

**RENEWAL ISSUE**

**BOND ANTICIPATION NOTES**

*In the opinion of Trespasz & Marquardt, LLP, Bond Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance by the County with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes; however, such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Notes is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or the accrual of interest on the Notes. See "TAX MATTERS" herein.*

*The Notes will not be designated by the County as "qualified tax-exempt obligations" pursuant to the provisions of Section 265 of the Code.*

*UNLESS AN EXEMPTION APPLIES PURSUANT TO PARAGRAPH (D)(1) OR (D)(2) OF THE AMENDMENTS TO RULE 15c2-12 OF THE U.S. SECURITIES AND EXCHANGE COMMISSION, THE COUNTY WILL COMPLY WITH SAID AMENDMENTS BY PROVIDING NOTICES OF ANY MATERIAL EVENTS TO A NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY.*

**\$10,000,000**

**COUNTY OF CAYUGA, NEW YORK  
GENERAL OBLIGATIONS**

**\$10,000,000 Bond Anticipation Notes, 2012 (Renewals)**

**At An Interest Rate of 1.25% to Yield 0.50%**

**CUSIP NO. 149761 GB8**

**Dated: February 9, 2012**

**Due: February 8, 2013**

**(referred to herein as the "Notes")**

The Notes are general obligations of the County of Cayuga, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "NEW TAX LEVY LIMITATION LAW" herein.

The Notes will not be subject to redemption prior to maturity and will be issued in registered form in denominations of \$5,000 or multiples thereof. Principal and interest will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the purchaser.

The Notes may be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased. See "Book-Entry-Only-System" herein.

Payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

The Notes are offered and received by the purchaser and subject to the receipt of the unqualified legal opinion as to the validity of the Notes of Trespasz & Marquardt, LLP, Bond Counsel, Syracuse, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC in New York, New York, or as may be agreed upon, on or about February 9, 2012.

February 1, 2012

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE COUNTY DATED JANUARY 20, 2012 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. OTHER THAN AS SET FORTH ON THE REVISED COVER AND THE REVISION OF THE DATED DATE ON PAGE 27, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

**BofA Merrill Lynch**

**COUNTY of CAYUGA, NEW YORK**

**COUNTY LEGISLATURE**

STEVE E. CUDDEBACK  
Chairman

TUCKER WHITMAN  
MICHAEL CHAPMAN  
JOSEPH L. RUNKLE  
MARK D. FARRELL  
PAUL PINCKNEY  
MICHAEL V. DIDIO  
HANS-PETER PECHER

STEVEN E. CUDDEBACK  
CYNTHIA S. AIKMAN  
STEPHEN BARSKI  
PATRICK V. MAHUNIK  
TIMOTHY LATTIMORE  
GEORGE FEARON  
DAVID AXTON

\* \* \* \* \*

THOMAS SQUIRES  
County Administrator

JAMES H. ORMAN  
County Treasurer

SUSAN M. DWYER  
County Clerk

FREDRICK R. WESTPHAL, ESQ.  
County Attorney

FISCAL ADVISORS & MARKETING, INC.  
County Financial Advisors

TRESPASZ & MARQUARDT, LLP  
Bond Counsel

No person has been authorized the County of Cayuga to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County of Cayuga.

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*PREPARED WITH THE ASSISTANCE OF*  
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**OFFICIAL STATEMENT**

of the

**COUNTY OF CAYUGA, NEW YORK**

**Relating To**

**\$10,000,000 Bond Anticipation Notes, 2012 (Renewals)**

This Official Statement, which includes the cover page and appendices, has been prepared by the County of Cayuga, New York (the "County" and "State", respectively) in connection with the sale by the County of \$10,000,000 principal amount of Bond Anticipation Notes, 2012 (referred to herein as the "Notes").

The factors affecting the County's financial condition and the Notes are described throughout this Official Statement. Since as many of these factors, including economic and demographic factors are complex and may influence the County tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the County contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the County relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

All financial and other information presented herein has been provided by the County from its records, except for the information expressly attributed to other sources. The presentation of such information is intended to show recent historical data and is not intended to indicate future or continuing trends in the financial position of other affairs of the County. No representation is made that past experience will necessarily continue or be repeated in the future.

**DESCRIPTION OF THE NOTES**

The Notes are general obligations of the County, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the County is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "NEW TAX LEVY LIMITATION LAW" herein.

The Notes are dated February 9, 2012 and mature on February 8, 2013, without option of prior redemption. The Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. See "Book-Entry-Only System" herein.

**No Optional Redemption**

The Notes are not subject to redemption prior to maturity.

**Book-Entry-Only System**

At the option of the purchaser(s), The Depository Trust Company ("DTC"), New York, NY, will act as securities depository the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each note which bears the same rate of interest and CUSIP number.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries

that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the County takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

## **Certificated Notes**

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the County and discharging its responsibilities with respect thereto under applicable law, or the County may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank(s) or trust company(ies) located and authorized to do business in the State of New York to be named as fiscal agent by the County. The Notes will remain not subject to redemption prior to their stated final maturity date.

## **Purpose of Issue**

The Notes are issued pursuant to the Constitution and statutes of the State including among others, the Local Finance Law and bond resolutions adopted June 30, 2010 and May 24, 2011 relating the County's E911 Emergency Communications systems. The County has the issuance of bonds and notes in an amount not to exceed \$17,022,383 for this project. \$5,185,000 has been bonded and after issuance of the Notes, the County will have \$1,837,383 authorized and unissued.

The proceeds of the Notes will renew \$10,000,000 bond anticipation notes outstanding issued for the above mentioned purpose, which mature on February 10, 2012.

## **THE COUNTY**

### **General Information**

The County of Cayuga, with a land area of 695 square miles, is located in the Finger Lakes Region of New York State approximately 25 miles west of the City of Syracuse. The County includes the City of Auburn, twenty-three towns and nine incorporated villages. The City of Auburn, with a 2010 Census of 27,687, is the County Seat and largest urban center.

Agriculture is an important aspect of the County's economy. Additionally, large manufacturing and commercial firms in the County include Owens Brockway Glass Containers, Nucor, TRW (Division of Gulf and Western Manufacturing), McQuay International and Automatic Rolls of New York. There are two correctional facilities located in the County. The Auburn Correctional Facility, the State's oldest prison, interns approximately 1,700 inmates and the Cayuga Correctional Facility interns approximately 1,500 inmates.

Wells College, founded in 1868 by Henry Wells of Wells Fargo, is a four-year liberal arts school located in the County. Cayuga Community College, with an approximate enrollment of 3,000 students, is a two-year college sponsored by the county and supervised by the State University of New York offering students an associate's degree in arts, science and applied science.

Cayuga County is well known for several historical reasons. Millard Fillmore, the 13th President of the United States, was born in the County. The home of William Seward, President Lincoln's Secretary of State, can be visited in Auburn. Willard Chapel, also located in Auburn, is the only complete Louis Comfort Tiffany religious interior remaining in the world. Ted Case, at Case Research Lab in Auburn, pioneered the sound used in talking movies. The County houses the Harriet Tubman Home and Reference Library.

## Culture and Recreational Facilities

The County offers extensive outdoor recreational opportunities with three state parks, seven lakes, ten public golf courses, 18 campgrounds and 21 marinas. Camping, biking, boating, cross country skiing, snowshoeing, hunting, hiking, bird watching, scuba diving and other forms of outdoor recreation are available from the Seaway Trail along Lake Ontario to the Montezuma National Wildlife Refuge. The County lies beneath a major flyway from Canada to the wintering grounds and Lake Ontario.

With more freshwater coastline than any county in the State, fishing is particularly popular in Cayuga County. Lake Ontario is known for its abundance of Chinook Salmon and Steelhead and more particularly for the quality of the spring Brown Trout fishing along the Village of Fair Haven's Lake Ontario Shoreline.

The Finger Lakes Region offers an abundance of premium wineries and wine trails which follow the banks of five different lakes, Cayuga, Canandaigua, Keuka, Ontario, and Seneca. The Cayuga Lake Wine Trail is the longest running wine trail in New York and consists of 15 wineries, 1 cidery, 1 meadery and 4 distilleries along the trail.

In addition, the County is home to The Merry-Go-Round Playhouse (the "Playhouse"), a professional, not-for-profit theatre comprised of the Merry-Go-Round Playhouse Musical Theatre and the Merry-Go-Round Youth Theatre. The Playhouse opened its 39<sup>th</sup> season of performances in the historic Carousel Building in Emerson Park on Owasco Lake in 2010. Each season, the Playhouse produces five Broadway musical productions in its newly renovated facility. In 2010, the Playhouse performed for over 50,000 patrons.

Falcon Park is home of the Auburn Doubledays - the single-A affiliate of the Washington Nationals. The Park, which opened in 1995, seats 2,800 fans and was renovated with new box seats in 2008. The Doubledays attracted over 56,800 patrons during the course of its 32 home games at Falcon Park in the summer of 2010.

## Population Trends

	<u>Cayuga County</u>	<u>New York State</u>	<u>United States</u>
1980	79,894	17,558,072	226,504,825
1990	82,313	17,990,455	249,632,692
2000	81,963	18,976,457	284,968,348
2008	80,062	19,428,881	301,237,703
2009	79,526	19,541,453	307,006,550
2010	80,026	19,378,102	308,745,538

Source: U.S. Department of Commerce, Bureau of the Census.

Note: 2011 data is not available at this time.

## Wealth and Income Indicators

Per capita income statistics are available for the County and State. Listed below are select figures from the 1990, 2000 and 2010 Census reports.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
County of:						
Cayuga	\$ 11,671	\$ 18,003	\$ 22,959	\$ 32,736	\$ 44,973	\$ 58,761
State of:						
New York	16,501	23,389	42,492	39,741	51,691	54,047

Source: U.S. Bureau of the Census. 2006-2010 American Community Survey 5-Year Estimates.

Note: 2011 information is not available at this time.

**Largest Employers**

<u>Name</u>	<u>Number of Employees</u>	<u>Type</u>
Cayuga County	842	Government
Auburn Memorial Hospital	847	Hospital
State of NY Correctional Facility	827	Prison
Auburn City School District	642	Education
Moravia Prison	525	Prison

**Banking Facilities**

The following banks maintain offices in the County:

Bank of America, N.A.	KeyBank, N.A.
Cayuga Lake National Bank	M&T Bank
Community Bank, N.A.	Savannah Bank, N.A.
First National Bank of Groton	Seneca Falls Savings Bank
First Niagara Bank, N.A.	State Farm Bank
Five Star Bank	Tompkins Trust Company
HSBC Bank USA, N.A.	

**Unemployment Rate Statistics**

	<u>Year Average</u>							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cayuga County	5.3%	5.1%	4.9%	4.8%	4.5%	5.5%	8.3%	8.3%
New York State	6.4%	5.8%	5.0%	4.6%	4.5%	5.3%	8.4%	8.6%

	<u>2011 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Cayuga County	9.2%	9.0%	8.4%	7.5%	7.2%	7.5%	7.2%	6.9%	6.9%	6.8%	7.2%	N/A
New York State	8.9%	8.7%	8.0%	7.6%	7.8%	8.0%	8.0%	7.7%	7.8%	7.7%	7.9%	N/A

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

**Form of County Government**

The County is divided into fifteen Legislative Districts with one Legislator elected in each District. Six districts are within the City of Auburn and nine are outside the City. The Chairman of the County Legislature is elected annually at the first meeting of the year.

The County Treasurer, the chief fiscal officer, is elected for a four-year term. The County Clerk, Sheriff and District Attorney are also elected for 4-year terms. The Chairman of the Legislature, the Superintendent of Highways, County Attorney, Director of Real Property Tax Services and other County officials are appointed by the County Legislature.

In 2006, the County established and filled the new position of County Administrator. The County Administrator oversees the daily operations of the County and is charged with implementing the policies established by the County Legislature. The County Administrator also serves as the Budget Officer of the County.

Source: County Officials.

**Financial Organization**

The County Legislature meets at both regular monthly and special meetings throughout the year. The County Legislature reviews and adopts the annual County budget, levies taxes, reviews and approves any modifications to the budget, and authorizes all indebtedness of the County. The County Treasurer is the Chief Fiscal Officer. The County Administrator is the Budget Officer.

## **Budgetary Procedures**

Each department head submits a budget during the month of August to the County Budget Officer. The tentative budget is due to the Clerk of the Legislature on or before November 15. The Ways and Means Committee of the County Legislature files and changes, revisions or alterations with the Clerk of the Legislature within 15 days after receipt of the tentative budget. The Ways and Means Committee after such review approves such tentative budget as originally proposed or with such amendments as it may determine. There is typically a legislative meeting to review the Ways and Means Committee comments.

Public hearings on the tentative budget are held no later than December 20 and shortly thereafter the final budget is adopted. The budget is not subject to referendum.

Operating adjustments are made by the County Legislature upon recommendation for the Chairman of the Ways and Means Committee during the course of the fiscal year to insure that expenses will not exceed revenues.

## **Investment Policy**

Pursuant to the statutes of the State of New York, the County is permitted to invest only in the following investments: (1) special time deposits accounts in or certificates of deposits issued by a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the County; (6) obligations of New York public benefit corporations which are made lawful investments by the County pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of County moneys held in certain reserve funds established pursuant to law, obligations issued by the County. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the County's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) obligations issued pursuant to LFL 24.00 or 25.00 (with approval by the State Comptroller); (6) obligations of other 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; (7) certificates of participation (COPs) issued pursuant to GML Section 109-b; (8) obligations of this local government, but only with any moneys in a reserve fund established pursuant to GML Section 6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n. In the case of obligations of the United States government, the County may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian in accordance with the guidelines of the office of the State Comptroller.

## **State Aid**

The County receives financial assistance from the State. In its budget for the 2012 fiscal year, approximately 11.91% of the revenues of the County are estimated to be received in the form of State aid. For the 2011 fiscal year, approximately 12.4% of the revenues of the County are estimated to be received in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the County, in any year, the County may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the County, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the County. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the County requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. (See also "MARKET AND RISK FACTORS").

**Employees**

The County provides services through approximately 926 full and part-time employees. Employees other than management and certain professional positions are represented by the labor organizations as shown below.

<u>Labor Organization</u>	<u>Number of Members</u>	<u>Term of Contract</u>
Civil Service Employees Association (Local 806)	398	December 31, 2011 <sup>(1)</sup>
Sheriff's Employees Association	103	December 31, 2011 <sup>(1)</sup>
Cayuga County Deputy Sheriff Police Association	34	December 31, 2011 <sup>(1)</sup>
New York State Nurses Association (NYSNA)	15	December 31, 2011 <sup>(1)</sup>

<sup>(1)</sup> Currently under negotiations.

**Pension Payments**

Substantially all employees of the County are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 with less than 10 years of full time service must contribute 3% of gross annual salary toward the cost of retirement programs.

On December 12, 2009, the Governor signed a new Tier V into law. The law is effective for new ERS hires beginning on January 1, 2010. New ERS employees will now contribute 3 percent of their salaries. There is no provision for these contributions to cease after a certain period of service. Overtime in excess of \$15,000 will not be subject to ERS either in contribution from the county or the employee.

The County's contributions to ERS since 2004 are as follows:

<u>Year</u>	<u>County</u>	<u>CCC*</u>	<u>Nursing Home</u>
2004	\$ 3,508,532	\$ 270,569	\$ 211,684
2005	3,030,281	376,555	213,004
2006	3,090,070	577,474	248,080
2007	2,785,160	275,582	266,267
2008	2,473,668	227,224	283,486
2009	2,297,694	243,382	212,842
2010	3,262,671	381,144	261,253
2011 (Budgeted)	4,462,583	518,356	453,930
2011 (Actual)	4,392,286	742,175	351,700

\* Cayuga Community College.

In the State of New York, historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS and PFRS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS and PFRS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year will be based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

The impact of the global recession on the \$116.5 billion New York State Common Retirement Fund will drive the average ERS rate up to 11.9% (up from 7.4% in 2010). The average PFRS rate will be 18.2% (up from 15.1% in 2010). These rates on par with the rates from 2005, 2006 and 2007 when ERS rates were 12.9%, 11.3% and 10.7% and PFRS were 17.6%, 16.3% and 17.0% respectively.

While the County is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the County's employees is not subject to the direction of the County. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the County which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

It should also be noted that the County provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the County, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

**GASB 45 and OPEB.** OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The County is in compliance with the requirements of GASB 45.

As of December 31, 2010, the actuarial present value of the total projected benefits for the County's 640 active employees and 428 retirees was \$140,958,764. The actuarial accrued liability, the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, is \$90,226,399. The actuarial value of the Plan's assets was \$0, resulting in an unfunded actuarial accrued liability of \$90,226,399. The County's annual OPEB cost was \$9,350,348 and is equal to the annual required contribution. The County is on a pay-as-you-go funding basis and owed \$9,063,500 for the fiscal year ending December 31, 2010. However, the County only paid \$0 to the Plan resulting in a year-end net unfunded OPEB obligation of \$9,063,500. The County's unfunded actuarial accrued liability could have a material adverse impact upon the County's finances and could force the County to reduce services, raise taxes or both. Additional information can be obtained by contacting the County directly.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

### **Other Information**

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes for which the Notes are to be issued, is the County Law and the Local Finance Law.

The County is in compliance with the procedure for the validation of the Notes provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of this County is past due.

The fiscal year of the County is the calendar year.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the County.

### **Financial Statements**

The County retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the County. The last such audit covers the fiscal year ending December 31, 2010 and may be found attached hereto as appendices to this Official Statement. Certain information related to such audits can be found in Appendix A to this Official Statement. The financial affairs of the County are also subject to audit by the State Comptroller. Certain other financial information of the County may be found attached hereto as appendices to this Official Statement.

The County complies with the Uniform System of Accounts as prescribed for cities in New York State by the State Comptroller. This System differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Changes to the Uniform System of Accounts as prescribed for counties have been made by the State Comptroller in order to conform the Uniform System of Accounts to certain of these principles. These changes require the County to maintain a record of fixed assets to be recorded at cost or at estimated historical cost.

Beginning with the fiscal year ending December 31, 2003, the County was required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis.

### **Ongoing Medicaid Audit**

The Office of Medicaid Inspector General (OMIG), an independent entity within the New York State Department of Health, performed an audit of the Cayuga County Mental Health Department's Medicaid reimbursable services, equipment and supplies. This audit was directed at ensuring provider compliance with applicable laws, regulations, rules and policies of the New York State Medicaid Program. While the on-site audit work was completed by OMIG and in October 2008, OMIG provided preliminary findings, however, the final report is not complete. There was an additional on site visit along with additional requests for information. In 2009, the County had asked for the status of this report and was informed the report was in Albany and being reviewed. County officials are currently unable to accurately predict whether fines or chargebacks will be imposed on the County, and if so, the magnitude of such liability. The County is aware of the potential negative consequences on its budget and has taken the appropriate steps to budget accordingly for any impact.

## NEW TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (“Chapter 97” or the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers.)

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2016 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments are permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district’s calculation of each fiscal year’s tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, and the Teachers’ Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for “Capital Local Expenditures” subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. “Capital Local Expenditures”, are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. The portion of the tax levy necessary to support “Capital Local Expenditures” is defined as the “Capital Tax Levy”, and is an exclusion from the tax levy limitation.

