

**COUNTY OF LIVINGSTON, NEW YORK**

**Basic Financial Statements  
for the Year Ended December 31, 2009  
Together with  
Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# COUNTY OF LIVINGSTON, NEW YORK

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**INDEPENDENT AUDITORS' REPORT**

September 8, 2010

To the Board of Supervisors  
County of Livingston, 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 Livingston, New York, as of and for the year ended December 31, 2009, 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 Livingston County Center for Nursing and Rehabilitation or Livingston County Water and Sewer Authority, 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:			
Business-type activities	85%	542%	90%
Component Units	95%	94%	93%

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, is 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 the 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.

171 Sully's Trail  
Pittsford, NY 14534  
p (585) 381-1000  
f (585) 381-3131

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## 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, 2009, 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 September 8, 2010, 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 controls 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 15 and page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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. The introductory section has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

# COUNTY OF LIVINGSTON, NEW YORK

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2009

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As management of the County of Livingston, 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, 2009.

### 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 nine 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, Capital Road and the Capital Projects Funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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**

- **Internal Service Funds** - account for risk management operations and the related costs that are supported by contributions from the General, Special Revenue, and Enterprise Funds.
- **Enterprise Funds** - account for those operations that are financed and operated in a manner similar to private business. The County's major enterprise funds include the Worker's Compensation Fund and the Livingston County Center for Nursing and Rehabilitation (CNR). Separate audited financial statements for the CNR may be obtained by contacting the CNR directly.

In addition, the government-wide financial statements report two proprietary enterprise funds as component units. The Livingston County Industrial Development Agency (IDA) and the Livingston County Water and Sewer Authority (LCWSA) are considered to be component units of the County. Separate audited financial statements for the IDA and LCWSA may be obtained by contacting the IDA and LCWSA 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 nonmajor 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 \$90,304,191 at the close of 2009.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Governmental <u>2009</u>	Business-Type <u>2009</u>	Governmental <u>2008</u>	Business-Type <u>2008</u>
<b>Assets:</b>				
Current assets	\$ 66,114,598	\$ 19,063,785	\$ 52,481,356	\$ 17,612,072
Capital assets, net	<u>92,033,853</u>	<u>28,936,322</u>	<u>74,887,862</u>	<u>31,328,259</u>
<b>Total assets</b>	<b><u>\$ 158,148,451</u></b>	<b><u>\$ 48,000,107</u></b>	<b><u>\$ 127,369,218</u></b>	<b><u>\$ 48,940,331</u></b>
<b>Liabilities:</b>				
Current liabilities	\$ 19,636,554	\$ 12,095,341	\$ 19,523,381	\$ 15,201,927
Long-term liabilities	<u>48,207,706</u>	<u>36,210,900</u>	<u>24,260,901</u>	<u>36,171,900</u>
<b>Total liabilities</b>	<b><u>\$ 67,844,260</u></b>	<b><u>\$ 48,306,241</u></b>	<b><u>\$ 43,784,282</u></b>	<b><u>\$ 51,373,827</u></b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	\$ 62,064,473	\$ (6,629,252)	\$ 66,338,485	\$ (5,079,515)
Restricted	2,082,324	-	2,312,331	-
Unrestricted	<u>26,157,394</u>	<u>6,323,118</u>	<u>14,934,120</u>	<u>2,646,019</u>
<b>Total net assets</b>	<b><u>\$ 90,304,191</u></b>	<b><u>\$ (306,134)</u></b>	<b><u>\$ 83,584,936</u></b>	<b><u>\$ (2,433,496)</u></b>

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, 29% for 2009 and 18% for 2008, may be used to meet the government's ongoing obligations to citizens and creditors.

The increase in governmental capital assets, net of accumulated depreciation is mainly due to an increase in spending for County Highway projects totaling \$5,650,071, Campus Building #1 renovations in the amount of \$1,665,520, jail improvements totaling \$9,025,087, Wilcox Press ERP project in the amount of \$448,114 and additions of \$610,470 to the Millennium Drive Projects. The majority of the remaining increase can be attributed to the purchases of equipment to upgrade the County's capital assets.

The decrease in business-type capital assets, net of accumulated depreciation, is primarily due to depreciation.

The approximate increase of \$13,600,000 in governmental current assets is mainly attributable to the net proceeds from a bond issue for the Jail Improvement Project offset by cash used for the Campus Building #1 renovations.

The increase in the governmental long-term liabilities is mainly due to the issuance of \$22,000,000 in serial bonds for the Jail Improvement Project, net of principal payments on existing long-term debt.

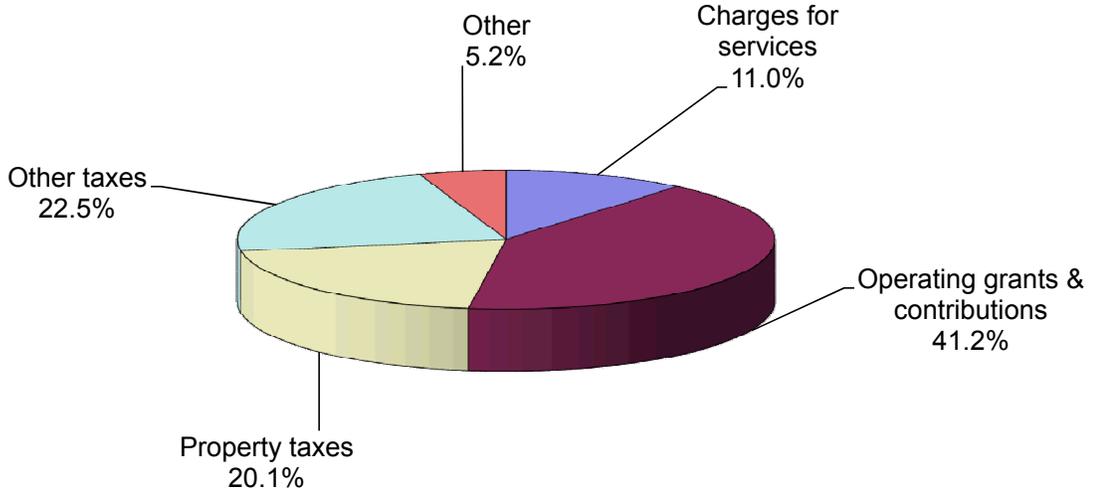
## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

See the Summary Statement of Activities (Table 2) below for the dollar and percent changes in the governmental and business-type activities from 2008 to 2009. Additionally, the information following Table 2 presents a graphical picture of the major revenue and expense categories of the governmental and business-type activities.

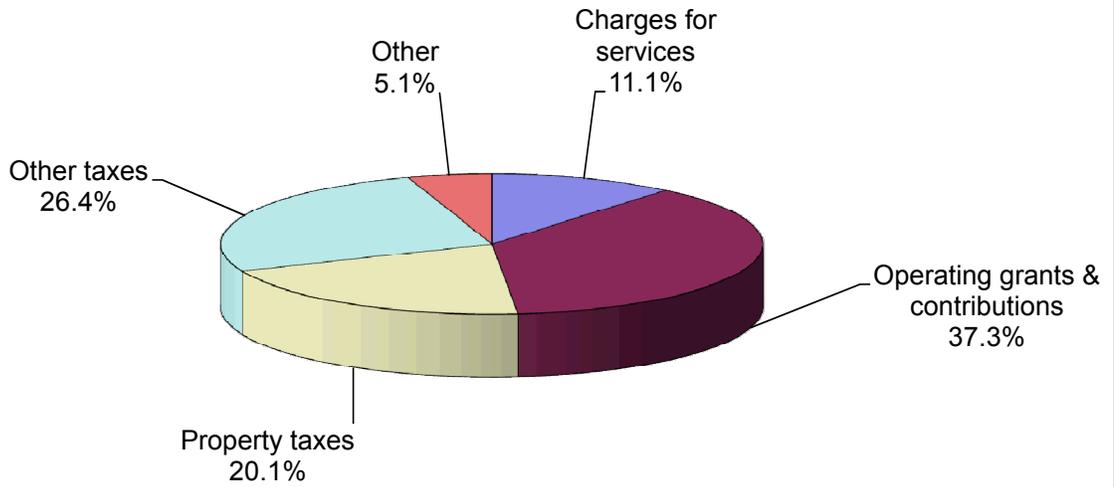
**Table 2 - Summary Statement of Activities**

	Governmental 2009	%	Business-Type 2009	%	Governmental 2008	%	Business-Type 2008	%
<b>Revenues:</b>								
Program revenues -								
Charges for services	\$ 11,972,849	11.0%	\$ 26,850,397	80.5%	\$ 11,108,094	11.1%	\$ 26,825,010	79.2%
Operating grants and contributions	45,070,567	41.4%	-	0.0%	37,324,170	37.3%	-	0.0%
Capital grants and contributions	-	0.0%	-	0.0%	21,709	0.0%	-	0.0%
Total program revenues	<u>57,043,416</u>	<u>52.4%</u>	<u>26,850,397</u>	<u>80.5%</u>	<u>48,453,973</u>	<u>48.4%</u>	<u>26,825,010</u>	<u>79.2%</u>
General revenues -								
Property taxes	21,883,274	20.1%	-	0.0%	20,092,854	20.1%	-	0.0%
Other taxes	24,450,414	22.4%	-	0.0%	26,392,240	26.4%	-	0.0%
Intergovernmental transfer (IGT)	-	0.0%	3,546,316	10.6%	-	0.0%	2,910,814	8.6%
County subsidy	-	0.0%	2,223,016	6.7%	-	0.0%	2,914,166	8.6%
Other	<u>5,529,888</u>	<u>5.1%</u>	<u>741,871</u>	<u>2.2%</u>	<u>5,011,884</u>	<u>5.1%</u>	<u>1,233,572</u>	<u>3.6%</u>
Total general revenues	<u>51,863,576</u>	<u>47.6%</u>	<u>6,511,203</u>	<u>19.5%</u>	<u>51,496,978</u>	<u>51.6%</u>	<u>7,058,552</u>	<u>20.8%</u>
Total revenues	<u>108,906,992</u>	<u>100.0%</u>	<u>33,361,600</u>	<u>100.0%</u>	<u>99,950,951</u>	<u>100.0%</u>	<u>33,883,562</u>	<u>100.0%</u>
<b>Expenses:</b>								
General governmental	24,249,145	23.7%	-	0.0%	20,516,693	21.4%	-	0.0%
Judgments/claims	-	0.0%	2,829,133	9.1%	-	0.0%	3,252,465	9.9%
Education	5,365,637	5.3%	-	0.0%	4,921,741	5.1%	-	0.0%
Public safety	3,568,731	3.5%	-	0.0%	11,176,080	11.6%	-	0.0%
Public health	12,996,027	12.7%	28,405,105	90.9%	12,609,714	13.1%	29,684,326	90.1%
Transportation	7,689,074	7.5%	-	0.0%	10,721,209	11.2%	-	0.0%
Economic assistance	43,217,516	42.3%	-	0.0%	31,974,706	33.3%	-	0.0%
Culture and recreation	538,764	0.5%	-	0.0%	535,848	0.6%	-	0.0%
Home and community services	3,086,357	3.0%	-	0.0%	2,201,691	2.3%	-	0.0%
Interest	<u>1,476,486</u>	<u>1.5%</u>	<u>-</u>	<u>0.0%</u>	<u>1,327,840</u>	<u>1.4%</u>	<u>-</u>	<u>0.0%</u>
Total expenses	<u>102,187,737</u>	<u>100.0%</u>	<u>31,234,238</u>	<u>100.0%</u>	<u>95,985,522</u>	<u>100.0%</u>	<u>32,936,791</u>	<u>100.0%</u>
Increase in net assets	6,719,255		2,127,362		3,965,429		946,771	
Net assets - beginning of year	<u>83,584,936</u>		<u>(2,433,496)</u>		<u>79,619,507</u>		<u>(3,380,267)</u>	
Net assets - end of year	<u>\$ 90,304,191</u>		<u>\$ (306,134)</u>		<u>\$ 83,584,936</u>		<u>\$ (2,433,496)</u>	

