business- Type 2010	%
Expenses (as restated):								
General governmental	34,924,991	24.7%	-	0.0%	37,305,211	27.5%	-	0.0%
Education	6,036,246	4.3%	-	0.0%	3,119,543	2.3%	-	0.0%
Public safety	17,080,704	12.1%	-	0.0%	16,747,153	12.3%	-	0.0%
Public health	14,880,638	10.5%	8,336,141	100.0%	15,634,138	11.5%	7,530,935	100.0%
Transportation	10,470,101	7.4%	-	0.0%	8,469,381	6.2%	-	0.0%
Economic assistance	41,301,541	29.2%	-	0.0%	38,477,575	28.4%	-	0.0%
Culture and recreation	1,498,906	1.1%	-	0.0%	1,148,208	0.8%	-	0.0%
Home and community services	2,216,202	1.5%	-	0.0%	3,201,770	2.4%	-	0.0%
Employee benefits	10,276,305	7.2%	-	0.0%	5,491,969	4.1%	-	0.0%
Depreciation - (unallocated)	-	-	-	3,323,601	2.5%	-	-	-
Interest	<u>2,779,170</u>	2.0%	-	0.0%	<u>2,721,865</u>	2.0%	-	0.0%
Total expenses	<u>141,464,804</u>	100.0%	<u>8,336,141</u>	100.0%	<u>135,640,414</u>	100.0%	<u>7,530,935</u>	100.0%
Transfers(to) from other funds	<u>(230,883)</u>		<u>230,883</u>		-		-	
Extraordinary Income	<u>1,000,000</u>		-		-		-	
Change in net assets	<u>(10,362,104)</u>		<u>171,847</u>		<u>(3,540,990)</u>		<u>(447,626)</u>	
Net assets - beginning of year (as restated)	<u>36,590,317</u>		<u>2,504,000</u>		<u>40,131,307</u>		<u>2,951,626</u>	
Net assets - end of year	<u>\$ 26,228,213</u>		<u>\$ 2,675,847</u>		<u>\$ 36,590,317</u>		<u>\$ 2,504,000</u>	

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONT'D)

Governmental Activities

Governmental activities decreased the County's net assets by \$10,362,104 as a result of expenses in excess of revenues. Revenues were fairly stagnant and expenses compared to the prior year increased approximately \$5,800,000. This increase was mostly attributed to increase in expenses of employee benefits, economic assistance and education. Portions of the increases presented are merely attributed to the allocation of depreciation across functions in 2011. In the prior year depreciation expense was presented in aggregate unallocated.

The governmental activities recorded \$1,000,000 of extraordinary income at December 31, 2011 that was the result of a sale of the County's Certified Home Health Agency to a private third party.

Business Type Activities

Business type activities increased the County's net assets by approximately \$170,000 from the prior year. Total revenues increased approximately \$1,200,000 while total expenses increased approximately \$800,000. These increases were principally due to increases in retirement and health costs. In addition, there was a transfer from governmental activities to business type activities in the amount of approximately \$231,000.

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

GOVERNMENTAL FUND FINANCIAL ANALYSIS

General Fund

Total General Fund fund balance increased to approximately \$42,300,000 from \$40,900,000 as a result a change in fund balance of approximately \$1,400,000.

Total revenues from the prior year remained fairly stagnant while expenditures increased approximately \$5,000,000 as a result of an increase of approximately \$1,800,000 in general government support expenditures and increases in public safety and economic assistance and opportunity expenditures in the amount of approximately \$1,500,000 and \$2,800,000, respectively. These increases were offset with a decrease in public health expenditures of approximately \$1,300,000. There was \$1,000,000 in extraordinary income at December 31, 2011 which did not occur in the prior year.

General Fund total assets increased to approximately \$74,000,000 at December 31, 2011 from approximately \$72,000,000 in the prior year. This was primarily a result of an approximate \$3,000,000 increase in due from other funds mostly comprised of loans made to the Capital Projects fund for upcoming projects. Notes and loans receivable decreased by approximately \$1,170,000 for the Hospital COP note received during the year and state and federal aid receivable increased \$1,800,000 as a result in the time lag of receiving funds.

General Fund total liabilities increased to approximately \$32,000,000 at December 31, 2011 from approximately \$31,000,000 in the prior year. This was a result of an increase in deferred revenue in the amount of approximately \$1,500,000 and other insignificant variances.

Capital Projects Fund

The total fund balance deficiency at December 31, 2011 is approximately \$2,000,000. The deficiency was a result of the issuance of a bond anticipation note in the amount of \$10,000,000. Contrary to the prior year, there were no serial bonds issued in 2011. In addition, there is approximately \$2,000,000 in a due to the General Fund.

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

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, 2011 balances of the General Fund which includes the ("Consortium") and casualty and liability activity. These differences result in both favorable and unfavorable variances. A modified budget to actual comparison of the operational portion of the General Fund only at December 31, 2011 is as follows:

Table 3 - Budgetary Comparison Schedules

	Modified Budget	Actual at December 31, 2011	Encumbrances	Variance Favorable (Unfavorable)
REVENUES:				
Real property taxes and tax items	\$ 35,637,458	\$ 35,744,129	\$ -	\$ 106,671
Non-property tax items	38,852,400	40,730,599	-	1,878,199
Departmental income	13,016,598	11,251,944	-	(1,764,654)
Intergovernmental charges	86,656	87,735	-	1,079
Use of money and property	412,383	351,375	-	(61,008)
Licenses and permits	10,000	11,016	-	1,016
Fines and forfeitures	136,983	120,747	-	(16,236)
Sale of property and compensation for loss	-	54,452	-	54,452
Miscellaneous	2,368,100	2,592,964	-	224,864
Interfund revenues	-	-	-	-
State aid	16,061,569	14,492,206	-	(1,569,363)
Federal aid	<u>12,829,009</u>	<u>12,466,859</u>	-	<u>(362,150)</u>
Total revenues:	<u>119,411,156</u>	<u>117,904,026</u>	-	<u>(1,507,130)</u>
EXPENDITURES:				
General government support	32,609,866	32,326,165	46,856	236,845
Education	3,166,270	3,162,444	-	3,826
Public safety	17,628,161	16,988,500	133,652	506,009
Public health	17,767,204	14,594,568	15,648	3,156,988
Transportation	176,200	162,396	-	13,804
Economic assistance and opportunity	41,619,432	40,618,650	19,096	981,686
Culture and recreation	1,342,980	1,246,307	3,159	93,514
Home and community services	1,758,930	1,733,579	630	24,721
Employee benefits	293,426	254,810	-	38,616
Debt service:				
Principal	1,170,000	1,170,000	-	-
Interest	<u>875,100</u>	<u>875,100</u>	-	-
Total expenditures:	<u>118,407,569</u>	<u>113,132,519</u>	<u>219,041</u>	<u>5,056,009</u>
Excess of revenues over expenditures	<u>1,003,587</u>	<u>4,771,508</u>	<u>(219,041)</u>	<u>3,548,879</u>
Other financing sources (uses)				
Operating transfers - in	52,945	328,791	-	275,846
Operating transfers - out	<u>(7,389,219)</u>	<u>(7,056,633)</u>	-	<u>332,586</u>
Total other financing sources (uses)	<u>(7,336,274)</u>	<u>(6,727,842)</u>	-	<u>608,432</u>
Extraordinary income	<u>1,044,000</u>	<u>1,000,000</u>	-	<u>(44,000)</u>
Change in fund balance	<u>(5,288,687)</u>	<u>(956,334)</u>	<u>(219,041)</u>	<u>4,113,311</u>
Fund balance - beginning of year	<u>19,632,147</u>	<u>26,285,919</u>	-	-
Fund balance - end of year	<u>\$ 14,343,460</u>	<u>\$ 25,329,585</u>	<u>\$ (219,041)</u>	<u>\$ 4,113,311</u>

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

GENERAL FUND BUDGETARY HIGHLIGHTS (CONT'D)

The County had a favorable variance of excess revenues over expenditures in the General Fund by approximately \$3,600,000 after consideration of any encumbrances. Both total revenues and expenditures came under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2011 amounted to \$40,550,561 (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)

	<u>Governmental 2011</u>	<u>Business-Type 2011</u>	<u>Governmental 2010</u>	<u>Business-Type 2010</u>
Land and land improvements	\$ 2,856,464	\$ 62,953	\$ 2,856,464	\$ 83,372
Buildings and improvements	22,674,460	54,423	21,982,328	50,722
Machinery and equipment	3,617,299	816,731	5,883,156	797,102
Infrastructure	3,963,128	-	4,443,290	-
Construction-in-progress	<u>7,439,210</u>	<u>-</u>	<u>4,918,222</u>	<u>-</u>
Total	<u>\$40,550,561</u>	<u>\$ 934,107</u>	<u>\$ 40,083,460</u>	<u>\$ 931,196</u>

The \$3,963,128 for 2011 and \$4,443,290 for 2010 of infrastructure represents the depreciated book value of County roads and bridges.

The \$7,439,210 for 2011 and \$4,918,222 for 2010 of construction-in-progress represents the cost to date construction on various County projects that have not been completed. The increase of \$2,520,988 reflects major projects that are ongoing: Emergency Communications Project (911) \$2,901,771 and the net effect of adding several additional projects and moving several completed projects to fixed assets.