## TAX INFORMATION

### Valuations

<u>Years Ending December 31:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Valuation	\$ 3,352,941,130	\$ 3,470,931,879	\$ 3,731,251,860	\$ 3,980,426,894	\$ 4,074,750,577
New York State Equalization Rate	86.32%	83.04%	85.53%	90.10%	94.26%
Full Valuation	\$ 3,620,104,869	\$ 4,179,745,316	\$ 4,371,315,769	\$ 4,416,042,454	\$ 4,322,884,126

### Tax Rate Per \$1,000

<u>Years Ending December 31:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Value	\$ 9.56	\$ 9.64	\$ 9.30	\$ 8.77	\$ 8.63
Full Value	8.85	7.87	7.94	7.79	8.14

### Tax Collection Record

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Tax Levy <sup>(1)</sup>	\$ 47,073,392	\$ 48,554,861	\$ 50,861,439	\$ 51,397,617	\$ 52,025,692
Collected During Year	46,857,845	46,216,364	48,145,378	48,718,058	N/A
Uncollected December 31 <sup>st</sup>	2,320,328	2,338,497	2,716,061	2,679,559	N/A
% Uncollected December 31 <sup>st</sup>	4.95%	4.82%	5.34%	5.21%	N/A

### Uncollected Taxes and Tax Liens by Year

<u>Year</u>	<u>Tax Receivables Pending</u>	<u>Property Acquired for Taxes</u>	<u>Total</u>
2011	\$ 2,679,559	\$ 191,685	\$ 2,871,244
2010	1,525,534	55,407	1,580,941
2009	720,285	8,904	729,189
2008	274,268	0	274,268
2007	141,267	0	141,267
2006	34,487	0	34,487
2005	8,172	0	8,172
Prior Years	<u>7,947</u>	<u>2,346</u>	<u>10,293</u>
Total	\$ 5,391,519	\$258,342	\$ 5,649,861

**Tax Collection Procedure**

County taxes are collected by the respective tax collection officers of the City of Auburn and the towns in the County in connection with city and town taxes. The City of Auburn guarantees payment of the full amount of the County levy by the end of its fiscal year on June 30; towns retain from the gross tax collection the total amount of their respective levies and return the balance plus uncollected items to the County after April 1. The County assumes responsibility and collects delinquent town taxes.

Tax payments are due during the month of January without penalty. Penalties are one per cent (1%) in February, an additional one-half of two percent in March and one per cent is added on April 1. In addition, interest at the rate of ten per cent on delinquent taxes and penalties is imposed after April 10<sup>th</sup>, retroactive to February of each fiscal year.

The County is responsible for collecting delinquent central school district taxes, which are turned over in November by the school tax collectors to the County for collection and are immediately relieved by the County on the property by adding seven percent to the amount returned. On March 31, the County pays central school district taxes in full for any uncollected central school district taxes. The County is also the collector of the second installments of taxes for the Union Springs, Weedsport and Port Byron Central School Districts.

Returned unpaid Village taxes are relieved by the County. Villages are reimbursed in March of the following year.

Source: County Officials.

**Largest Taxpayers – 2011-2012 Tax Roll**

<u>Name</u>	<u>Type</u>	<u>Estimated Full Valuation</u>
New York State Electric & Gas	Utility	\$ 64,632,255
Verizon	Utility	23,292,563
Rochester Gas and Electric Corporation	Utility	15,607,480
Fingerlakes Crossing	Commercial	14,727,350
Empire Pipeline Company	Utility	12,062,638
Owens Brockway	Glass Manufacturer	11,326,500
Tennessee Gas	Utility	9,336,236
Buckeye Pipeline Company	Utility	6,201,562
WP Howell Station LLC	Commercial	5,966,000
REHC 5 Inc.	Commercial	4,500,000
Niagara Mohawk	Utility	4,498,736

The largest taxpayers, listed above, have a total estimated full valuation of \$171,881,322, that represents approximately 3.98% of the County tax base.

Source: County tax rolls.

**Constitutional Tax Margin**

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2007-2012:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Five-Year Average Full Valuation .....	<u>\$ 3,009,535,922</u>	<u>\$ 3,241,611,271</u>	<u>\$ 3,517,564,329</u>
Tax Limit – 2.0% .....	60,190,718	64,832,225	70,351,287
Add: Exclusions From Limit .....	<u>4,000,072</u>	<u>4,172,566</u>	<u>1,636,221</u>
Total Taxing Power .....	\$ 64,190,790	\$ 69,004,791	\$ 71,987,508
Less Total Levy .....	<u>30,736,651</u>	<u>31,846,526</u>	<u>35,811,493</u>
Tax Margin .....	<u>\$ 33,454,139</u>	<u>\$ 37,158,265</u>	<u>\$ 36,176,015</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Five-Year Average Full Valuation .....	<u>\$ 3,820,096,106</u>	<u>\$ 3,807,897,277</u>	<u>\$ 4,140,070,138</u>
Tax Limit – 2.0% .....	76,402,333	76,157,946	82,801,403
Add: Exclusions From Limit .....	<u>1,287,288</u>	<u>1,835,217</u>	<u>2,014,053</u>
Total Taxing Power .....	\$ 77,689,621	\$ 77,993,163	\$ 84,815,456
Less Total Levy .....	<u>34,575,604</u>	<u>31,331,746</u>	<u>35,574,253</u>
Tax Margin .....	<u>\$ 43,114,017</u>	<u>\$ 46,661,417</u>	<u>\$ 49,241,203</u>

## **Additional Tax Information**

Real property subject to County taxes is assessed by the component towns and cities.

Veterans' and senior citizens' exemptions are offered to those who qualify.

The total property tax bill of the typical \$100,000 residential property located in the County is approximately \$2,800 including State, County, Town and School District taxes.

## **STATUS OF INDEBTEDNESS**

### **Constitutional Requirements**

The New York State Constitution limits the power of the County (and other municipalities and certain School District's of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the County include the following:

Purpose and Pledge. The County shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The County may contract indebtedness only for a County purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The County is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The County has the power to contract indebtedness for any County purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the County and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

### **Statutory Procedure**

In general, the State Legislature has authorized the power and procedure for the County to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the County Law and the General Municipal Law.

Pursuant to the Local Finance Law, the County authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the County Legislature, the finance board of the County. Customarily, the County Legislature has delegated to the County Treasurer, as chief fiscal officer of the County, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose, for which the County is not authorized to expend money,
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication,

or,

(3) Such obligations are authorized in violation of the provisions of the Constitution.

The County usually complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement. The estoppel process was followed in connection with the projects for which the Notes are being issued.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Bond anticipation notes can be issued in anticipation of the issuance of bonds. Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such bond anticipation notes outstanding, commencing no later than two years from the date of the first of such bonds and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the County with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

**Debt Outstanding End of Fiscal Year**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bonds	\$ 7,530,000	\$ 6,285,000	\$ 5,250,000	\$ 16,980,000	\$ 15,550,000
Bond Anticipation Notes	2,162,053	8,344,566	8,421,865	1,500,000	11,500,000
Budget Notes	0	0	0	0	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 9,692,053</u>	<u>\$14,629,566</u>	<u>\$ 13,671,865</u>	<u>\$ 18,480,000</u>	<u>\$ 27,050,000</u>

Note: The debt above does not include bonds issued for Tobacco Securitization.

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the County evidenced by bonds and notes as of January 25, 2012:

	<u>Maturity</u>	<u>Amount Outstanding</u>
<u>Bonds</u>	2012-2028	\$ 15,550,000
<u>Bond Anticipation Notes</u>		
E911 Emergency Communications Systems	February 10, 2012	10,000,000 <sup>(1)</sup>
Intermunicipal agreement with the Cayuga County Soil and Water Conversation District	April 27, 2012	<u>1,500,000</u> <sup>(2)</sup>
	Total	<u>\$ 27,050,000</u>

<sup>(1)</sup> To be renewed at maturity with proceeds of the Notes.

<sup>(2)</sup> To be renewed at maturity with budgetary appropriations and \$30,000 available funds.

See “Cayuga County Hospital Improvement Corporation (Auburn Memorial Hospital Project) Certificates of Participation, Series 1994” which follows below for a detailed discussion regarding certain obligations of the County which are subject to annual appropriate and are not reported as liabilities in the accompanying financial statements.

**Debt Statement Summary**

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of January 25, 2012:

Five-Year Average Full Valuation ..... \$ 4,322,884,126  
 Debt Limit - 7% thereof..... 432,288,412

Inclusions:

Bonds ..... \$ 15,550,000  
 Bond Anticipation Notes..... 11,500,000  
 Total Inclusions..... \$ 27,050,000

Exclusions:

Water Indebtedness <sup>(1)</sup> ..... \$ 1,300,000  
 Appropriations <sup>(2)</sup> ..... 570,000  
 Tobacco Proceeds <sup>(3)</sup> ..... 2,230,000  
 Total Exclusions ..... \$ 4,100,000

Total Net Indebtedness ..... \$ 23,950,000  
 Net Debt-Contracting Margin..... \$ 408,338,412  
 The percent of debt contracting power exhausted is ..... 5.54%

- (1) Water indebtedness exempt from Constitutional Debt Limit.
- (2) Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.
- (3) There is currently \$2,230,000 in tobacco proceeds which are set aside to pay debt service on the County’s outstanding debt. The funds are in an irrevocable trust and are set aside for the repayment of debt service.

The issuance of the Notes will not increase the total net indebtedness of the County.

**Estimate of Obligations to be Issued**

The County has recently completed a Capital Improvement Program for 2011-2015. The County anticipates undertaking a variety of projects and plans to borrow for them as needed and as approved by the County Legislature.

The County is moving forward with a \$16,420,000 project for renovation of the Cayuga Community College, including the purchase of property for \$940,000. State grants-in-aid are expected to pay half of the cost of the project and the County plans to finance the other half with bonds in the amount of \$8,210,000. The County plans to issue bond anticipation notes in March/April 2012 to provide initial funding. Pending market conditions, bonds are planned to be issued in early 2013 to refund then outstanding bond anticipation notes, including the Notes..

**Bonded Debt Service**

A schedule of Bonded Debt Service may be found in APPENDIX - B to this Official Statement.

**Cash Flow Borrowings**

The County has not found it necessary to borrow revenue anticipation notes or tax anticipation notes in the past and does not anticipate the need to issue either in the foreseeable future.

## **Tobacco Settlement Securitization**

On December 7, 2000, the County securitized its future rights to amounts to be received pursuant to the Master Settlement Agreement (“MSA”) with the tobacco industry pursuant to a Purchase and Sale Agreement between the County and the Cayuga Tobacco Asset Securitization Corporation (“CTASC”), a special purpose, bankruptcy-remote local development corporation established by the County pursuant to the Not-For-Profit Corporation Law of the State of New York. The County sold to CTASC all of its future right, title and interest in the tobacco settlement revenues (“TSRs”) under the MSA, Tobacco Settlement Asset-Backed Bonds secured by the TSRs. As of December 7, 2001, the face value of the bonds issued was \$16,740,000. The bonds were sold at a discount of \$241,282, for a net issue price of \$16,498,718. The discount will be amortized over the maturity period of the bonds using the straight-line method. The bonds mature from June 1, 2002 through June 1, 2042 without flexible amortization and from June 1, 2001 until June 1, 2026 under the flexible amortization payment schedule.

In June 2003, a “Downgrade Trapping Event” occurred with respect to the UTASC bonds which prevent the County from receiving residual payments of TSRs. In compliance with CTASC’s general bond resolution a “Downgrade Trapping Event” occurs when an Original Participating Manufacturer with a market share of 7% or more, receives a credit rating below “Baa3” by Moody’s. In addition, in June 2004, the aggregate market share of non participating manufacturers (NPMs) exceeded 7% thereby triggering “NPM Trapping Event”. In accordance with its contractual agreement, residual payments which would otherwise be made available to the County are retained by CTASCs Trustee in a “Trapping Account” to be held as additional security for CTASCs bondholder until the amount in the Trapping Account equals 25% of the principal amount of CTASCs senior outstanding bonds or all Downgrade Trapping Events have ended for a period of one year.

In November 2005, the County securitized the Residual Payments through capital appreciation bonds. These bonds are subordinate bonds to the original issue bonds and cannot be defeased until the original bonds are paid in full. These bonds were issued in different series with different interest and maturity dates. The value of the bonds increases based upon the interest accrued over the life of the bonds. The total proceeds of the bonds issued at November 29, 2005 was \$7,334,797.

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.

## **Cayuga County Hospital Improvement Corporation (Auburn Memorial Hospital Project) Certificates of Participation, Series 1994**

In 1994, the Cayuga County Hospital Improvement Corporation (“CCHIC”) issued its Certificates of Participation (“COP’s”) in the aggregate principal amount of \$26,375,000 for the benefit of Auburn Memorial Hospital (“AMH”). In connection with the issuance of the COP’s the County entered into a Lease Purchase Sublease Agreement (the “Sublease”) pursuant to which the County agreed to make certain lease payments which are subject to annual appropriation. The County also entered into a License and Operating Agreement (the “Operating Agreement”) with AMH pursuant to which AMH operates its hospital facility and makes license payments to the County at such times and in such amounts to satisfy the County’s obligations to the COP’s trustee under the terms of the Sublease. AMH’s monthly license payment obligation and the County’s corresponding monthly sublease payment obligation is approximately \$170,000. In this fashion the County merely passes along all amounts received from AMH to the COP’s trustee rendering a net expense to the County of zero. The County did appropriate funds in its 2007, 2008, 2009, 2010 and 2011 budgets for this purpose, offset by an equal amount of estimated revenues from AMH. The County’s obligations under the Sublease are subject to annual appropriation.

Although to date AMH has not failed to make a timely license payment to the County, AMH filed a voluntary petition for relief under title 11 of the United States Bankruptcy Code in April of 2007 which may indicate an increased likelihood of financial default. Should the AMH fail to make a timely payment under the Operating Agreement, the County is nonetheless obligated to make all appropriated Sublease payments to the COP’s trustee. As of the date AMH filed for bankruptcy, the outstanding principal balance of the COP’s was approximately \$18.65 Million. While the Bankruptcy Court confirmed a joint plan of reorganization for AMH on August 22, 2008, there is no assurance that AMH will regain financial stability and continue to make all required payments due to the County. If AMH fails to make timely payment, the County will nonetheless be obligated to make all appropriated Sublease payments. Furthermore, the County’s credit rating would likely suffer if the County determined not to appropriate any future Sublease payments.

## **Cayuga Community College**

The 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 County Legislature, four by the governor and one is elected by the students. 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 the assets and debt of the County. To avoid recording these transactions twice, the Statement of Net Assets reflects these items in CCC column and is eliminated from the Governmental Activities column.

The County also pays a portion of tuition and capital costs charges 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.

Cayuga Community College is set to expand within the city of Fulton. The County Legislature approved the college's signing of a \$950,000 purchase agreement for the former P&C Foods building, located in River Glen Plaza. College officials intend to move from the current 50,000-square-foot space in the Fulton Commons, located on West Broadway and Route 3, into the new location by fall 2012. The new location possesses more space, and after a remodeling project, will contain a 20,000-square-foot partial second floor. The college will pay \$950,000 for the property to the site's current owner JHMPAC Inc. The renovation of the facility is anticipated to cost \$11.3 million, half of which will be handled by the state, while Cayuga County will bond for the remaining balance of the project

## **Cayuga County Water and Sewer Authority**

The Cayuga County Water and Sewer Authority ("CCWSA") is a public benefit corporation organized in July 1995 pursuant to Title 8-G of New York State Public Authorities Law. The Authority was organized to construct, improve, maintain, develop, expand, or rehabilitate water and sewage facilities in the County of Cayuga. The Authority is governed by a board consisting of nine members which are appointed by the legislature of the County. The County also provides economic support to the District and has incurred debt on the District's behalf. The CCWSA has a fiscal year ending December 31.

## **Cayuga Indian Land Claims**

The Cayuga Indian Nation Indian land claim litigation was commenced by the Cayuga Indian Nation of New York on November 29, 1980 against the State of New York, Cayuga County, Seneca County and a defendant class of landowners ultimately represented by Miller Brewing Company. The case is venued in the United States District Court for the Northern District of New York (McCurn, J.) The claim alleges that the Cayuga Indian Nation is the rightful owner of approximately 100 square miles of land that surround the northern end of Lake Cayuga in Seneca and Cayuga counties. The Cayuga Seneca Tribe of Oklahoma has also joined the lawsuit as a plaintiff. The Indian plaintiffs seek, among other things, (1) a declaration that they are the owners of such land and have the right to immediate possession thereof, (2) restoration to such possession, ejecting all others than Cayuga Indians, and (3) trespass monetary damages. Approximately two-thirds of the land in question is in Cayuga County and comprises approximately 9.5% of the County's total land area and 7.1% of the County's full valuation. Upon motion by the County, the District Court has ruled that ejectment will not be ordered as a remedy available to the plaintiffs.

In the 1990s, the United States Department of Justice intervened in the case and made a motion asking the judge to make the State of New York the sole defendant liable for monetary damages. The Judge granted part of the motion and eventually held a trial for the assessment of damages solely against the State. The jury part of that hearing reached a verdict of \$36.9 million against the State of New York. The Judge also ruled that \$211,326,000.00 in prejudgment interest should be added to the verdict which makes a total judgment of \$247,911,999.00. The County did not participate in these hearings pursuant to court order. The County moved for an order finalizing this judgment as against all parties and a determination that no further damages may be awarded against the County through successive trials. The Indian plaintiffs opposed the County's motion and the District Court denied it. Subsequently, the County moved to certify the liability determinations for interlocutory appeal pursuant to 29 U.S.C. Section 1293 (b). The District Court granted the County's motion certifying the liability rulings. The County moved in the Second Circuit Court of Appeals for permission to file an interlocutory appeal of the liability rulings. That motion was granted. The State also appealed as of right.

On June 28, 2005, the Second Circuit reversed the judgment of the District Court and entered a judgment in favor of the defendants dismissing the action. The Court held that plaintiffs' possessory land claim is subject to the defense of laches and concluded that their claim is barred because they waited too long to file their action. Plaintiffs attempt to appeal from this judgment to the United States Supreme Court was denied.

Throughout its history the Cayuga Indian land claim has moved roughly in parallel with a similar action brought by the Oneida Indian Nation against the State of New York at the Counties of Madison and Oneida. In May of 2007 the United States District Court for the Northern District of New York (Kahn, J.) issued a memorandum decision in which it granted the defendants motion for summary judgment with respect to the Oneidas' "possessory land claim" but denied it with respect to the non-possessory claims arising in federal common law and seeking damages to "remedy past violations of their legal rights". The crux of the plaintiffs' non-possessory claims is that the state of New York "inadequately compensated the Oneida Indian Nation for the land transferred to it." The State of New York and the other defendants have appealed from this decision and order, and the appeal remains pending.

In light of Judge Kahn's decision, in May of 2008, the Cayuga Nation filed a motion pursuant to Rule 60 (b) (6) of the Federal Rules of Civil Procedure seeking relief from the original judgment entered against them with the eventual goal of amending its complaint to include non-possessory claims like those asserted by the Oneida Indian Nation. Although the Cayuga Indian Nation's motion was originally scheduled for Argument on June 10, 2008, the District Court issued an order holding the motion in abeyance pending the outcome of the appeal of the Oneida decision before the Second Circuit and relieving the defendants from having to file opposition papers until the Second Circuit has ruled on the Oneida matter.

On August 9, 2010, the Second Circuit reversed that part of Judge Kahn's ruling regarding the non-possessory claims. Specifically, the Second Circuit dismissed all claims by the Oneida Indian Nation based on alleged non-possessory rights. Following that ruling, the United States District Court for the Northern District of New York (McCurn, J.) denied the motion by the Cayuga Indian Nation to amend its complaint in order to seek monetary damages against Cayuga and Seneca Counties based on any non-possessory claim.

### **Cayuga Indian Nation Land Trust**

In April 2005 the Cayuga Indian Nation applied to Bureau of Indian Affairs to transfer its fee title to certain parcels within Cayuga and Seneca County to the federal government. The application was made pursuant to the land into trust section of the Indian Reorganization Act 25 U.S.C. § 465 and 25 CFR, Part 151. If the application is granted, the Nation will obtain the right to exercise sovereignty over these newly acquired lands and remove them from the tax rolls. There are nine parcels that are the subject of this application and six of them, comprising approximately 115.8 acres, are located within Cayuga County.