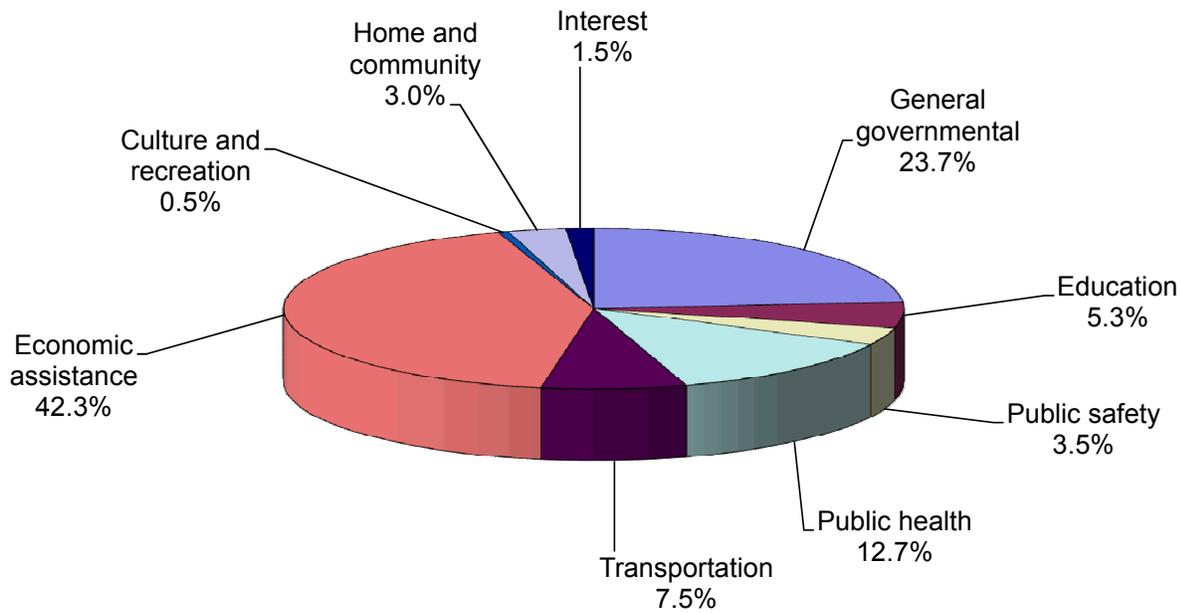
### 2009 Revenues - Governmental Activities



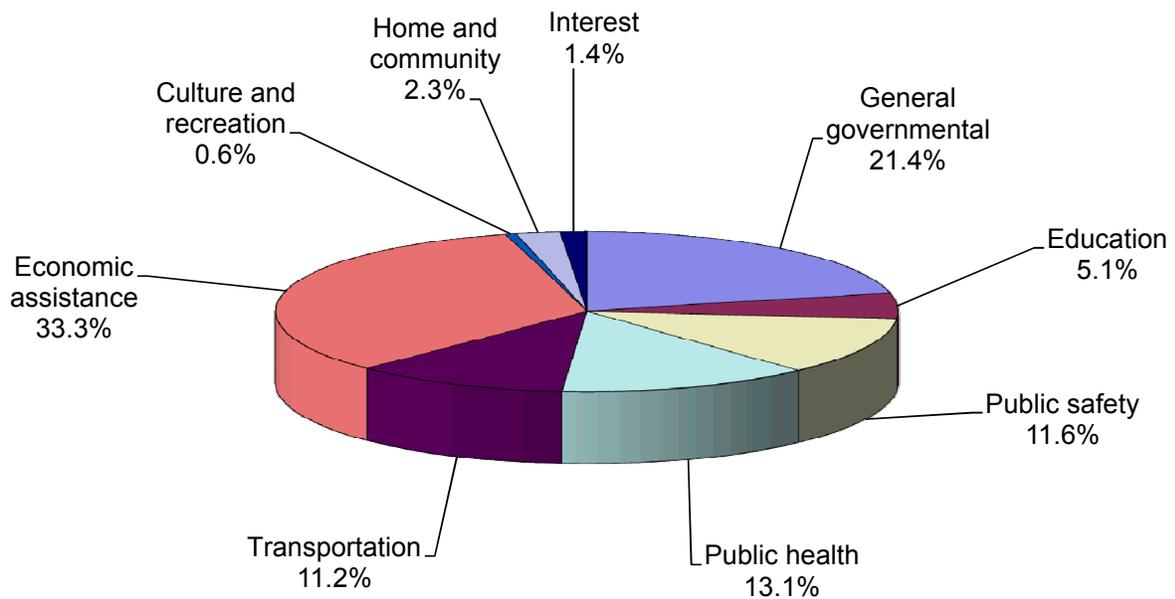
### 2008 Revenues - Governmental Activities



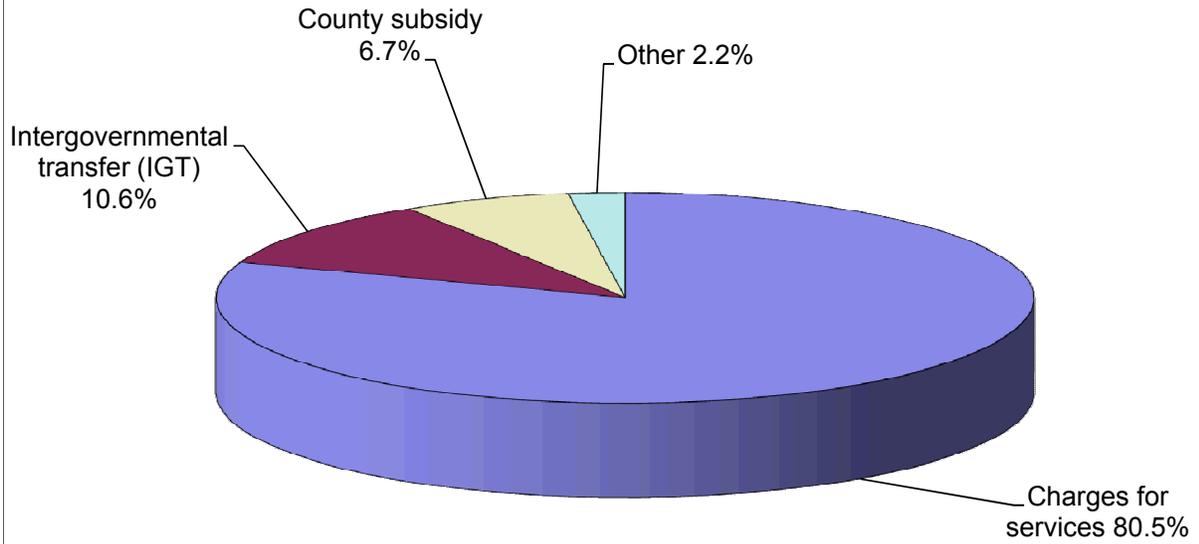
### 2009 Expenses - Governmental Activities



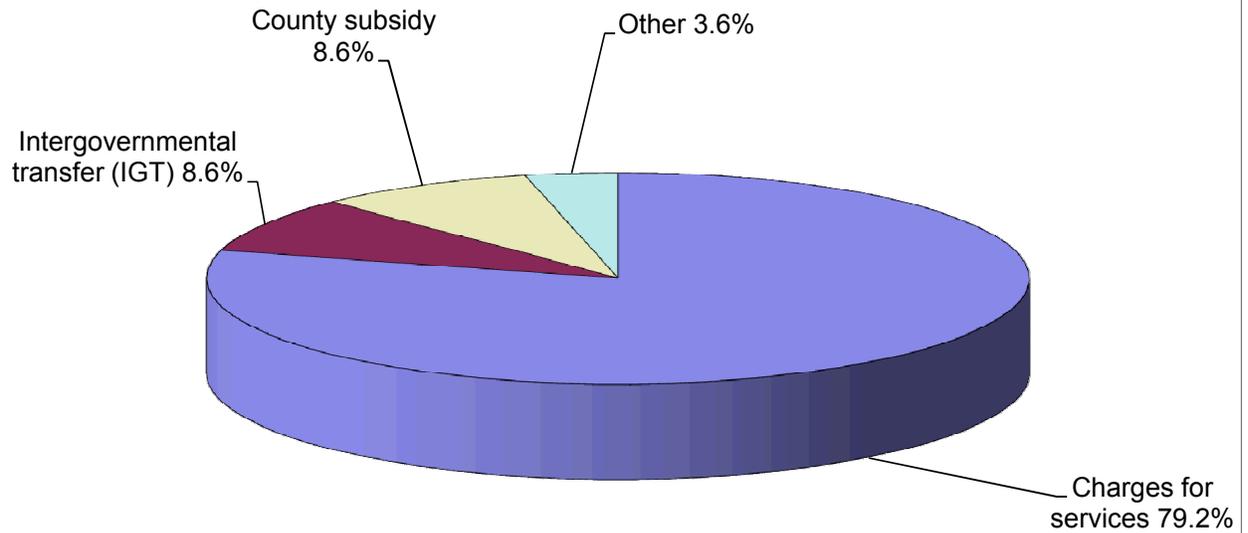
### 2008 Expenses - Governmental Activities



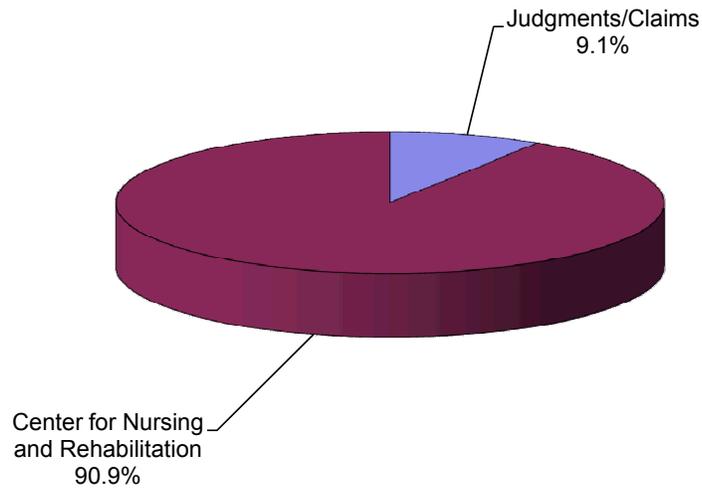
### 2009 Revenues - Business-Type Activities



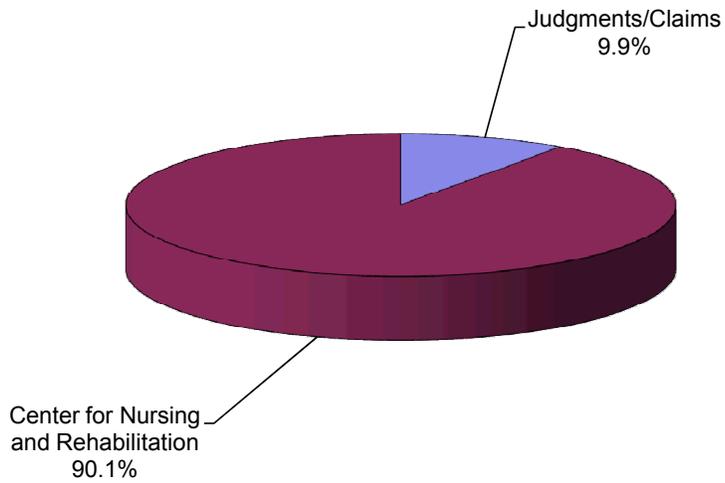
### 2008 Revenues - Business-Type Activities



### 2009 Expenses - Business-Type Activities



### 2008 Expenses - Business-Type Activities



## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

### **Governmental Activities**

Governmental activities increased the County's net assets by \$6,719,255. This increase in 2009 occurred primarily because of the net effect of the following:

- Sales tax receipts for 2009 decreased by \$1,941,826. This decrease represents a 7.36% decrease from 2008. The economic recession had a drastic effect on the amount of sales tax collected in 2009.
- Charges for services increased by approximately \$865,000 mainly due an increase in mental health fees. Restructuring of the case management program allowed for more revenue to be collected and for billings to be completed in a more timely matter. Operating grants and contributions increased by approximately \$7,750,000. This increase includes an approximate increase of \$3,500,000 in revenue for food stamp vouchers, \$1,634,000 in FMAP funds, and the increase in reimbursements from state and federal programs including \$1,300,000 in ARRA federal stimulus funds in the County Highway fund.
- The approximately \$3,800,000 increase in expenses in General Governmental was mainly caused by more expenditures being capitalized in 2008.
- The approximately \$7,600,000 decrease in expenses in Public Safety was mainly caused by expenditures related to the jail expansion project being capitalized in 2009.
- The approximately \$11,200,000 increase in expenses in Economic Assistance and Opportunity was mainly caused by expenditures related to the campus renovations project being capitalized in 2008.

## **GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

### **Budget Analysis**

- **Revenues**

Non-property taxes revenue fell short of the budgeted amount by approximately \$1,400,000. This is mainly attributable to the shortfall in sales tax revenue.

Use of money and property revenue fell short of the budgeted amount by approximately \$1,300,000 primarily because interest earnings were approximately \$600,000 lower than anticipated due to the economic downturn and the delay of the move of the Department of Social Services to Building #1 which created a revenue loss of approximately \$700,000.

There was a shortfall in state aid compared to the amount budgeted of approximately \$4,900,000 for the General Fund. Farmland Protection Implementation Grants in the amount of approximately \$3,000,000 were not realized. The County realizes revenues only for amounts expended.

The revenues in the County Road fund were approximately \$1,500,000 less than budgeted. This shortfall occurred because the original 2009 budget was amended to show the expected receipt of Federal grants that were not received.

## GOVERNMENTAL FUNDS FINANCIAL ANALYSIS (Continued)

### Budget Analysis (Continued)

- **Expenditures**

Most of the expenditures show significant favorable variances due to prudent spending policies on the part of management. Department Heads are not of the “spend it or you won’t get it next year” mentality and carefully manage their budgets.

Many of the budget surpluses are a result of vacant positions and/or positions being filled with newer employees that have a lower cost to the County.