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

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Debt Administration

Table 5 - Short-Term Bond Anticipation Notes

	Governmental <u>2011</u>	Governmental <u>2010</u>
Soil and Water Digester	\$ 1,500,000	\$ 1,500,000
Emergency Communications (911) Upgrade	<u>10,000,000</u>	<u>-</u>
Total	<u>\$ 11,500,000</u>	<u>\$ 1,500,000</u>

Table 6 - Long-Term Debt

	Governmental <u>2011</u>	Business-Type <u>2011</u>	Governmental <u>2010</u>	Business-Type <u>2010</u>
Serial bonds - excluding CTASC	\$ 14,250,000	\$ -	\$15,475,000	\$ -
Serial bonds - CTASC	23,539,450	-	23,063,648	-
Certificates of participation - AMH	13,415,000	-	14,585,000	-
Pollution remediation obligation	121,000	-	171,000	-
Compensated absences	2,279,443	-	2,367,527	-
Other postemployment benefits	<u>26,432,663</u>	<u>2,240,016</u>	<u>20,545,846</u>	<u>1,666,643</u>
Total	<u>\$ 80,037,556</u>	<u>\$ 2,240,016</u>	<u>\$76,208,021</u>	<u>\$ 1,666,643</u>

**COUNTY OF CAYUGA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Debt Administration (Cont'd)

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.

Short-term bond anticipation notes increased by \$10,000,000 at December 31, 2011 from the prior year as a result of a new issued BAN.

Long-term debt increased by a net amount of approximately \$4,400,000. This was mostly a result of the increase in other postemployment benefits of approximately \$6,400,000 offset by payments of approximately \$2,000,000 on serial bonds, certificates of participation and pollution remediation.

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

To comply with Governmental Accounting Standards Board (GASB) Statement No. 45 the County obtained a new actuarial valuation during 2011.

There has been no change in the County's investment policy. For 2011 the County's investments included certificates of deposit, money market accounts and obligations of the U.S. Treasury, agencies and instrumentalities and public housing authorities where the general State statutes governing such entities authorizes such investments.

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 ASSETS
DECEMBER 31, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental	Proprietary
ASSETS:					
Cash and cash equivalents	\$ 45,774,662	\$ 2,862,480	\$ 48,637,142	\$ 121,768	\$ 9,855,513
Cash and cash equivalents, restricted	1,333,503	21,652	1,355,155	627,214	5,846,480
Investments	3,050,000	-	3,050,000	-	11,442,527
Investments, restricted	-	-	-	-	150,664
Accounts receivable, net	2,074,945	1,325,104	3,400,049	107,783	8,184,334
Tax receivable	8,216,078	-	8,216,078	-	-
Notes and loans receivable, net	14,004,213	-	14,004,213	-	1,664,980
State and federal aid receivable	13,859,689	-	13,859,689	-	-
Due from fiduciary fund	470,934	-	470,934	-	-
Due from other governments	375,983	-	375,983	458,174	1,102,605
Due from component units	1,535,394	-	1,535,394	-	-
Other receivables	-	-	-	-	14,747
Prepaid expenses and other current assets	3,390,064	223,334	3,613,398	-	658,449
Inventories	149,777	17,608	167,385	-	672,114
Capital assets, net	<u>40,550,561</u>	<u>934,107</u>	<u>41,484,668</u>	<u>10,477,975</u>	<u>24,837,911</u>
TOTAL ASSETS	<u>134,785,803</u>	<u>5,384,285</u>	<u>140,170,088</u>	<u>11,792,914</u>	<u>64,430,324</u>
LIABILITIES:					
Accounts payable and other current liabilities	5,540,990	223,742	5,764,732	135,885	2,296,448
Accrued wages and benefits	1,851,421	223,028	2,074,449	5,635	1,269,011
Short-term notes	11,500,000	-	11,500,000	-	3,640,000
Due to other governments	6,707,226	-	6,707,226	1,500,000	96,067
Deferred revenue	2,920,397	-	2,920,397	243,966	10,068,397
Resident funds held in trust	-	21,652	21,652	-	-
Long-term liabilities:					
Due within one year	5,634,443	-	5,634,443	19,406	669,801
Due in more than one year	<u>74,403,113</u>	<u>2,240,016</u>	<u>76,643,129</u>	<u>1,270,462</u>	<u>20,904,548</u>
Total liabilities	<u>108,557,590</u>	<u>2,708,438</u>	<u>111,266,028</u>	<u>3,175,354</u>	<u>38,944,272</u>
NET ASSETS:					
Invested in capital assets, net of related debt	26,300,561	934,107	27,234,668	8,977,975	6,417,272
Restricted					
Debt service	2,199,083	-	2,199,083	-	-
Other purposes	-	-	-	-	9,995,521
Unrestricted	<u>(2,271,431)</u>	<u>1,741,740</u>	<u>(529,691)</u>	<u>(360,415)</u>	<u>9,073,259</u>
Total net assets	<u>26,228,213</u>	<u>2,675,847</u>	<u>28,904,060</u>	<u>8,617,560</u>	<u>25,486,052</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 134,785,803</u>	<u>\$ 5,384,285</u>	<u>\$ 140,170,088</u>	<u>\$ 11,792,914</u>	<u>\$ 64,430,324</u>

See Notes to Basic Financial Statements

**COUNTY OF CAYUGA, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Net (Expense) Revenue and Changes in Net Assets								
	Primary Government			Component Units					
	Expenses	Program Revenues 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	\$ 34,924,991	\$ 2,577,191	\$ 1,145,594	\$ 36,637	\$ (31,165,569)	\$			
Education	6,036,246	345,962	-	109,758	(5,580,526)				
Public Safety	17,080,704	2,195,472	995,828	152,917	(13,736,487)				
Public Health	14,880,638	3,763,034	5,387,895	-	(5,729,709)				
Transportation	10,470,101	1,111,787	4,079,691	72,567	(5,206,056)				
Economic assistance and opportunity	41,301,541	1,376,099	20,324,025	-	(19,601,417)				
Culture and recreation	1,498,906	173,554	163,064	11,002	(1,151,286)				
Home and community services	2,216,202	170,154	45,000	93,420	(1,907,628)				
Employee benefits	10,276,305	5,223,270	-	-	(5,053,035)				
Interest expense	2,779,170	-	-	-	(2,779,170)				
Total governmental activities	141,464,804	16,936,523	32,141,097	476,301	(91,910,883)				
Business-type activities:									
County Nursing Home	8,336,141	7,932,657	-	-	(403,484)				
Total business type activities	8,336,141	7,932,657	-	-	(403,484)				
Total primary government:	149,800,945	24,869,180	32,141,097	476,301	(91,910,883)	(403,484)	(92,314,367)		
Component units:									
Governmental:									
Cayuga County Soil and Water Conservation District	2,594,608	3,358,559	-	-				\$ 763,951	
Proprietary:									
Cayuga County Community College	58,454,372	10,060,294	44,308,433	780,430					\$ (3,305,215)
Cayuga County Water and Sewer Authority District	1,205,444	1,148,599	-	189,376					132,531
Cayuga County Industrial Development Agency	574,636	41,947	400,000	-					(132,689)
Total component units	62,823,060	14,609,399	44,708,433	969,806				763,951	(3,305,373)
General revenues and transfers:									
Real property taxes and real property tax items					36,101,137				163,846
Nonproperty tax items					40,730,599				-
Sale of property and compensation					56,367				-
Investment income					-				-
Use of money and property					497,810				104,141
Miscellaneous					3,393,749				371,532
Transfers					(230,883)				773,558
Total general revenues and transfers					80,548,779			1,249,031	3,808,433
Extraordinary income					1,000,000				-
Changes in net assets					(10,362,104)			2,012,982	503,060
Net assets at beginning of year, as restated (Note 3)					36,590,317			6,604,578	24,982,992
Net assets at end of year					\$ 26,228,213			\$ 2,675,847	\$ 25,486,052

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 29,626,290	\$ 11,322,944	\$ 4,825,428	\$ 45,774,662
Cash and cash equivalents, restricted	-	-	1,333,503	1,333,503
Investments	3,050,000	-	-	3,050,000
Accounts receivable	767,031	-	1,307,914	2,074,945
Tax receivable	8,216,078	-	-	8,216,078
Notes and loans receivable, net	13,415,000	-	589,213	14,004,213
State and federal aid receivable	11,718,731	-	2,140,958	13,859,689
Due from other governments	375,983	-	-	375,983
Due from component units	-	1,535,394	-	1,535,394
Prepaid expenses	3,268,731	-	121,334	3,390,065
Due from other funds	3,797,903	-	7,283	3,805,186
TOTAL ASSETS	<u>74,235,747</u>	<u>12,858,338</u>	<u>10,325,633</u>	<u>97,419,718</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable and other current liabilities	3,921,001	1,402,217	146,722	5,469,940
Accrued wages and benefits	1,633,781	-	217,640	1,851,421
Short-term notes	-	11,500,000	-	11,500,000
Due to other funds	-	2,033,325	1,300,927	3,334,252
Due to other governments	6,420,202	35,497	251,527	6,707,226
Deferred revenue	19,970,414	-	631,413	20,601,827
Total liabilities	<u>31,945,398</u>	<u>14,971,039</u>	<u>2,548,229</u>	<u>49,464,666</u>
Fund Balance:				
Nonspendable	3,268,731	-	121,334	3,390,065
Restricted	865,580	-	1,333,503	2,199,083
Assigned	18,810,394	-	6,322,567	25,132,961
Unassigned	19,345,644	(2,112,701)	-	17,232,943
Total fund balance (deficiency)	<u>42,290,349</u>	<u>(2,112,701)</u>	<u>7,777,404</u>	<u>47,955,052</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 74,235,747</u>	<u>\$ 12,858,338</u>	<u>\$ 10,325,633</u>	<u>\$ 97,419,718</u>

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

Total fund balances - governmental funds	\$ 47,955,052
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore reported in the funds as expenditures.	40,550,561
Notes receivable are not available to pay current period expenditures and therefore are deferred in the governmental funds.	14,007,212
Long term liabilities, included serial bonds payable for the County and serial bonds payable for CTASC which are not due in the current period are therefore are not reported in the funds. They are as follows:	
Serial bonds	(14,250,000)
Certificates of participation - Hospital	(13,415,000)
Serial bonds - CTASC	(23,539,450)
Other postemployment benefits	(26,432,663)
Pollution remediation obligation	(121,000)
Compensated absences	(2,279,443)
Deferred property tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.	3,674,218
Interest is accrued on outstanding CTASC bonds in the statement of net assets but not in the funds.	(71,050)
Inventory is noncurrent in nature and is therefore not reported in the funds.	<u>149,776</u>
Total net assets of governmental activities	<u>\$ 26,228,213</u>