Shortly after receiving the application, the BIA sought comments and input relating to the application. The State of New York as well as Cayuga and Seneca Counties responded with detailed submissions raising numerous objections. These objections include, but are not limited to, the negative impact that will result from the removal of land from the tax rolls; jurisdictional complications that will be created as a result of the patchwork and cross-cutting of sovereign territories; potential environment and conflicts of land use issues resulting from the lack of regulatory coordination and supervision; and a host of issues resulting from the transfer's interference with the ability of the State and local governments to protect and preserve the safety and welfare of its local citizens.

On October 22, 2010, the BIA issued its final environmental impact statement ("FEIS") regarding land-into-trust application by the Cayuga Indian Nation ("CIN"). The FEIS concludes the CIN application presents no environmental effects that will require the implementation of mitigation measures. The FEIS further states that no additional alternatives need to be analyzed, other than those revised in the draft environmental impact statement. Cayuga County (together with Seneca County) believe the FEIS fails to undertake the requisite objective review needed to analyze fully the adverse economic and socioeconomic effects presented by the CIN application. Both Counties are now awaiting the Record of Decision as issued the BIA. That Record will set forth the final decision of the BIA regarding the CIN land-into-trust application. It is not known when the BIA will issue that determination. Its timing could be affected by pending legislative attempts to address or possibly overrule the decision of the United States Supreme Court in *Carcierie v. Salazar*, 129 S Ct 1058 (2008). Based on that holding, Cayuga County and Seneca County believe that CIN is not now eligible to make a land-into-trust application under Section 465 of the Indian Reorganization Act.

Recently, the Bureau of Indian Affairs granted an application made by the Oneida Indian Nation seeking similar relief, and issued a Record of Decision purportedly converting some 13,000 acres in Madison and Oneida Counties to trust status. In June, 2008, the State of New York, together with Madison and Oneida Counties, commenced an action against the heads of the Department of the Interior and the Bureau of Indian Affairs to challenge that decision. Their complaint seeks to overturn this determination pursuant to the U.S. Administrative Procedure Act. In the event the Record of Decision issued by the BIA confirms the conclusions of the FEIS and approves the CIN application, it is anticipated that Cayuga and Seneca Counties will commence litigation seeking similar relief.

The BIA on December 11, 2011 the BIA issued the following decision: The Tribe has proposed to develop a class III gaming facility in Seneca Falls, New York, seeking the acquisition of land in trust within its reservation in central New York.

The Tribe's application has not addressed all of the factors in the Department's regulations governing fee-to-trust, as well as gaming on lands acquired in trust after October 17, 1988.

The Department has not disapproved the Tribe's application but has removed the Tribe's application from consideration. The Tribe can submit a new application at a later date, when it is prepared to address all of the relevant factors in the Department's regulations.

### Overlapping Indebtedness

In addition to the County, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the County. Bonded indebtedness, including bond anticipation notes, is estimated as of the close of the last fiscal year of the respective municipalities, adjusted to include subsequent bond issues, if any.

	<u>Indebtedness</u>	<u>Exclusions</u> <sup>(1)</sup>	<u>Net Indebtedness</u>
Towns (23)	\$ 24,053,087	\$ 16,066,726 <sup>(2)</sup>	\$ 7,986,361
Villages (9)	7,099,547	3,164,757 <sup>(2)</sup>	3,934,790
City (1)	67,100,369	38,859,324 <sup>(2)</sup>	28,241,045
School Districts (13)	172,986,734	151,501,782 <sup>(3)</sup>	21,484,952
Fire Districts (11)	2,848,314	0	<u>2,848,314</u>
		Total	\$ 64,495,462

<sup>(1)</sup> Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

<sup>(2)</sup> Sewer debt and water debt.

<sup>(3)</sup> Estimated State Building aid.

### Debt Ratios

The following table sets forth certain ratios relating to the County's indebtedness, without giving effect to this financing, as of January 25, 2012.

	<u>Amount of Indebtedness</u>	<u>Per Capita</u> <sup>(1)</sup>	<u>Percentage of Full Valuation</u> <sup>(2)</sup>
Gross Direct Indebtedness <sup>(3)</sup>	\$ 27,050,000.00	\$ 338.02	0.63%
Net Direct Indebtedness <sup>(3)</sup>	22,950,000.00	286.78	0.53%
Gross Direct Plus Net Overlapping Indebtedness <sup>(4)</sup>	91,545,462.00	1,143.95	2.11%
Net Direct Plus Net Overlapping Indebtedness <sup>(4)</sup>	87,445,462.00	1,092.71	2.02%

Note: <sup>(1)</sup> The County's 2010 population is 80,026. (See "Population Trends" herein.)

<sup>(2)</sup> The County's full valuation of taxable real estate for 2012 is \$4,322,884,126. (See "Valuations, Rates and Tax Levies" herein).

<sup>(3)</sup> See "Debt Statement Summary" herein.

<sup>(4)</sup> The County's estimated applicable share of net underlying indebtedness is \$64,495,462. (See "Underlying Indebtedness" herein).

## **MARKET AND RISK FACTORS**

The financial and economic condition of the County as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the County's control. There can be no assurance that adverse events in the State or elsewhere, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or in other jurisdictions of the country or any of its agencies or political subdivisions, thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the County to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The County is also dependent in part on financial assistance from the State. In several recent years, the County has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and counties, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

## **SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT**

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the County upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the County may not be enforced by levy and execution against property owned by the County.

The Federal Bankruptcy Code Act permits recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these provisions do not apply to Counties, there can be no assurance that they will not be made so applicable in the future.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the County.

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

## MATERIAL EVENT NOTICES

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the County has agreed to provide, or cause to be provided, during the period in which the Notes are outstanding, in a timely manner, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB"), or any other entity designated or authorized by the Commission to receive reports pursuant to the rule, notice of the occurrence of any of the following events with respect to the Notes, if such event is material:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax- status of the Bonds
- (g) modifications to rights of Noteholders, if material
- (h) bond calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the County
- (m) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the County does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

The County may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, if the County determines that any such other event is material with respect to the Notes; but the County does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

- (iii) in a timely manner, to the MSRB or any other facility designated or authorized by the commissioner to receive Reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The Annual Information and the Material Event Notices, if any, will be filed with the Municipal Securities Rulemaking Board and its Electronic Municipal Market Access system for municipal securities disclosures.

The County may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the County determines that any such other event is material with respect to the Notes; but the County does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The County reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The County acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the County's obligations under its material event notices undertaking and any failure by the County to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

A Material Event Notices Certificate to this effect shall be provided to the purchaser(s) at closing.

The County is in compliance with all prior undertakings pursuant to the Rule.

### **LITIGATION**

The County is subject to a number of lawsuits in the ordinary conduct of its affairs. The County does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the County.

### **TAX MATTERS**

In the opinion of Trespasz & Marquardt, LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however, interest on the Notes is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX - D hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The County has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants will result in interest on the Notes being included in gross income for federal income tax purposes as well as adjusted gross income for purposes of personal income taxes imposed by the State of New York or the City of New York, from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage and Use of Proceeds Certificate, and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Trespasz & Marquardt, LLP.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is excluded from adjusted gross income for personal income taxes imposed by the State of New York and the City of New York, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Trespasz & Marquardt, LLP, Bond Counsel to the District. Bond Counsel's opinions will be in substantially the form attached hereto as APPENDIX - D.

Trespasz & Marquardt, LLP, Syracuse, New York, Bond Counsel to the School District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the School District for use in connection with the offer and sale of the Notes, including, but not limited to, the financial information in this Official Statement.

## RATING

The Notes are not rated however Moody's Investors Service ("Moody's") has assigned its bond rating "A1" with respect to the County's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

## MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement, which may have been made verbally or in writing, is to be construed as a contract with the holders of the Notes.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the County of Cayuga management's beliefs as well as assumptions made by, and information currently available to, the County of Cayuga's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes; changes in the economy, and other factors discussed in this and other documents that the County of Cayuga's files with the repositories. When used in County of Cayuga documents or oral presentation, the words "anticipate", "believe", "intend", "plan", "foresee", "likely", "estimate", "expect", "objective", "projection", "forecast", "goal", "will", or "should", or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Trespasz & Marquardt, LLP, Syracuse, New York, Bond Counsel to the County, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the County for use in connection with the offer and sale of the Notes, including, but not limited to, the financial information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the County will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the County of Cayuga, as to which no representation can be made.

The Official Statement is submitted only in connection with the sale of the Notes by the County of Cayuga and may not be reproduced or used in whole or in part for any other purpose.

The County of Cayuga hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at [www.fiscaladvisors.com](http://www.fiscaladvisors.com). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the County nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the County disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the County also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

If the purchaser(s) requests the Notes to be registered in the name of the purchaser, the County will act as Paying Agent for the Notes. The County contact information is as follows: Mr. James H. Orman, County Treasurer, County of Cayuga, 160 Genesee Street, Auburn, New York 13021, phone: 315.253.1491, fax: 315. 253.1369, email: [jorman@cayugacounty.us](mailto:jorman@cayugacounty.us).

This Official Statement has been duly executed and delivered by the County Treasurer of the County of Cayuga.

**COUNTY OF CAYUGA**

**Dated: February 1, 2012**

**BY: JAMES H. ORMAN  
County Treasurer  
and Chief Fiscal Officer**

GENERAL FUND

Balance Sheets

Fiscal Year Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 21,352,980	\$ 24,059,602	\$ 15,182,737	\$ 26,119,500	\$ 31,280,298
Receivables:					
Taxes/Accounts Recievable (net)	8,746,544	6,812,514	6,644,134	8,872,280	9,438,380
State and Federal	7,046,882	9,843,094	7,971,698	9,683,271	9,944,146
Other	19,210,347	18,372,494	18,371,388	15,737,056	14,585,000
Due from Other Funds	1,983,896	969,409	170,957	159,944	647,085
Due from Other Governments	2,048,285	396,197	298,156	474,699	781,165
Due from Component Units	-	-	-	205,184	80,132
Investments	-	-	-	3,570,000	1,950,000
Prepaid Expenditures	563,060	814,891	838,440	523,268	3,045,843
<b>TOTAL ASSETS</b>	<u>\$ 60,951,994</u>	<u>\$ 61,268,201</u>	<u>\$ 49,477,510</u>	<u>\$ 65,345,202</u>	<u>\$ 71,752,049</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Accounts Payable	\$ 938,452	\$ 1,797,185	\$ 922,534	\$ 6,032,717	\$ 4,578,845
Accrued Liabilities	6,006,001	1,765,321	1,429,004	453,383	1,310,928
Notes Payable	-	-	-	-	-
Other Liabilities	-	-	42	-	-
Due to Other Funds	1,012,461	1,633,149	147,144	62,765	37,898
Due to Other Governments	8,407,121	8,380,023	6,055,641	6,533,307	6,505,083
Due to School Districts	-	-	-	-	-
Deferred Revenue	21,441,707	20,501,153	19,812,366	19,085,415	18,425,342
<b>TOTAL LIABILITIES</b>	<u>37,805,742</u>	<u>34,076,831</u>	<u>28,366,731</u>	<u>32,167,587</u>	<u>30,858,096</u>
<b>FUND EQUITY</b>					
Reserved:					
Encumbrances	\$ 367,405	\$ 583,928	\$ 969,406	\$ 240,191	\$ 475,738
Special	5,651,404	6,893,396	974,647	1,831,124	16,566,214
Unreserved:					
Appropriated	2,600,000	2,200,000	2,900,000	3,115,000	4,902,000
Unappropriated	14,527,443	17,514,046	16,266,716	27,991,300	18,950,001
<b>TOTAL FUND EQUITY</b>	<u>23,146,252</u>	<u>27,191,370</u>	<u>21,110,769</u>	<u>33,177,615</u>	<u>40,893,953</u>
<b>TOTAL LIABILITIES and FUND EQUITY</b>	<u>\$ 60,951,994</u>	<u>\$ 61,268,201</u>	<u>\$ 49,477,500</u>	<u>\$ 65,345,202</u>	<u>\$ 71,752,049</u>

Source: Audited financial reports for the County. This Appendix itself is not audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Year Ending December 31:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>REVENUES</b>					
Real Property Taxes & items	\$ 25,392,208	\$ 24,523,305	\$ 24,680,910	\$ 32,674,318	32,902,862
Real Property Tax Items	\$ 1,720,056	\$ 1,543,233	\$ 1,693,744	\$ 1,351,629	0
Non-Property Tax Items	18,823,064	17,827,165	39,918,739	38,853,792	39,200,090
Departmental Income	12,986,258	12,459,639	12,932,213	12,468,318	15,960,124
Intergovernmental Charges	1,627,752	1,813,128	8,993,642	1,783,093	3,348,587
Use of Money & Property	491,674	1,157,829	1,217,302	951,092	549,243
Licenses and Permits	3,304	4,284	3,706	6,089	9,753
Fines and Forfeitures	144,234	151,264	108,255	125,584	135,085
Interfund Revenues	-	-	-	-	-
Sale of Property and Compensation for Loss	14,976	5,348	31,305	38,324	20,040
Miscellaneous	4,605,817	6,898,385	7,197,194	7,645,501	3,018,702
Revenues from State Sources	-	572,801	-	8,082,633	9,576,263
Revenues from Federal Sources	16,389,192	15,203,253	16,272,342	16,143,961	14,454,137
Total Revenues	<u>\$ 94,428,723</u>	<u>\$ 94,787,258</u>	<u>\$ 124,172,437</u>	<u>\$ 129,080,505</u>	<u>\$ 131,243,700</u>
<b>EXPENDITURES</b>					
General Government Support	\$ 13,108,984	\$ 14,650,782	\$ 43,968,981	\$ 31,551,345	\$ 30,181,736
Education	5,371,748	5,617,090	5,624,234	5,338,229	3,031,997
Public Safety	12,394,716	12,901,436	13,182,421	15,334,800	14,661,811
Health	13,500,931	14,032,541	13,667,936	14,210,367	16,416,388
Transportation	162,443	121,809	202,995	121,797	202,993
Economic Assistance and Opportunity	37,403,820	37,473,166	35,907,617	37,489,776	37,291,290
Culture and Recreation	1,044,487	1,170,570	1,119,371	1,278,307	1,257,266
Home and Community Services	1,410,924	1,422,738	1,634,095	1,540,273	1,596,320
Employee Benefits	-	313,129	307,902	11,352,709	13,328,704
Debt Service	-	2,046,500	2,049,000	2,048,200	2,049,200
Total Expenditures	<u>\$ 84,398,053</u>	<u>\$ 89,749,761</u>	<u>\$ 117,664,552</u>	<u>\$ 120,265,803</u>	<u>\$ 120,017,705</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 10,030,670</u>	<u>\$ 5,037,497</u>	<u>\$ 6,507,885</u>	<u>\$ 8,814,702</u>	<u>\$ 11,225,995</u>
Other Financing Sources (Uses):					
Operating Transfers In	836,167	125,000	125,000	158,160	174,714
Operating Transfers Out	(2,947,758)	(1,677,728)	(2,587,767)	(6,852,434)	(7,534,992)
Total Other Financing	<u>\$ (2,111,591)</u>	<u>(1,552,728)</u>	<u>(2,462,767)</u>	<u>(6,694,274)</u>	<u>(7,360,278)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>7,919,079</u>	<u>3,484,769</u>	<u>4,045,118</u>	<u>2,120,428</u>	<u>3,865,717</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	9,077,449	19,661,483	23,146,252	27,191,370	29,311,798
Prior Period Adjustments (net)	2,664,955 (1)	-	-	-	-
Fund Balance - End of Year	<u>\$ 19,661,483</u>	<u>\$ 23,146,252</u>	<u>\$ 27,191,370</u>	<u>\$ 29,311,798</u>	<u>\$ 33,177,515</u>

(1) Includes \$1,145,947 adjustment of prior year fund balance and \$1,519,008 in prior period adjustments.

Source: Audited financial reports for the County. This Appendix itself is not audited.

## GENERAL FUND

## Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31:	2010		2011		2012	
	Adopted Budget	Actual	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget
<b>REVENUES</b>						
Real Property Taxes	\$ 34,692,318	\$ 35,869,584	\$ 34,412,458	\$ 35,174,086		
Real Property Tax Items	1,170,000	-	1,225,000	1,325,000		
Non-Property Tax Items	38,629,000	39,463,374	38,852,400	40,472,000		
Departmental Income	12,470,482	14,842,813	9,030,416	10,542,240		
Intergovernmental Charges	304,473	3,327,555	139,156	186,972		
Use of Money & Property	2,076,606	715,041	2,275,089	366,022		
Licenses and Permits	10,000	9,659	10,000	12,000		
Fines and Forfeitures	130,558	151,446	136,983	138,747		
Sale of Property and Compensation for Loss	16,000	63,941	1,019,000	44,000		
Miscellaneous	2,302,400	2,958,215	2,241,100	2,258,900		
Interfund Revenues	-	8,776,276	-	-		
Revenues from State Sources	13,841,881	14,961,761	14,206,639	13,771,112		
Revenues from Federal Sources	9,576,951	11,588,041	10,895,718	11,244,525		
Total General Funds Revenues	\$ 115,220,669	132,727,706	\$ 114,443,959	\$ 115,535,604		
Operating Transfers	\$ -	\$ -	\$ -	\$ -		
Total Revenues	\$ 115,220,669	\$ 132,727,706	\$ 114,443,959	\$ 115,535,604		
<b>EXPENDITURES</b>						
General Government Support	\$ 31,809,783	\$ 31,203,234	\$ 32,328,785	\$ 32,969,041		
Education	3,119,543	3,119,543	3,123,020	3,221,184		
Public Safety	15,621,582	15,542,754	16,814,071	17,093,051		
Health	17,020,624	15,846,108	14,261,928	12,703,590		
Transportation	176,200	162,396	176,200	176,200		
Economic Assistance and Opportunity	37,975,909	37,862,265	40,216,993	41,365,642		
Culture and Recreation	1,269,328	1,157,162	1,234,865	1,397,095		
Home and Community Services	1,661,464	1,639,543	1,757,610	1,680,583		
Employee Benefits	282,627	12,336,116	293,426	252,748		
Debt Service	2,046,400	2,046,400	2,045,100	3,033,075		
Total General Fund Expenditures	\$ 110,983,460	\$ 120,915,521	\$ 112,251,998	\$ 113,892,209		
Health Insurance, Casualty & Liability and Workman's Compensation	\$ -	\$ -	\$ -	\$ -		
Total Revenues						
Excess of Revenues Over (Under) Expenditures	\$ 4,237,209	\$ 11,812,185	\$ 2,191,961	\$ 1,643,395		
Other Financing Sources (Uses):						
Operating Transfers In	-	255,915	-	-		
Operating Transfers Out	(7,352,209)	(6,469,672)	(7,093,961)	(6,456,415)		
Total Other Financing	(7,352,209)	(6,213,757)	(7,093,961)	(6,456,415)		
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,115,000)	5,598,428	(4,902,000)	(4,813,020)		
<b>FUND BALANCE</b>						
Fund Balance - Beginning of Year	3,115,000	33,177,615	4,902,000	4,813,020		
Prior Period Adjustments (net)	-	2,117,910	-	-		
Fund Balance - End of Year	\$ -	\$ 40,893,953	\$ -	\$ -		

Source: Audited financial report and budgets of the County. Summary itself not audited.