For Economic Assistance and Opportunity, approximately \$5,800,000 more was budgeted than actually expended. Approximately \$3,000,000 of this variance is due to the Farmland Protection Implementation Program not being funded and therefore no funds were expended. MMIS expenditures were approximately \$500,000 less than expected and other programs did not require expenditures as anticipated.

The Public Health variance (approximately \$1,500,000) was due to a combination of employee vacancies and other program savings.

The Public Safety variance (approximately \$1,100,000) was due to a combination of employee vacancies and other expected expenditures not realized.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County’s investment in capital assets for its governmental activities as of December 31, 2009 amounted to \$92,033,853 (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>2009</u>	Business-Type <u>2009</u>	Governmental <u>2008</u>	Business-Type <u>2008</u>
Land	\$ 1,319,867	\$ -	\$ 1,319,867	\$ -
Buildings and improvements	16,282,687	25,625,502	16,495,848	27,709,396
Machinery and equipment	2,248,562	3,310,820	1,385,510	3,614,186
Infrastructure	37,254,405	-	33,759,340	-
Work in progress	<u>34,928,332</u>	<u>-</u>	<u>21,927,297</u>	<u>4,677</u>
Total	<u>\$ 92,033,853</u>	<u>\$ 28,936,322</u>	<u>\$ 74,887,862</u>	<u>\$ 31,328,259</u>

The \$37,254,405 for 2009 and \$33,759,340 for 2008 of Infrastructure represents the depreciated book value of County roads, bridges, water lines, etc.

The \$34,928,332 for 2009 and \$21,927,297 for 2008 of Work in Progress represents the construction on various County projects that have not been completed. The increase of \$13,001,035 reflects major projects that are ongoing: Renovation of Building #1 at the Mt. Morris County Campus (\$1,667,000), former nursing home dialysis center (\$610,000), jail improvements (\$9,025,000), several bridge projects (\$4,120,000), a sewer project (\$107,000) and the Wilcox ERP project (\$448,000), offset by some projects being moved from Work In Progress to Capital Assets.

## CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

### Capital Assets (Continued)

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

### Debt Administration

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

	Governmental <u>2009</u>	Business-Type <u>2009</u>	Governmental <u>2008</u>	Business-Type <u>2008</u>
Barilla Infrastructure	\$ 290,900	\$ -	\$ 308,400	\$ -
Millennium Drive project	2,300,000	-	2,500,000	-
Conesus Sewer	-	-	539,000	-
CNR Revenue Anticipation Note	-	3,500,000	-	5,500,000
Total	<u>\$ 2,590,900</u>	<u>\$ 3,500,000</u>	<u>\$ 3,347,400</u>	<u>\$ 5,500,000</u>

**Table 5 - Long-Term Debt**

	Governmental <u>2009</u>	Business-Type <u>2009</u>	Governmental <u>2008</u>	Business-Type <u>2008</u>
Serial bonds-excluding LTASC	\$ 29,969,380	\$ 35,493,600	\$ 8,549,377	\$ 36,335,800
Serial bonds-LTASC	13,661,860	-	14,217,136	-
Gateway project	200,000	-	300,000	-
Compensated absences	946,292	-	928,917	-
Other postemployment benefits	3,430,174	-	1,695,438	-
Total	<u>\$ 48,207,706</u>	<u>\$ 35,493,600</u>	<u>\$ 25,690,868</u>	<u>\$ 36,335,800</u>

The increase of approximately \$21,000,000 in serial bonds - excluding LTASC was mainly due to the issuance of \$22,000,000 serial bonds for the jail project.

The County continues to maintain an A1 rating from Moody's Investor Services and for its general obligation debt. In June 2009, Standard & Poor's upgraded the County's bond rating to AA-/Stable. Additional information on the County's long-term debt can be found in the notes to the financial statements.

## ECONOMIC FACTORS

In January of 2006, the County received a designation for Empire Zone status. Under this designation, Barilla America, Inc., the largest worldwide pasta producer, selected the County for the location of its second North American manufacturing plant and distribution facility. The location of the \$96 million, 310,000 square foot facility was selected after an examination of 54 sites in 13 states. The facility opened in the summer of 2007 with 69 employees and had 130 employees in 2009. The Jacobson warehouse attached to the plant, employs an additional 25 people.

Kraft Foods, Inc. selected its Avon plant to obtain an additional "Lunchables" product line. The \$3.7 million investment retained 360 jobs and added 60 new jobs.

Coast Professional, Inc., a credit recovery company based in California, opened its first facility in the northern United States in Geneseo. The \$1.1 million project resulted in the hiring of 30 employees and the construction of a 3,700 square foot facility in an Empire Zone.

## **ECONOMIC FACTORS (Continued)**

American Rock Salt Company, LLC initiated a \$13 million expansion of its Hampton Corners mine and salt bagging plant in Retsof. These investments retained 278 existing jobs and are expected to create 15 new jobs.

The Livingston County Development Corporation assisted in securing and is administering a \$400,000 Main Street Revitalization grant in Mt. Morris.

The unemployment rate at the end of 2009 for the County is 8.3 percent, an increase from the 2008 rate of 6.0 percent.

## **ADDITIONAL FINANCIAL IMPLICATIONS**

County staff continued working with architects, engineers, construction managers, and the Department of Social Services on the successful renovation, commissioning, occupancy, and dedication of Building #1 on the Mt. Morris County Campus. A ribbon cutting ceremony took place on May 29, 2009. Renovations were completed without the need to borrow any funds for the cost of the project.

County staff began working with architects, engineers and construction managers on the new Jail Improvement Project. Work commenced in April 2009 with expected completion of the annex in November 2010 and total project completion in June of 2011. The project is budgeted at \$28 million and is expected to lead to the direct employment of approximately 150 construction workers. A major part of the contracted work, panel formation and construction, went to a local firm, Lakelands Concrete Products located in the town of Lima.

Demolition and asbestos abatement took place at the former Wilcox Press site in the village of Dansville. As of December 2009, Lu Engineers, the County's project consultant, was awaiting the last of a series of tests to assess the environmental quality of the site. The demolition and deconstruction phases of the project went as planned and were under budget.

In December 2009, bids were received and a contract awarded for the restoration work associated with the eventual occupation of the North East section of the first floor at building #1 on the Mt. Morris County Campus by Rushville Dental.

The County has retained an actuarial firm, Milliman, to perform the work necessary to comply with Governmental Accounting Standards Board (GASB) Statement No. 45. The County continues to research ways to minimize the costs of postretirement health insurance benefits while offering its employees comparable benefits. This effort includes the implementation of a deferred compensation match plan. The County has negotiated the elimination of retiree health insurance benefits for certain employees and in exchange provides a deferred compensation match plan wherein employees who contribute to the County's deferred compensation plan can receive matching contributions up to 2% of earnings from the County.

The County is responsible for meeting the requirements of the Help America Vote Act (HAVA). Although the County has set aside \$110,990 to help cover the expense of required new voting machines, it is expected that the cost of HAVA implementation will be greater.

Interest on investments declined sharply during 2009 and it is expected the trend will continue through 2010.

## **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 County Treasurer, 6 Court Street, Room 203, Geneseo, New York 14454.

**COUNTY OF LIVINGSTON, NEW YORK**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Governmental	Proprietary
<b>ASSETS</b>					
Cash and cash equivalents	\$ 42,638,648	\$ 9,847,412	\$ 52,486,060	\$ 127,193	\$ 1,443,812
Limited use assets	881,248	-	881,248	-	102,384
Accounts receivable, net	7,971,918	4,634,776	12,606,694	-	1,468,049
Due from other funds	2,293,889	-	2,293,889	-	-
Due from other governments	94,966	3,105,934	3,200,900	-	-
State and federal aid receivable, net	11,191,840	-	11,191,840	-	-
Prepaid expenses and inventories	1,042,089	213,747	1,255,836	-	79,497
Capital assets, net	92,033,853	28,936,322	120,970,175	-	28,686,426
Other assets	-	1,261,916	1,261,916	-	1,428,733
<b>Total assets</b>	<b>158,148,451</b>	<b>48,000,107</b>	<b>206,148,558</b>	<b>127,193</b>	<b>33,208,901</b>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	6,873,751	1,033,985	7,907,736	-	3,997,986
Accrued liabilities	1,030,392	6,367,112	7,397,504	-	57,947
Bond anticipation notes	2,590,900	-	2,590,900	-	-
Revenue anticipation notes	-	3,500,000	3,500,000	-	-
Due to other funds	1,130,656	1,175,562	2,306,218	-	-
Due to other governments	4,819,975	-	4,819,975	-	-
Deferred revenue	3,190,880	18,682	3,209,562	-	-
Long-term liabilities -					
Due within one year	2,182,211	870,300	3,052,511	-	-
Due in more than one year	46,025,495	35,340,600	81,366,095	-	-
<b>Total liabilities</b>	<b>67,844,260</b>	<b>48,306,241</b>	<b>116,150,501</b>	<b>-</b>	<b>4,055,933</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	62,064,473	(6,629,252)	55,435,221	-	24,862,342
Restricted -					
Debt service	881,248	-	881,248	-	-
Special districts	872,050	-	872,050	-	-
Other purposes	16,488,949	-	16,488,949	-	11,022
Unrestricted	9,997,471	6,323,118	16,320,589	127,193	4,279,604
<b>Total net assets</b>	<b>\$ 90,304,191</b>	<b>\$ (306,134)</b>	<b>\$ 89,998,057</b>	<b>\$ 127,193</b>	<b>\$ 29,152,968</b>

The accompanying notes are an integral part of these statements.

COUNTY OF LIVINGSTON, NEW YORK

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets							
		Program Revenue			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Governmental	Proprietary
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities -									
General government support	\$ 24,249,145	\$ 2,291,565	\$ 7,829,461	\$ -	\$ (14,128,119)	\$ -	\$ (14,128,119)		
Education	5,365,637	-	2,196,791	-	(3,168,846)	-	(3,168,846)		
Public safety	3,568,731	590,645	1,009,573	-	(1,968,513)	-	(1,968,513)		
Public health	12,996,027	5,706,004	5,836,006	-	(1,454,017)	-	(1,454,017)		
Transportation	7,689,074	789,532	-	148,831	(6,750,711)	-	(6,750,711)		
Economic assistance and opportunity	43,217,516	1,727,129	27,286,096	-	(14,204,291)	-	(14,204,291)		
Culture and recreation	538,764	-	234,225	-	(304,539)	-	(304,539)		
Home and community services	3,086,367	867,974	529,584	-	(1,688,809)	-	(1,688,809)		
Interest	1,476,476	-	-	-	(1,476,476)	-	(1,476,476)		
Total governmental activities	<u>102,187,737</u>	<u>11,972,849</u>	<u>44,921,736</u>	<u>148,831</u>	<u>(45,144,321)</u>	<u>-</u>	<u>(45,144,321)</u>		
Business-type activities -									
Center for Nursing and Rehabilitation	28,405,105	24,234,381	-	-	-	(4,170,724)	(4,170,724)		
Workers' Compensation Fund	2,829,133	2,616,016	-	-	-	(213,117)	(213,117)		
Total business-type activities	<u>31,234,238</u>	<u>26,850,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,383,841)</u>	<u>(4,383,841)</u>		
Total primary government	<u>\$ 133,421,975</u>	<u>\$ 38,823,246</u>	<u>\$ 44,921,736</u>	<u>\$ 148,831</u>	<u>(45,144,321)</u>	<u>(4,383,841)</u>	<u>(49,528,162)</u>		
<b>COMPONENT UNITS:</b>									
Governmental -									
Soil and Water Conservation District	\$ 89,982	\$ -	\$ 120,318	\$ -			\$ 30,336	\$ -	
Proprietary -									
Industrial Development Agency	93,235	48,575	19,649	-			-	(25,011)	
Water and Sewer Authority	3,857,754	2,539,813	-	-			-	(1,317,941)	
Total component units	<u>\$ 4,040,971</u>	<u>\$ 2,588,388</u>	<u>\$ 139,967</u>	<u>\$ -</u>			<u>30,336</u>	<u>(1,342,952)</u>	
<b>GENERAL REVENUES AND TRANSFERS:</b>									
Real property taxes and real property tax items					21,883,274	-	21,883,274	-	
Nonproperty tax items					24,450,414	-	24,450,414	-	
Compensation for loss					165,282	-	165,282	-	
Interest earnings					3,100,064	42,854	3,142,918	818	
Intergovernmental transfer					-	3,546,316	3,546,316	-	
County subsidy					-	2,223,016	2,223,016	-	
Miscellaneous					2,264,542	699,017	2,963,559	4,201	
Total general revenues and transfers					<u>51,863,576</u>	<u>6,511,203</u>	<u>58,374,779</u>	<u>5,019</u>	
Change in net assets					6,719,255	2,127,362	8,846,617	35,355	
Net assets - beginning of year					83,584,936	(2,433,496)	81,151,440	91,838	
Net assets - end of year					<u>\$ 90,304,191</u>	<u>\$ (306,134)</u>	<u>\$ 89,998,057</u>	<u>\$ 127,193</u>	