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real property taxes and tax items	\$ 35,949,790	\$ -	\$ -	\$ 35,949,790
Non-property tax items	40,730,599	-	-	40,730,599
Departmental income	13,055,054	-	386,908	13,441,962
Intergovernmental charges	3,514,496	345,962	1,111,347	4,971,805
Use of money and property	445,607	48,484	3,718	497,809
Licenses and permits	11,015	-	440	11,455
Fines and forfeitures	128,747	-	-	128,747
Sale of property and compensation for loss	54,452	-	1,915	56,367
Miscellaneous	3,104,920	103,155	1,355,673	4,563,748
Interfund revenues	8,621,818	-	-	8,621,818
State and county aid	14,492,206	157,401	4,079,690	18,729,297
Federal aid	12,466,859	318,900	1,102,343	13,888,102
Total revenues	<u>132,575,563</u>	<u>973,902</u>	<u>8,042,034</u>	<u>141,591,499</u>
EXPENDITURES:				
Current:				
General government support	33,047,006	137,212	209,955	33,394,173
Education	3,162,835	2,873,411	-	6,036,246
Public safety	16,988,500	2,141,305	-	19,129,805
Public health	14,594,568	971,227	-	15,565,795
Transportation	162,396	225,528	9,132,622	9,520,546
Economic assistance and opportunity	40,618,650	-	583,902	41,202,552
Culture and recreation	1,156,307	1,014,591	-	2,170,898
Home and community services	1,754,829	76,273	455,973	2,287,075
Employee benefits	12,367,116	-	2,082,274	14,449,390
Debt Service:				
Principal	1,170,000	-	1,445,000	2,615,000
Interest	875,100	-	1,339,911	2,215,011
Total expenditures	<u>125,897,307</u>	<u>7,439,547</u>	<u>15,249,637</u>	<u>148,586,491</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,678,256</u>	<u>(6,465,645)</u>	<u>(7,207,603)</u>	<u>(6,994,992)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers - in	328,792	247,277	7,861,375	8,437,444
Operating transfers - out	<u>(6,610,652)</u>	<u>(312,252)</u>	<u>(1,514,540)</u>	<u>(8,437,444)</u>
Total other financing sources (uses)	<u>(6,281,860)</u>	<u>(64,975)</u>	<u>6,346,835</u>	<u>-</u>
EXTRAORDINARY INCOME	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
CHANGES IN FUND BALANCE	1,396,396	(6,530,620)	(860,768)	(5,994,992)
FUND BALANCE - BEGINNING OF YEAR, as restated (Note 3)	<u>40,893,953</u>	<u>4,417,919</u>	<u>8,638,172</u>	<u>53,950,044</u>
FUND BALANCE (DEFICIENCY) - END OF YEAR	<u>\$ 42,290,349</u>	<u>\$ (2,112,701)</u>	<u>\$ 7,777,404</u>	<u>\$ 47,955,052</u>

See Notes to Basic Financial 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, 2011**

Net changes in fund balances - total governmental funds	\$ (5,994,992)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report outlays (in the amount of \$7,092,351) for capital assets as expenditures because such outlays use current financial resources. The statement of activities capitalizes these expenditures. The outlay is allocated over assets' estimated useful lives as depreciation expense for the period.</p>	467,102
<p>Principal payments on debt service are reported as an expenditure in the governmental funds, and therefore reduce fund balance because current financial resources have been used. These payments are not an expense in the statement of activities.</p>	2,615,000
<p>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 activities. The current year increase (decrease) to changes in net assets is shown here:</p>	
Accrued interest on long-term debt	131,643
Compensated absences	88,084
Other postemployment benefit obligations	(5,886,817)
Income due to the change in deferred property tax revenue not recorded in governmental funds.	151,347
Net borrowings on Community Development Block Grant loans receivable, not recorded in governmental funds.	(267,445)
Revenue related to Certificates of Participation principal not recorded in governmental funds.	(1,170,000)
Current year accretion of capital appreciation bonds is not reflected in the governmental funds.	(695,802)
In governmental funds inventory purchases are reported as an expenditure. In the statement of activities inventory is expensed as used.	149,776
Payments of pollution abatement costs are expenditures in the current period governmental funds, but as a reduction of the liability in the government-wide financial statements.	50,000
Change in net assets of governmental activities	\$ (10,362,104)

COUNTY OF CAYUGA, NEW YORK
STATEMENT OF NET ASSETS
PROPRIETARY FUND - NURSING HOME
DECEMBER 31, 2011

ASSETS:

Cash and cash equivalents	\$ 2,862,480
Cash and cash equivalents, restricted	21,652
Accounts receivable, net	1,325,104
Inventories	17,608
Prepaid expenses and other current assets	223,334
Capital assets, net	934,107
Total assets	5,384,285

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable and other current liabilities	223,742
Accrued wages and benefits	223,028
Non-current liabilities:	
Other postemployment benefit obligations	2,240,016
Resident funds held in trust	21,652
Total liabilities	2,708,438

Net Assets:

Invested in capital assets, net of related debt	934,107
Unrestricted	1,741,740
Total net assets	2,675,847

TOTAL LIABILITIES AND NET ASSETS	\$ 5,384,285
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COUNTY OF CAYUGA, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
PROPRIETARY FUND - NURSING HOME
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUES:	
Charges for services	\$ 7,932,657
Other operating revenue	570,070
Total operating revenues	<u>8,502,727</u>
OPERATING EXPENSES:	
Nursing services	5,279,822
General services	1,241,828
Other professional services	262,367
Administrative	530,793
Depreciation	124,115
Bad debt expense	531,493
New York State cash receipts assessment	365,723
Total operating expenses	<u>8,336,141</u>
OPERATING INCOME	166,586
NONOPERATING REVENUE:	
Interest income	<u>5,261</u>
CHANGE IN NET ASSETS	171,847
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>2,504,000</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 2,675,847</u>

See Notes to Basic Financial Statements

**COUNTY OF CAYUGA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - NURSING HOME
FOR THE YEAR DECEMBER 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from providing services	\$ 7,284,076
Cash received from other operations	429,187
Cash payments to suppliers	(2,148,986)
Cash payments to employees and for contractual services	<u>(3,669,570)</u>
Net cash provided by operating activities	<u>1,894,707</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of capital assets	<u>(127,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>5,261</u>
Net cash flow from investing activities	
INCREASE IN CASH AND CASH EQUIVALENTS	1,772,942
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,089,538</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,862,480</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 166,586
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	124,115
Bad debt expense	531,493
Changes in:	
Accounts receivable	(686,039)
Other receivables	1,194,440
Inventories	1,028
Prepaid expense	(30,281)
Accounts payable and other liabilities	(25,609)
Accrued liabilities	620,322
Other current liabilities	<u>(1,348)</u>
Net cash provided by operating activities	<u>\$ 1,894,707</u>

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Agency</u>
ASSETS:	
Cash and cash equivalents	\$ 2,045,152
Accounts receivable	81,260
Due from other funds	<u>1,119</u>
Total assets	<u><u>2,127,531</u></u>
 LIABILITIES:	
Accounts payable and other current liabilities	1,655,478
Due to other funds	<u>472,053</u>
Total liabilities	<u><u>\$ 2,127,531</u></u>

See Notes to Basic Financial Statements

**COUNTY OF CAYUGA, NEW YORK
COMBINING STATEMENT OF NET ASSETS -
PROPRIETARY COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Cayuga Community College</u>	<u>Cayuga County Water and Sewer Authority</u>	<u>Cayuga County Industrial Development Agency</u>	<u>Total</u>
ASSETS:				
Cash and cash equivalents	\$ 9,059,258	\$ 392,487	\$ 403,768	\$ 9,855,513
Cash and cash equivalents, restricted	241,800	5,604,680	-	5,846,480
Investments	11,101,873	-	340,654	11,442,527
Investments, restricted	-	-	150,664	150,664
Accounts receivable, net	7,841,659	215,031	127,644	8,184,334
Due from other governments	1,102,605	-	-	1,102,605
Note and loans receivable	-	1,664,980	-	1,664,980
Other receivables	14,747	-	-	14,747
Prepaid expenses and other current assets	635,984	22,465	-	658,449
Inventories	-	-	672,114	672,114
Capital assets, net	<u>14,193,841</u>	<u>10,644,070</u>	<u>-</u>	<u>24,837,911</u>
 Total assets	 <u>44,191,767</u>	 <u>18,543,713</u>	 <u>1,694,844</u>	 <u>64,430,324</u>
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and other current liabilities	1,938,274	125,724	232,450	2,296,448
Accrued wages and benefits	1,224,857	44,154	-	1,269,011
Due to other governments	96,067	-	-	96,067
Deferred revenue	10,068,397	-	-	10,068,397
Long-term liabilities:				
Due within one year	317,850	3,991,951	-	4,309,801
Due in more than one year	<u>15,417,257</u>	<u>5,487,291</u>	<u>-</u>	<u>20,904,548</u>
Total Liabilities	<u>29,062,702</u>	<u>9,649,120</u>	<u>232,450</u>	<u>38,944,272</u>
Net Assets:				
Invested in capital assets, net of related debt	5,180,444	1,236,828	-	6,417,272
Restricted	8,449,075	1,395,782	150,664	9,995,521
Unrestricted	<u>1,499,546</u>	<u>6,261,983</u>	<u>1,311,730</u>	<u>9,073,259</u>
Total net assets	<u>15,129,065</u>	<u>8,894,593</u>	<u>1,462,394</u>	<u>25,486,052</u>
 Total liabilities and net assets	 <u>\$ 44,191,767</u>	 <u>\$ 18,543,713</u>	 <u>\$ 1,694,844</u>	 <u>\$ 64,430,324</u>