Changes In Fund Equity

Fiscal Year Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b><u>COUNTY ROAD FUND</u></b>				
Fund Equity - Beginning of Year	\$ 1,036,423	\$ 564,668	\$ 954,727	\$ 938,899
Prior Period Adjustments (net)	56	10,127,670	2,678	442,659
Revenues & Other Sources	8,249,005	9,737,611	8,529,035	9,657,604
Expenditures & Other Uses	8,720,816	-	8,547,542	9,213,966
Fund Equity - End of Year	\$ 564,668	\$ 20,429,949	\$ 938,898	\$ 1,825,196
<b><u>ROAD MACHINERY</u></b>				
Fund Equity - Beginning of Year	\$ 260,033	\$ (26,951)	\$ 63,775	\$ 207,290
Prior Period Adjustments (net)	-	-	-	-
Revenues & Other Sources	1,525,586	1,855,829	3,168,318	2,568,970
Expenditures & Other Uses	1,812,570	1,765,103	3,024,802	2,323,811
Fund Equity - End of Year	\$ (26,951)	\$ 63,775	\$ 207,291	\$ 452,449
<b><u>ENTERPRISE NURSING HOME</u></b>				
Fund Equity - Beginning of Year	\$ 1,605,335	\$ 2,546,420	\$ 2,303,030	\$ 4,665,119
Prior Period Adjustments (net)	-	(2)	-	(559,742)
Revenues & Other Sources	6,911,337	5,863,030	8,691,590	5,862,865
Expenditures & Other Uses	5,970,252	6,106,419	6,329,500	7,016,617
Fund Equity - End of Year	\$ 2,546,420	\$ 2,303,029	\$ 4,665,120	\$ 2,951,625
<b><u>ENTERPRISE MISCELLANEOUS</u></b>				
Fund Equity - Beginning of Year	\$ 1,349,728	\$ 1,251,748	\$ 1,133,781	\$ -
Prior Period Adjustments (net)	-	-	-	-
Revenues & Other Sources	143,652	262,646	-	-
Expenditures & Other Uses	241,632	380,613	1,133,781	-
Fund Equity - End of Year	\$ 1,251,748	\$ 1,133,781	\$ -	\$ -
<b><u>CAPITAL PROJECTS FUND</u></b>				
Fund Equity - Beginning of Year	\$ 1,626,664	\$ (274,608)	\$ 465,710	\$ (109,889)
Prior Period Adjustments (net)	(1,900,000)	-	-	-
Revenues & Other Sources	6,539,042	3,189,755	1,591,705	947,052
Expenditures & Other Uses	6,540,314	2,449,437	2,167,304	984,989
Fund Equity - End of Year	\$ (274,608)	\$ 465,710	\$ (109,889)	\$ (147,826)
<b><u>SELF INSURANCE FUND</u></b>				
Fund Equity - Beginning of Year	\$ 3,837,818	\$ 4,754,637	\$ 5,940,245	\$ 5,940,245
Prior Period Adjustments (net)	-	-	48,460	48,460
Revenues & Other Sources	5,528,118	12,682,890	13,482,488	13,482,488
Expenditures & Other Uses	4,611,299	11,497,282	11,612,020	11,612,020
Fund Equity - End of Year	\$ 4,754,637	\$ 5,940,245	\$ 7,859,173	\$ 7,859,173
<b><u>DEBT SERVICE FUND</u></b>				
Fund Equity - Beginning of Year	\$ 286,580	\$ 4,480,518	\$ 4,581,617	\$ 4,581,617
Prior Period Adjustments (net)	6,479,730	-	1	1
Revenues & Other Sources	969,278	1,525,431	1,419,440	1,419,440
Expenditures & Other Uses	3,255,340	1,424,332	2,323,926	2,323,926
Fund Equity - End of Year	\$ 4,480,248	\$ 4,581,617	\$ 3,677,132	\$ 3,677,132

Source: Audited and Annual financial reports for the County. This Appendix itself is not audited.

**APPENDIX - B**  
**Cayuga County**

**BONDED DEBT SERVICE**

Fiscal Year Ending December 31st	Principal	Interest	Total
2012	\$ 1,260,000	\$ 478,214.50	\$ 1,738,214.50
2013	1,120,000	440,506.50	1,560,506.50
2014	1,145,000	405,960.25	1,550,960.25
2015	1,175,000	369,586.25	1,544,586.25
2016	1,205,000	332,065.75	1,537,065.75
2017	1,225,000	290,858.50	1,515,858.50
2018	655,000	251,362.50	906,362.50
2019	675,000	231,412.50	906,412.50
2020	695,000	210,862.50	905,862.50
2021	715,000	189,712.50	904,712.50
2022	740,000	167,887.50	907,887.50
2023	760,000	145,387.50	905,387.50
2024	785,000	122,212.50	907,212.50
2025	810,000	97,781.25	907,781.25
2026	835,000	71,556.25	906,556.25
2027	860,000	44,012.50	904,012.50
2028	890,000	15,018.75	905,018.75
<b>TOTALS</b>	<b>\$ 15,550,000</b>	<b>\$ 3,864,398.00</b>	<b>\$ 19,414,398.00</b>

**CURRENT BONDS OUTSTANDING**

Fiscal Year Ending Dec 31st	2002			2005		
	Public Improvements			Public Improvements		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 480,000	\$ 83,800.00	\$ 563,800.00	\$ 210,000	\$ 56,039.50	\$ 266,039.50
2013	330,000	67,000.00	397,000.00	210,000	46,631.50	256,631.50
2014	340,000	54,625.00	394,625.00	215,000	36,897.75	251,897.75
2015	350,000	41,875.00	391,875.00	220,000	26,717.50	246,717.50
2016	360,000	28,750.00	388,750.00	225,000	16,103.25	241,103.25
2017	370,000	14,800.00	384,800.00	220,000	5,346.00	225,346.00
<b>TOTALS</b>	<b>\$ 2,230,000</b>	<b>\$ 290,850.00</b>	<b>\$ 2,520,850.00</b>	<b>\$ 1,300,000</b>	<b>\$ 187,735.50</b>	<b>\$ 1,487,735.50</b>

Fiscal Year Ending Dec 31st	2010		
	Public Improvements		
	Principal	Interest	Total
2012	\$ 570,000	\$ 338,375.00	\$ 908,375.00
2013	580,000	326,875.00	906,875.00
2014	590,000	314,437.50	904,437.50
2015	605,000	300,993.75	905,993.75
2016	620,000	287,212.50	907,212.50
2017	635,000	270,712.50	905,712.50
2018	655,000	251,362.50	906,362.50
2019	675,000	231,412.50	906,412.50
2020	695,000	210,862.50	905,862.50
2021	715,000	189,712.50	904,712.50
2022	740,000	167,887.50	907,887.50
2023	760,000	145,387.50	905,387.50
2024	785,000	122,212.50	907,212.50
2025	810,000	97,781.25	907,781.25
2026	835,000	71,556.25	906,556.25
2027	860,000	44,012.50	904,012.50
2028	890,000	15,018.75	905,018.75
<b>TOTALS</b>	<b>\$ 12,020,000</b>	<b>\$ 3,385,812.50</b>	<b>\$ 15,405,812.50</b>

# **COUNTY OF CAYUGA, NEW YORK**

## **AUDITED FINANCIAL REPORT**

**DECEMBER 31, 2010**

**Such Audited Financial Statement and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.**

# COUNTY OF CAYUGA, NEW YORK

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**INDEPENDENT AUDITORS' REPORT**

November 3, 2011

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

We have audited 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, 2010, 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, Cayuga County Water and Sewer Authority, 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	2 %	(51)%	1 %
Business-type activities	100 %	100 %	100 %
Component units	100 %	100 %	100 %
Governmental funds	3 %	5 %	1 %

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.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

(Continued)

## INDEPENDENT AUDITORS' REPORT

(Continued)

In our opinion, 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, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and page 57 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 accepted in the United States, 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.

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 component unit financial statements, and combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual component unit financial statements, and combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, based on our audit and the reports of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

# COUNTY OF CAYUGA, NEW YORK

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2010

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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, 2010.

### 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.

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.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements (Continued)

- **Governmental Funds (Continued)**

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.

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

- **Proprietary Funds**

- **Enterprise Funds** - account for those operations that are financed and operated in a manner similar to private business. The County's major enterprise fund is the Cayuga County Nursing Home (CNH). Separate audited financial statements for the CNH may be obtained by contacting the 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 the CCC, CCIDA, and CCWSA directly.

- **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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$39,950,389 at the close of 2010.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Table 1 - Summary Statement of Net Assets**

	Governmental <u>2010</u>	Business-Type <u>2010</u>	Governmental <u>2009</u>	Business-Type <u>2009</u>
Assets:				
Current assets	\$ 74,994,116	\$ 3,666,225	\$ 64,686,199	\$ 3,359,493
Capital assets, net	40,100,957	931,196	35,280,649	1,017,662
Other noncurrent assets	<u>17,394,657</u>	<u>15,967</u>	<u>20,435,159</u>	<u>16,922</u>
Total assets	<u>\$ 132,489,730</u>	<u>\$ 4,613,388</u>	<u>\$ 120,402,007</u>	<u>\$ 4,394,077</u>
Liabilities:				
Current liabilities	\$ 21,838,847	\$ 442,745	\$ 27,281,374	\$ 308,315
Long-term liabilities	<u>70,700,494</u>	<u>1,666,643</u>	<u>55,107,236</u>	<u>1,134,136</u>
Total liabilities	<u>\$ 92,539,341</u>	<u>\$ 2,109,388</u>	<u>\$ 82,388,610</u>	<u>\$ 1,442,451</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ 24,625,957	\$ 931,196	\$ 31,740,649	\$ 1,017,662
Restricted	5,463,108	-	6,065,687	-
Unrestricted	<u>9,861,324</u>	<u>1,572,804</u>	<u>207,061</u>	<u>1,933,964</u>
Total net assets	<u>\$ 39,950,389</u>	<u>\$ 2,504,000</u>	<u>\$ 38,013,397</u>	<u>\$ 2,951,626</u>

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.

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.

The decrease in governmental capital assets, net is mainly due to the fact that depreciation expense for the year exceeded capital additions.

The decrease in business-type capital assets, net of accumulated depreciation, is primarily due to the purchase of \$40,586 in capital assets by the Cayuga County Nursing Home (CNH) and the annual depreciation of \$127,052 on all of CNH's assets.

The approximate increase of \$10,307,917 in governmental current assets is mainly attributable to an increase of approximately \$4,060,000 in cash, \$1,073,000 increase in State and Federal Receivables due to a slow down in payments by these agencies and an increase of \$2,569,000 in prepaid expenses and inventories due to the recording of the insurance lag account.

The increase in the long-term liabilities is mainly due to an increase of \$5,400,000 in the County's expected net OPEB obligation at December 31, 2010, as well as the issuance of \$12 million of serial bonds.

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 2009 to 2010. Additionally, the information following Table 2 presents a graphical picture of the major revenue and expense categories of the governmental and business-type activities.

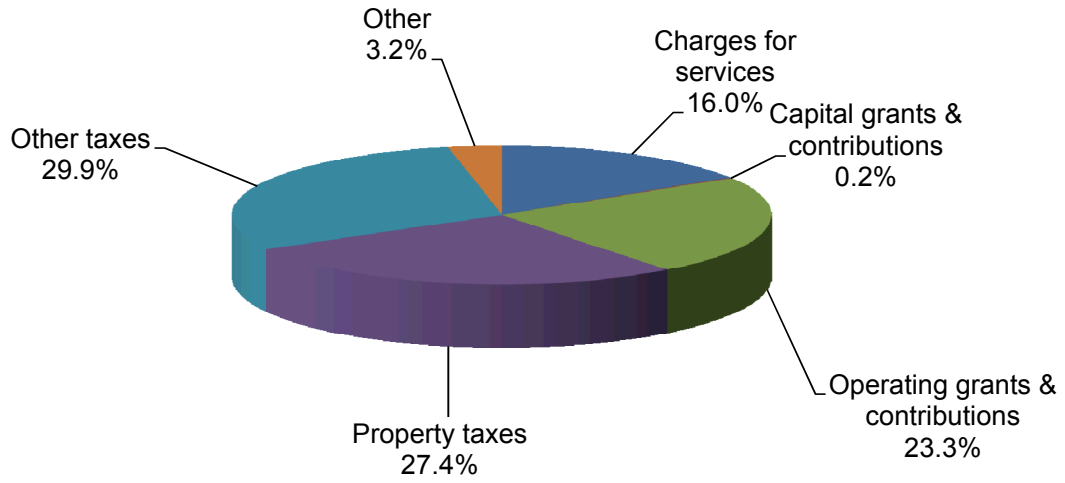
## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### Governmental Activities

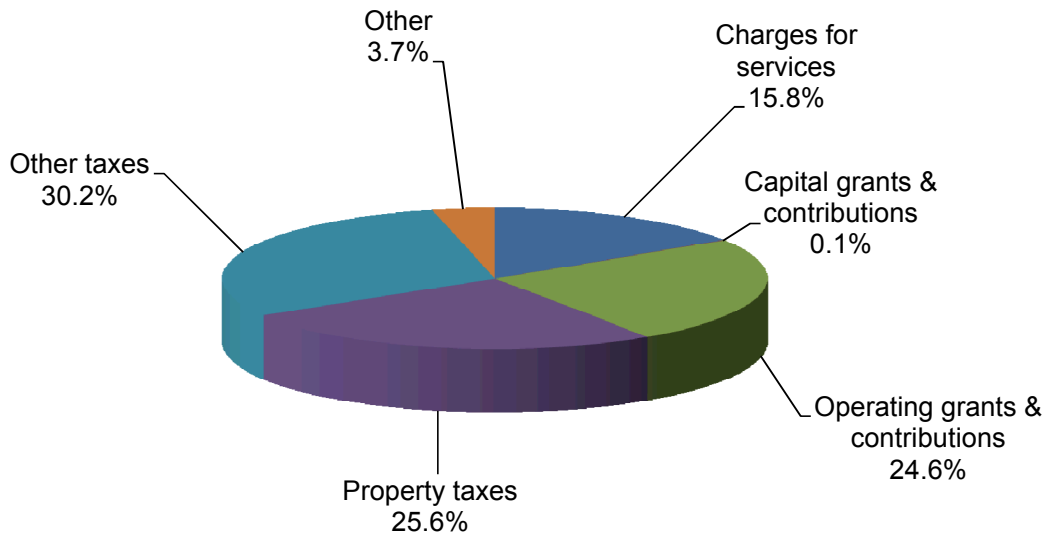
**Table 2 - Summary Statement of Activities**

	Governmental 2010	%	Business-Type 2010	%	Governmental 2009	%	Business-Type 2009	%
Revenues:								
Program revenues -								
Charges for services	\$ 21,207,970	16.0%	\$ 6,699,375	94.6%	\$ 20,578,901	15.8%	\$ 5,455,555	93.8%
Operating grants and contributions	30,714,941	23.3%	-	0.0%	32,000,708	24.6%	-	0.0%
Capital grants and contributions	211,142	0.2%	-	0.0%	98,231	0.1%	-	0.0%
Total program revenues	<u>52,134,053</u>	39.5%	<u>6,699,375</u>	94.6%	<u>52,677,840</u>	40.5%	<u>5,455,555</u>	93.8%
General revenues -								
Property taxes	36,199,867	27.4%	-	0.0%	33,159,645	25.6%	-	0.0%
Other taxes	39,463,374	29.9%	-	0.0%	39,200,090	30.2%	-	0.0%
Other	4,302,130	3.2%	383,934	5.4%	4,812,544	3.7%	362,599	6.2%
Total general revenues	<u>79,965,371</u>	60.5%	<u>383,934</u>	5.4%	<u>77,172,279</u>	59.5%	<u>362,599</u>	6.2%
Total revenues	<u>132,099,424</u>	100.0%	<u>7,083,309</u>	100.0%	<u>129,850,119</u>	100.0%	<u>5,818,154</u>	100.0%
Expenses:								
General governmental	37,243,465	28.2%	-	0.0%	38,780,785	29.1%	-	0.0%
Education	3,119,543	2.4%	-	0.0%	3,060,416	2.3%	-	0.0%
Public safety	13,885,082	10.5%	-	0.0%	14,159,228	10.6%	-	0.0%
Public health	15,268,318	11.5%	7,530,935	100.0%	16,514,672	12.4%	6,971,905	100.0%
Transportation	8,416,444	6.4%	-	0.0%	10,035,285	7.5%	-	0.0%
Economic assistance	38,477,575	29.1%	-	0.0%	38,169,391	28.6%	-	0.0%
Culture and recreation	1,148,208	0.8%	-	0.0%	1,217,443	0.9%	-	0.0%
Home and community services	3,201,770	2.4%	-	0.0%	2,469,574	1.9%	-	0.0%
Employee benefits	5,491,969	4.2%	-	0.0%	3,481,177	2.6%	-	0.0%
Depreciation- unallocated	3,306,103	2.5%	-	0.0%	2,512,246	1.9%	-	0.0%
Interest	2,721,865	2.0%	-	0.0%	2,926,371	2.2%	-	0.0%
Total expenses	<u>132,280,342</u>	100.0%	<u>7,530,935</u>	100.0%	<u>133,326,588</u>	100.0%	<u>6,971,905</u>	100.0%
Decrease in net assets	<u>(180,918)</u>		<u>(447,626)</u>		<u>(3,476,469)</u>		<u>(1,153,751)</u>	
Net assets - beginning of year, as previously reported	38,013,397		2,951,626		41,287,866		4,105,377	
Prior period adjustment (Note 3)	<u>2,117,910</u>		-		<u>202,000</u>		-	
Net assets - beginning of year, as restated	<u>40,131,307</u>		<u>2,951,626</u>		<u>41,489,866</u>		<u>4,105,377</u>	
Net assets - end of year	<u>\$ 39,950,389</u>		<u>\$ 2,504,000</u>		<u>\$ 38,013,397</u>		<u>\$ 2,951,626</u>	

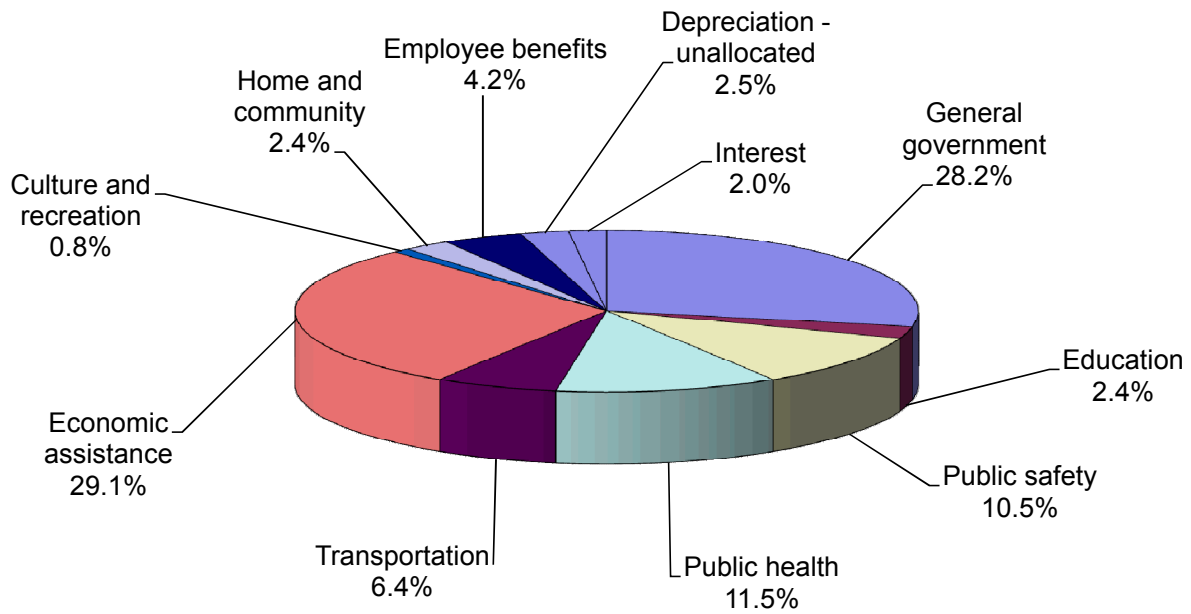
### 2010 Revenues - Governmental Activities