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>County Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,704,916	\$ 16,750,137	\$ 1,809,573	\$ 1,374,022	\$ 42,638,648
Limited use assets	-	-	-	881,248	881,248
Accounts receivable, net	7,035,086	-	1,522	935,310	7,971,918
State and federal aid receivable, net	9,143,932	-	2,047,908	-	11,191,840
Due from other governments	32,219	42,441	-	20,306	94,966
Prepaid expenses	473,010	-	23,816	545,263	1,042,089
Due from other funds	2,093,889	200,000	-	-	2,293,889
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$ 41,483,052</u>	<u>\$ 16,992,578</u>	<u>\$ 3,882,819</u>	<u>\$ 3,756,149</u>	<u>\$ 66,114,598</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable and other current liabilities	\$ 2,640,586	\$ 865,790	\$ 1,193,697	\$ 407,497	\$ 5,107,570
Accrued wages and benefits	955,941	-	59,071	15,380	1,030,392
Bond anticipation notes	-	2,590,900	-	-	2,590,900
Due to other funds	212,329	880,519	23,816	13,992	1,130,656
Due to other governments	4,819,975	-	-	-	4,819,975
Deferred revenue	3,061,315	-	120,173	904,282	4,085,770
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total liabilities	<u>11,690,146</u>	<u>4,337,209</u>	<u>1,396,757</u>	<u>1,341,151</u>	<u>18,765,263</u>
<b>FUND BALANCES:</b>					
Reserved -					
Unemployment insurance	322,015	-	-	-	322,015
Other insurance	389,784	-	-	-	389,784
Encumbrances	307,383	-	540,016	47,027	894,426
Equipment reserve	86,583	-	-	-	86,583
Reserve for debt repayment	-	-	-	881,248	881,248
Economic development and infrastructure	134,883	-	-	-	134,883
General	107,560	-	-	-	107,560
Unreserved -					
Appropriated - ensuing fiscal year	3,650,000	-	350,000	-	4,000,000
Unappropriated	24,794,698	12,655,369	1,596,046	1,486,723	40,532,836
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total fund balances	<u>29,792,906</u>	<u>12,655,369</u>	<u>2,486,062</u>	<u>2,414,998</u>	<u>47,349,335</u>
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total liabilities and fund balances	<u>\$ 41,483,052</u>	<u>\$ 16,992,578</u>	<u>\$ 3,882,819</u>	<u>\$ 3,756,149</u>	<u>\$ 66,114,598</u>

The accompanying notes are an integral part of these statements.

# COUNTY OF LIVINGSTON, NEW YORK

## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2009

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Total fund balances - governmental funds \$ 47,349,335

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. 92,033,853

Tobacco settlement revenues will be collected after year-end  
but are not available soon enough to pay for the current  
period's expenditures and therefore are deferred in the funds. 894,890

Long-term liabilities are not due in the current period and therefore  
are not reported in the funds. They are as follows:

Serial bonds - County	(29,969,380)
Serial bonds - LTASC	(13,661,860)
Other post-employment benefits	(3,430,174)
Gateway Project - Town of Geneseo	(200,000)

Interest is accrued on outstanding bonds in the statement  
of net assets but not in the funds. (1,766,181)

Compensated absences are not reported in the funds  
but are expensed as the liability is incurred in the statement of net assets. (946,292)

Total net assets of governmental activities \$ 90,304,191

**COUNTY OF LIVINGSTON, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>County Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES:</b>					
Real property taxes and tax items	\$ 14,482,729	\$ -	\$ 6,967,682	\$ 432,863	\$ 21,883,274
Nonproperty tax items	24,450,414	-	-	-	24,450,414
Departmental income	10,275,495	-	-	-	10,275,495
Intergovernmental charges	489,080	-	789,532	-	1,278,612
Use of money and property	3,089,793	-	2,523	7,748	3,100,064
Licenses and permits	14,611	-	-	-	14,611
Fines and forfeitures	404,131	-	-	-	404,131
Sale of property and compensation for loss	99,425	-	4,052	61,805	165,282
Miscellaneous	691,992	-	250,703	1,301,357	2,244,052
Interfund revenues	1,213,676	-	-	-	1,213,676
State and county	12,890,305	508,134	1,688,165	-	15,086,604
Federal aid	25,024,579	-	3,131,421	1,827,963	29,983,963
<b>Total revenues</b>	<b>93,126,230</b>	<b>508,134</b>	<b>12,834,078</b>	<b>3,631,736</b>	<b>110,100,178</b>
<b>EXPENDITURES:</b>					
Current -					
General governmental support	12,838,373	11,721,363	-	58,552	24,618,288
Education	5,365,637	-	-	-	5,365,637
Public safety	12,275,250	-	-	-	12,275,250
Public health	12,971,030	-	-	-	12,971,030
Transportation	35,024	-	11,632,625	1,588,701	13,256,350
Economic assistance and opportunity	44,378,930	-	-	963,085	45,342,015
Culture and recreation	526,088	-	-	-	526,088
Home and community services	2,092,134	106,424	-	865,601	3,064,159
Debt service -					
Principal	595,000	-	-	753,004	1,348,004
Interest and other charges	84,134	-	-	891,675	975,809
<b>Total expenditures</b>	<b>91,161,600</b>	<b>11,827,787</b>	<b>11,632,625</b>	<b>5,120,618</b>	<b>119,742,630</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,964,630</b>	<b>(11,319,653)</b>	<b>1,201,453</b>	<b>(1,488,882)</b>	<b>(9,642,452)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from issuance of serial bonds	-	22,212,731	-	-	22,212,731
Operating transfers - in	50,000	2,361,041	-	550,000	2,961,041
Operating transfers - out	(2,406,341)	-	(550,000)	(4,700)	(2,961,041)
<b>Total other financing sources (uses)</b>	<b>(2,356,341)</b>	<b>24,573,772</b>	<b>(550,000)</b>	<b>545,300</b>	<b>22,212,731</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(391,711)</b>	<b>13,254,119</b>	<b>651,453</b>	<b>(943,582)</b>	<b>12,570,279</b>
<b>FUND BALANCE - beginning of year</b>	<b>30,184,617</b>	<b>(598,750)</b>	<b>1,834,609</b>	<b>3,358,580</b>	<b>34,779,056</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 29,792,906</b>	<b>\$ 12,655,369</b>	<b>\$ 2,486,062</b>	<b>\$ 2,414,998</b>	<b>\$ 47,349,335</b>

The accompanying notes are an integral part of these statements.

## COUNTY OF LIVINGSTON, 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, 2009

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Net change in fund balances - governmental funds \$ 12,570,279

Amounts reported for governmental activities in the statement of activities are different 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	21,190,133	
Depreciation	<u>(4,044,142)</u>	17,145,991

Tobacco settlement revenues will not be collected for several months after the County's fiscal year-end; therefore they are not considered "available" revenues and are deferred in the governmental funds. This represents the current year change. 20,490

Principal payments on debt service are reported as an expenditure in the governmental funds, and therefore reduces fund balance because current financial resources have been used. These payments are not an expense in the statement of activities. 1,348,004

The County has a commitment to the Town of Geneseo for the construction of a roadway and water and sewer infrastructure. This amount represents the County's payment on that commitment which is recorded as an expenditure in the government funds and a repayment of long-term liabilities in the statement of net assets. 100,000

Accrued interest on bonds is an expenditure in the statement of activities of the government-wide statement, but is not reported an expenditure in the governmental funds. This amount represents the current year change. (500,667)

Compensated absences are reported in the statement of activities, but do not require the use of current financial resources and, therefore, these are not reported as expenditures in governmental funds. This represents the current year change. (17,375)

Other postemployment benefits are included in the statement of activities but are not considered an expenditure in the governmental funds. This represents the current year change. (1,734,736)

Bond and bond anticipation note proceeds are not included in the statement of activities, but are recognized as an other financing source in the governmental funds. (22,212,731)

Change in net assets of governmental activities \$ 6,719,255

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
DECEMBER 31, 2009**

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Workers'</u> <u>Compensation</u> <u>Fund</u>	<u>Livingston</u> <u>County</u> <u>Center for</u> <u>Nursing and</u> <u>Rehabilitation</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,112,081	\$ 5,735,331	\$ 9,847,412
Accounts receivable, net	-	4,634,776	4,634,776
Due from other governments	3,105,934	-	3,105,934
Prepaid expense	-	213,747	213,747
Capital assets, net	-	28,936,322	28,936,322
Other assets	-	1,261,916	1,261,916
	<u>7,218,015</u>	<u>40,782,092</u>	<u>48,000,107</u>
Total assets			
<b>LIABILITIES</b>			
Accounts payable and other liabilities	-	1,033,985	1,033,985
Accrued liabilities	5,507,952	859,160	6,367,112
Due to other funds	358,354	817,208	1,175,562
Deferred revenue	-	18,682	18,682
Revenue anticipation notes	-	3,500,000	3,500,000
Non-current liabilities -			
Due in one year	-	870,300	870,300
Due in more than one year	-	35,340,600	35,340,600
	<u>5,866,306</u>	<u>42,439,935</u>	<u>48,306,241</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	(6,629,252)	(6,629,252)
Unrestricted	1,351,709	4,971,409	6,323,118
	<u>1,351,709</u>	<u>(1,657,843)</u>	<u>(306,134)</u>
Total net assets			

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Business Type Activities - Enterprise Funds</u>		
	<u>Workers' Compensation Fund</u>	<u>Livingston County Center for Nursing and Rehabilitation</u>	<u>Total</u>
<b>REVENUES:</b>			
Charges for services	\$ 2,616,016	\$ 24,234,381	\$ 26,850,397
Total operating revenues	<u>2,616,016</u>	<u>24,234,381</u>	<u>26,850,397</u>
<b>OPERATING EXPENSES:</b>			
Judgments, claims, and insurance premiums	2,349,929	-	2,349,929
Nursing services	-	12,751,562	12,751,562
General services	-	5,086,641	5,086,641
Other professional services	479,204	2,811,784	3,290,988
Administrative	-	1,189,785	1,189,785
Depreciation and amortization	-	2,748,946	2,748,946
Bad debt expense	-	489,966	489,966
County cost allocation	-	296,450	296,450
Day care	-	218,336	218,336
New York State assessment	-	1,125,440	1,125,440
Total operating expenses	<u>2,829,133</u>	<u>26,718,910</u>	<u>29,548,043</u>
Operating loss	<u>(213,117)</u>	<u>(2,484,529)</u>	<u>(2,697,646)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	32,776	10,078	42,854
Interest expense	-	(1,686,195)	(1,686,195)
Other income	663,479	35,538	699,017
Intergovernmental transfers	-	3,546,316	3,546,316
County subsidy	-	2,223,016	2,223,016
Total non-operating revenues (expenses)	<u>696,255</u>	<u>4,128,753</u>	<u>4,825,008</u>
CHANGE IN NET ASSETS	483,138	1,644,224	2,127,362
NET ASSETS - beginning of year	<u>868,571</u>	<u>(3,302,067)</u>	<u>(2,433,496)</u>
NET ASSETS - end of year	<u>\$ 1,351,709</u>	<u>\$ (1,657,843)</u>	<u>\$ (306,134)</u>

The accompanying notes are an integral part of these statements.

# COUNTY OF LIVINGSTON, NEW YORK

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2009

	Business Type Activity - Enterprise Fund		
	Workers' Compensation Fund	Livingston County Center for Nursing and Rehabilitation	Total
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Cash received from providing services	\$ 2,840,919	\$ 22,393,154	\$ 25,234,073
Cash payments to insurance providers	(3,203,072)	-	(3,203,072)
Cash payments for salaries and benefits	-	(16,615,375)	(16,615,375)
Cash payments for contractual services	-	(6,205,287)	(6,205,287)
Net cash flow from operating activities	<u>(362,153)</u>	<u>(427,508)</u>	<u>(789,661)</u>
<b>CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Other non-operating revenues	-	5,771,685	5,771,685
Advances from County general fund	-	141,983	141,983
Net cash flow from non-capital financing activities	<u>-</u>	<u>5,913,668</u>	<u>5,913,668</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchases of capital assets	-	(295,661)	(295,661)
Repayment of debt	-	(6,342,200)	(6,342,200)
Proceeds from issuance of debt	-	3,500,000	3,500,000
Interest	-	(1,872,542)	(1,872,542)
Net cash flow from capital and related financing activities	<u>-</u>	<u>(5,010,403)</u>	<u>(5,010,403)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Other income	663,479	-	663,479
Investment income	32,776	10,078	42,854
Net cash flow from investing activities	<u>696,255</u>	<u>10,078</u>	<u>706,333</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>334,102</b>	<b>485,835</b>	<b>819,937</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<b>3,777,979</b>	<b>5,249,496</b>	<b>9,027,475</b>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<b><u>\$ 4,112,081</u></b>	<b><u>\$ 5,735,331</u></b>	<b><u>\$ 9,847,412</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (213,117)	\$ (2,484,529)	\$ (2,697,646)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation and amortization	-	2,748,946	2,748,946
Bad debt expense	-	489,966	489,966
Changes in:			
Accounts receivable	224,903	(703,623)	(478,720)
Prepaid expense and other assets	-	(76,169)	(76,169)
Accounts payable and other liabilities	(388,379)	26,196	(362,183)
Accrued liabilities	14,440	213,529	227,969
Accrued other postemployment benefits	-	39,000	39,000
Deferred revenue	-	(109,111)	(109,111)
Due from third party payor	-	(571,713)	(571,713)
Net cash flow from operating activities	<u>\$ (362,153)</u>	<u>\$ (427,508)</u>	<u>\$ (789,661)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2009**