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
COMBINING STATEMENT OF ACTIVITIES - PROPRIETARY COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Cayuga Community College</u>	<u>Cayuga County Water and Sewer Authority</u>	<u>Cayuga County Industrial Development Agency</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for services, net	\$ 10,060,294	\$ 1,148,599	\$ 41,947	\$ 11,250,840
Rental fees	-	-	2,750	2,750
Federal grants	13,171,609	189,376	-	13,360,985
State and local grants	1,546,582	-	-	1,546,582
Other grants and contracts	467,524	-	400,000	867,524
Other revenue	824,283	381,656	511	1,206,450
Total operating revenues	<u>26,070,292</u>	<u>1,719,631</u>	<u>445,208</u>	<u>28,235,131</u>
OPERATING EXPENSES:				
Instruction	\$ 13,105,346	\$ -	\$ -	\$ 13,105,346
Public service	265,624	-	-	265,624
Academic support	4,484,453	-	-	4,484,453
Student services	3,956,357	-	-	3,956,357
Institutional support	8,087,784	-	-	8,087,784
Operation and maintenance	4,588,191	-	-	4,588,191
Scholarships and fellowships	20,419,149	-	-	20,419,149
Administration	-	32,387	91,488	123,875
Grant expenses	-	-	400,000	400,000
Water and sewer	-	412,948	-	412,948
Program expense	-	39,062	-	39,062
Payroll, benefits and payroll taxes	-	146,883	-	146,883
Utilities	-	16,724	-	16,724
Legal and accounting	-	49,476	20,749	70,225
Insurance	-	19,935	-	19,935
Telephone	-	4,993	-	4,993
Depreciation	706,821	345,120	-	1,051,941
Other expenses	2,364,986	8,386	62,399	2,435,771
Total operating expenses	<u>57,978,711</u>	<u>1,075,914</u>	<u>574,636</u>	<u>59,629,261</u>
OPERATING INCOME (LOSS):	<u>(31,908,419)</u>	<u>643,717</u>	<u>(129,428)</u>	<u>(31,394,130)</u>
NON-OPERATING REVENUE (EXPENSE):				
State appropriations	8,564,974	-	-	8,564,974
Local appropriations	7,171,453	-	-	7,171,453
Federal tuition grants	9,661,426	-	-	9,661,426
Federal construction grants	-	-	-	-
State tuition grants	3,104,371	-	-	3,104,371
Private contributions	620,494	-	-	620,494
Property tax	-	163,846	-	163,846
Interest subsidy	-	13,990	-	13,990
Interest income	1,631,011	2,333	4,079	1,637,423
Interest expense	(475,661)	(120,728)	-	(596,389)
Other revenue	596,719	185,359	1,896	783,974
Other expense	-	(8,802)	-	(8,802)
TOTAL NON-OPERATING REVENUE	<u>30,874,787</u>	<u>235,998</u>	<u>5,975</u>	<u>31,116,760</u>
EXPENSE	<u>30,874,787</u>	<u>235,998</u>	<u>5,975</u>	<u>31,116,760</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,033,632)	879,715	(123,453)	(277,370)
CONTRIBUTED CAPITAL:				
State contributions	780,430	-	-	780,430
CHANGE IN NET ASSETS	(253,202)	879,715	(123,453)	503,060
NET ASSETS - BEGINNING OF YEAR, as restated	<u>15,382,267</u>	<u>8,014,878</u>	<u>1,585,847</u>	<u>24,982,992</u>
NET ASSETS - END OF YEAR	<u>\$ 15,129,065</u>	<u>\$ 8,894,593</u>	<u>\$ 1,462,394</u>	<u>\$ 25,486,052</u>

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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, and home and community services.

The County financial reporting entity includes organizations, functions, and activities over which County elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. For these reasons, the Cayuga County Nursing Home ("CNH") has been included in these statements as an enterprise fund. In addition, the Cayuga Tobacco Asset Securitization Corporation ("CTASC") and the Cayuga County Health Insurance Consortium ("Consortium") have been included in these statements as blended component units.

Financial Reporting Entity

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

In accordance with GASB Statement No. 14 *The Financial Reporting Entity*, and Statement No. 39 *Determining Whether Certain Organizations are Component Units*, the basic financial statements of the County include the primary government and component units that are defined as legally separate organizations for which the primary government is financially accountable. Based upon the criteria for defining the financial reporting entity in Statements No. 14 and 39, financial accountability of the primary government is determined on the basis of the component unit's fiscal dependency, appointment of a voting majority of the component unit's governing board, ability to impose its will or potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Units - Discretely Presented

Governmental Fund Type

The Cayuga County Soil and Water Conservation District ("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. Members of the SWCD's board of directors are appointed by the Board of Legislators, and administrative costs of the SWCD are funded primarily through County appropriations. The SWCD derives other revenues and performs other activities outside the County's general oversight responsibilities. Separate audited financial statements for the SWCD may be obtained by contacting SWCD directly.

Proprietary Fund Types

Cayuga Community College ("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 Assets 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. 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. The CCC has a fiscal year ending August 31. Balances for CCC in the County's December 31, 2011 financial statements reflect balances at August 31, 2011. Separate audited financial statements for the CCC may be obtained by contacting CCC directly.

The Cayuga County Industrial Development Agency ("CCIDA") is a public benefit corporation created by state legislation to promote the economic welfare, opportunities, and prosperity of the County's inhabitants. The CCIDA has the authority to issue tax exempt and taxable industrial revenue bonds for eligible projects in the County. Members of the CCIDA are appointed by the Board of Legislators; however, the directors have sole control over the management and operation of the CCIDA. Separate audited financial statements for the CCIDA may be obtained by contacting CCIDA directly.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Units - Discretely Presented (Cont'd)

Proprietary Fund Types (Cont'd)

The Cayuga County Water and Sewer Authority District ("CCWSAD") 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 CCWSAD was created to finance, construct, operate, and maintain water and sewage facilities for the benefit of the residents of the County. Members of the CCWSAD are appointed by the County Board of Legislators; however, the Board of Legislators exercises no oversight responsibility for management of the CCWSAD or accountability for fiscal matters. Separate audited financial statements for the CCWSAD may be obtained by contacting CCWSAD directly.

Component Units - Blended

Governmental Fund Type

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 instrumentality part of, but separate and apart from, the County. CTASC is considered a governmental fund-type component unit (blended presentation within the Debt Service fund) of the County in accordance with generally accepted accounting principles in the United States of America. CTASC has a board of directors comprised of three elected officials of the County. 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. CTASC is blended with the Debt Service Fund, a non-major governmental fund.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Units - Blended (Cont'd)

Governmental Fund Type (Cont'd)

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 activities of the Consortium are accounted for in the self-insurance fund of the County which is blended with the General Fund for reporting purposes.

Basis of Presentation

Government-wide Financial Statements

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). All of the County's services are classified as government activities.

In the government-wide Statement of Net Assets, 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 assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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. 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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (Cont'd)

Government-wide Financial Statements (Cont'd)

The accompanying basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for State and local governments through its pronouncements ("Statements" and "Interpretations"). The County's enterprise and business-type activities are prepared in conformity with accounting principles generally accepted in the United States as set forth by GASB. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent they don't conflict with or contradict guidance of the GASB. Governments also have the option of following private sector guidance for their business-type activities and enterprise funds. The County has elected not to follow subsequent private sector guidance. Significant accounting policies are described in the remainder of this note.

The Government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets 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 fund 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, 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 non-major 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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (Cont'd)

Fund Financial Statements (Cont'd)

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 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, Special Grant Fund, County Road Fund, and Miscellaneous Fund.
- 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:

This fund is used to account for the County's only enterprise fund, CNH, and is accounted for using the economic resource measurement focus and accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred. Operating revenue is revenue generated in the course of ordinary business in the execution of the mission of CNH.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (Cont'd)

Fund Financial Statements (Cont'd)

Major Proprietary Fund (Cont'd)

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 Fund

The County's fiduciary funds are presented in the fiduciary fund financial statements as the 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. These funds are used to account for assets held by the local government in a trustee or custodial capacity. The following is reported as the County's fiduciary fund:

- Agency Fund - used to account for monies received and held in the capacity of trustee, custodian or agent.

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.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting/Measurement Focus (Cont'd)

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.

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.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 since it is believed that such allowance would not be material.

Enterprise Funds

CNH accounts receivable are for services provided to residents and consist of amounts owed directly from residents on a private pay basis and amounts owed from third-party payors on behalf of residents. Receivables from third party payors are recorded at established rates, net of contractual adjustments specific to each payor.

Receivables from private pay residents are recorded at established rates. Receivables are considered to be past due when payments have not been received by CNH within 30 days of their contractually stated due date. The provisions for the uncollectible private pay resident accounts receivable is based on management's assessment of the collectability of individual receivables and the aggregate aging of all private pay resident accounts receivable and is estimated to be \$282,600 at December 31, 2011. Losses are charged against the allowance for uncollectible private pay resident accounts receivable when management believes the uncollectibility of a receivable is confirmed.

CCC accounts receivable are stated net of an allowance for doubtful accounts. The allowance of \$602,098 is based on an estimate of uncollectible student tuition and fees.

Due To/From Other Funds

The amounts reported on the Government 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. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. The COP notes receivable is recorded in the General Fund.

CCWSAD utilizes short term financing to fund construction on a sewer project in anticipation of receiving federal grants and long term financing. Loan receivables in the amount of \$1,664,980 represent amounts anticipated to be collected within one year.

Tax Receivable

There is an allowance for doubtful accounts for tax collections in the amount of approximately \$408,000.

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.

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of \$5,000 for governmental funds and \$500 for all proprietary funds. 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. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Governmental Funds

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

Land Improvements	20 Years
Buildings and Improvements	30 Years
Machinery and equipment	3 - 15 Years
Infrastructure	20 Years

Proprietary Funds

Depreciation has generally been provided using the straight-line method over the following estimated useful lives:

Land improvements	5 - 25 Years
Machinery and equipment (fixed & moveable)	3 - 25 Years
Buildings and building services	10 - 40 Years

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.