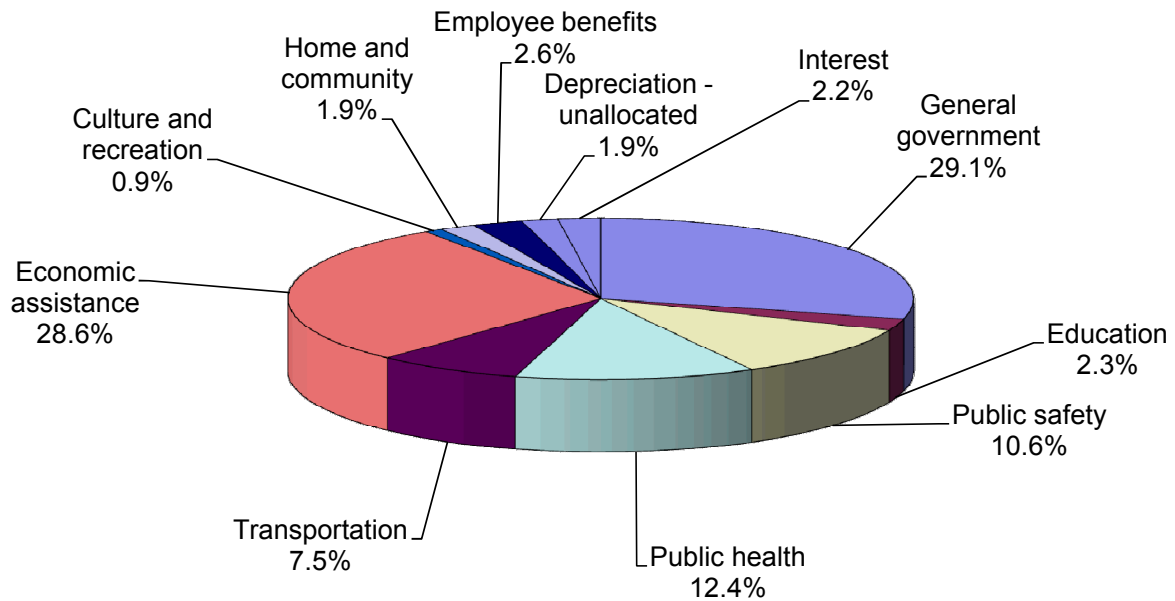
### 2009 Revenues - Governmental Activities



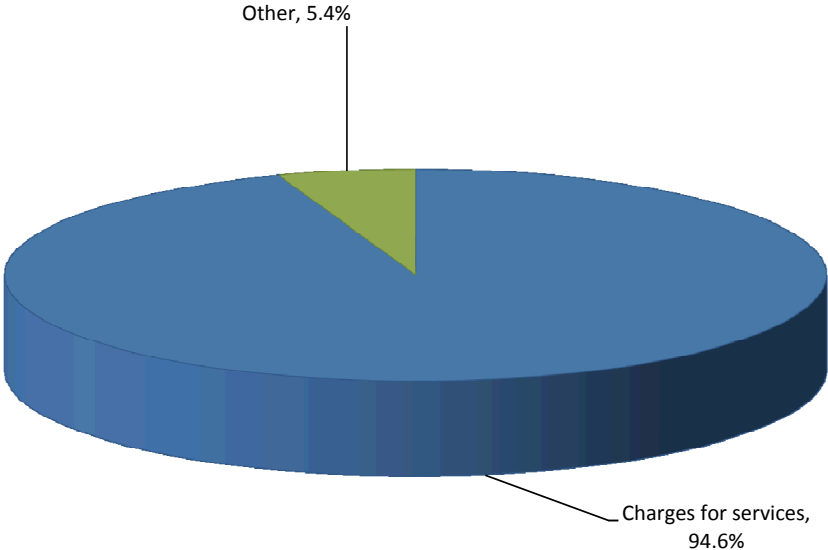
### 2010 Expenses - Governmental Activities



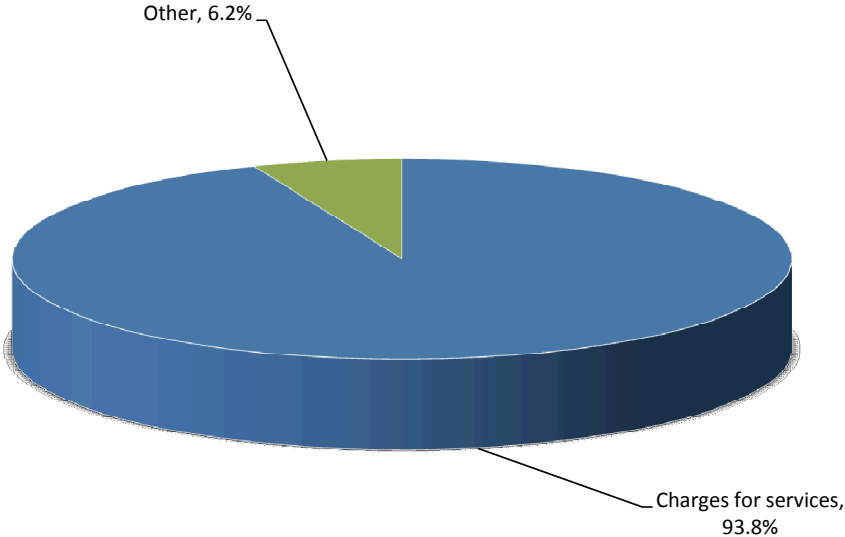
### 2009 Expenses - Governmental Activities



### 2010 Revenues - Business-Type Activities



### 2009 Revenues - Business-Type Activities



## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

### Governmental Activities

Governmental activities decreased the County's net assets by \$180,918. Governmental revenues for 2010 actually increased by approximately \$2.2M. This increase was supplemented by a decrease of approximately \$1M in governmental expenditures.

## GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

### Budget Analysis

Actual expenditures on a budgetary basis were \$6,227,259 less than budgeted levels. The major areas of this positive expenditure variance were public safety, health, and economic assistance and opportunity. This positive expenditure variance was reduced as shortfalls compared to budget in State and Federal aid totaling \$1.1 million and departmental income decreases totaling \$1.0 million were realized in 2010.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2010 amounted to \$40,100,957 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, roads, highways and bridges.

**Table 3 - Capital Assets - Governmental and Business-Type Activities (Net of Depreciation)**

	Governmental <u>2010</u>	Business-Type <u>2010</u>	Governmental <u>2009</u>	Business-Type <u>2009</u>
Land and land improvements	\$ 2,856,464	\$ 83,372	\$ 2,788,500	\$ 110,648
Buildings and improvements	21,982,328	50,722	17,067,037	50,883
Machinery and equipment	5,270,740	797,102	5,625,614	856,131
Infrastructure	4,443,290	-	4,957,222	-
Construction-in-progress	<u>5,548,135</u>	<u>-</u>	<u>4,842,276</u>	<u>-</u>
Total	<u>\$ 40,100,957</u>	<u>\$ 931,196</u>	<u>\$ 35,280,649</u>	<u>\$ 1,017,662</u>

The \$4,443,290 for 2010 and \$4,957,222 for 2009 of infrastructure represents the depreciated book value of County roads and bridges.

The \$5,548,135 for 2010 and \$4,842,276 for 2009 of construction-in-progress represents the cost to date construction on various County projects that have not been completed. The increase of \$705,859 reflects major projects that are ongoing: Renovation of Mental Health Building at North Street - \$623,586 and the net affect 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.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### Debt Administration

**Table 4 - Short-Term Bond Anticipation Notes**

	Governmental <u>2010</u>	Governmental <u>2009</u>
Soil and Water Digester	\$ 1,500,000	\$ -
Public Safety Building	-	76,865
HVAC - County office building	-	845,000
Mental Health Facility	-	7,500,000
E911	-	47,056
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 1,500,000</u>	<u>\$ 8,468,921</u>

**Table 5 - Long-Term Debt**

	Governmental <u>2010</u>	Business-Type <u>2010</u>	Governmental <u>2009</u>	Business-Type <u>2009</u>
Serial bonds - excluding CTASC	\$ 15,475,000	\$ -	\$ 3,540,000	\$ -
Serial bonds - CTASC	23,063,648	-	22,683,302	-
Certificates of participation - AMH	14,585,000	-	15,690,000	-
Pension liability	-	-	69,339	-
Pollution remediation obligation	171,000	-	302,000	-
Compensated absences	2,367,52	-	2,413,342	-
Other postemployment benefits	<u>20,545,846</u>	<u>1,666,643</u>	<u>15,067,595</u>	<u>1,134,136</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 76,208,021</u>	<u>\$ 1,666,643</u>	<u>\$ 59,765,578</u>	<u>\$ 1,134,136</u>

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

### **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**

During 2010 the County obtained permanent financing through serial bonds for the Mental Health Building capital project in the amount of \$12,575,000.

To comply with Governmental Accounting Standards Board (GASB) Statement No. 45 the County obtained a new actuarial valuation during 2010.

There has been no change in the County's investment policy. For 2010 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, 5<sup>th</sup> floor, Auburn, New York 13021.

**COUNTY OF CAYUGA, NEW YORK**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental	Proprietary
<b>ASSETS</b>					
Cash and cash equivalents	\$ 45,703,236	\$ 1,089,538	\$ 46,792,774	\$ 203,224	\$ 10,109,386
Restricted cash and cash equivalents	-	-	-	2,582,570	709,465
Investments	1,950,000	-	1,950,000	-	10,179,712
Restricted investments	-	-	-	-	150,121
Limited use assets	1,333,533	-	1,333,533	-	-
Accounts receivable, net	10,828,596	2,480,593	13,309,189	82,228	9,641,909
Due from other funds	647,085	-	647,085	-	-
Due from component units	80,132	-	80,132	-	-
Due from other governments	2,232,383	-	2,232,383	2,151,627	1,915,093
State and federal aid receivable, net	11,029,486	-	11,029,486	-	-
Note and loans receivable	15,444,657	-	15,444,657	-	-
Prepaid expenses and inventories	3,139,665	96,094	3,235,759	-	963,130
Capital assets, net	40,100,957	931,196	41,032,153	6,637,574	24,942,213
Resident funds held in trust	-	15,967	15,967	-	-
<b>Total assets</b>	<b>132,489,730</b>	<b>4,613,388</b>	<b>137,103,118</b>	<b>11,657,223</b>	<b>58,611,029</b>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	5,625,207	244,978	5,870,185	2,033,801	2,394,024
Accrued wages and benefits	1,514,198	181,800	1,695,998	21,380	2,668,040
Bond anticipation notes	1,500,000	-	1,500,000	-	2,500,000
Due to other funds	245,860	-	245,860	-	-
Due to other governments	6,667,229	-	6,667,229	1,500,000	107,154
Deferred revenue	778,826	-	778,826	531,197	8,638,260
Resident funds held in trust	-	15,967	15,967	-	-
Long-term liabilities -					
Due within one year	5,527,527	-	5,527,527	225,188	452,784
Due in more than one year	70,680,494	1,666,643	72,347,137	741,079	17,613,453
<b>Total liabilities</b>	<b>92,539,341</b>	<b>2,109,388</b>	<b>94,648,729</b>	<b>5,052,645</b>	<b>34,373,715</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	24,625,957	931,196	25,557,153	6,637,647	10,345,106
Restricted -					
Debt service	5,463,108	-	5,463,108	-	-
Other purposes	-	-	-	534,087	10,623,741
Unrestricted	9,861,324	1,572,804	11,434,128	(567,156)	3,268,467
<b>Total net assets</b>	<b>\$ 39,950,389</b>	<b>\$ 2,504,000</b>	<b>\$ 42,454,389</b>	<b>\$ 6,604,578</b>	<b>\$ 24,237,314</b>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Net (Expense) Revenue and Changes in Net Assets							
	Program Revenue			Primary Government		Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		
Functions/Programs					Total	Governmental	Proprietary	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities -								
General government support	\$ 37,243,465	\$ 3,914,020	\$ 1,210,894	\$ -	\$ (32,118,551)	\$ (32,118,551)		
Education	3,119,543	362,622	-	51,287	(2,705,634)	(2,705,634)		
Public safety	13,885,082	2,390,732	696,868	-	(10,797,482)	(10,797,482)		
Public health	15,268,318	6,470,383	5,822,788	-	(2,975,147)	(2,975,147)		
Transportation	8,416,444	841,416	3,346,924	159,855	(4,068,249)	(4,068,249)		
Economic assistance and opportunity	38,477,575	1,625,133	19,440,949	-	(17,411,493)	(17,411,493)		
Culture and recreation	1,148,208	203,223	196,518	-	(748,467)	(748,467)		
Home and community services	3,201,770	385,837	-	-	(2,815,933)	(2,815,933)		
Employee benefits	5,491,969	5,014,604	-	-	(477,365)	(477,365)		
Depreciation - unallocated	3,306,103	-	-	-	(3,306,103)	(3,306,103)		
Interest expense	2,721,865	-	-	-	(2,721,865)	(2,721,865)		
Total governmental activities	132,280,342	21,207,970	30,714,941	211,142	(80,146,289)	(80,146,289)		
Business-type activities -								
County Nursing Home	7,530,935	6,699,375	-	-	(831,560)	(831,560)		
Total business-type activities	7,530,935	6,699,375	-	-	(831,560)	(831,560)		
Total primary government	\$ 139,811,277	\$ 27,907,345	\$ 30,714,941	\$ 211,142	(80,146,289)	(80,977,849)		
<b>COMPONENT UNITS:</b>								
Governmental -								
Soil and Water Conservation District	\$ 2,504,491	\$ 6,305,965	\$ -	\$ -			\$ 3,801,474	
Proprietary -								
Community College	51,415,038	8,180,092	37,549,239	4,190,296				\$ (1,495,411)
Industrial Development Agency	213,277	19,301	106,694	-				(87,282)
Water and Sewer Authority	1,189,646	1,055,993	-	1,974,446				1,840,793
Total component units	\$ 55,322,452	\$ 15,561,351	\$ 37,655,933	\$ 6,164,742			3,801,474	258,100
<b>GENERAL REVENUES AND TRANSFERS:</b>								
Real property taxes and real property tax items					36,199,867			
Nonproperty tax items					39,463,374			
Sale of property and compensation for loss					85,837		32,711	
Investment income					-		-	1,015,105
Use of money and property					9,276	936,709	49,595	
Contributions from County					-	171,853	773,358	
Miscellaneous					3,288,860	3,491,665	-	1,930,283
Total general revenues and transfers					79,965,371	80,349,305	855,664	2,945,388
Change in net assets					(180,918)	(628,544)	4,657,138	3,203,488
Net assets - beginning of year, as previously reported					38,013,397	40,965,023	1,947,440	20,995,377
PRIOR PERIOD ADJUSTMENT (Note 3)					2,117,910	2,117,910	-	38,449
Net assets - beginning of year, as restated					40,131,307	43,082,933	1,947,440	21,033,826
Net assets - end of year					\$ 39,950,389	\$ 42,454,389	\$ 6,604,578	\$ 24,237,314

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,280,298	\$ 8,194,852	\$ 6,228,086	\$ 45,703,236
Investments	1,950,000	-	-	1,950,000
Limited use assets	-	-	1,333,533	1,333,533
Accounts receivable, net	9,438,380	-	1,390,216	10,828,596
Notes and loans receivable	14,585,000	-	859,657	15,444,657
State and federal aid receivable, net	9,944,146	-	1,085,340	11,029,486
Due from other governments	781,165	1,451,218	-	2,232,383
Due from component units	80,132	-	-	80,132
Prepaid expenses	3,045,843	-	93,822	3,139,665
Due from other funds	647,085	-	-	647,085
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 71,752,049</u>	<u>\$ 9,646,070</u>	<u>\$ 10,990,654</u>	<u>\$ 92,388,773</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable and other current liabilities	\$ 4,578,845	\$ 257,767	\$ 585,902	\$ 5,422,514
Accrued wages and benefits	1,310,928	-	203,270	1,514,198
Bond anticipation notes	-	1,500,000	-	1,500,000
Due to other funds	37,898	127,810	80,152	245,860
Due to other governments	6,505,083	-	162,146	6,667,229
Deferred revenue	18,425,342	-	1,321,012	19,746,354
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>30,858,096</u>	<u>1,885,577</u>	<u>2,352,482</u>	<u>35,096,155</u>
<b>FUND BALANCES:</b>				
Reserved -				
Encumbrances	475,738	-	13,887	489,625
Debt service	-	-	5,463,108	5,463,108
Capital	-	88,160	-	88,160
Health insurance	14,614,801	-	-	14,614,801
General	1,951,413	-	1,549,329	3,500,742
Unreserved -				
Appropriated - ensuing fiscal year	4,902,000	-	766,949	5,668,949
Unappropriated	18,950,001	7,672,333	844,899	27,467,233
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>40,893,953</u>	<u>7,760,493</u>	<u>8,638,172</u>	<u>57,292,618</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 71,752,049</u>	<u>\$ 9,646,070</u>	<u>\$ 10,990,654</u>	<u>\$ 92,388,773</u>

The accompanying notes are an integral part of these statements.

# COUNTY OF CAYUGA, NEW YORK

## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010

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Total fund balances - governmental funds \$ 57,292,618

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 40,100,957

Notes receivable are not available to pay current period expenditures and therefore are deferred in the governmental funds. 15,444,657

Long-term liabilities, including serial bonds payable for the County and serial bonds payable for the CTASC which are not due in the current period and therefore are not reported in the funds. They are as follows:

Serial bonds	(15,475,000)
Certificates of participation - AMH	(14,585,000)
Serial bonds - CTASC	(23,063,648)
Other postemployment benefits	(20,545,846)
Pollution remediation obligation	(171,000)
Compensated absences	(2,367,527)

Deferred property tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds. 3,522,871

Interest is accrued on outstanding bonds in the statement of net assets but not in the funds. (202,693)

Total net assets of governmental activities \$ 39,950,389

# COUNTY OF CAYUGA, NEW YORK

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General Fund</u>	<u>Capital Projects</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<b>REVENUES:</b>				
Real property taxes and tax items	\$ 35,869,584	\$ -	\$ -	\$ 35,869,584
Nonproperty tax items	39,463,374	-	-	39,463,374
Departmental income	14,842,813	-	313,453	15,156,266
Intergovernmental charges	3,327,555	1,986,912	840,903	6,155,370
Use of money and property	715,041	62,193	150,199	927,433
Licenses and permits	9,659	-	455	10,114
Fines and forfeitures	151,446	3,220	-	154,666
Sale of property and compensation for loss	63,941	-	21,896	85,837
Miscellaneous	2,958,215	84,146	1,351,499	4,393,860
Interfund revenues	8,776,276	-	1,600,000	10,376,276
State and county aid	14,961,761	211,142	3,346,925	18,519,828
Federal aid	<u>11,588,041</u>	<u>-</u>	<u>818,214</u>	<u>12,406,255</u>
<b>Total revenues</b>	<u>132,727,706</u>	<u>2,347,613</u>	<u>8,443,544</u>	<u>143,518,863</u>
<b>EXPENDITURES:</b>				
Current -				
General governmental support	31,203,234	192,448	211,129	31,606,811
Education	3,119,543	-	-	3,119,543
Public safety	15,542,754	1,247,009	-	16,789,763
Public health	15,846,108	4,927,413	-	20,773,521
Transportation	162,396	103,526	9,804,050	10,069,972
Economic assistance and opportunity	37,862,265	-	652,722	38,514,987
Culture and recreation	1,157,162	14,839	-	1,172,001
Home and community services	1,639,543	1,542,545	26,033	3,208,121
Employee benefits	12,336,116	-	1,932,129	14,268,245
Debt service -				
Principal	1,105,000	-	1,238,921	2,343,921
Interest	<u>941,400</u>	<u>-</u>	<u>1,127,328</u>	<u>2,068,728</u>
<b>Total expenditures</b>	<u>120,915,521</u>	<u>8,027,780</u>	<u>14,992,312</u>	<u>143,935,613</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>11,812,185</u>	<u>(5,680,167)</u>	<u>(6,548,768)</u>	<u>(416,750)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
BANs redeemed from appropriations	-	328,921	-	328,921
Proceeds from serial bonds	-	12,575,000	-	12,575,000
Operating transfers - in	255,915	684,566	5,874,291	6,814,772
Operating transfers - out	<u>(6,469,672)</u>	<u>-</u>	<u>(345,100)</u>	<u>(6,814,772)</u>
<b>Total other financing sources (uses)</b>	<u>(6,213,757)</u>	<u>13,588,487</u>	<u>5,529,191</u>	<u>12,903,921</u>
<b>CHANGE IN FUND BALANCE</b>	5,598,428	7,908,320	(1,019,577)	12,487,171
<b>FUND BALANCE - beginning of year</b>	33,177,615	(147,827)	9,657,749	42,687,537
<b>PRIOR PERIOD ADJUSTMENT (Note 3)</b>	<u>2,117,910</u>	<u>-</u>	<u>-</u>	<u>2,117,910</u>
<b>FUND BALANCE - beginning of year as restated</b>	<u>35,295,525</u>	<u>(147,827)</u>	<u>9,657,749</u>	<u>44,805,447</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 40,893,953</u>	<u>\$ 7,760,493</u>	<u>\$ 8,638,172</u>	<u>\$ 57,292,618</u>

The accompanying notes are an integral part of these statements.