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	<u>Expendable Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 401,651	\$ 1,046,717
DUE FROM OTHER FUNDS	<u>-</u>	<u>12,329</u>
Total assets	<u>401,651</u>	<u>1,059,046</u>
<b>LIABILITIES</b>		
OTHER LIABILITIES	<u>-</u>	<u>1,059,046</u>
Total liabilities	<u>-</u>	<u>1,059,046</u>
<b>NET ASSETS</b>		
HELD IN TRUST FOR PRIVATE PURPOSES	<u>\$ 401,651</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
DECEMBER 31, 2009**

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	Expendable <u>Trust</u>
ADDITIONS:	
Contributions	\$ 49,574
Interest earnings	<u>1,429</u>
Total additions	<u>51,003</u>
DEDUCTIONS:	
Culture and recreation	<u>34,342</u>
Total deductions	<u>34,342</u>
CHANGE IN NET ASSETS	16,661
NET ASSETS - beginning of year	<u>384,990</u>
NET ASSETS - end of year	<u><u>\$ 401,651</u></u>

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**COMBINING STATEMENT OF NET ASSETS - PROPRIETARY COMPONENT UNITS  
DECEMBER 31, 2009**

	Livingston County Industrial Development <u>Agency</u>	Livingston County Water and Sewer <u>Authority</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 83,048	\$ 1,360,764	\$ 1,443,812
Limited use assets	-	102,384	102,384
Accounts receivable, net	32,868	1,435,181	1,468,049
Inventories	-	18,239	18,239
Prepaid expenses	956	78,541	79,497
Land held for resale	1,410,494	-	1,410,494
Capital assets, net	<u>32,973</u>	<u>28,653,453</u>	<u>28,686,426</u>
Total assets	<u>1,560,339</u>	<u>31,648,562</u>	<u>33,208,901</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	3,438	3,994,548	3,997,986
Accrued liabilities	<u>-</u>	<u>57,947</u>	<u>57,947</u>
Total liabilities	<u>3,438</u>	<u>4,052,495</u>	<u>4,055,933</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	32,973	24,829,369	24,862,342
Restricted for capital development	-	11,022	11,022
Unrestricted	<u>1,523,928</u>	<u>2,755,676</u>	<u>4,279,604</u>
Total net assets	<u>\$ 1,556,901</u>	<u>\$ 27,596,067</u>	<u>\$ 29,152,968</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**COMBINING STATEMENT OF ACTIVITIES - PROPRIETARY COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Livingston County Industrial Development <u>Agency</u>	Livingston County Water and Sewer <u>Authority</u>	<u>Total</u>
<b>OPERATING REVENUE:</b>			
Charges for services, net	\$ 37,366	\$ 2,539,813	\$ 2,577,179
Grants	<u>19,649</u>	<u>-</u>	<u>19,649</u>
Total operating revenue	<u>57,015</u>	<u>2,539,813</u>	<u>2,596,828</u>
<b>OPERATING EXPENSES:</b>			
Depreciation	4,160	1,763,972	1,768,132
Operation and maintenance	-	1,558,822	1,558,822
Administration	16,289	432,177	448,466
Other professional services	28,137	-	28,137
Advertising and public relations	25,000	-	25,000
Regrants	<u>19,649</u>	<u>-</u>	<u>19,649</u>
Total operating expenses	<u>93,235</u>	<u>3,754,971</u>	<u>3,848,206</u>
<b>OPERATING LOSS</b>	<u>(36,220)</u>	<u>(1,215,158)</u>	<u>(1,251,378)</u>
<b>NON-OPERATING REVENUE AND EXPENSES:</b>			
Rental of real property	11,209	-	11,209
Interest income	299	29,965	30,264
Interest expense	-	(100,369)	(100,369)
Gain on sale of assets	<u>-</u>	<u>(2,414)</u>	<u>(2,414)</u>
Total non-operating revenue and expenses	<u>11,508</u>	<u>(72,818)</u>	<u>(61,310)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(24,712)</u>	<u>(1,287,976)</u>	<u>(1,312,688)</u>
<b>NET ASSETS - beginning of year</b>	<u>1,581,613</u>	<u>28,884,043</u>	<u>30,465,656</u>
<b>NET ASSETS - end of year</b>	<u>\$ 1,556,901</u>	<u>\$ 27,596,067</u>	<u>\$ 29,152,968</u>

The accompanying notes are an integral part of these statements.

# COUNTY OF LIVINGSTON, NEW YORK

## NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2009

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The County of Livingston, New York (the County) is governed by the County law, general laws of the State of New York and various local laws and ordinances. The Board of Supervisors, which is the legislative body responsible for the overall operation of the County, consists of the seventeen 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 Supervisors 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 Livingston County Center for Nursing and Rehabilitation (CNR) has been included in these statements as an enterprise fund. In addition, the Livingston Tobacco Asset Securitization Corporation (LTASC) has been included in these statements as a blended component unit.

The accompanying basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for State and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described in the remainder of this note.

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 required by generally accepted accounting principles, the basic financial statements of the reporting entity include 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.

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

### **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.

- **Government Fund Type**

The Livingston 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 Legislature, 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.

- **Proprietary Fund Type**

The Livingston County Industrial Development Agency (IDA) is a public benefit corporation created by state legislation to promote the economic welfare, opportunities, and prosperity of the County's inhabitants. Members of the IDA are appointed by the Board of Supervisors; however, the directors have sole control over the management and operation of the IDA. Separate audited financial statements for the IDA may be obtained by contacting the IDA directly.

The Livingston County Water and Sewer Authority (the Authority) is a public benefit corporation organized under the Public Authorities Law of the State of New York. The Authority was created to finance, construct, operate, and maintain water and sewage facilities for the benefit of the residents of the County. Members of the Authority are appointed by the Livingston County Board of Supervisors; however, the Board of Supervisors exercises no oversight responsibility for management of the Authority or accountability for fiscal matters. The County is not liable for any Authority indebtedness. Separate audited financial statements for the Authority may be obtained by contacting the Authority directly.

### **Component Unit - Blended**

The Livingston Tobacco Asset Securitization Corporation (LTASC) is a special purpose, bankruptcy-remote local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. LTASC was established on October 10, 2000. LTASC is considered a governmental fund-type component unit (blended presentation) of the County in accordance with generally accepted accounting principles. Separate audited financial statements for LTASC may be obtained by contacting the LTASC directly.

### **Excluded From Reporting Entity**

The following activities are undertaken jointly with other counties and are excluded from the financial statements:

- **GLOW Region Solid Waste Management Committee**

The County participates with the Counties of Genesee, Orleans, and Wyoming in the joint maintenance of the GLOW Region Solid Waste Management Committee (GLOW). The cost of operating and maintaining GLOW is assessed upon the lands lying within GLOW, and is levied and collected on the respective tax rolls for the four counties. The Livingston County Treasurer acts as the fiscal officer for GLOW.

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

### Excluded From Reporting Entity (Continued)

- **GLOW Region Solid Waste Management Committee (Continued)**

Summary financial information from GLOW's unaudited financial statements as of and for the year ended December 31, 2009, is as follows:

Total assets	\$	127,083
Total liabilities	\$	12,167
Net assets	\$	114,916
Total revenues	\$	85,339
Total expenditures	\$	95,373

- **Livingston County Development Corporation**

The Livingston County Development Corporation (the Corporation) was incorporated on March 11, 1987 as a Type C educational corporation pursuant to section 201 of the Not-For-Profit Corporation Law of the State of New York.

The Corporation became the successor to a subrecipient agreement previously by and between the County and the IDA, dated October 31, 2000. Pursuant to the agreement, the County has received federal grant assistance from the United States Department of Housing and Urban Development through the Community Development Block Grant Program for the purpose of establishing and implementing a microenterprise assistance program. The County has contracted with the Corporation for the establishment and administration of a commercial loan fund to oversee and review the actions of another subrecipient of the County, who is responsible for implementing entrepreneurial classroom instruction and providing technical assistance to the loan recipients. The primary objectives of the commercial loan fund are to assist in the establishment and expansion of microenterprise business activity, create employment opportunities and preserve and expand the County's tax base.

Summary financial information from the Corporation's audited financial statements as of and for the year ended December 31, 2009 are as follows:

Total assets	\$	1,450,421
Total liabilities	\$	331,154
Net assets - permanently restricted	\$	1,119,267
Total revenues	\$	932,113
Total expenditures	\$	342,793

### 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 governmental 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.

## 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.

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 government or business-type activities categories. Non-major funds by category are summarized into a single column. Generally accepted accounting principles sets 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.

##### 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.
- 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.
- County Road Fund - used to account for financial resources to be used for the repair and maintenance and construction of the County roads.

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

### Basis of Presentation (Continued)

#### • Fund Financial Statements (Continued)

##### b) Nonmajor Governmental Funds

Other funds which do not meet the major fund criteria are aggregated and reported as non-major 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 nonmajor special revenue funds utilized by the County:
  - Road Machinery Fund
  - Water Fund
  - Sewer Fund
  - Special Grant 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.

##### c) Proprietary Fund Types

These funds are accounted for using the flow of economic resources measurement focus and 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 Funds - used to account for those operations that are financed and operated in a manner similar to private business. The County's major enterprise fund includes the Workers' Compensation Fund and CNR.

##### 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:

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

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

### Basis of Presentation (Continued)

#### • Fund Financial Statements (Continued)

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.

### 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.

### Property Taxes

County property taxes are levied annually no later than December 31<sup>st</sup> and become a lien on January 1. 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 or 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 in the towns. All unpaid school district and village taxes are turned over to the County and are relieved as County taxes in the subsequent year.

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

### **Cash and Cash Equivalents**

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.

### **Limited Use Assets**

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

### **Accounts Receivable**

- **Governmental Funds**

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

- **Enterprise Funds**

Accounts receivable are stated net of an allowance for doubtful accounts. CNR 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. No allowance is required for the Workers' Compensation Fund.

### **Due To/From Other Funds**

The amounts reported on the Governmental Funds Balance Sheet for due to and due from other funds represents amounts due between different fund types (general, highway and non-major 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 - CNR**

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**

- **Governmental Funds**

Capital assets purchased or acquired with an original cost of \$15,000 or more are stated at cost. Contributed capital assets are recorded at fair value at the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

### Capital Assets (Continued)

- **Governmental Funds (Continued)**

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

Buildings and improvements	10 - 40 Years
Machinery and equipment	3 - 30 Years
Infrastructure (roads, sidewalks, curbing, light systems, water distribution systems and bridges)	5 - 50 Years

- **Proprietary Fund**

Property, plant and equipment acquired by the proprietary fund is stated at cost. Contributed capital assets are recorded at fair value at the date received. Depreciation has generally been provided using the straight-line method over the following estimated useful lives:

Machinery and equipment	5 - 25 Years
Buildings and improvements	10 - 40 Years
Infrastructure (including water and sewer systems)	20 - 50 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 2009-276 dated August 12, 2009. The amount of the additional one percent sales tax collected in 2009 was \$5,992,987.

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

### **Insurance**

The County assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

### **Compensated Absences**

Pursuant to resolutions of the governing board and contractual agreements, County employees are entitled to accrue up to 23 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, but no individuals are paid for unused sick or personal leave. Certain employees who qualify for more than three weeks of vacation may elect to be paid in lieu of such time off to a maximum of one week. Any liability for vacation leave applicable to governmental fund operations is earned, vested, and recorded as due in one year or due in more than one year on the government-wide statements.

### **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**

Long-term obligations represent the County's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the government-wide statements.

### **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, highway 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**

The operations of the County give rise to certain transactions between funds, including transfers of expenditures and transfers of revenues to provide services and construct assets.

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

### Equity Classifications

- **Government-Wide 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.
- b) Restricted net assets - consists of net assets with constraints placed on the 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 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.

## 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. No later than November 15, the budget officer submits a tentative budget to the Board of Supervisors for the year commencing the following January 1. The tentative budget includes appropriations and the proposed means of financing them including a tentative tax levy amount.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than December 20, the Board of Supervisors adopts the County budget.
- c. 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.
- d. 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 not account for the Special Grant Funds on a County year basis.

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

### 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.

### Budget Reconciliation/Budget Modifications

A reconciliation of expenditures for the 2009 General Fund budget is as follows:

Original adopted budget	\$ 91,856,672
December 31, 2008 carryover of encumbrances	50,001
Amendments	<u>13,308,858</u>
Final revised budget	<u>\$ 105,215,531</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 computed on GAAP basis and budgetary basis:

GAAP basis fund balance at December 31, 2009	\$ 29,792,906
Less: Outstanding encumbrances	<u>(307,383)</u>
Budgetary basis fund balance at December 31, 2009	<u>\$ 29,485,523</u>

### Deficit Net Assets - CNR

The County has reported a deficit net assets totaling \$1,657,843 in CNR, which was a result of the accumulated operating loss and acceleration of depreciation for third-party reimbursement purposes.