(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Capital Assets (Cont'd)

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 within the proprietary funds are charged to expense as incurred; significant renewals and improvements are capitalized.

Deferred Revenue

The County reports deferred revenue in its basic financial statements. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the County has legal claim to resources, the liability for deferred revenue is removed and revenue is recognized.

Compensated Absences

Pursuant to resolutions of the governing board and contractual agreements, County employees are entitled to accrue a maximum of 195 days of sick leave and 10 days of vacation leave. Any individual, in certain employee groups, who leaves the employment of the County, is entitled to be paid for unused vacation leave. Upon retirement, the unused sick leave 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 expense for these fringe benefits is recorded in the applicable governmental fund at the time the benefit is paid. The County has computed the value of earned and unused vacation leave as of December 31, 2011 to be \$2,279,443. This represents vacation earned in 2011 but not usable until 2012. It is anticipated that this vacation will be used in 2012. The earned and unused vacation leave has been recorded as a liability in the government-wide financial statements.

(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Revenue Recognition - CNH

Net resident service revenue is reported at estimated net realizable amounts from residents, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to changes in case mix indexes and future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. It is not possible to determine the extent of additional liability (or receivable) resulting from governmental audits conducted in subsequent years.

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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 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.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Medicaid Rate Reimbursement - CNH

As a result of the 2011 New York State ("NYS") Legislative session, the final budget agreement included provisions to rebase and restructure the nursing home Medicaid payment system. A total of \$210 million was added system-wide as transition payments to implement the new reimbursement methodology. Allowable costs for Medicaid rate calculations previously were based on 1983 costs trended forward. Under the new reimbursement system, allowable costs for Medicaid rate calculations will be based on 2007 costs trended forward. Also, in order to prevent the system from becoming outdated in the future, the legislation requires that the reimbursement formula be updated no less than every six years, with the next update scheduled to occur not later than 2012. For the year ended December 31, 2010, CNH accrued in Other Receivables and Medicaid Rate Reimbursement an amount totaling \$609,700 to reflect the expected reimbursement. For the year ended December 31, 2011, CNH actually received \$353,038 for Medicaid rebasing. CNH adjusted \$256,662 to bad debt as of December 31, 2011 for an amount not received from Medicaid rebasing.

Equity Classifications

Government-Wide Financial Statements

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

- *Invested in capital assets, net of related debt* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* - consists of net assets 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 assets* - all other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted".
- The County's policy is to use restricted resources prior to utilizing unrestricted funds.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Equity Classifications (Cont'd)

Fund Financial Statements

In the year ending December 31, 2011 the County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("Statement No. 54"). Under Statement No. 54, 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. When funds from more than one classification may be used to satisfy an expenditure, the County's policy is to utilize funds with the strongest spending constraints first.

- *Nonspendable fund balance* - amounts that are not in a spendable form or are required to be maintained intact.
- *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.
- *Committed fund balance* - amounts constrained to specific purposes by the County itself, by vote of the County Legislature, the County's highest level of decision-making authority. The County Legislature must approve the establishment (or modification) of any fund balance commitment. There was no committed fund balance at December 31, 2011.
- *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.
- *Unassigned fund balance* - amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the County.

The County's policy is to use committed or assigned resources prior to utilizing unassigned funds.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property Taxes

County real property taxes are levied annually no later than December 31st and become a lien on January 1. 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 revenue. 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.

Real property taxes for the County are levied together with taxes for town and special district purposes on January 1, and are due within 30 days. The towns and special districts receive the full amount of their levies annually.

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 \$4,061,020 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.

In April of 2003, the New York State Legislature authorized the County to impose an additional one percent local sales tax rate for the period beginning June 1, 2003, ending November 30, 2009, and extended through November 30, 2011. The net collections from the additional one percent rate of sales tax must be used to pay the County's Medicaid expenditures. Such net collection shall be kept separate and apart from any other funds and accounts of the County. The amount of the additional one percent sales tax collected in 2011 was approximately \$7,950,000.

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Subsequent events

Subsequent events have been evaluated by management through November 12, 2012 which is the date the financial statements were available to be issued.

(Continued)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

The County generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements as required supplementary information for the General Fund which is the only fund required to have a legally approved budget:

- a. After public hearings are conducted to obtain taxpayer comments, but no later than December 20, the Board of Legislators adopts the County budget.
- b. The annual budget, as amended, sets limitations on the amount of resources which can be expended during the year except for the following:

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.

- c. 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.

Budget 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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. RESTATEMENT

Primary Government - Governmental Funds

Accounts payable and expenditures were understated by \$3,342,574 in the Capital Projects Fund at December 31, 2010. An adjustment was made to decrease the Capital Projects Fund fund balance at January 1, 2011 in the amount of \$3,342,574.

Balance Previously Reported January 1, 2011	\$ 7,760,493
Effect of Restatement	<u>(3,342,574)</u>
Balance Restated at January 1, 2011	<u>\$ 4,417,919</u>

Primary Government - Governmental Activities

Accounts payable and expenses were understated by \$3,342,574 in the Capital Projects Fund at December 31, 2010. An adjustment was made to decrease net assets at January 1, 2011 in the amount of \$3,342,574.

Depreciation expense and accumulated depreciation was understated by \$17,498 at December 31, 2010. An adjustment was made to decrease net assets at January 1, 2011 in the amount of \$17,498.

Balance Previously Reported January 1, 2011	\$ 39,950,389
Effect of Restatement	<u>(3,360,072)</u>
Balance Restated at January 1, 2011	<u>\$ 36,590,317</u>

Component Units - CCWSAD

Retainage payable was overstated by \$117,057 and accounts payable was understated by \$72,404 with a net overstatement of \$44,653 in expense at December 31, 2010. Grants receivable and grants revenue were also understated by \$678,050 at December 31, 2010. An adjustment was made to increase the net asset balance at January 1, 2011 in the amount of \$722,703.

Balance Previously Reported January 1, 2011	\$ 7,292,175
Effect of Restatement	<u>722,703</u>
Balance Restated at January 1, 2011	<u>\$ 8,014,878</u>

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. RESTATEMENT (CONT'D)

Component Units - CCIDA

During the year, CCIDA adjusted for notes receivable that was outstanding in a prior year. The resulting adjustment was a decrease in notes receivable and an increase in fund balance at January 1, 2011 in the amount of \$22,975.

Balance Previously Reported January 1, 2011	\$ 1,562,872
Effect of Restatement	<u>22,975</u>
Balance Restated at January 1, 2011	<u>\$ 1,585,847</u>

4. CASH AND CASH EQUIVALENTS

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.

At December 31, 2011 the carrying amount of the County's deposits with financial institutions was approximately \$72,100,000. Of this amount, approximately \$20,120,000 represents money market accounts, \$7,540,000 represents certificates of deposit and approximately \$44,440,000 represents cash. At December 31, 2011, the entire balance of deposits was collateralized and is insured by the FDIC.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. CASH AND CASH EQUIVALENTS (CONT'D)

Proprietary Funds

CNH maintains cash balances at several financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000 for the year ended December 31, 2011. The amounts over the FDIC limit are secured by United States Treasury Bills.

Investment and Deposit Policy

The County follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state, and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the County Treasurer.

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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. CASH AND CASH EQUIVALENTS (CONT'D)

Custodial Credit Risk - Deposits (Cont'd)

- 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. INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that an entity will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The County's investment and deposit policy requires that all custodial investments be registered or insured in the County's name and held in the custody of the bank or the bank's trust department. The County requires that all repurchase agreements be limited to obligations of the United States of America or obligations whose principal and interest are fully guaranteed, or insured by the United States of America. As of December 31, 2011, the County's investments, were in compliance with the investment and deposit policy. The General Fund U.S. Treasury Notes balance was \$3,050,000 at December 31, 2011.

Concentration of Credit Risk

The County places no limit on the amount that may be invested in any one investment type. At December 31, 2011 County's investments were invested in U.S. Treasury Notes.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

6. DEPOSITS WITH TRUSTEES - CAYUGA COMMUNITY COLLEGE

Bond proceeds not yet expended for new construction and used to establish debt service funds and related accumulated investment income are held on deposit with trustees. In addition to the construction projects initiated during the year, CCC has previously entered into various financing arrangements to finance construction projects and has deposited funds with trustees for such projects. Bond proceeds, including interest income in excess of construction costs, are restricted for future projects or debt service. Additionally, under the financing agreements with Dormitory Authority of the State of New York, deposits with trustees represent required reserves for debt service and building replacement together with earnings on such funds. Total deposits with trustees for CCC totaled \$241,800 at August 31, 2011 and are presented as restricted cash and cash equivalents.