## COUNTY OF CAYUGA, NEW YORK

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

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Net change in fund balances - governmental funds \$ 12,487,171

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays	8,683,493	
Depreciation	(3,306,103)	5,377,390

Loss on disposal of capital assets are recorded on the government-wide financial statements but do not require the use of current financial resources and therefore are not reported in the governmental funds statement. (557,082)

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. 2,015,000

Income from proceeds is recognized as an increase in liability in the statement of activities. (12,575,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental activities. The current year increase (decrease) is shown here:

Accrued interest on long-term debt	(2,791)
Compensated absences	45,815
Other postemployment benefit obligations	(5,478,251)
Pension obligation	69,339

Recognition of income due to the change in deferred property tax revenue. 330,283

Recognition of borrowings on Community Development Block Grant loans receivable, net of write offs and expenses from issuing new loans. (268,446)

Recognition of note income from Hospital related to Certificates of Participation principal. (1,105,000)

Current year accretion of capital appreciation bonds is not reflected in the governmental funds, but is recorded as amortization in the government-wide financial statements. (650,346)

Payment of pollution abatement costs is an expenditure in the current period governmental funds, but is a reduction of the liability in the government-wide financial statements. 131,000

Change in net assets of governmental activities \$ (180,918)

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**STATEMENT OF NET ASSETS - PROPRIETARY FUND  
DECEMBER 31, 2010**

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	<u>Enterprise Fund</u>
	Cayuga County Nursing Home
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,089,538
Accounts receivable, net	2,480,593
Inventories	18,636
Prepaid expense	77,458
Capital assets, net	931,196
Resident funds held in trust	<u>15,967</u>
Total assets	<u>4,613,388</u>
<b>LIABILITIES</b>	
Accounts payable and other liabilities	244,978
Accrued liabilities	181,800
Non-current liabilities -	
Other postemployment benefit obligations	1,666,643
Resident funds held in trust	<u>15,967</u>
Total liabilities	<u>2,109,388</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	931,196
Unrestricted	<u>1,572,804</u>
Total net assets	<u>\$ 2,504,000</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	<u>Enterprise Fund</u>
	Cayuga County Nursing Home
REVENUES:	
Charges for services	\$ 6,699,375
Other operating revenue	<u>202,805</u>
Total operating revenues	<u>6,902,180</u>
OPERATING EXPENSES:	
Nursing services	5,031,918
General services	1,266,616
Other professional services	228,171
Administrative	433,340
Depreciation and amortization	127,052
Bad debt expense	179,353
New York State cash receipts assessment	<u>264,485</u>
Total operating expenses	<u>7,530,935</u>
Operating loss	<u>(628,755)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	9,276
Contributions from County	<u>171,853</u>
Total non-operating revenues	<u>181,129</u>
CHANGE IN NET ASSETS	(447,626)
NET ASSETS - beginning of year	<u>2,951,626</u>
NET ASSETS - end of year	<u><u>\$ 2,504,000</u></u>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Enterprise Fund</u>
	Cayuga County Nursing Home
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>	
Cash received from providing services	\$ 5,067,256
Cash received for other operations	202,805
Cash payments to suppliers	(2,785,581)
Cash payments to employees and for contractual services	(3,637,278)
Cash payments for NYS cash receipts assessment	<u>(264,485)</u>
Net cash flow from operating activities	<u>(1,417,283)</u>
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Contributions from County	<u>171,853</u>
Net cash flow from non-capital financing activities	<u>171,853</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchases of capital assets	<u>(40,586)</u>
Net cash flow from capital and related financing activities	<u>(40,586)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Interest income	<u>9,276</u>
Net cash flow from investing activities	<u>9,276</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,276,740)</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<b><u>2,366,278</u></b>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<b><u>\$ 1,089,538</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (628,755)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation and amortization	127,052
Bad debt expense	179,353
Changes in:	
Accounts receivable	(1,690,593)
Inventories	1,237
Prepaid expense	(73,469)
Accounts payable and other liabilities	82,140
Accrued liabilities	<u>585,752</u>
Net cash flow from operating activities	<u>\$ (1,417,283)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2010**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
CASH AND CASH EQUIVALENTS	\$ 2,305,708
ACCOUNTS RECEIVABLE	88
DUE FROM OTHER FUNDS	<u>2,248</u>
Total assets	<u>\$ 2,308,044</u>
<b>LIABILITIES</b>	
DUE TO OTHER FUNDS	\$ 403,473
AGENCY LIABILITIES	<u>1,904,571</u>
Total liabilities	<u>\$ 2,308,044</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**COMBINING STATEMENT OF NET ASSETS - PROPRIETARY COMPONENT UNITS  
DECEMBER 31, 2010**

	Cayuga Community College	Cayuga County Water and Sewer Authority	Cayuga County Industrial Development Agency	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,532,063	\$ 214,890	\$ 362,433	\$ 10,109,386
Restricted cash and cash equivalents	-	709,465	-	709,465
Investments	9,739,880	-	439,832	10,179,712
Restricted investments	-	-	150,121	150,121
Accounts receivable, net	345,729	187,053	-	532,782
Student tuition and fees receivable, net	7,020,855	-	-	7,020,855
Grants receivable	-	1,582,610	-	1,582,610
Due from other governments	1,915,093	-	-	1,915,093
Other receivables, net	386,490	-	119,172	505,662
Prepaid expenses	156,324	13,995	-	170,319
Other assets	243,867	-	548,944	792,811
Capital assets, net	<u>14,580,844</u>	<u>10,361,369</u>	<u>-</u>	<u>24,942,213</u>
Total assets	<u>\$ 43,921,145</u>	<u>\$ 13,069,382</u>	<u>\$ 1,620,502</u>	<u>\$ 58,611,029</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 1,893,722	\$ 449,197	\$ 50,000	\$ 2,392,919
Accrued liabilities	2,618,433	49,607	-	2,668,040
Short-term notes payable	-	2,500,000	-	2,500,000
Grants payable	-	-	1,105	1,105
Deferred revenue	8,631,736	-	6,525	8,638,261
Due to other governments	107,154	-	-	107,154
Long-term debt -				
Due within one year	190,070	262,714	-	452,784
Due in more than one year	<u>15,097,763</u>	<u>2,515,689</u>	<u>-</u>	<u>17,613,452</u>
Total liabilities	<u>\$ 28,538,878</u>	<u>\$ 5,777,207</u>	<u>\$ 57,630</u>	<u>\$ 34,373,715</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 5,262,140	\$ 5,082,966	\$ -	\$ 10,345,106
Restricted	8,264,411	2,209,209	150,121	10,623,741
Unrestricted	<u>1,855,716</u>	<u>-</u>	<u>1,412,751</u>	<u>3,268,467</u>
Total net assets	<u>\$ 15,382,267</u>	<u>\$ 7,292,175</u>	<u>\$ 1,562,872</u>	<u>\$ 24,237,314</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**COMBINING STATEMENT OF ACTIVITIES - PROPRIETARY COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Cayuga Community College	Cayuga County Water and Sewer Authority	Cayuga County Industrial Development Agency	Total
<b>OPERATING REVENUE:</b>				
Charges for services, net	\$ 8,180,092	\$ 1,055,993	\$ 19,301	\$ 9,255,386
Rental fees	-	-	2,231	2,231
Federal grants	11,682,300	-	-	11,682,300
State and local grants	517,811	-	-	517,811
Other grants and contracts	724,651	-	106,694	831,345
Other revenue	<u>736,290</u>	<u>-</u>	<u>2,955</u>	<u>739,245</u>
Total operating revenue	<u>21,841,144</u>	<u>1,055,993</u>	<u>131,181</u>	<u>23,028,318</u>
<b>OPERATING EXPENSES:</b>				
Instruction	11,930,938	-	-	11,930,938
Public service	432,597	-	-	432,597
Academic support	3,537,891	-	-	3,537,891
Student services	3,523,003	-	-	3,523,003
Institutional support	7,268,419	-	-	7,268,419
Operation and maintenance	4,325,784	68,173	-	4,393,957
Scholarships and fellowships	17,494,465	-	-	17,494,465
Administration	-	-	24,743	24,743
Grant expenses	-	-	106,694	106,694
Water purchases	-	418,013	-	418,013
Office expense	-	16,694	-	16,694
Payroll, benefits and payroll taxes	-	144,757	-	144,757
Utilities	-	20,228	-	20,228
Legal and accounting	-	46,247	5,271	51,518
Insurance	-	10,944	-	10,944
Telephone	-	5,981	-	5,981
Depreciation	660,247	337,006	-	997,253
Other expenses	<u>1,743,772</u>	<u>9,764</u>	<u>76,569</u>	<u>1,830,105</u>
Total operating expenses	<u>50,917,116</u>	<u>1,077,807</u>	<u>213,277</u>	<u>52,208,200</u>
OPERATING INCOME (LOSS)	<u>(29,075,972)</u>	<u>(21,814)</u>	<u>(82,096)</u>	<u>(29,179,882)</u>
<b>NON-OPERATING REVENUE AND EXPENSES:</b>				
State appropriations	8,366,889	-	-	8,366,889
Local appropriations	7,607,021	-	-	7,607,021
Federal tuition grants	8,650,567	-	-	8,650,567
Federal construction grants	-	1,974,446	-	1,974,446
State tuition grants	3,398,441	-	-	3,398,441
Private contributions	524,461	-	-	524,461
Interest income	941,949	66,482	6,674	1,015,105
Interest expense	(497,922)	(111,839)	-	(609,761)
Other revenue	<u>509,126</u>	<u>153,492</u>	<u>1,728</u>	<u>664,346</u>
Total non-operating revenue and expenses	<u>29,500,532</u>	<u>2,082,581</u>	<u>8,402</u>	<u>31,591,515</u>
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>424,560</u>	<u>2,060,767</u>	<u>(73,694)</u>	<u>2,411,633</u>
<b>CONTRIBUTED CAPITAL:</b>				
State contributions	<u>791,855</u>	<u>-</u>	<u>-</u>	<u>791,855</u>
Total contributed capital	<u>791,855</u>	<u>-</u>	<u>-</u>	<u>791,855</u>
CHANGE IN NET ASSETS	1,216,415	2,060,767	(73,694)	3,203,488
NET ASSETS - beginning of year	14,186,251	5,231,408	1,577,718	20,995,377
PRIOR PERIOD ADJUSTMENT (Note 3)	<u>(20,399)</u>	<u>-</u>	<u>58,848</u>	<u>38,449</u>
NET ASSETS - beginning of year, as restated	<u>14,165,852</u>	<u>5,231,408</u>	<u>1,636,566</u>	<u>21,033,826</u>
NET ASSETS - end of year	<u>\$ 15,382,267</u>	<u>\$ 7,292,175</u>	<u>\$ 1,562,872</u>	<u>\$ 24,237,314</u>

The accompanying notes are an integral part of these statements.

# COUNTY OF CAYUGA, NEW YORK

## NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

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) has been included in these statements as a blended component unit.

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 as promulgated by the Governmental Accounting Standards Board.

As required by generally accepted accounting principles, the basic financial statements of the reporting entity include those of the County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operation or financial relationship with the County.

#### **Component Units - Discretely Presented**

The financial statements of the component units as mentioned below have been included in the financial reporting entity as discretely presented component units, which is the presentation of component unit financial data in a column separate from the financial data of the primary government.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Component Units - Discretely Presented (Continued)

- **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 the 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 County 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 they are eliminated from the Governmental Activities column. The County also pays a portion of tuition and capital cost charges for County residents attending other Community Colleges. The CCC financial statements include two discretely presented 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. Separate audited financial statements for the CCC may be obtained by contacting the 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 County 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 the CCIDA directly.

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 the CCWSAD directly.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Component Unit - Blended**

The 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 an instrumentality of, but separate and apart from, the County. CTASC is considered a governmental fund-type component unit (blended presentation) of the County in accordance with generally accepted accounting principles. 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 the CTASC all of its future right, 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 was financed by the issuance of serial bonds. A Residual Certificate exists which represents the entitlement for the County 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. The CTASC is blended with the debt service fund, a non-major governmental fund.

### **Cayuga County Health Insurance Consortium**

The County, CCC, and the SWCD are all participants in a municipal cooperation agreement 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 finance qualifying activities prior to using unrestricted resources.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### • Government-wide Financial Statements (Continued)

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.

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 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. The more significant of the County's 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 program revenues 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.

1. Governmental 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### • Fund Financial Statements (Continued)

##### a) 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 - used to account for financial resources to be used for the acquisition, construction or renovation of capital facilities; or the acquisition of equipment.

##### b) Nonmajor Governmental Funds

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 to provide special services to areas that may or may not encompass the whole County. The following are non-major special revenue funds utilized by the County:
  - Road Machinery Fund
  - Special Grant Fund
  - County Road Fund
  - Miscellaneous Fund
- Debt Service Funds - 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, the CTASC is reported as a blended component unit within the debt service fund.

##### c) Proprietary Fund Types

These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred. Proprietary funds of the County include the following fund type:

- Enterprise Fund - used to account for those operations that are financed and operated in a manner similar to private business. The County's only enterprise fund is the CNH.

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

- **Fund Financial Statements (Continued)**
  - d) Fiduciary Funds

The County's fiduciary funds are presented in the fiduciary fund financial statements by type (restricted purposes, and agency). 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 - are 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.

- **Modified Accrual**

The governmental fund 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Property Taxes**

County real property taxes are levied annually no later than December 31<sup>st</sup> 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.

### **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. The 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.

### **Limited Use Assets**

The County's limited use assets are cash and cash equivalents which are stated at cost, approximates fair value.

### **Inventory**

Inventory in the enterprise fund and business-type activities represent supplies and are stated at the lower of cost, first-in first-out method, or market.

### **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. Generally accepted accounting principles require the establishment of an allowance for doubtful accounts; however, no allowance for uncollectible accounts has been provided since it is believed that such allowance would be immaterial.

#### **• Enterprise Funds**

Accounts receivable are stated net of an allowance for doubtful accounts. CNH estimates the allowance based on its analysis of specific balances, taking into consideration the age of past due accounts, the status of the billing process with third-party payers, the value of remaining assets held by residents, and anticipated collections resulting from legal action.

### **Notes Receivables**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **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 fund types (general, highway and nonmajor 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.

### **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.

### **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.

### **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 \$500 for all governmental funds and 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	10 - 20 Years
Buildings and Improvements	15 - 30 Years
Machinery and equipment	3 - 7 Years
Infrastructure	10 - 20 Years

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Capital Assets (Continued)

- **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.

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. Amortization of capital leases is computed using the straight-line method over the lease term or the estimated useful lives of the assets, whichever is shorter. Maintenance and repairs are charged to expense as incurred; significant renewals and improvements are capitalized.

### Sales Tax Revenues

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, and ending November 30, 2009. The net collections from the additional one percent rate of sales and compensating use taxes must be used to pay the County's expenses for Medicaid. Such net collection shall be kept separate and apart from any other funds and accounts of the County. The additional one percent local sales tax collection was extended to November 30, 2011 with the enactment of Resolution 385-09 dated July 28, 2009. The amount of the additional one percent sales tax collected in 2010 was approximately \$7,500,000. Sales tax revenues for the City of Auburn (the City) are directly remitted to the City from New York State and the Federal government.

### 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 employ 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, 2010 to be \$2,367,527. This represents vacation earned in 2010 but not usable until 2011 and only after the employee has rendered service to County in 2010. It is anticipated that this vacation will be used in 2011. The earned and unused vacation leave has been recorded as a liability in the government-wide financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **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.

### **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.

### **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 reservations of 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.

### **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 if they involved organizations external to the governmental unit are accounted for as revenues or expenditures in the funds involved. Transactions that constitute reimbursements to a fund for expenditures initially made from that fund which are properly applicable to another fund are recorded as expenditures 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.

### **Equity Classifications**

- **Government-Wide Financial Statements**

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

- a) 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Equity Classifications (Continued)

- **Government-Wide Financial Statements (Continued)**

- b) 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.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The County's policy is to use restricted resources prior to utilizing unrestricted funds.

- **Fund Financial Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Designations of fund balance represent tentative management plans that are subject to change. Reserves represent amounts set aside by the Legislature to fund specific initiatives.

### 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.

## 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**  
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 generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

### Budget Reconciliation/Budget Modifications

A reconciliation of expenditures for the 2010 General Fund budget is as follows:

Original adopted budget	\$ 118,335,669
Amendments	<u>4,860,979</u>
Final revised budget	<u>\$ 123,196,648</u>

### Budget/GAAP Reconciliation

The County reports its budgetary status with the actual data, including outstanding encumbrances as charges against budget appropriations. This results in the following reconciliation of the General Fund balances, excluding the Insurance Fund, computed on GAAP basis and budgetary basis:

GAAP basis fund balance at December 31, 2010	\$ 26,279,152
Less: Outstanding encumbrances	<u>(475,739)</u>
Budgetary basis fund balance at December 31, 2010	<u>\$ 25,803,413</u>

## 3. PRIOR PERIOD ADJUSTMENTS

### Primary Government

During 2010, the County identified that amounts paid for claims in connection with the health insurance consortium included a pre-billing for claims to be paid. The administrator is required to pay claims as presented, but doesn't bill the County for those claims for 60 days. Since inception of the contract, 1984, the administrator has been collecting an additional amount equal to an estimated 60 days of claims and is holding that amount on behalf of the County. The value of the account, \$2,117,910 at December 31, 2009, has been recorded as a reserve in the General Fund fund balance and recorded as a prior period adjustment.

### Component Units

The December 31, 2009 net asset balance of the CCC was overstated by \$20,399 by the inclusion of an erroneous amount in the Due from Federal and State Governments. The result was a reduction of the previous year's net assets of \$20,399.

During 2010 the CCIDA adjusted for deferred revenue that was earned in the prior year. The resulting adjustment was a decrease in deferred revenue and an increase in fund balance in the amount of \$58,848.

#### **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.

At December 31, 2010, cash and cash equivalents consisted of demand deposit accounts, money market accounts, savings accounts, and short-term certificates of deposit.

##### **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.

#### 4. CASH AND CASH EQUIVALENTS (Continued)

##### **Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the County's investment and deposit policy, all deposits of the County including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by a pledge of securities with an aggregate value from 100% to 104% where noted, of the aggregate amount of deposits. The County restricts the securities to the following eligible items:

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

#### 4. CASH AND CASH EQUIVALENTS (Continued)

##### Custodial Credit Risk - Deposits (Continued)

Deposits of the primary government, including trust funds, with financial institutions are categorized as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Primary government (excluding CNH)	\$ 45,935,425	\$ 43,397,528
Fiduciary funds	<u>2,297,404</u>	<u>2,305,708</u>
Cash and cash equivalents	<u>\$ 48,232,829</u>	<u>\$ 45,703,236</u>

The collateral related to the above is as follows:

FDIC Insured	\$ 8,095,457
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the County's name	<u>48,188,242</u>
	<u>\$ 56,283,699</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$709,465 within CCWSA.