### Estimates

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

## 3. CASH AND CASH EQUIVALENTS

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. While the County does not have a specific policy for custodial credit risk, New York State statutes govern the County's investment policies.

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

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

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Primary government (including CNR)	\$ 48,381,448	\$ 48,373,979
Workers' compensation	4,152,474	4,112,081
Fiduciary funds	<u>2,485,615</u>	<u>1,448,368</u>
Cash and cash equivalents	<u>\$ 55,019,537</u>	<u>\$ 53,934,428</u>

The collateral related to the above is as follows:

FDIC Insured	\$ 24,926,265
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the County's name	<u>50,406,421</u>
	<u>\$ 75,332,686</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 \$16,159,923 within the capital fund and \$401,651 in the fiduciary funds.

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

### 4. LIMITED USE ASSETS

The County's limited use assets at December 31, 2009 relate to the LTASC and are as follows:

	<u>Cost</u>	<u>Market</u>
Money Market Funds	<u>\$ 881,248</u>	<u>\$ 881,248</u>

## 5. RECEIVABLES

Receivables as of year-end for the government's individual major funds, and nonmajor funds in the aggregate and enterprise type funds including applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Capital Projects Fund</u>	<u>County Road Fund</u>	<u>Nonmajor Funds</u>	<u>Total Primary Government</u>	<u>CNR</u>	<u>Workers' Compensation</u>
Taxes receivable:							
Taxes	\$ 3,237,308	\$ -	\$ -	\$ -	\$ 3,237,308	\$ -	\$ -
School taxes	3,142,078	-	-	-	3,142,078	-	-
Tax acquired property	<u>86,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,364</u>	<u>-</u>	<u>-</u>
	<u>6,465,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,465,750</u>	<u>-</u>	<u>-</u>
Other receivables:							
Trade	569,336	-	1,522	935,310	1,506,168	5,384,776	-
Less: Allowance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(750,000)</u>	<u>-</u>
	<u>569,336</u>	<u>-</u>	<u>1,522</u>	<u>935,310</u>	<u>1,506,168</u>	<u>4,634,776</u>	<u>-</u>
	<u>\$ 7,035,086</u>	<u>\$ -</u>	<u>\$ 1,522</u>	<u>\$ 935,310</u>	<u>\$ 7,971,918</u>	<u>\$ 4,634,776</u>	<u>\$ -</u>
Due from other governments:							
Miscellaneous	\$ 11,254	\$ 42,441	\$ -	\$ -	\$ 53,695	\$ -	\$ -
Towns/Villages	<u>20,965</u>	<u>-</u>	<u>-</u>	<u>20,306</u>	<u>41,271</u>	<u>-</u>	<u>3,105,934</u>
	<u>\$ 32,219</u>	<u>\$ 42,441</u>	<u>\$ -</u>	<u>\$ 20,306</u>	<u>\$ 94,966</u>	<u>\$ -</u>	<u>\$ 3,105,934</u>
State and Federal aid:							
Social service	\$ 3,761,164	\$ -	\$ -	\$ -	\$ 3,761,164	\$ -	\$ -
Other state agencies	<u>5,382,768</u>	<u>-</u>	<u>2,047,908</u>	<u>-</u>	<u>7,430,676</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,143,932</u>	<u>\$ -</u>	<u>\$ 2,047,908</u>	<u>\$ -</u>	<u>\$ 11,191,840</u>	<u>\$ -</u>	<u>\$ -</u>

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.

**5. RECEIVABLES (Continued)**

The returned school and delinquent village 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 \$2,621,676 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 1.5% of the most recent five-year average full valuation of taxable real property (the "legal margin"). In 2009, the County has a legal margin of \$22,584,637.

**Interfund Receivables and Payables**

Interfund receivables (due from other funds) at December 31, 2009 were as follows:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>CNR</u>	<u>Agency Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 200,000	\$ -	\$ 12,329	\$ 212,329
County Road	23,816	-	-	-	23,816
Special Revenue Funds	13,992	-	-	-	13,992
Capital Projects	880,519	-	-	-	880,519
Workers' Compensation	-	-	358,354	-	358,354
Center for Nursing and Rehabilitation	<u>1,175,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,175,562</u>
	<u>\$ 2,093,889</u>	<u>\$ 200,000</u>	<u>\$ 358,354</u>	<u>\$ 12,329</u>	<u>\$ 2,664,572</u>

## 7. CAPITAL ASSETS

The County's capital assets for 2009 are as follows:

<u>Governmental Activities</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance December 31</u>
Land	\$ 1,319,867	\$ -	\$ -	\$ -	\$ 1,319,867
Work-in-progress	<u>21,927,297</u>	<u>16,017,855</u>	<u>-</u>	<u>(3,016,820)</u>	<u>34,928,332</u>
Total non-depreciable assets	<u>23,247,164</u>	<u>16,017,855</u>	<u>-</u>	<u>(3,016,820)</u>	<u>36,248,199</u>
Buildings and improvements	28,722,185	606,762	-	-	29,328,947
Machinery and equipment	8,043,317	618,654	(72,104)	882,189	9,472,056
Infrastructure	<u>63,906,820</u>	<u>3,946,862</u>	<u>-</u>	<u>2,134,631</u>	<u>69,988,313</u>
Total depreciable assets	<u>100,672,322</u>	<u>5,172,278</u>	<u>(72,104)</u>	<u>3,016,820</u>	<u>108,789,316</u>
Less: Accumulated depreciation					
Buildings and improvements	(12,226,337)	(819,923)	-	-	(13,046,260)
Machinery and equipment	(6,657,807)	(637,791)	72,104	-	(7,223,494)
Infrastructure	<u>(30,147,480)</u>	<u>(2,586,428)</u>	<u>-</u>	<u>-</u>	<u>(32,733,908)</u>
Total accumulated depreciation	<u>(49,031,624)</u>	<u>(4,044,142)</u>	<u>72,104</u>	<u>-</u>	<u>(53,003,662)</u>
Net depreciable assets	<u>51,640,698</u>	<u>1,128,136</u>	<u>-</u>	<u>3,016,820</u>	<u>55,785,654</u>
Capital assets, net	<u>\$ 74,887,862</u>	<u>\$ 17,145,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,033,853</u>

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

Governmental activities:	
Transportation	\$ 2,718,840
Public safety	518,578
General government support	456,850
Home and community services	229,173
Public health	76,239
Economic assistance and opportunity	31,786
Culture and recreation	<u>12,676</u>
Total depreciation expense	<u>\$ 4,044,142</u>

7. **CAPITAL ASSETS (Continued)**

<u>Business-type Activities</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance December 31</u>
Work-in-progress	\$ 4,677	\$ -	\$ -	\$ (4,677)	\$ -
Total non-depreciable assets	<u>4,677</u>	<u>-</u>	<u>-</u>	<u>(4,677)</u>	<u>-</u>
Buildings and improvements	34,442,568	33,334	-	4,677	34,480,579
Machinery and equipment	<u>5,352,829</u>	<u>262,327</u>	<u>-</u>	<u>-</u>	<u>5,615,156</u>
Total depreciable assets	<u>39,795,397</u>	<u>295,661</u>	<u>-</u>	<u>4,677</u>	<u>40,095,735</u>
Less: Accumulated depreciation					
Buildings and improvements	(6,679,338)	(2,175,739)	-	-	(8,855,077)
Machinery and equipment	<u>(1,738,643)</u>	<u>(565,693)</u>	<u>-</u>	<u>-</u>	<u>(2,304,336)</u>
Total accumulated depreciation	<u>(8,417,981)</u>	<u>(2,741,432)</u>	<u>-</u>	<u>-</u>	<u>(11,159,413)</u>
Net depreciable assets	<u>31,377,416</u>	<u>(2,445,771)</u>	<u>-</u>	<u>4,677</u>	<u>28,936,322</u>
Capital assets, net	<u>\$ 31,382,093</u>	<u>\$ (2,445,771)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,936,322</u>

In accordance with generally accepted accounting principles, CNR's policy is to record an impairment loss against the balance of a long-lived asset in the period when it is determined that the carrying amount of the asset may not be recoverable. This determination is based on an evaluation of such factors as the occurrence of a significant event, a significant change in the environment in which the business operates, or if the expected non-discounted cash flows of the business was determined to be less than the carrying value of the assets. If impairment is deemed to exist, the assets will be written down to fair value. Management also evaluates events and circumstances to determine whether revised estimates of useful lives are warranted.

## 7. CAPITAL ASSETS (Continued)

### Component Units

Component units' capital assets at December 31, 2009 consisted of:

Land	\$ 147,985
Construction work-in-progress	2,463,597
Infrastructure	30,729,898
Machinery and equipment	<u>2,053,166</u>
	35,394,646
Less: Accumulated depreciation	<u>(6,708,220)</u>
Total capital assets, net	<u>\$ 28,686,426</u>

## 8. PENSION PLANS

The County participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan. This is a cost sharing multiple employer retirement system. The System provides retirement benefits as well as death and disability benefits. 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 System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues 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 is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>
2009	<u>\$ 2,744,653</u>
2008	<u>\$ 3,098,764</u>
2007	<u>\$ 3,309,388</u>

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

## 9. FINANCING ARRANGEMENTS

### Bond Anticipation Notes

Liabilities for bond anticipation notes (BAN's) 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 BAN's issued for capital purposes be retired or converted to long-term obligations within five years after the original issue date. However, BAN's 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 \$107,979.

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

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental funds	<u>\$ 3,347,400</u>	<u>\$ 3,119,900</u>	<u>\$ (3,876,400)</u>	<u>\$ 2,590,900</u>

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

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding December 31</u>
Barilla Infrastructure	6/30/2009	6/30/2010	1.98%	\$ 290,900
Millennium Drive Dialysis	2/13/2009	2/12/2010	2.02%	<u>2,300,000</u>
				<u>\$ 2,590,900</u>

### Revenue Anticipation Notes

The County may issue revenue anticipation notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The following is a summary of maturity of RANs:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding 12/31/09</u>
Enterprise funds:				
CNR	10/31/2009	10/29/2010	1.50%-2.89%	<u>\$ 3,500,000</u>

### Serial Bonds - Excluding LTASC

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 for 2009 was approximately \$1,857,000. Cash paid for interest during 2009 was approximately \$1,599,000.

## 9. FINANCING ARRANGEMENTS (Continued)

### Serial Bonds - LTASC

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 \$11,065,000 with interest at rates ranging from 5.80% 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. LTASC retains TSRs in an amount sufficient to service its debt and pay its operating expenses.

The Series 2005 bonds are payable solely from and secured solely by the future right, title and interest of LTASC in the collection of tobacco settlement revenues previously purchased by LTASC 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 LTASC. This series consists of subordinate turbo capital appreciation bonds (CAB) that provide long-dated financing for LTASC 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. LTASC 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. LTASC remitted the net proceeds from issuance of the Series 2005 bonds to the County to be used for the expansion of the County jail facilities.

The Series 2000 bonds are composed of the following:

- \$780,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2015, interest rate of 6.00%.
- \$725,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2019, interest rate of 6.40%.
- \$1,195,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2023, interest rate of 5.80%.
- \$1,935,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2028, interest rate of 6.25%.
- \$2,940,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2035, interest rate of 6.50%.
- \$3,490,000 Tobacco Settlement Asset-Backed Bonds, Series 2000 (Tax Exempt Turbo Bonds), maturity date is June 1, 2042, interest rate of 6.625%.

The Series 2005 bonds are composed of the following:

- \$1,607,765 Tobacco Settlement Asset-Backed Bonds, Series 2005 S1 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2038, with an accreted value at maturity of \$9,377,235.
- \$1,025,287 Tobacco Settlement Asset-Backed Bonds, Series 2005 S2 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2050, with an accreted value at maturity of \$13,844,714.
- \$593,061 Tobacco Settlement Asset-Backed Bonds, Series 2005 S3 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2055, with an accreted value at maturity of \$16,051,939.
- \$1,701,024 Tobacco Settlement Asset-Backed Bonds, Series 2005 S4B (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2060, with an accreted value at maturity of \$111,398,976.

## 9. FINANCING ARRANGEMENTS (Continued)

### 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 below are disclosed on a net basis, as it is impractical to report on the gross basis.

Gateway Project - Town of Geneseo - The County entered into an agreement with the Town of Geneseo to help offset costs related to the financing and construction of a roadway and water and sewer infrastructure between Route 20A and Lima Road.