7. 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, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,797,903	\$ -
Capital Projects Fund	-	2,033,325
County Road Fund	-	1,204,388
Special Grant Fund	-	80,000
Miscellaneous Fund	7,283	-
Debt Service Fund	-	16,539
Agency Fund	1,119	472,053
Total	<u>\$ 3,806,305</u>	<u>\$ 3,806,305</u>

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS (CONT'D)

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, 2011 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 328,792	\$ 6,610,652
Capital Projects Fund	247,277	312,252
Debt Service Fund	1,111,375	16,539
Road Machinery Fund	1,350,000	-
County Road	5,400,000	1,390,000
Miscellaneous	-	108,001
Total	<u>\$ 8,437,444</u>	<u>\$ 8,437,444</u>

8. NOTES AND LOANS RECEIVABLE

A 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</u>		<u>Balance at</u>	
	<u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31</u>
CDBG loans	\$ 859,657	\$ 65,000	\$ (335,444)	\$ 589,213

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

9. CAPITAL ASSETS

The County's capital assets activity for the year ended December 31, 2011 for governmental activities was as follows:

	As Restated Balance at January 1	Additions	Deductions	Balance at December 31
Nondepreciable assets:				
Land	\$ 2,856,464	\$ -	\$ -	\$ 2,856,464
Construction in progress	<u>4,918,222</u>	<u>4,150,077</u>	<u>(1,629,089)</u>	<u>7,439,210</u>
Total non-depreciable assets	<u>7,774,686</u>	<u>4,150,077</u>	<u>(1,629,089)</u>	<u>10,295,674</u>
Depreciable assets:				
Buildings and improvements	38,445,698	1,682,090	-	40,127,788
Machinery and equipment	16,838,339	1,260,184	(3,940,070)	14,158,453
Infrastructure	<u>20,547,736</u>	<u>-</u>	<u>(1,637)</u>	<u>20,546,099</u>
Total depreciable assets	<u>75,831,773</u>	<u>2,942,274</u>	<u>(3,941,707)</u>	<u>74,832,340</u>
Less: Accumulated depreciation:				
Buildings and improvements	(16,463,370)	(989,958)	-	(17,453,328)
Machinery and equipment	(10,955,183)	-	414,029	(10,541,154)
Infrastructure	<u>(16,104,446)</u>	<u>(478,525)</u>	<u>-</u>	<u>(16,582,971)</u>
Total accumulated depreciation	<u>(43,522,999)</u>	<u>(1,468,483)</u>	<u>414,029</u>	<u>(44,577,453)</u>
Net depreciable assets	<u>32,308,774</u>	<u>1,473,791</u>	<u>(3,527,678)</u>	<u>30,254,887</u>
Capital assets, net	<u>\$ 40,083,460</u>	<u>\$ 5,623,868</u>	<u>\$ (5,156,767)</u>	<u>\$ 40,550,561</u>

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

9. CAPITAL ASSETS (CONT'D)

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

Governmental activities:	
General government support	\$ 941,160
Public safety	166,200
Public health	7,841
Transportation	334,468
Economic assistance and development	5,931
Culture and recreation	<u>8,883</u>
Total depreciation expense	<u>\$ 1,468,483</u>

The County's capital assets activity for the year ended December 31, 2011 for business-type activities was as follows:

	Balance at January 1	Additions	Deductions	Balance at December 31
Land and land improvements	\$ 756,838	\$ -	\$ -	\$ 756,838
Buildings and building services	1,963,092	7,184	-	1,970,276
Fixed equipment	780,193	111,517	-	891,710
Moveable equipment	<u>1,133,492</u>	<u>8,325</u>	-	<u>1,141,817</u>
Total depreciable assets	<u>4,633,615</u>	<u>127,026</u>	-	<u>4,760,641</u>
Less: Accumulated depreciation:				
Land improvements	(673,466)	(20,419)	-	(693,885)
Building and building services	(1,912,370)	(3,483)	-	(1,915,853)
Fixed equipment	(290,060)	(36,175)	-	(326,235)
Moveable equipment	<u>(826,523)</u>	<u>(64,038)</u>	-	<u>(890,561)</u>
Total accumulated depreciation	<u>(3,702,419)</u>	<u>(124,115)</u>	-	<u>(3,826,534)</u>
Capital assets, net	<u>\$ 931,196</u>	<u>\$ 2,911</u>	<u>\$ -</u>	<u>\$ 934,107</u>

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

9. CAPITAL ASSETS (CONT'D)

Component Units - Proprietary

Component units' capital assets at December 31, 2011 were as follows:

Land	\$ 1,083,163
Construction work-in-progress	2,554,171
Buildings and improvements	32,950,898
Infrastructure	10,222,319
Machinery and equipment	<u>2,836,193</u>
	49,646,744
Less: Accumulated depreciation	<u>(24,808,833)</u>
Total capital assets, net	<u>\$ 24,837,911</u>

Component Units - Governmental

Component units' capital assets at December 31, 2011 were as follows:

Land	\$ 1,200
Construction work-in-progress	10,343,067
Office equipment	75,734
Shop and field equipment	<u>1,838,280</u>
	12,258,281
Less: Accumulated depreciation	<u>(1,780,306)</u>
Total capital assets, net	<u>\$ 10,477,975</u>

10. PENSION PLANS

The County, CCC and CNH 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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

10. PENSION PLANS (CONT'D)

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. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

	<u>County</u>	<u>CCC</u>	<u>CNH</u>
2011	\$ 4,620,561	\$ 881,971	\$ 383,513
2010	\$ 3,580,417	\$ 493,719	\$ 215,324
2009	\$ 2,469,604	\$ 569,629	\$ 243,382

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 \$705,104 in 2011.

11. FINANCING ARRANGEMENTS

Short-term Notes

Liabilities for bond anticipation notes (BANs) 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 short-term BAN interest expense amounted to \$24,750.

(Continued)

COUNTY OF CAYUGA, NEW YORK
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2011

11. FINANCING ARRANGEMENTS (CONT'D)

Short-term Notes (Cont'd)

The following is a summary of current obligations outstanding at December 31, 2011:

	Balance at January 1	Additions	Deductions	Balance at December 31
Emergency Communications (911)	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000
Soil & Water Digester (4/28/11)	1,500,000	-	(1,500,000)	-
Soil & Water Digester (4/27/12)	-	1,500,000	-	1,500,000
Total governmental activities	<u>\$ 1,500,000</u>	<u>\$ 11,500,000</u>	<u>\$ (1,500,000)</u>	<u>\$ 11,500,000</u>

The following is a summary of the maturity of bond anticipation notes outstanding at December 31, 2011:

	Issue Date	Final Maturity	Interest Rate	Outstanding December 31
Governmental activities:				
Emergency Communications (911)	4/28/2011	2/10/2012	1.50%	\$ 10,000,000
Soil & Water Digester	4/28/2011	4/27/2012	2.00%	<u>1,500,000</u>
				<u>\$ 11,500,000</u>

Short-term Notes - CCWSA

CCWSA utilizes short-term notes to fund construction on a sewer project in anticipation of receiving federal grants and long-term financing. During April 2011, CCWSA's bond anticipation note (BAN) was renewed in the form of a revenue refunding note (RRN) for an amount of \$4,040,000 with interest of 1.154% for \$2,000,000 of the note and 1.35% for the remaining \$2,040,000 portion of the note. Total principal repayments of \$400,000 were made during the year. State law requires that notes issued for general purposes be converted to long-term financing within five years after the original issue date.

	Balance at January 1, 2011	Increases	Decreases	Balance at December 31, 2011
Bond anticipation note (BAN)	\$ 2,500,000	\$ -	\$ (2,500,000)	\$ -
Revenue refunding note (RRN)	-	4,040,000	(400,000)	3,640,000
	<u>\$ 2,500,000</u>	<u>\$ 4,040,000</u>	<u>\$ (2,900,000)</u>	<u>\$ 3,640,000</u>

(Continued)

11. FINANCING ARRANGEMENTS (CONT'D)

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 2011 was \$456,038.

Serial Bonds - CTASC

The original purchase price for the County's future rights, title and interest in the Tobacco Settlement Revenues (TSRs) 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 \$33,338,337 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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

11. FINANCING ARRANGEMENTS (CONT'D)

Serial Bonds - CTASC (Cont'd)

The Series 2000 bonds are composed of the bonds which mature from June 1, 2002 through June 1, 2042, without flexible amortization, and from June 1, 2001 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:

- \$2,410,549 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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

11. FINANCING ARRANGEMENTS (CONT'D)

Other Long-Term Obligations

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

Compensated Absences - represents the value of earned and unused vacation leave and compensatory time. The amounts in the table are disclosed on a net basis, as it is impractical to report on the gross basis.

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, 2011, the COPs outstanding aggregated \$13,415,000 and are to be paid serially in varying amounts through 2021. Interest paid in connection with this agreement was \$875,100.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,240,000	\$ 804,900	\$ 2,044,900
2013	1,315,000	730,500	2,045,500
2014	1,395,000	651,600	2,046,600
2015	1,475,000	567,900	2,042,900
2016	1,565,000	479,400	2,044,400
2017-2020	<u>6,425,000</u>	<u>945,600</u>	<u>7,370,600</u>
	<u>\$ 13,415,000</u>	<u>\$ 4,179,900</u>	<u>\$ 17,594,900</u>

Pollution Remediation Obligations

In 2011 the County recognized recoveries of \$50,000. The total liability at December 31, 2011 was \$121,000. 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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

11. FINANCING ARRANGEMENTS (CONT'D)

Summary of Long-Term Debt

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

	Balance January 1	Increases	Decreases	Due in One Year	Due in More Than One Year
Governmental activities:					
Serial Bonds - excluding CTASC	\$ 15,475,000	\$ -	\$ (1,225,000)	\$ 1,050,000	\$ 13,200,000
Serial Bonds - CTASC	23,063,648	695,802	(220,000)	1,065,000	22,474,450
COPs	14,585,000	-	(1,170,000)	1,240,000	12,175,000
Pollution remediation obligation	171,000	-	(50,000)	-	121,000
Compensated absences	2,367,527	-	(88,084)	2,279,443	-
Other postemployment benefits	<u>20,545,846</u>	<u>9,886,215</u>	<u>(3,999,398)</u>	<u>-</u>	<u>26,432,663</u>
Total governmental activities	<u>76,208,021</u>	<u>10,582,017</u>	<u>(6,752,482)</u>	<u>5,634,443</u>	<u>74,403,113</u>
Business-type activities:					
Other postemployment benefits	<u>1,666,643</u>	<u>887,849</u>	<u>(314,476)</u>	<u>-</u>	<u>2,240,016</u>
Total primary government	<u>\$ 77,874,664</u>	<u>\$ 11,469,866</u>	<u>\$ (7,066,958)</u>	<u>\$ 5,634,443</u>	<u>\$ 76,643,129</u>

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

	Issue Date	Final Maturity	Interest Rate
Governmental activities:			
Serial Bonds - excluding CTASC:			
Public improvement serial bonds	2002	2017	2.50- 4.00%
Public improvement serial bonds	2010	2028	2.00-3.375%
COPs	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:

	Principal	Interest	Total
2012	\$ 1,050,000	\$ 422,175	\$ 1,472,175
2013	910,000	393,875	1,303,875
2014	930,000	369,062	1,299,062
2015	955,000	342,869	1,297,869
2016	980,000	315,963	1,295,963
2017 - 2028	<u>9,425,000</u>	<u>1,832,719</u>	<u>11,257,719</u>
	<u>\$ 14,250,000</u>	<u>\$ 3,676,663</u>	<u>\$ 17,926,663</u>

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

11. FINANCING ARRANGEMENTS (CONT'D)

Summary of Long-Term Debt (Cont'd)

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

	<u>2000</u> Series	<u>2005</u> Series
2012	\$ 1,065,000	\$ -
2013	570,000	-
2014	600,000	-
2015	630,000	-
2016	665,000	339,101
Thereafter	<u>9,645,000</u>	<u>35,998,030</u>
	<u>\$ 13,175,000</u>	<u>\$ 36,337,131</u>

Required maturities for the Series 2005 bonds represent the minimum amount of principal that the 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, the 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, the CTASC is subject to various debt covenants, including limitations on expenses/expenditures, and compliance with Indenture agreement requirements. The CTASC was in compliance with all covenants and Indenture agreement requirements at 2011.