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

##### Custodial Credit Risk - Investments

Custodial credit risk - investments 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, 2010, the County's investments, were in compliance with the investment and deposit policy as follows:

<u>Investment Type</u>	<u>2010</u>
U. S. Treasury Notes	<u>\$ 1,950,000</u>

##### Concentration of Credit Risk

The County places no limit on the amount that may be invested in any one investment type. At December 31, 2010 County's investments were invested in money market funds and U.S. Treasury Notes. The County's investments in U.S. Treasury Notes were rated Aaa by Standard & Poor's. No ratings were available for the other investments.

**5. LIMITED USE ASSETS**

The County's limited use assets at December 31, 2010 relate to the CTASC and are as follows:

	<u>Cost</u>	<u>Market</u>
Money market funds	\$ <u>1,333,533</u>	\$ <u>1,333,533</u>

**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 \$243,867 at August 31, 2010.

## 7. RECEIVABLES

Receivables as of year-end for the primary government including applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>	<u>Nursing Enterprise Home</u>
Taxes receivable:					
Real property and sales taxes, net	\$ 7,817,402	-	-	\$ 7,817,402	-
Other receivables:					
Trade	1,620,978	-	1,390,216	3,011,194	2,956,074
Less: Allowance for uncollectible accounts	-	-	-	-	(475,481)
	<u>1,620,978</u>	<u>-</u>	<u>1,390,216</u>	<u>3,011,194</u>	<u>2,480,593</u>
	<u>\$ 9,438,380</u>	<u>\$ -</u>	<u>\$ 1,390,216</u>	<u>\$ 10,828,596</u>	<u>\$ 2,480,593</u>
Due from other governments:					
Miscellaneous Cities/Towns	\$ 22,246 758,919	\$ 1,451,218 -	\$ - -	\$ 1,473,464 758,919	\$ - -
	<u>\$ 781,165</u>	<u>\$ 1,451,218</u>	<u>\$ -</u>	<u>\$ 2,232,383</u>	<u>\$ -</u>
State and Federal aid:					
Social service Other federal and state agencies	\$ 3,248,631 6,695,515	\$ - -	\$ - 1,085,340	\$ 3,248,631 7,780,855	\$ - -
	<u>\$ 9,944,146</u>	<u>\$ -</u>	<u>\$ 1,085,340</u>	<u>\$ 11,029,486</u>	<u>\$ -</u>

## 7. RECEIVABLES (Continued)

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 succeeding January 1. These assets are offset by deferred tax revenue of \$3,522,871 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"). In 2010, the County has a constitutional tax limit of \$76,401,922 and a constitutional tax margin of \$46,735,402.

### Interfund Receivables and Payables

Interfund receivables (due from other funds) at December 31, 2010 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 647,085	\$ 37,898
Capital Projects	-	127,810
County Road	-	76
Special Grant	-	80,076
Agency	<u>2,248</u>	<u>403,473</u>
Total	<u>\$ 649,333</u>	<u>\$ 649,333</u>

### Interfund Transfers

Cash transfers from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Operating transfers in, and operating transfers out, for the year ended December 31, 2010 for the primary government were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 255,915	\$ 6,469,672
Capital projects	684,566	-
Debt service	629,791	5,915
County road	5,244,500	183,985
Miscellaneous	<u>-</u>	<u>155,200</u>
Total	<u>\$ 6,814,772</u>	<u>\$ 6,814,772</u>

## 7. RECEIVABLES (Continued)

### Notes Receivable

Notes receivable consist of microenterprise development loans funded through the Small Cities Community Development Block Grant, with interest rates ranging from 0% - 5%. In addition, the County entered into a sublease agreement with the Hospital, or AMH in 1994 to secure financing related to a COPs issue by the County for hospital improvements. Future lease payments under the sublease are based on the future amortization (using 6.0% interest) of the related financing. In April 2007, the Hospital filed for protection under Chapter 11 of the Bankruptcy Laws of the United States. The County has recorded both this lease receivable and the related debt in its financial statements since 2006. The Hospital has not missed any payments to the County since the filing and the County has not recognized any provision for uncollectibility of this note. The County's notes receivable for 2010 are as follows:

Governmental activities:	Balance <u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>December 31</u>
Auburn Memorial Hospital	\$ 15,690,000	\$ -	\$ (1,105,000)	\$ 14,585,000
Debt service fund	47,056	-	(47,056)	-
CDBG loans	<u>1,128,103</u>	<u>26,033</u>	<u>(294,479)</u>	<u>859,657</u>
Total	<u>\$ 16,865,159</u>	<u>\$ 26,033</u>	<u>\$ (1,446,535)</u>	<u>\$ 15,444,657</u>

## 8. CAPITAL ASSETS

The County's capital assets for 2010 are as follows:

<u>Governmental Activities</u>	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>
Capital assets, not being depreciated:				
Land	\$ 2,788,500	\$ 67,964	\$ -	\$ 2,856,464
Construction in progress	<u>4,842,276</u>	<u>9,704,017</u>	<u>(8,998,158)</u>	<u>5,548,135</u>
Total non-depreciable assets	<u>7,630,776</u>	<u>9,771,981</u>	<u>(8,998,158)</u>	<u>8,404,599</u>
Buildings and improvements	32,099,871	6,345,827	-	38,445,698
Machinery and equipment	16,188,058	954,656	(934,289)	16,208,425
Infrastructure	<u>20,463,549</u>	<u>84,187</u>	<u>-</u>	<u>20,547,736</u>
Total depreciable assets	<u>68,751,478</u>	<u>7,384,670</u>	<u>(934,289)</u>	<u>75,201,859</u>
Less: Accumulated depreciation:				
Buildings and improvements	(15,032,834)	(1,558,912)	128,376	(16,463,370)
Machinery and equipment	(10,562,444)	(1,149,072)	773,831	(10,937,685)
Infrastructure	<u>(15,506,327)</u>	<u>(598,119)</u>	<u>-</u>	<u>(16,104,446)</u>
Total accumulated depreciation	<u>(41,101,605)</u>	<u>(3,306,103)</u>	<u>902,207</u>	<u>(43,505,501)</u>
Net depreciable assets	<u>27,649,873</u>	<u>4,078,567</u>	<u>(32,082)</u>	<u>31,696,358</u>
Capital assets, net	<u>\$ 35,280,649</u>	<u>\$ 13,850,548</u>	<u>\$ (9,030,240)</u>	<u>\$ 40,100,957</u>

## 8. CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 754,638	\$ 2,200	\$ -	\$ 756,838
Depreciable assets:				
Buildings and building services	1,959,837	3,255	-	1,963,092
Fixed equipment	768,122	12,071	-	780,193
Moveable equipment	<u>1,110,432</u>	<u>23,060</u>	<u>-</u>	<u>1,133,492</u>
Total depreciable assets	<u>3,838,391</u>	<u>38,386</u>	<u>-</u>	<u>3,876,777</u>
Less: Accumulated depreciation:				
Land improvements	(643,990)	(29,476)	-	(673,466)
Building and building services	(1,908,954)	(3,416)	-	(1,912,370)
Fixed equipment	(256,019)	(34,041)	-	(290,060)
Moveable equipment	<u>(766,404)</u>	<u>(60,119)</u>	<u>-</u>	<u>(826,523)</u>
Total accumulated depreciation	<u>(3,575,367)</u>	<u>(127,052)</u>	<u>-</u>	<u>(3,702,419)</u>
Net depreciable assets	<u>263,024</u>	<u>(88,666)</u>	<u>-</u>	<u>174,358</u>
Capital assets, net	<u>\$ 1,017,662</u>	<u>\$ (86,466)</u>	<u>\$ -</u>	<u>\$ 931,196</u>

### Component Units - Proprietary

Component units' capital assets at December 31, 2010 were as follows:

Land	\$ 1,083,163
Construction work-in-progress	1,982,138
Buildings and improvements	33,042,760
Infrastructure	10,188,334
Machinery and equipment	<u>2,437,032</u>
	48,733,427
Less: Accumulated depreciation	<u>(23,791,214)</u>
Total capital assets	<u>\$ 24,942,213</u>

### Component Units - Governmental

Component units' capital assets at December 31, 2010 were as follows:

Land	\$ 1,200
Construction work-in-progress	6,544,462
Office equipment	10,842
Shop and field equipment	<u>81,070</u>
Total capital assets	<u>\$ 6,637,574</u>

## 9. 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.

### 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>
2010	\$ <u>3,580,417</u>	\$ <u>493,719</u>	\$ <u>293,748</u>
2009	\$ <u>2,469,604</u>	\$ <u>569,629</u>	\$ <u>243,382</u>
2008	\$ <u>2,340,992</u>	\$ <u>664,499</u>	\$ <u>300,217</u>

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 \$617,486 in 2010.

## 10. FINANCING ARRANGEMENTS

### Bond Anticipation 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 \$127,154.

**10. FINANCING ARRANGEMENTS (Continued)**

**Bond Anticipation Notes (Continued)**

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

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Public safety building	\$ 76,865	\$ -	\$ (76,865)	\$ -
County office building - HVAC	845,000	-	(845,000)	-
Mental health facility	7,500,000	-	(7,500,000)	-
E911	47,056	-	(47,056)	-
Soil & Water Digester	<u>-</u>	<u>\$ 1,500,000</u>	<u>-</u>	<u>\$ 1,500,000</u>
Total governmental activities	<u>\$ 8,468,921</u>	<u>\$ 1,500,000</u>	<u>\$ (8,468,921)</u>	<u>\$ 1,500,000</u>
BAN proceeds received	\$ 1,500,000			
BAN repayments	<u>(8,468,921)</u>			
Net change in BANs outstanding	<u>\$ (6,968,921)</u>			

During 2010, outstanding BANs redeemed from appropriations totaled \$328,921. The remaining repayments were made through the issuance of long-term serial bonds.

The following is a summary of the maturity of bond anticipation notes:

	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Outstanding</u> <u>December 31</u>
Governmental activities:				
Soil & Water Digester	4/28/2010	4/28/2011	1.65%	<u>\$ 1,500,000</u>
				<u>\$ 1,500,000</u>

**Serial Bonds - Excluding CTASC**

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

Total long-term serial bond interest expense excluding CTASC for 2010 was \$126,413.

**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 6.625%. 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.

## 10. FINANCING ARRANGEMENTS (Continued)

### Serial Bonds - CTASC (Continued)

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 to covenant not to issue additional bonds or refunding bonds that would extend the term of the capital appreciation bonds or other outstanding bonds.

The Series 2000 bonds are composed of the bonds which mature 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.

### 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 AMH 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, 2010, the COPs outstanding aggregated \$14,585,000 and are to be paid serially in varying amounts through 2021. Interest paid in connection with this agreement was \$941,400.

## 10. FINANCING ARRANGEMENTS (Continued)

### Other Long-Term Obligations (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,170,000	\$ 875,100	\$ 2,045,100
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
2016-2020	<u>7,990,000</u>	<u>1,425,000</u>	<u>9,415,000</u>
	<u>\$ 14,585,000</u>	<u>\$ 5,055,000</u>	<u>\$ 19,640,000</u>

### Pollution Remediation Obligations

In 2010, the County recognized \$20,000 in pollution remediation expense and a corresponding liability was recorded in the statement of net assets. The County recognized recoveries of \$131,000 during 2010. The total liability at December 31, 2010 was \$171,000. 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.

### Summary of Long-Term Debt

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

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due in One Year</u>	<u>Due in More Than One Year</u>
Governmental activities:					
Serial Bonds - excluding CTASC	\$ 3,540,000	\$12,575,000	\$ (640,000)	\$ 1,245,000	\$ 14,230,000
Serial Bonds - CTASC	22,683,302	650,346	(270,000)	745,000	22,318,648
COPs	15,690,000	-	(1,105,000)	1,170,000	13,415,000
Pension liability	69,339	-	(69,339)	-	-
Pollution remediation obligation	302,000	-	(131,000)	-	171,000
Compensated absences	2,413,342	-	(45,815)	2,367,527	-
Other postemployment benefits	<u>15,067,595</u>	<u>8,309,797</u>	<u>(2,831,546)</u>	<u>-</u>	<u>20,545,846</u>
Total governmental activities	<u>59,765,578</u>	<u>21,535,143</u>	<u>(5,092,700)</u>	<u>5,527,527</u>	<u>70,680,494</u>
Business-type activities:					
Other postemployment benefits	<u>1,134,136</u>	<u>819,147</u>	<u>(286,640)</u>	<u>-</u>	<u>1,666,643</u>
Total primary government	<u>\$ 60,899,714</u>	<u>\$22,354,290</u>	<u>\$ (5,379,340)</u>	<u>\$ 5,527,527</u>	<u>\$ 72,347,137</u>

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

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>2010 Payments</u>	<u>Outstanding December 31</u>
Governmental activities:					
Serial Bonds - excluding CTASC -					
Public improvement serial bonds	2002	2017	2.50 - 4.00%	\$ 640,000	\$ 2,900,000
Public improvement serial bonds	2010	2028	2.00-3.375%	\$ -	12,575,000
COPs	2005	2020	6.00%	\$ 1,105,000	14,585,000
Serial Bonds - CTASC	2000	2042	5.00 - 6.63%	\$ 270,000	13,246,518
Serial Bonds - CTASC	2005	2039	6.00 - 7.85%	\$ -	9,817,130
					<u>\$ 53,123,648</u>

## 10. FINANCING ARRANGEMENTS (Continued)

### Summary of Long-Term Debt (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,245,000	\$ 455,737	\$ 1,700,737
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 - 2017	<u>10,385,000</u>	<u>2,148,982</u>	<u>12,533,982</u>
	<u>\$15,475,000</u>	<u>\$ 4,132,700</u>	<u>\$ 19,607,700</u>

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 Series</u>	<u>2005 Series</u>
2011	\$ 745,000	\$ -
2012	540,000	-
2013	570,000	-
2014	600,000	-
2015	630,000	-
Thereafter	<u>10,310,000</u>	<u>36,337,131</u>
	<u>\$ 13,395,000</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 LTASC was in compliance with all covenants and Indenture agreement requirements at 2010.

A principal payment in the amount of \$270,000 was made during 2010 in accordance with the Series 2000 bonds.

**10. FINANCING ARRANGEMENTS (Continued)**

**Interest**

Interest expense on CTASC bonds payable was \$1,525,890 in 2010. In 2010, cash paid for interest was \$895,793.

**EFC Bonds**

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 2010:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due in One Year</u>	<u>Due in More Than One Year</u>
EFC bonds	<u>\$1,710,000</u>	<u>\$ -</u>	<u>\$ (205,000)</u>	<u>\$ 205,000</u>	<u>\$ 1,300,000</u>

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

	<u>EFC Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 205,000	\$ 28,185	\$ 233,185
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
2016 - 2017	<u>445,000</u>	<u>12,585</u>	<u>457,585</u>
	<u>\$ 1,505,000</u>	<u>\$ 123,966</u>	<u>\$ 1,628,966</u>

**10. FINANCING ARRANGEMENTS (Continued)**

**Component Units - Long-Term Debt**

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due in One Year</u>	<u>Due in More Than One Year</u>
Governmental					
SWCD -					
Other post employment benefits	\$ 519,151	\$ 221,928	\$ -	\$ -	\$ 741,079
Compensated absences	<u>176,638</u>	<u>48,550</u>	<u>-</u>	<u>225,188</u>	<u>-</u>
Total governmental	<u>695,789</u>	<u>270,478</u>	<u>-</u>	<u>225,188</u>	<u>741,079</u>
Proprietary					
CCC -					
Bonds payable	9,742,872	-	(296,048)	190,070	9,256,754
Other post employment benefits	4,412,030	2,752,291	(1,323,311)	-	5,841,010
CCWSA -					
Bonds payable – Including EFC bonds	<u>3,039,951</u>	<u>-</u>	<u>(261,548)</u>	<u>262,714</u>	<u>2,515,689</u>
Total proprietary	<u>17,194,853</u>	<u>2,752,291</u>	<u>(1,880,907)</u>	<u>452,784</u>	<u>17,613,453</u>
Total component units	<u>\$17,890,642</u>	<u>\$3,022,769</u>	<u>\$ (1,800,907)</u>	<u>\$ 677,972</u>	<u>\$ 18,354,532</u>

	<u>CCC</u>			<u>CCWSA</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 190,070	\$ 484,010	\$ 674,080	\$ 262,714	\$ 125,109	\$ 387,823
2012	378,735	475,171	853,906	238,549	114,905	353,454
2013	354,746	457,096	811,842	232,864	104,382	337,246
2014	386,718	439,752	826,470	240,057	93,467	333,524
2015	403,919	420,465	824,384	245,259	82,039	327,298
2016 - 2020	1,932,013	1,811,556	3,743,569	581,699	278,785	860,484
2021 - 2025	2,551,591	1,244,960	3,796,551	159,499	221,869	381,368
2026 - 2030	2,166,993	585,985	2,752,978	192,174	180,281	372,455
2031 - 2035	1,059,682	139,424	1,199,106	179,239	136,471	315,710
2036 - 2040	22,357	1,118	23,475	224,349	92,100	316,449
2041 - 2045	-	-	-	195,000	37,233	232,233
2046	-	-	-	27,000	608	27,608
	<u>\$ 9,446,824</u>	<u>\$ 6,059,537</u>	<u>\$ 15,506,361</u>	<u>\$ 2,778,403</u>	<u>\$ 1,467,249</u>	<u>\$ 4,245,652</u>

## **11. 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 \$6,515,720 at December 31, 2010.

## **12. 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.

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, 2010 was 426. 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. The amount paid during 2010 by the County was \$2,831,545.

**12. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**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	\$ 8,576,565	\$ 773,782	\$ 2,575,810
Interest on net OPEB obligation	602,704	45,365	176,481
Adjustment to ARC	<u>(869,472)</u>	<u>(65,445)</u>	<u>-</u>
Annual OPEB cost	8,309,797	753,702	2,752,291
Contributions made	<u>(2,831,546)</u>	<u>(221,195)</u>	<u>(1,323,311)</u>
Increase in net OPEB obligation	5,478,251	532,507	1,428,980
Net OPEB obligation - beginning of year	<u>15,067,595</u>	<u>1,134,136</u>	<u>4,412,030</u>
Net OPEB obligation - end of year	<u>\$ 20,545,846</u>	<u>\$ 1,666,643</u>	<u>\$ 5,841,010</u>
<b>Percentage of Annual OPEB Cost</b>			
Contributed	34.1%	29.3%	48.1%

**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.

**12. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Schedule of Funding Progress for the County and CNH's Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
<u>County</u>						
1/1/2010	\$ -	\$ 82,982,064	\$ 82,982,064	0.0%	N/A	N/A
1/1/2008	\$ -	\$ 112,612,186	\$ 112,612,186	0.0%	N/A	N/A
<u>CNH</u>						
1/1/2010	\$ -	\$ 7,244,335	\$ 7,244,335	0.0%	N/A	N/A
1/1/2008	\$ -	\$ 7,478,562	\$ 7,478,562	0.0%	N/A	N/A

**Schedule of Funding Progress for CCC's Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
8/31/2009	\$ -	\$ 34,345,052	\$ 34,345,052	0.0%	\$ 16,560,933	207.39%

**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, 2010 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, 2010 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	5.0% to 9.0% for medical cost and 5.0% to 14% for prescription drug costs.
Unfunded actuarial accrued liability:	
Amortization period	30 years

## 13. CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

### **Industrial Revenue Bond and Note Transactions**

In connection with its efforts to promote economic growth in the County, the IDA has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entities served by the bond issuance. The IDA is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2010 the outstanding balance of the bonds issued was \$2,210,000.