The following is a summary of the remaining commitment made to the Town of Geneseo for the Gateway Project:

	<u>Principal</u>
2010	\$ 100,000
2011	<u>100,000</u>
	<u>\$ 200,000</u>

### Summary of Long-Term Debt

The following is a summary of all 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 LTASC	\$ 8,549,377	\$ 22,212,731	\$ (792,728)	\$ 1,515,638	\$ 28,453,742
Serial Bonds - LTASC	14,217,136	-	(555,276)	330,000	13,331,860
Gateway Project - Town of Geneseo	300,000	-	(100,000)	100,000	100,000
Compensated absences	928,917	17,375	-	236,573	709,719
Other postemployment benefits	<u>1,695,438</u>	<u>1,734,736</u>	<u>-</u>	<u>-</u>	<u>3,430,174</u>
Total governmental activities	<u>25,690,868</u>	<u>23,964,842</u>	<u>(1,448,004)</u>	<u>2,182,211</u>	<u>46,025,495</u>
Business-type activities:					
Serial Bonds	36,335,800	-	(842,200)	870,300	34,623,300
Other postemployment benefits	<u>678,300</u>	<u>39,000</u>	<u>-</u>	<u>-</u>	<u>717,300</u>
Total business-type activities	<u>37,014,100</u>	<u>39,000</u>	<u>(842,200)</u>	<u>870,300</u>	<u>35,340,600</u>
Total primary government	<u>\$62,704,968</u>	<u>\$24,003,842</u>	<u>\$ (2,290,204)</u>	<u>\$ 3,052,511</u>	<u>\$ 81,366,095</u>

## 9. FINANCING ARRANGEMENTS (Continued)

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

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>2009 Payments</u>	<u>Outstanding December 31</u>
Governmental activities:					
Serial Bonds-excluding LTASC -					
County Courthouse	1996	2009	4.85 - 5.20%	\$ 385,000	\$ -
County Jail	2009	2024	3.00 - 4.00%	-	22,000,000
Barilla infrastructure	2007	2017	3.63 - 3.85%	190,000	1,840,000
Water - NYS EFC	1999	2019	2.78 - 4.91%	65,000	765,000
ARS - Sewer Project	2002	2020	7.00 - 7.10%	20,000	380,000
Sewer - NYS EFC	2004	2033	1.02 - 4.63%	10,000	275,000
East Lake Water System	2005	2033	4.25 - 4.50%	35,600	1,619,100
Water Transmission System	2005	2033	4.25 - 4.50%	1,400	61,100
Route 20 Water Main	2005	2033	4.25 - 4.50%	5,800	266,200
Groveland Sewer	2006	2035	0.00%	34,000	881,000
Rural Development	2005	2039	4.13%	8,000	449,000
Rural Development	2005	2039	4.13%	2,000	123,000
Scottsburg Zone 5 Rd.	2006	2040	4.50%	8,000	574,000
Conesus Sewer-NYS EFC	2008	2038	0.00%	27,928	735,980
Serial Bonds - LTASC	2000	2042	5.13 - 6.30%	555,276	8,734,724
	2005	2060	6.00 - 7.85%	-	4,927,136
Business-type activities:					
Nursing Facilities Construction	2005	2033	4.25 - 4.50%	717,200	32,063,600
Nursing Facilities Construction	2005	2027	3.65 - 4.10%	125,000	<u>3,430,000</u>
					<u>\$ 79,124,840</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Bonds</u>	<u>Interest</u>	<u>Bonds</u>	<u>Interest</u>
2010	\$ 1,515,638	\$ 1,086,536	\$ 870,300	\$ 1,516,459
2011	1,572,938	1,038,670	913,000	1,479,308
2012	1,632,238	983,061	955,700	1,440,285
2013	1,699,838	925,223	1,003,100	1,399,373
2014	1,769,138	864,596	1,050,800	1,356,478
2015 - 2019	9,409,890	3,333,149	6,042,800	6,047,226
2020 - 2024	9,805,390	1,575,246	7,591,300	4,585,093
2025 - 2029	1,062,890	335,782	8,959,800	2,764,322
2030 - 2034	1,103,889	153,821	8,106,800	739,202
2035 - 2039	364,531	46,609	-	-
2040	<u>33,000</u>	<u>5,771</u>	<u>-</u>	<u>-</u>
	<u>\$29,969,380</u>	<u>\$10,348,464</u>	<u>\$35,493,600</u>	<u>\$ 21,327,746</u>

## 9. FINANCING ARRANGEMENTS (Continued)

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

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

	<u>Required Maturities</u>		
	<u>Principal</u>	<u>Interest/ Accretion</u>	<u>Total</u>
2010	\$ 330,000	\$ 1,014,129	\$ 1,344,129
2011	350,000	1,024,606	1,374,606
2012	365,000	1,035,788	1,400,788
2013	375,000	1,049,551	1,424,551
2014	405,000	1,063,184	1,468,184
2015 - 2019	2,580,000	5,553,612	8,133,612
2020 - 2024	3,800,000	5,973,917	9,773,917
2025 - 2029	780,000	7,158,802	7,938,802
2030 - 2034	-	10,076,326	10,076,326
2035 - 2039	1,357,489	13,170,612	14,528,101
2040 - 2044	-	16,075,233	16,075,233
2045 - 2049	-	23,132,650	23,132,650
2050 - 2054	1,025,287	28,704,612	29,729,899
2055 - 2059	593,061	35,327,268	35,920,329
2060	<u>1,701,023</u>	<u>4,271,786</u>	<u>5,972,809</u>
	<u>\$ 13,661,860</u>	<u>\$ 154,632,076</u>	<u>\$168,293,936</u>

Required maturities for the Series 2005 bonds represent the minimum amount of principal that the LTASC 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 LTASC 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. On December 1, 2009, a principal payment of \$250,276 was made against the Series 2005 S1 bonds as a result of the trapping event termination which occurred in 2007.

Under the terms of the Indenture, the LTASC 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 LTASC 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 December 31, 2009.

A principal payment in the amount of \$555,276 was made during 2009 in accordance with the Series 2000 bonds.

### Interest

Interest expense on LTASC bonds payable was \$808,295 in 2009. In 2009, cash paid for interest was \$656,115.

**10. NET ASSETS AND FUND EQUITY**

**Net Assets - Restricted**

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets at December 31, 2009:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Special districts:		
Special Grants	Law	\$ 2,162
Sewer	Law	123,926
Water	Law	<u>745,962</u>
		<u>\$ 872,050</u>
Other purposes:		
Bonded capital projects	Law	\$ 16,159,923
Capital Reserve	Law	86,583
Economic Development and Infrastructure	Law	134,883
General Reserve	Law	<u>107,560</u>
		<u>\$ 16,488,949</u>

The Agency fund maintains expendable reserves which can only be utilized for specific purposes. The expendable trust balance as of December 31, 2009 is as follows:

E.J. Lindsay Memorial	\$ 834
Resident Memorial - SNF	8,224
Hospice Trust	299,720
Resident Memorial - HRF	6,533
WIC Donation	<u>85,840</u>
	<u>\$ 401,151</u>

The E.J. Lindsay Memorial trust also includes \$500 of principal that is not expendable and therefore not reported above.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Supervisors has provided otherwise in its commitment or assignment actions.

**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 trustee 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 have been removed from the agency fund.

## **11. DEFERRED COMPENSATION PLAN (Continued)**

Employees contribute to the Plan through voluntary salary deductions. Participation in the Plan is voluntary and the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan is administered by an independent firm which is responsible for administering the fund's investments and record keeping. Investments and related net assets for employee's contributions totaled \$11,024,810 at December 31, 2009.

The County has instituted an IRC 401(a) plan to provide for employee matching of collective bargaining unit members deferred compensation plan contribution, with the match not to exceed two percent (2%) of an employee's wages per pay period. Bargaining unit members hired before November 8, 2006 may elect to participate in the 401(a) plan if they make an irrevocable waiver of their right to retiree health insurance benefits. Employees hired after November 8, 2006, must be with the County for one year before becoming eligible. The County made no contributions to the plan in 2009.

## **12. POSTEMPLOYMENT HEALTH CARE BENEFITS**

### **Plan Description**

The County provides certain health care benefits for retired employees of the County and CNR. 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 and their survivors. Substantially all the County's employees may become eligible for this benefit if they retire with 25 years of service to the County.

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, 2009, was 139. 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 required premium contribution rates of retirees range from 0% to 20%, depending on when the employee was hired. 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 2009 by the County was \$824,464.

## 12. POSTEMPLOYMENT 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 CNR:

	<u>County</u>	<u>CNR</u>	<u>Total</u>
Annual required contribution	\$ 2,541,300	\$ 717,300	\$ 3,258,600
Interest on net OPEB obligation	84,800	33,900	118,700
Adjustment to ARC	<u>(66,900)</u>	<u>(26,700)</u>	<u>(93,600)</u>
Annual OPEB cost	2,559,200	724,500	3,283,700
Contributions made	<u>(824,464)</u>	<u>(685,500)</u>	<u>(1,509,964)</u>
Increase in net OPEB obligation	1,734,736	39,000	1,773,736
Net OPEB obligation - beginning of year	<u>1,695,438</u>	<u>678,300</u>	<u>2,373,738</u>
Net OPEB obligation - end of year	<u>\$ 3,430,174</u>	<u>\$ 717,300</u>	<u>\$ 4,147,474</u>
<b>Percentage of Annual OPEB Cost</b>			
Contributed	32.2%	94.6%	

The following table provides trend information for the Retirement Plan:

	<u>Annual OPEB</u> <u>Cost</u>	<u>Annual</u> <u>Contributions</u>	<u>Percent of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation at</u> <u>December 31</u>
2009	\$ 3,283,700	\$ 1,509,964	46.0%	\$ 4,147,474
2008	\$ 3,075,100	\$ 701,362	22.8%	\$ 2,373,738

### 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. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the AAL.

**12. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Schedule of Funding Progress for the County's and CNR's Plan (in thousands)**

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)
10/1/2007	\$ -	\$ 39,242	\$ 39,242	0.0%	N/A	N/A

**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 October 1, 2007 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	5.0%
Medical care cost trend rate	8.5% or 10.5% initially, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 5.0% after seven to eleven years, depending on age of retirees.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

\* As the plan is unfunded, the assumed discount rate considers that the County's investment assets are low risk in nature, such as money market funds or certificates of deposit.

**13. LIVINGSTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**Revolving Loan Fund**

The IDA has entered into an agreement with the Livingston County Board of Supervisors to act as the Administrative Agency of the County for the administration of a Revolving Loan Fund. The purpose of the Revolving Loan Fund is to make operating and capital loans to existing and potential new industries located or locating operations in Livingston County, New York. These loans are to create and retain jobs, expand the tax base and assist in retaining rail transportation. There are no outstanding loans at December 31, 2009.

**13. LIVINGSTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY (Continued)**

**Industrial Revenue Bond and Note Transactions**

In connection with its efforts to promote economic growth in Livingston County, New York, 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, 2009 the original value of bonds issued that remain outstanding aggregated approximately \$18.7 million and the outstanding balance of the bonds issued was approximately \$14.6 million.

**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's risk relating to general liability is limited to \$250,000 per incident plus amounts in excess of \$1,750,000 per incident and \$3,000,000 in the aggregate. The balance of the self-insurance reserve at December 31, 2009 is \$389,784.

• **Workers' Compensation - Risk Pool**

The County together with 17 towns and 9 villages have joined together to self-insure for workers' compensation coverage which is maintained and administered by the County. The County also utilizes a third party administrator who is responsible for processing claims and estimating liabilities. Based upon the requirements of GASB Statement No. 10, liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The claims liabilities at December 31, 2009 amounted to \$5,507,952.

The change in claims liabilities for the years ended December 31 were as follows:

	<u>2009</u>	<u>2008</u>
Balance - beginning of year	\$ 5,896,331	\$ 5,627,887
Insured claims	1,961,550	2,926,436
Claims payments	<u>(2,349,929)</u>	<u>(2,657,992)</u>
Balance - end of year	<u>\$ 5,507,952</u>	<u>\$ 5,896,331</u>

No claims were settled during 2009 by purchasing annuity contracts.

14. OTHER INFORMATION (Continued)

Risk Management (Continued)

• **Workers' Compensation - Risk Pool (Continued)**

Statistical information from the third-party administrator for prior years is not readily available; therefore, all disclosures suggested by GASB Statement No. 10 are not presented. Only the following is presented:

	<u>Contribution Revenue</u>	<u>Actual Claims Expense</u>
2009	\$ 2,616,016	\$ 2,349,929
2008	3,219,938	2,657,992
2007	2,938,939	2,329,994
2006	3,049,434	3,393,168
2005	2,843,085	2,678,774
2004	3,004,775	3,233,777
2003	3,057,711	3,209,052
2002	2,920,940	2,639,948
2001	2,306,058	2,289,286
2000	<u>1,322,191</u>	<u>2,306,620</u>
	<u>\$ 27,279,087</u>	<u>\$ 27,088,540</u>

• **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. The claim and judgment expenditures of this program for the 2009 year totaled \$95,860, which was liquidated with available financial resources. The balance of the Fund at December 31, 2009 was \$322,015 and is recorded in the General Fund. In addition, as of December 31, 2009, no loss contingencies existed or were considered probable or estimable.

**Concentrations**

The County had a four-year agreement with the full-time members of its employees' union and a three-year agreement with the part-time members of its employees' union that expired on December 31, 2009. The union represents greater than 75% of the County's workforce. Subsequent to year-end, the County and the union have not re-negotiated a contract, but benefits are continuing at prior rates.