A principal payment in the amount of \$220,000 was made during 2011 in accordance with the Series 2000 bonds.

Interest

Interest expense on CTASC bonds payable was \$1,553,839 in 2011. In 2011, cash paid for interest was \$859,124.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

11. FINANCING ARRANGEMENTS (CONT'D)

Summary of Long-Term Debt (Cont'd)

EFC Bonds - Component Unit - CCWSA

In 1999 the County was the recipient of \$3,517,809 in New York State Environmental Facilities Corporation ("NYS 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:

The following is the activity of the EFC bonds in 2011:

	Balance January 1	Increases	Decreases	Due in One Year	Due in More Than One Year
EFC bonds	\$ 1,505,000	\$ -	\$ (205,000)	\$ 210,000	\$ 1,090,000

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

	<u>EFC Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 210,000	\$ 25,961	\$ 235,961
2013	210,000	23,052	233,052
2014	215,000	19,361	234,361
2015	220,000	14,822	234,822
2015	225,000	9,377	234,377
2017	220,000	3,207	223,207
	<u>\$ 1,300,000</u>	<u>\$ 95,780</u>	<u>\$ 1,395,780</u>

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

11. FINANCING ARRANGEMENTS (CONT'D)

Summary of Long-Term Debt (Cont'd)

Component Units - Proprietary

	Balance January 1	Increases	Decreases	Due in One Year	Due in More Than One Year
Governmental Component Units:					
SWCD -					
Other post employment benefits	\$ 741,079	\$ 179,773	\$ -	\$ -	\$ 920,852
Capital leases	-	102,500	(3,179)	19,406	79,915
Compensated absences	225,188	44,507	-	-	269,695
Total governmental	<u>966,267</u>	<u>326,780</u>	<u>(3,179)</u>	<u>19,406</u>	<u>1,270,462</u>
Proprietary Component Units:					
CCC -					
Bonds payable	9,446,824	-	(304,973)	317,850	8,824,001
Other post employment benefits	5,841,010	752,246	-	-	6,593,256
CCWSA -					
Notes and bonds payable - Including EFC bonds	<u>2,778,403</u>	<u>4,223,751</u>	<u>(1,162,912)</u>	<u>351,951</u>	<u>5,487,291</u>
Total proprietary	<u>\$ 18,066,237</u>	<u>\$ 4,975,997</u>	<u>\$ (1,467,885)</u>	<u>\$ 669,801</u>	<u>\$ 20,904,548</u>

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

	CCC			CCWSA		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 317,850	\$ 470,182	\$ 788,032	\$ 351,951	\$ 82,987	\$ 434,938
2013	367,629	455,344	822,973	344,017	78,837	422,854
2014	328,500	437,070	765,570	3,431,054	73,816	3,504,870
2015	350,432	420,331	770,763	258,259	62,862	321,121
2016	368,446	402,374	770,820	263,471	56,398	319,869
2017 - 2021	2,053,914	1,717,377	3,771,291	412,930	208,164	621,094
2022 - 2026	2,587,900	1,110,570	3,698,470	168,070	155,762	323,832
2027 - 2031	1,976,530	475,395	2,451,925	177,178	121,007	298,185
2032 - 2036	790,650	85,781	876,431	203,849	78,167	282,016
2037-2041	-	-	-	228,463	25,991	254,454
	<u>\$ 9,141,851</u>	<u>\$ 5,574,424</u>	<u>\$ 14,716,275</u>	<u>\$ 5,839,242</u>	<u>\$ 943,991</u>	<u>\$ 6,783,233</u>

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

12. 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 2011 amounted to approximately \$215,000 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:

YEAR ENDING DECEMBER 31,	AMOUNT
2012	\$ 111,270
2013	19,031
TOTAL	<u>\$ 130,301</u>

13. 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. Under GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the assets and the corresponding liabilities of the Plan are not reported as part of the County.

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 \$6,918,156 at December 31, 2011. Contributions made by employees during the year ended December 31, 2011 were \$567,287.

14. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The County provides certain health care benefits for retired employees of the County, CCC and CNH. 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.

(Continued)

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

14. POSTEMPLOYMENT HEALTH CARE BENEFITS (CONT'D)

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, 2011 was approximately 440. 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. 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 and CNH:

	<u>County</u>	<u>CNH</u>	<u>CCC</u>
Annual required contribution	\$ 9,064,381	\$ 821,183	\$ 2,156,005
Interest on net OPEB obligation	821,834	66,666	233,640
Adjustment to ARC	<u>(1,209,805)</u>	<u>(98,137)</u>	<u>(343,937)</u>
Annual OPEB cost	8,676,410	789,712	2,045,708
Contributions made	<u>(2,789,593)</u>	<u>(216,339)</u>	<u>(1,293,462)</u>
Increase in net OPEB obligation	5,886,817	573,373	752,246
Net OPEB obligation - beginning of year	<u>20,545,846</u>	<u>1,666,643</u>	<u>5,841,010</u>
Net OPEB obligation - end of year	<u>\$ 26,432,663</u>	<u>\$ 2,240,016</u>	<u>\$ 6,593,256</u>
Percentage of Annual OPEB Cost Contributed	32.2%	27.4%	63.2%

(Continued)

14. POSTEMPLOYMENT HEALTH CARE BENEFITS (CONT'D)

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 the December 31, 2011 actuarial valuation for the County and CNH, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate	4.0%
Inflation assumption	2.9%
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level percentage of payroll
Amortization basis	Closed

In the August 31, 2011 actuarial valuation for the CCC, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate	4.0%
Medical care cost trend rate	2.0% to 6.6% for medical cost and prescription drug costs.
Unfunded actuarial accrued liability:	
Amortization period	30 years

(Continued)

15. CONCENTRATIONS AND CONTINGENCY COMMITMENTS

Concentrations

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

Concentrations - CNH

CNH receives net residents services revenue from Medicaid program, Medicare program, private payments and other programs. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. CNH believes that it is in compliance with all applicable laws and regulations. Provisions for adjustments related to these programs are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is anticipated that certain outstanding settlements will be finalized in the near term and there is at least a reasonable possibility that the final settlements may differ materially from amounts currently recorded. In addition, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Concentrations of net resident service revenue are as follows:

Medicare 26%
Medicaid 49%
Private payor and other 25%

CNH grants credit without collateral to its residents, most of who are insured under third part payor agreements. Concentrations of resident accounts receivable by payor classes are as follows:

Medicare 18%
Medicaid 25%
Private payor and other 57%

Contingency Commitments - 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.

(Continued)

15. CONCENTRATIONS AND CONTINGENCY COMMITMENTS (CONT'D)

Contingency Commitments - CNH

CNH is involved in legal proceedings arising from its normal course of operations. Although it is not possible to determine the final outcome of these matters, management believes the aggregate liability, if any, resulting from such proceedings will not have a material adverse effect on CNH's assets, liabilities, net assets, operations or cash flows.

16. EXTRAORDINARY ITEM

During 2011, the County wound down the operations of its "Home Health" program and sold the license and rights to a private provider for the price of \$1,000,000. This event is both unusual in nature and infrequent in occurrence. This revenue has been recorded as an extraordinary item in the General Fund.