## 14. OTHER INFORMATION

### **Risk Management**

- **Liability**

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

- **Workers' Compensation**

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

- **Unemployment**

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

### **Concentrations**

The County has collective bargaining agreements with several employee unions. These CBA expire at various times. The unions represent greater than 82% of the County's workforce.

## 15. LITIGATION

### **Indian Land Claim**

Litigation was pending in the United States District Court for the Northern District of New York arising out of claims that the Cayuga Indian Nation is the rightful owner of approximately 100 square miles of land on Cayuga Lake in Seneca and Cayuga Counties. Approximately two-thirds of the land in question was in the County. In January 2000, the Court ordered a jury trial to determine the plaintiff damages with New York State as the sole defendant. Any monetary liability that may be incurred will be borne by the State of New York, rather than the County. On June 28, 2005, the U.S. Court of Appeals, Second Circuit dismissed this case against all parties. The plaintiffs have stated they will appeal to the U.S. Supreme Court, but have not yet done so.

**15. LITIGATION (Continued)**

**Contingent Liabilities**

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.

**16. IMPACT OF FUTURE GASB PRONOUNCEMENTS**

**Fund Balance Classification**

In March 2009, the GASB issued Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions."* This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The County is required to adopt the provisions of Statement No. 54 for the year ending December 31, 2011. The County's management has not yet assessed the impact of this statement on its future financial statements.

# COUNTY OF CAYUGA, NEW YORK

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget (Including Carryover <u>Encumbrances</u> )	Budget ( <u>Amended</u> )	<u>Actual</u>	<u>Encumbrances</u>	Favorable (Unfavorable) <u>Variance</u>
<b>REVENUES:</b>					
Real property taxes and tax items	\$ 35,862,318	\$ 35,862,318	\$ 35,869,584	\$ -	\$ 7,266
Non-property tax items	38,629,000	38,649,537	39,463,374	-	813,837
Departmental income	14,137,621	14,028,008	13,016,376	-	(1,011,632)
Intergovernmental charges	254,473	254,473	139,387	-	(115,086)
Use of money and property	459,467	459,467	443,146	-	(16,321)
Licenses and permits	10,000	10,000	9,659	-	(341)
Fines and forfeitures	130,558	130,558	151,446	-	20,888
Sale of property and compensation for loss	16,000	16,000	63,941	-	47,941
Miscellaneous	2,302,400	2,312,400	2,242,545	-	(69,855)
State aid	13,841,881	15,939,808	14,961,761	-	(978,047)
Federal aid	9,576,951	11,691,341	11,588,041	-	(103,300)
<b>Total revenues</b>	<b>115,220,669</b>	<b>119,353,910</b>	<b>117,949,260</b>	<b>-</b>	<b>(1,404,650)</b>
<b>EXPENDITURES:</b>					
Current -					
General governmental support	31,809,783	31,446,752	31,025,558	145,757	275,437
Education	3,119,543	3,119,543	3,119,543	-	-
Public safety	15,621,582	16,530,595	15,542,754	317,608	670,233
Public health	17,020,624	18,844,694	15,846,108	288	2,998,298
Transportation	176,200	176,200	162,396	-	13,804
Economic assistance and opportunity	37,975,909	39,970,872	37,862,265	1,161	2,107,446
Culture and recreation	1,269,328	1,273,383	1,157,162	9,605	106,616
Home and community services	1,661,464	1,693,168	1,639,543	1,320	52,305
Employee benefits	282,627	282,627	279,507	-	3,120
Debt service -					
Principal - BANs	1,105,000	1,105,000	1,105,000	-	-
Interest	941,400	941,400	941,400	-	-
<b>Total expenditures</b>	<b>110,983,460</b>	<b>115,384,234</b>	<b>108,681,236</b>	<b>475,739</b>	<b>6,227,259</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>4,237,209</b>	<b>3,969,676</b>	<b>9,268,024</b>	<b>(475,739)</b>	<b>4,822,609</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers - in	-	-	5,915	-	5,915
Operating transfers - out	(7,352,209)	(7,812,414)	(6,469,672)	-	1,342,742
<b>Total other financing sources (uses)</b>	<b>(7,352,209)</b>	<b>(7,812,414)</b>	<b>(6,463,757)</b>	<b>-</b>	<b>1,348,657</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(3,115,000)</b>	<b>(3,842,738)</b>	<b>2,804,267</b>	<b>(475,739)</b>	<b>6,171,266</b>
<b>FUND BALANCE - beginning of year</b>	<b>23,474,885</b>	<b>23,474,885</b>	<b>23,474,885</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 20,359,885</b>	<b>\$ 19,632,147</b>	<b>\$ 26,279,152</b>	<b>\$ (475,739)</b>	<b>\$ 6,171,266</b>

Note: Includes only the County's general fund which is required to have a legally adopted budget.

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	Debt Service <u>Fund</u>	Special Revenue <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,880,899	\$ 3,347,187	\$ 6,228,086
Limited use assets	1,333,533	-	1,333,533
Accounts receivable	1,309,085	81,131	1,390,216
Loans receivable	-	859,657	859,657
State and federal aid receivable, net	-	1,085,340	1,085,340
Prepaid expenses	-	93,822	93,822
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 5,523,517</u>	<u>\$ 5,467,137</u>	<u>\$ 10,990,654</u>
<b>LIABILITIES AND FUND BALANCES</b>			
LIABILITIES:			
Accounts payable and other current liabilities	\$ -	\$ 585,902	\$ 585,902
Accrued wages and benefits	-	203,270	203,270
Due to other funds	-	80,152	80,152
Due to other governments	-	162,146	162,146
Deferred revenue	-	1,321,012	1,321,012
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>-</u>	<u>2,352,482</u>	<u>2,352,482</u>
FUND BALANCES:			
Reserved -			
Encumbrances	-	13,887	13,887
Reserve for debt	5,463,108	-	5,463,108
Other	-	1,549,329	1,549,329
Unreserved -			
Appropriated - ensuing fiscal year	-	766,949	766,949
Unappropriated	60,409	784,490	844,899
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>5,523,517</u>	<u>3,114,655</u>	<u>8,638,172</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 5,523,517</u>	<u>\$ 5,467,137</u>	<u>\$ 10,990,654</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**COMBINING STATEMENT OF CHANGES IN REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Debt Service Fund	Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Departmental income	\$ -	\$ 313,453	\$ 313,453
Intergovernmental charges	-	840,903	840,903
Use of money and property	142,918	7,281	150,199
Licenses and permits	-	455	455
Sale of property and compensation for loss	-	21,896	21,896
Miscellaneous	1,183,915	167,584	1,351,499
Interfund revenues	-	1,600,000	1,600,000
State aid	-	3,346,925	3,346,925
Federal aid	-	818,214	818,214
Total revenues	<u>1,326,833</u>	<u>7,116,711</u>	<u>8,443,544</u>
<b>EXPENDITURES:</b>			
Current -			
General government support	117,558	93,571	211,129
Transportation	-	9,804,050	9,804,050
Economic assistance and opportunity	-	652,722	652,722
Home and community services	-	26,033	26,033
Employee benefits	-	1,932,129	1,932,129
Debt service -			
Principal	1,238,921	-	1,238,921
Interest and other charges	1,127,328	-	1,127,328
Total expenditures	<u>2,483,807</u>	<u>12,508,505</u>	<u>14,992,312</u>
DEFICIENCY OF EXPENDITURES OVER REVENUES	<u>(1,156,974)</u>	<u>(5,391,794)</u>	<u>(6,548,768)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers - in	629,791	5,244,500	5,874,291
Operating transfers - out	<u>(5,915)</u>	<u>(339,185)</u>	<u>(345,100)</u>
Total other financing sources (uses)	<u>623,876</u>	<u>4,905,315</u>	<u>5,529,191</u>
CHANGE IN FUND BALANCE	(533,098)	(486,479)	(1,019,577)
FUND BALANCE - beginning of year	<u>6,056,615</u>	<u>3,601,134</u>	<u>9,657,749</u>
FUND BALANCE - end of year	<u>\$ 5,523,517</u>	<u>\$ 3,114,655</u>	<u>\$ 8,638,172</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2010**

	Road Machinery Fund	County Road Fund	Special Grant Fund	Miscellaneous Funds	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 734,766	\$ 983,888	\$ 1,512,421	\$ 116,112	\$ 3,347,187
Accounts receivable, net	62,925	259	1,836	16,111	81,131
Loans receivable	-	-	859,657	-	859,657
State and federal aid receivable, net	253,321	723,246	108,773	-	1,085,340
Prepaid expenses	14,465	68,090	11,267	-	93,822
Total assets	<u>\$ 1,065,477</u>	<u>\$ 1,775,483</u>	<u>\$ 2,493,954</u>	<u>\$ 132,223</u>	<u>\$ 5,467,137</u>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES:</b>					
Accounts payable and other current liabilities	\$ 436,913	\$ 140,116	\$ 8,873	\$ -	\$ 585,902
Accrued wages and benefits	24,706	159,124	19,440	-	203,270
Due to other funds	-	76	80,076	-	80,152
Due to other governments	-	-	162,146	-	162,146
Deferred revenue	-	461,355	859,657	-	1,321,012
Total liabilities	<u>461,619</u>	<u>760,671</u>	<u>1,130,192</u>	<u>-</u>	<u>2,352,482</u>

**FUND BALANCES:**

Reserved -					
Encumbrances	-	13,887	-	-	13,887
Other	14,465	68,090	1,334,551	132,223	1,549,329
Unreserved -					
Appropriated - ensuing fiscal year	237,987	528,962	-	-	766,949
Unappropriated	351,406	403,873	29,211	-	784,490
Total fund balances	<u>603,858</u>	<u>1,014,812</u>	<u>1,363,762</u>	<u>132,223</u>	<u>3,114,655</u>
Total liabilities and fund balances	<u>\$ 1,065,477</u>	<u>\$ 1,775,483</u>	<u>\$ 2,493,954</u>	<u>\$ 132,223</u>	<u>\$ 5,467,137</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF CAYUGA, NEW YORK**

**COMBINING STATEMENT OF CHANGES IN REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Road Machinery Fund	County Road Fund	Special Grant Fund	Miscellaneous Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES:</b>					
Departmental income	\$ -	\$ -	\$ 313,453	\$ -	\$ 313,453
Intergovernmental charges	838,866	2,037	-	-	840,903
Use of money and property	14	3,678	3,589	-	7,281
Licenses and permits	-	455	-	-	455
Sale of property and compensation for loss	18,641	3,255	-	-	21,896
Miscellaneous	15,862	12,852	13,869	125,001	167,584
Interfund revenues	1,600,000	-	-	-	1,600,000
State aid	253,321	3,093,604	-	-	3,346,925
Federal aid	-	-	818,214	-	818,214
Total revenues	<u>2,726,704</u>	<u>3,115,881</u>	<u>1,149,125</u>	<u>125,001</u>	<u>7,116,711</u>
<b>EXPENDITURES:</b>					
Current -					
General government support	-	-	-	93,571	93,571
Transportation	2,330,336	7,473,714	-	-	9,804,050
Economic assistance and opportunity	-	-	652,722	-	652,722
Home and community services	-	-	26,033	-	26,033
Employee benefits	244,959	1,513,066	174,104	-	1,932,129
Total expenditures	<u>2,575,295</u>	<u>8,986,780</u>	<u>852,859</u>	<u>93,571</u>	<u>12,508,505</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>151,409</u>	<u>(5,870,899)</u>	<u>296,266</u>	<u>31,430</u>	<u>(5,391,794)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers - in	-	5,244,500	-	-	5,244,500
Operating transfers - out	-	(183,985)	-	(155,200)	(339,185)
Total other financing sources (uses)	-	5,060,515	-	(155,200)	4,905,315
CHANGE IN FUND BALANCE	151,409	(810,384)	296,266	(123,770)	(486,479)
FUND BALANCE - beginning of year	452,449	1,825,196	1,067,496	255,993	3,601,134
FUND BALANCE - end 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>

The accompanying notes are an integral part of these statements.

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

November 3, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cayuga, New York (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 3, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Cayuga County Nursing Home, Cayuga County Soil and Water Conservation District, Cayuga Tobacco Asset Securitization Corporation, Cayuga Community College, Cayuga County Water and Sewer Authority, and Cayuga County Industrial Development Agency as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Cayuga County Nursing Home were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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(Continued)

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

(Continued)

**Internal Control Over Financial Reporting (Continued)**

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the County's internal control to be a material weakness:

**Finding 2010-1**

*Condition:* The County does not have documented policies and procedures relating to the financial reporting process.

*Criteria:* The County does not maintain an accounting policies and procedures manual which is an important component to an effective set of internal controls and efficient organization.

*Effect:* The lack of documented accounting policies and procedures can lead to an inability to perform critical functions.

*Cause:* An accounting policies and procedures manual outlines the critical functions that must be performed within the accounting department and assigns those functions based on certain positions that are ultimately responsible for their completion. The manual should be specific enough to allow for another person with equal knowledge and ability to perform the functions of the position. Equally important is that this manual must be updated as processes, personnel or systems are modified, removed or upgraded.

*Recommendation:* The County continues to implement their new financial accounting package (MUNIS). We continue to suggest that this time is the optimum point to review current processes to identify those that may be ineffective, outdated, or inefficient. Furthermore, the development of a manual of this nature will allow the Treasurer's office to better align roles and responsibilities of personnel and to establish clear levels of accountability of all users of MUNIS. We believe that considerable improvement and standardization of County policies and procedures would result from the preparation of a policies and procedures manual for the County. A large organization without written procedures can expect to find many policy and procedural inconsistencies. The number of such inconsistencies can be minimized by the written codification of County policies and procedures and insistence on adherence to them. Such a manual should include policies and procedures relative to all significant financial functions (accounting, finance, production, maintenance, materials control, service parts, etc.) that involve the expenditure of County funds and are capable of being measured on quantitative bases. The use of written policies, procedures, and job descriptions in conjunction with specific assignment of responsibilities would increase the supervisory personnel's effectiveness. Such written documents would decrease the time spent on supervision of clerical personnel and in attempts to define job responsibilities on each occasion of employee turnover.

(Continued)

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

(Continued)

**Internal Control Over Financial Reporting (Continued)**

**Finding 2010-1 (Continued)**

*Response:* The County has recognized the need to upgrade and/or develop policies and procedures. This has been initiated at various levels and, in some cases, already been implemented. The County continues to make progress in these areas.

During 2010, the County approved a revised purchasing policy and manual. The accounting manual is in process but not complete.

Various policies have been incorporated within the accounting software which has improved controls in certain areas.

**Finding 2010-2**

*Condition:* Staff in the Treasurer's office has not been able to produce a complete set of basic financial statements in accordance with generally accepted accounting principles. In addition, it is not readily apparent that technical accounting matters are timely identified, researched, and concluded upon. During 2010, the County made progress towards completing their basic financial statements, but were unable to completely address all required elements.

*Criteria:* Over the past several years and going forward, the Governmental Accounting Standards Board (GASB) has established, and continues to establish, new standards that are applicable to governmental organizations. These standards have been increasing in complexity in such areas as derivatives, pollution remediation, fund balance reporting, and others. It is imperative that the County be knowledgeable about these standards and how they may impact existing, and potential, transactions.

*Effect:* Management's inability to produce a complete set of basic financial statements results in the potential for material financial statement misstatement.

*Cause:* Under generally accepted accounting principles, the financial statements, including all relevant schedules and footnote disclosures are management's responsibility. It is the auditor's responsibility to express an opinion on those financial statements based on our audit.

*Recommendation:* We recommend that the County evaluate the current complement of staffing to determine if there are sufficient personnel to adequately and effectively identify, research and conclude upon technically complex matters that may arise in the normal course of operations. In order for the Legislature to fulfill its fiduciary responsibility it must ensure that the information from which its decisions are made are accurate, complete and timely. In today's technological and economic climate, more and more information is available and disseminated on a real-time basis. The Legislature must ensure that its decisions are based on the same information internally so that the actions made can be justified to the citizens of the County.

*Response:* The County continues to evaluate its staffing and training needs to insure that new standards are recognized and addressed. Some changes were implemented in 2010 and progress continues to be made in this area.

(Continued)

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

(Continued)

**Internal Control Over Financial Reporting (Continued)**

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

**Finding 2010-3**

*Condition:* The County has not performed an entity-wide risk assessment which covers the County operationally and within the information technology environment. Such an assessment should consider the risk of fraud that could occur within the County.

*Criteria:* Enterprise-wide risk assessments covering the physical, administrative, and technical risks of the County should be performed by a fully trained professional who understands generally accepted principles of business continuity plans.

*Effect:* The absence of regular assessments and management of risks, the potential negative impact on operations and goals cannot be accurately measured or communicated. Failure to perform such risk assessments could result in significant risk areas of the County being exposed or not considered in the assessment.

*Cause:* The County auditor began in 2010 and as part of that responsibility will be reviewing the entity-wide risk assessment considerations. This has not been completed.

*Recommendation:* The fraud risk assessment can be performed by a management-level individual with extensive knowledge of the County, or a team of people collectively with that information. The assessment should consider the vulnerability to misappropriation of assets.

*Response:* This has been the subject of continuing discussions during 2010. The Treasurer recently attended a banking seminar on fraud and theft. The County Administrator and County Attorney have identified this area as a priority going forward.

**Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the County, in a separate letter dated November 3, 2011.

The County's responses to the findings identified in our audit are included above. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

## FORM OF OPINION OF BOND COUNSEL

February 9, 2012

County of Cayuga  
160 Genesee Street  
Auburn, New York 13021

Re: County of Cayuga, New York  
\$10,000,000 Bond Anticipation Notes, 2012 (Renewals)

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of \$10,000,000 Bond Anticipation Notes, 2012 (Renewals) (the "Notes"), of the County of Cayuga, State of New York (the "County"). The Notes are dated February 9, 2012 and are being issued pursuant to the Constitution and laws of the State of New York, including the Local Finance Law, and various bond resolutions of the County and a Certificate of Determination dated on or before February 9, 2012 of the County Treasurer relative to the form and terms of the Notes.

In our opinion, the Notes are valid and legally binding general obligations of the County for which the County has validly pledged its faith and credit and, unless paid from other sources, all taxable real property within the County is subject to levy of ad valorem real estate taxes to pay the Notes and interest thereon; subject to applicable statutory limitations. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereinafter enacted.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. The Finance Director of the County, in executing the Arbitrage and Use of Proceeds Certificate, has certified to the effect that the County will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes is excluded from gross income under Section 103 of the Code. We have examined such Arbitrage and Use of Proceeds Certificate of the County delivered concurrently with the delivery of the Notes, and, in our opinion, such certificate contains provisions and procedures under which such requirements can be met.

In our opinion, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code, and is excluded from adjusted gross income for purposes of New York State and New York City personal income taxes. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however, such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes, however, we note that the power of the County to levy unlimited real estate taxes on all real property within the County may be subject to certain recently-enacted statutory limitations imposed by Chapter 97 of the 2011 Laws of New York.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage and Use of Proceeds Certificate and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage and Use of Proceeds Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes or adjusted gross income for purposes of personal income taxes imposed by the State

of New York and the City of New York. We call attention to the fact that the rights and obligations under the Notes and the Arbitrage and Use of Proceeds Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against New York municipal corporations such as the County. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Notes has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. The opinions expressed herein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the County, together with other legally available sources of revenue, if any, will be sufficient to enable the County to pay the principal of or interest on the Notes as the same respectively become due and payable. Reference should be made to the Official Statement for factual information which, in the judgment of the County would materially affect the ability of the County to pay such principal and interest. We have not verified the accuracy, completeness or fairness of the factual information contained in the Official Statement and, accordingly, no opinion is expressed by us as to whether the County, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in light of the circumstances under which they were made, not misleading.

We have examined the first executed Note of this issue and, in our opinion, the form of said Note and its execution are regular and proper.

Very truly yours,

Trespasz & Marquardt, LLP