15. LITIGATION

The County is subject to lawsuits in the ordinary conduct of its affairs. The County, upon review by the County Attorney, 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.

## 16. FEDERAL AND STATE FUNDED PROGRAMS

The County participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial. Expenditures disallowed by completed audits have generally been immaterial in nature and, accordingly, have been reflected as adjustments to revenues in the year the expenditure was determined to be unallowable.

## 17. SALES AND COMPENSATING USE TAX ALLOCATION

On March 28, 2007, the Livingston County Board of Supervisors requested that the New York State Legislature adopt Senate Bill (S.3678) and Assembly Bill (A.6634) amending the Tax Law in relation to authorizing the County to impose an additional rate of sales and compensating use taxes. The amount distributed to Towns and Villages for the year ended December 31, 2009 totaled \$849,320 and \$385,476, respectively.

## 18. IMPACT OF FUTURE GASB PRONOUNCEMENTS

### **Accounting and Financial Reporting for Intangible Assets**

In June 2007, the GASB issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*." This statement established standards for accounting and reporting for intangible assets. The County is required to adopt the provisions of Statement No. 51 for the year ending December 31, 2010. The County's management has not yet assessed the impact of this statement on its future financial statements.

### **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 LIVINGSTON, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	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	\$ 14,217,922	\$ 14,217,922	\$ 14,482,729	\$ -	\$ 264,807
Non-property tax items	25,887,000	25,887,000	24,450,414	-	(1,436,586)
Departmental income	10,231,990	10,313,175	10,275,495	-	(37,680)
Intergovernmental charges	562,856	581,777	489,080	-	(92,697)
Use of money and property	4,373,343	4,373,343	3,089,793	-	(1,283,550)
Licenses and permits	7,000	7,000	14,611	-	7,611
Fines and forfeitures	210,000	327,305	404,131	-	76,826
Sale of property and compensation for loss	5,515	57,637	99,425	-	41,788
Miscellaneous	1,511,159	1,451,253	691,992	-	(759,261)
Interfund revenues	1,267,075	1,317,075	1,213,676	-	(103,399)
State aid	17,041,301	17,742,808	12,890,305	-	(4,852,503)
Federal aid	13,041,511	24,305,127	25,024,579	-	719,452
<b>Total revenues</b>	<b>88,356,672</b>	<b>100,581,422</b>	<b>93,126,230</b>	<b>-</b>	<b>(7,455,192)</b>
<b>EXPENDITURES:</b>					
Current -					
General governmental support	14,544,980	14,521,765	12,838,373	24,774	1,658,618
Education	5,381,500	5,485,835	5,365,637	-	120,198
Public safety	13,137,452	13,548,407	12,275,250	128,391	1,144,766
Public health	12,965,459	14,617,118	12,971,030	98,679	1,547,409
Transportation	36,000	36,000	35,024	-	976
Economic assistance and opportunity	39,525,962	50,257,335	44,378,930	55,539	5,822,866
Culture and recreation	642,566	656,027	526,088	-	129,939
Home and community services	2,912,577	2,944,027	2,092,134	-	851,893
Debt service -					
Principal - BANs	200,000	200,000	-	-	200,000
Principal - bonds	595,000	595,000	595,000	-	-
Interest and other charges	165,176	165,176	84,134	-	81,042
<b>Total expenditures</b>	<b>90,106,672</b>	<b>103,026,690</b>	<b>91,161,600</b>	<b>307,383</b>	<b>11,557,707</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,750,000)</b>	<b>(2,445,268)</b>	<b>1,964,630</b>	<b>(307,383)</b>	<b>4,102,515</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers - in	-	-	50,000	-	(50,000)
Operating transfers - out	(1,750,000)	(2,188,841)	(2,406,341)	-	217,500
<b>Total other financing sources (uses)</b>	<b>(1,750,000)</b>	<b>(2,188,841)</b>	<b>(2,356,341)</b>	<b>-</b>	<b>167,500</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(3,500,000)</b>	<b>(4,634,109)</b>	<b>(391,711)</b>	<b>(307,383)</b>	<b>4,270,015</b>
<b>FUND BALANCE - beginning of year</b>	<b>30,184,617</b>	<b>11,236,842</b>	<b>30,184,617</b>	<b>-</b>	<b>18,947,775</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 26,684,617</b>	<b>\$ 6,602,733</b>	<b>\$ 29,792,906</b>	<b>\$ (307,383)</b>	<b>\$ 23,217,790</b>

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

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	Debt Service <u>Fund</u>	Special Revenue <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35,299	\$ 1,338,723	\$ 1,374,022
Limited use assets	881,248	-	881,248
Accounts receivable, net	894,890	40,420	935,310
Due from other governments	-	20,306	20,306
Prepaid expenses	<u>536,271</u>	<u>8,992</u>	<u>545,263</u>
Total assets	<u>\$ 2,347,708</u>	<u>\$ 1,408,441</u>	<u>\$ 3,756,149</u>
<b>LIABILITIES AND FUND BALANCES</b>			
LIABILITIES:			
Accounts payable and other current liabilities	\$ -	\$ 407,497	\$ 407,497
Accrued wages and benefits	-	15,380	15,380
Due to other funds	-	13,992	13,992
Deferred revenue	<u>894,890</u>	<u>9,392</u>	<u>904,282</u>
Total liabilities	<u>894,890</u>	<u>446,261</u>	<u>1,341,151</u>
FUND BALANCES:			
Reserved -			
Encumbrances	-	47,027	47,027
Reserve for debt	881,248	-	881,248
Unreserved -			
Unappropriated	<u>571,570</u>	<u>915,153</u>	<u>1,486,723</u>
Total fund balances	<u>1,452,818</u>	<u>962,180</u>	<u>2,414,998</u>
Total liabilities and fund balances	<u>\$ 2,347,708</u>	<u>\$ 1,408,441</u>	<u>\$ 3,756,149</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**COMBINING STATEMENT OF CHANGES IN REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Debt Service <u>Fund</u>	Special Revenue <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
<b>REVENUES:</b>			
Real property and tax items	\$ -	\$ 432,863	\$ 432,863
Use of money and property	-	7,748	7,748
Sale of property and compensation for loss	-	61,805	61,805
Miscellaneous	976,849	324,508	1,301,357
Federal aid	-	1,827,963	1,827,963
	<u>976,849</u>	<u>2,654,887</u>	<u>3,631,736</u>
Total revenues			
<b>EXPENDITURES:</b>			
Current -			
Current government support	56,838	1,714	58,552
Transportation	-	1,588,701	1,588,701
Economic assistance and opportunity	-	963,085	963,085
Home and community services	-	865,601	865,601
Debt service -			
Principal	555,276	197,728	753,004
Interest and other charges	687,909	203,766	891,675
	<u>1,300,023</u>	<u>3,820,595</u>	<u>5,120,618</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(323,174)</u>	<u>(1,165,708)</u>	<u>(1,488,882)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers - out	-	(4,700)	(4,700)
Operating transfers - in	-	550,000	550,000
	<u>-</u>	<u>545,300</u>	<u>545,300</u>
Total other financing sources (uses)			
CHANGE IN FUND BALANCE	(323,174)	(620,408)	(943,582)
FUND BALANCE - beginning of year	<u>1,775,992</u>	<u>1,582,588</u>	<u>3,358,580</u>
FUND BALANCE - end of year	<u>\$ 1,452,818</u>	<u>\$ 962,180</u>	<u>\$ 2,414,998</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2009**

	Road Machinery <u>Fund</u>	Water <u>Fund</u>	Special Grant <u>Fund</u>	Sewer <u>Fund</u>	Total Nonmajor Special Revenue <u>Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 339,945	\$ 745,962	\$ 128,890	\$ 123,926	\$ 1,338,723
Accounts receivable, net	40,420	-	-	-	40,420
Due from other governments	-	-	20,306	-	20,306
Prepaid expenses	<u>3,385</u>	<u>-</u>	<u>5,607</u>	<u>-</u>	<u>8,992</u>
Total assets	<u>\$ 383,750</u>	<u>\$ 745,962</u>	<u>\$ 154,803</u>	<u>\$ 123,926</u>	<u>\$ 1,408,441</u>
<b>LIABILITIES AND FUND BALANCES</b>					
LIABILITIES:					
Accounts payable and other current liabilities	\$ 282,159	\$ -	\$ 125,338	\$ -	\$ 407,497
Accrued wages and benefits	8,076	-	7,304	-	15,380
Due to other funds	3,385	-	10,607	-	13,992
Deferred revenue	<u>-</u>	<u>-</u>	<u>9,392</u>	<u>-</u>	<u>9,392</u>
Total liabilities	<u>293,620</u>	<u>-</u>	<u>152,641</u>	<u>-</u>	<u>446,261</u>
FUND BALANCES:					
Reserved -					
Encumbrances	46,277	-	750	-	47,027
Unreserved -					
Unappropriated	<u>43,853</u>	<u>745,962</u>	<u>1,412</u>	<u>123,926</u>	<u>915,153</u>
Total fund balances	<u>90,130</u>	<u>745,962</u>	<u>2,162</u>	<u>123,926</u>	<u>962,180</u>
Total liabilities and fund balances	<u>\$ 383,750</u>	<u>\$ 745,962</u>	<u>\$ 154,803</u>	<u>\$ 123,926</u>	<u>\$ 1,408,441</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF LIVINGSTON, NEW YORK**

**COMBINING STATEMENT OF CHANGES IN REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Road Machinery <u>Fund</u>	Water <u>Fund</u>	Special Grant <u>Fund</u>	Sewer <u>Fund</u>	Total Nonmajor Special Revenue <u>Funds</u>
REVENUES:					
Real property and tax items	\$ -	\$ 340,609	\$ -	\$ 92,254	\$ 432,863
Use of money and property	643	7,082	-	23	7,748
Sale of property and compensation for loss	61,805	-	-	-	61,805
Miscellaneous	324,508	-	-	-	324,508
Federal aid	-	-	1,827,963	-	1,827,963
	<u>386,956</u>	<u>347,691</u>	<u>1,827,963</u>	<u>92,277</u>	<u>2,654,887</u>
Total revenues					
EXPENDITURES:					
Current -					
Current government support	-	1,714	-	-	1,714
Transportation	1,588,701	-	-	-	1,588,701
Economic assistance and opportunity	-	-	963,085	-	963,085
Home and community services	-	-	864,878	723	865,601
Debt service -					
Principal	-	125,800	-	71,928	197,728
Interest and other charges	-	196,359	-	7,407	203,766
	<u>1,588,701</u>	<u>323,873</u>	<u>1,827,963</u>	<u>80,058</u>	<u>3,820,595</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,201,745)</u>	<u>23,818</u>	<u>-</u>	<u>12,219</u>	<u>(1,165,708)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers - out	-	-	-	(4,700)	(4,700)
Operating transfers - in	550,000	-	-	-	550,000
	<u>550,000</u>	<u>-</u>	<u>-</u>	<u>(4,700)</u>	<u>545,300</u>
Total other financing sources (uses)					
CHANGE IN FUND BALANCE	(651,745)	23,818	-	7,519	(620,408)
FUND BALANCE - beginning of year	<u>741,875</u>	<u>722,144</u>	<u>2,162</u>	<u>116,407</u>	<u>1,582,588</u>
FUND BALANCE - end of year	<u>\$ 90,130</u>	<u>\$ 745,962</u>	<u>\$ 2,162</u>	<u>\$ 123,926</u>	<u>\$ 962,180</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**

September 8, 2010

To the Board of Supervisors  
County of Livingston, 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 Livingston, New York (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 8, 2010. Our report was modified to include a reference to 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. Other auditors audited the financial statements of Livingston County Center for Nursing and Rehabilitation and Livingston County Water and Sewer Authority, 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 Livingston County Center for Nursing and Rehabilitation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be 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 a certain deficiency in internal control that we consider to be a material weakness.

*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 deficiency in the County's internal control to be a material weakness:

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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)**

**Finding 2009-1**

*Condition:* The balance of capital assets of the County at December 31, 2009 was understated by \$1,796,483, on a net basis, as a result of certain capital additions that were expensed and not capitalized on the government-wide statements.

*Criteria:* Capital assets that meet specified criteria are to be capitalized and depreciated over their estimated useful life under generally accepted accounting principles.

*Effect:* Financial statements for December 31, 2009 were improperly presented. Work-in-progress and depreciable capital assets were understated by \$1,959,814, respectively. In addition, accumulated depreciation was understated by \$163,331.

*Cause:* Improper reconciliation of capital asset activity between the Treasurer's office and the Internal Auditor led to the error.

*Recommendation:* Management must take steps to ensure that work-in-progress, and other capital asset activity is appropriately reconciled and recorded in the financial statements.

*Response:* Management continues to monitor the work-in-progress so that when a project is completed, the asset is properly recorded in the capital asset schedules. Management will communicate to other departments the importance of notifying the County Auditor when a project is completed and the cost that should be capitalized for that asset.

**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*.

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.

We noted certain matters that we reported to management of the County, in a separate letter dated September 8, 2010.

This report is intended solely for the information and use of management, the Board of Supervisors, Ways and Means Committee, 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.