COUNTY OF CAYUGA, NEW YORK
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Encumbrances	Variance Favorable (Unfavorable)
	Original	Modified			
REVENUES:					
Real property taxes and tax items	\$ 35,637,458	\$ 35,637,458	\$ 35,949,790	\$ -	\$ 312,332
Non-property tax items	38,852,400	38,852,400	40,730,599	-	1,878,199
Departmental income	10,945,622	13,016,598	13,055,054	-	38,456
Intergovernmental charges	86,656	86,656	3,514,496	-	3,427,840
Use of money and property	412,383	412,383	445,607	-	33,224
Licenses and permits	10,000	10,000	11,015	-	1,015
Fines and forfeitures	136,983	136,983	128,747	-	(8,236)
Sale of property and compensation for loss	-	-	54,452	-	54,452
Miscellaneous	2,216,100	2,368,100	3,104,920	-	736,820
Interfund revenues	-	-	8,621,818	-	8,621,818
State and county aid	14,206,639	16,061,569	14,492,206	-	(1,569,363)
Federal aid	10,895,718	12,829,009	12,466,859	-	(362,150)
Total revenues	<u>113,399,959</u>	<u>119,411,156</u>	<u>132,575,563</u>	<u>-</u>	<u>13,164,407</u>
EXPENDITURES:					
Current:					
General government support	32,328,785	32,609,866	33,047,006	46,856	(390,284)
Education	3,123,020	3,166,270	3,162,835	-	3,435
Public safety	16,814,071	17,628,161	16,988,500	133,652	773,313
Public health	14,261,928	17,767,204	14,594,568	15,648	3,188,284
Transportation	176,200	176,200	162,396	-	13,804
Economic assistance and opportunity	40,216,993	41,619,432	40,618,650	19,096	1,019,878
Culture and recreation	1,234,865	1,342,980	1,156,307	3,159	189,832
Home and community services	1,757,610	1,758,930	1,754,829	630	4,731
Employee benefits	293,426	293,426	12,367,116	-	(12,073,690)
Debt service:					
Principal	1,170,000	1,170,000	1,170,000	-	-
Interest	875,100	875,100	875,100	-	-
Total expenditures	<u>112,251,998</u>	<u>118,407,569</u>	<u>125,897,307</u>	<u>219,041</u>	<u>(7,270,697)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,147,961</u>	<u>1,003,587</u>	<u>6,678,256</u>	<u>(219,041)</u>	<u>5,893,710</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers - in	-	52,945	328,792	-	275,847
Operating transfers - out	(7,093,961)	(7,389,219)	(6,610,652)	-	778,567
Total other financing sources (uses)	<u>(7,093,961)</u>	<u>(7,336,274)</u>	<u>(6,281,860)</u>	<u>-</u>	<u>1,054,414</u>
EXTRAORDINARY INCOME	<u>1,044,000</u>	<u>1,044,000</u>	<u>1,000,000</u>	<u>-</u>	<u>(44,000)</u>
CHANGES IN FUND BALANCE	<u>(4,902,000)</u>	<u>(5,288,687)</u>	<u>1,396,396</u>	<u>(219,041)</u>	<u>6,904,124</u>
FUND BALANCE - BEGINNING OF YEAR	<u>20,359,885</u>	<u>19,632,147</u>	<u>40,893,953</u>	<u>8,638,172</u>	<u>8,638,172</u>
FUND BALANCE - END OF YEAR	<u>\$ 15,457,885</u>	<u>\$ 14,343,460</u>	<u>\$ 42,290,349</u>	<u>\$ 8,419,131</u>	<u>\$ 15,542,296</u>

See Notes to Basic Financial Statements

County of Cayuga, New York

**Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/(c)</u>
12/31/2009	\$ -	\$ 120,090,748	\$ 120,090,748	0.0%	N/A	N/A
12/31/2010	\$ -	\$ 90,226,399	\$ 90,226,399	0.0%	N/A	N/A
12/31/2011	\$ -	\$ 94,589,894	\$ 94,589,894	0.0%	\$ 30,088,611	314%

COUNTY OF CAYUGA, NEW YORK
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

1. 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, 2011 balances of the General Fund which includes the ("Consortium") and casualty and liability activity. These differences result in both favorable and unfavorable variances.

COUNTY OF CAYUGA, NEW YORK
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 2,368,709	\$ 2,456,719	\$ 4,825,428
Cash and cash equivalents, restricted	1,333,503	-	1,333,503
Accounts receivable	1,218,485	89,429	1,307,914
Loans receivable	-	589,213	589,213
State and federal aid receivable	-	2,140,958	2,140,958
Prepaid expenses	-	121,334	121,334
Due from other funds	-	7,283	7,283
Total assets	<u>4,920,697</u>	<u>5,404,936</u>	<u>10,325,633</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable and other current liabilities	-	146,722	146,722
Accrued wages and benefits	-	217,640	217,640
Due to other funds	16,539	1,284,388	1,300,927
Due to other governments	-	251,527	251,527
Deferred revenue	42,200	589,213	631,413
Total liabilities	<u>58,739</u>	<u>2,489,490</u>	<u>2,548,229</u>
Fund balances:			
Nonspendable	-	121,334	121,334
Restricted	1,333,503	-	1,333,503
Assigned	3,528,455	2,794,112	6,322,567
Total fund balances	<u>4,861,958</u>	<u>2,915,446</u>	<u>7,777,404</u>
Total liabilities and fund balances	<u>\$ 4,920,697</u>	<u>\$ 5,404,936</u>	<u>\$ 10,325,633</u>

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:			
Departmental income	\$ -	\$ 386,908	\$ 386,908
Intergovernmental charges	-	1,111,347	1,111,347
Use of money and property	491	3,227	3,718
Licenses and permits	-	440	440
Sale of property and compensation for loss	-	1,915	1,915
Miscellaneous	1,214,118	141,555	1,355,673
State aid	-	4,079,690	4,079,690
Federal aid	-	1,102,343	1,102,343
Total revenues	<u>1,214,609</u>	<u>6,827,425</u>	<u>8,042,034</u>
EXPENDITURES:			
Current:			
General government support	186,093	23,862	209,955
Transportation	-	9,132,622	9,132,622
Economic assistance and opportunity	-	583,902	583,902
Home and community services	-	455,973	455,973
Employee benefits	-	2,082,274	2,082,274
Debt service:			
Principal	1,445,000	-	1,445,000
Interest and other charges	1,339,911	-	1,339,911
Total expenditures	<u>2,971,004</u>	<u>12,278,633</u>	<u>15,249,637</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,756,395)</u>	<u>(5,451,208)</u>	<u>(7,207,603)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers - in	1,111,375	6,750,000	7,861,375
Operating transfers - out	(16,539)	(1,498,001)	(1,514,540)
Total other financing sources (uses)	<u>1,094,836</u>	<u>5,251,999</u>	<u>6,346,835</u>
CHANGES IN FUND BALANCE	<u>(661,559)</u>	<u>(199,209)</u>	<u>(860,768)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>5,523,517</u>	<u>3,114,655</u>	<u>8,638,172</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,861,958</u>	<u>\$ 2,915,446</u>	<u>\$ 7,777,404</u>

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Road Machinery Fund</u>	<u>County Road Fund</u>	<u>Special Grant Fund</u>	<u>Miscellaneous Funds</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS:					
Cash and cash equivalents	\$ 505,060	\$ -	\$ 1,862,218	\$ 89,441	\$ 2,456,719
Accounts receivable	70,368	252	-	18,809	89,429
Notes and loans receivable	-	-	589,213	-	589,213
State and federal aid receivable	-	2,015,138	125,820	-	2,140,958
Prepaid expenses	17,929	89,188	14,217	-	121,334
Due from other funds	-	-	-	7,283	7,283
Total assets	<u>593,357</u>	<u>2,104,578</u>	<u>2,591,468</u>	<u>115,533</u>	<u>5,404,936</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts payable and other current liabilities	89,542	52,414	4,766	-	146,722
Accrued wages and benefits	53,992	132,469	31,179	-	217,640
Due to other funds	-	1,204,388	80,000	-	1,284,388
Due to other governments	-	-	251,527	-	251,527
Deferred revenue	-	-	589,213	-	589,213
Total liabilities	<u>143,534</u>	<u>1,389,271</u>	<u>956,685</u>	<u>-</u>	<u>2,489,490</u>
Fund Balances:					
Nonspendable	17,929	89,188	14,217	-	121,334
Assigned	431,894	626,119	1,620,566	115,533	2,794,112
Total fund balances	<u>449,823</u>	<u>715,307</u>	<u>1,634,783</u>	<u>115,533</u>	<u>2,915,446</u>
Total liabilities and fund balances	<u>\$ 593,357</u>	<u>\$ 2,104,578</u>	<u>\$ 2,591,468</u>	<u>\$ 115,533</u>	<u>\$ 5,404,936</u>

See Notes to Basic Financial Statements

COUNTY OF CAYUGA, NEW YORK
COMBINING STATEMENT OF CHANGES IN REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Road Machinery Fund	County Road Fund	Special Grant Fund	Miscellaneous Fund	Total Nonmajor Special Revenue Funds
OPERATING REVENUES:					
Departmental income	\$ -	\$ -	\$ 386,908	\$ -	\$ 386,908
Intergovernmental charges	1,111,347	-	-	-	1,111,347
Use of money and property	9	3	2,819	396	3,227
Licenses and permits	-	440	-	-	440
Sale of property and compensation for loss	1,915	-	-	-	1,915
Miscellaneous	15,447	5,851	5,480	114,777	141,555
State aid	-	4,079,690	-	-	4,079,690
Federal aid	-	-	1,102,343	-	1,102,343
Total operating revenues	<u>1,128,718</u>	<u>4,085,984</u>	<u>1,497,550</u>	<u>115,173</u>	<u>6,827,425</u>
EXPENDITURES:					
Current:					
General government support	-	-	-	23,862	23,862
Transportation	2,376,926	6,755,696	-	-	9,132,622
Economic assistance and opportunity	-	-	583,902	-	583,902
Home and community services	-	-	455,973	-	455,973
Employee benefits	255,827	1,639,793	186,654	-	2,082,274
Total expenditures	<u>2,632,753</u>	<u>8,395,489</u>	<u>1,226,529</u>	<u>23,862</u>	<u>12,278,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,504,035)</u>	<u>(4,309,505)</u>	<u>271,021</u>	<u>91,311</u>	<u>(5,451,208)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers - in	1,350,000	5,400,000	-	-	6,750,000
Operating transfers - out	-	(1,390,000)	-	(108,001)	(1,498,001)
Total other financing sources (uses)	<u>1,350,000</u>	<u>4,010,000</u>	<u>-</u>	<u>(108,001)</u>	<u>5,251,999</u>
CHANGE IN FUND BALANCE	<u>(154,035)</u>	<u>(299,505)</u>	<u>271,021</u>	<u>(16,690)</u>	<u>(199,209)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>603,858</u>	<u>1,014,812</u>	<u>1,363,762</u>	<u>132,223</u>	<u>3,114,655</u>
FUND BALANCE - END OF YEAR	<u>\$ 449,823</u>	<u>\$ 715,307</u>	<u>\$ 1,634,783</u>	<u>\$ 115,533</u>	<u>\$ 2,915,446</u>

See Notes to Basic Financial Statements