

**GREENE COUNTY**

**Financial Statements and Required Reports  
Under OMB Circular A-133 as of  
December 31, 2011  
Together with  
Independent Auditors' Report**

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

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**INDEPENDENT AUDITORS' REPORT**

September 28, 2012

To the County Legislature of the  
Greene County, New York:

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

	<u>Total Assets</u>	<u>Net Assets</u>	<u>Total Revenues</u>
Government-wide: Component Units	100%	100%	100%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities 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. In addition, the other auditors conducted the audits of Greene County Soil and Water Conservation District, Greene Industrial Development Agency, and Greene Tobacco Asset Securitization Corporation (GTASC) in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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## INDEPENDENT AUDITORS' REPORT (Continued)

In our opinion, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States and the respective budgetary comparison information for the General Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combined and individual non-major fund financial statements and schedule of expenditures of federal awards 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 of America. In our opinion based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **GREENE COUNTY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2011**

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This Management Discussion and Analysis (MD&A) of the Greene County, New York (the County) provides a financial performance overview of the County's financial activities for the year ended December 31, 2011. This document should be read in conjunction with the County's financial statements which begin on page 11. This is the initial year that the County has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statements Number 34. Because this reporting model significantly changes not only the presentation of the 2011 financial data, but the manner in which the information is recorded, comparative information for the prior reporting periods has not been included. In the future, however, a comparative analysis will be presented.

Following this MD&A are the basic financial statements of the County together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

The County has a land area of 653 square miles and a population of 49,221, and is located in eastern New York State. Its northern and southern boundaries are the Counties of Albany and Ulster respectively. Its western and eastern boundaries are the County of Delaware and the Hudson River, respectively. The County includes 14 towns and 5 villages including the Village of Catskill. The County is part of the Albany-Schenectady-Troy Metropolitan Statistical Area and is primarily agricultural and residential with some industrial and commercial properties.

### **GOVERNMENTAL ORGANIZATION**

The County was founded in 1800 and the County seat is located in the Village of Catskill. The legislative body is the County Legislature which consists of fourteen Legislators. The presiding officer is the Chairman of the Legislature appointed for a one year term by the County Legislature.

Additional County offices are the County Clerk, District Attorney, Treasurer; Sheriff The County Legislature appoints the Commissioner of Social Services, Public Works Commissioner, County Attorney, Budget Officer, Compliance Officer and the Clerk of the Board.

### **FINANCIAL HIGHLIGHTS**

- The County's governmental net assets decreased by \$4 million as a result of this year's activity, which is illustrated in the Statement of Activities.
- The County's \$103.8 million in governmental expenses was partially funded with program revenue of \$13.8 million with \$51.7 million funded with general revenue, which is illustrated in the Statement of Activities.
- The 2011 budget planned for a reduction in the General Fund balance of \$2.5 million; however, the County's actual expenditures exceeded actual revenues by \$500 thousand resulting in not using \$2 million of the \$2.5 million, which is illustrated in the Combined Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Equity - Budget and Actual - General Fund.
- The Capital Projects fund reported a decrease this year of \$2 million.

## **FINANCIAL HIGHLIGHTS (Continued)**

- The Net Other Post-Employment Benefit Plan (OPEB) obligation for the County as of December 31, 2011 increased \$11 million which is detailed in Note 12 to the financial statements.

## **USING THIS ANNUAL REPORT**

This annual report consists of a set of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements begin thereafter. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

## **REPORTING THE COUNTY AS A WHOLE**

Our analysis of the County as a whole begins with the Statement of Net Assets. One of the most important questions asked about the County's finances is, "Is the County, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities – Most of the County's basic services are reported here, including public safety, public works, economic assistance, health, parks, and general support. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Component units – The County includes three separate legal entities in its report – the Greene County Soil and Water Conservation District, the Greene Industrial Development Corporation, and the Greene Tobacco Asset Securitization Corporation. Although legally separate, these "component units" are important because the County is financially accountable for them. Information included in the accompanying financial statements regarding the component units has been derived from separately issued audited financial statements which can be obtained from the Greene County Treasurer's Office.

## **REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS**

Our analysis of the County's major funds provides detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law or by bond covenants. Additionally, the County Legislature may establish other funds to help it control and manage resources for particular purposes. The County has three types of funds – Governmental, Fiduciary, and Proprietary.

- Governmental funds – Most of the County's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for expenditure. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash, as well as liabilities that will be paid using these resources. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be expended in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations to the fund financial statements.
- Fiduciary funds - Used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and/or other funds.
- Proprietary funds – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

## **THE COUNTY AS A WHOLE**

The County's combined net assets decreased from \$100.5 million to \$96.5 million. Net assets may serve over time as one useful indicator of a government's financial condition. This reflects a \$4 million decrease over the 2010 net asset amount. The County recorded \$11 million in net Other Post Employment Benefit liability in its first year of implementing GASB 45 which related primarily to the current year deficit. A significant portion of the County's net assets are capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related outstanding debt used to acquire those assets. The County uses these assets to provide services to citizens; consequently these assets are not available for future spending. Program expenses in 2011 for the County's Governmental Activities were \$103.8 million.



**THE COUNTY AS A WHOLE (Continued)**

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

**Table 1 Net Assets (In Millions)**

	Governmental Activities
	<u>2011</u>
Current and other assets	\$ 45.7
Capital assets	<u>111.2</u>
 Total assets	 <u>\$ 156.9</u>
 Long-term debt outstanding	 \$ 36.8
Other liabilities	<u>23.5</u>
 Total liabilities	 <u>\$ 60.4</u>
 Net assets:	
Investment in capital assets, net of related debt	\$ 87.4
Restricted	0.3
Unrestricted	<u>8.8</u>
 Total net assets	 <u>\$ 96.5</u>

**THE COUNTY AS A WHOLE (Continued)**

**Table 2 Changes in Net Assets (In Millions)**

	Governmental Activities
	<u>2011</u>
Program revenue:	
Charges for services	\$ 13.9
Operating grants	31.6
Capital grants	2.6
General revenue:	
Property taxes	21.7
Other taxes	27.0
Other general revenue	<u>3.1</u>
 Total revenue	 <u>99.8</u>
 Program expenses:	
General governmental support	12.5
Education	6.3
Public safety	14.7
Health	12.1
Transportation	11.3
Economic Assistance and Opportunity	35.4
Culture and recreation	0.4
Home and community services	9.7
Debt service	<u>1.3</u>
 Total expenses	 <u>103.8</u>
 Excess (deficiency)	 <u>(4.0)</u>
 Change in net assets	 <u>\$ (4.0)</u>

Table 3 presents the cost of each of the County's five largest governmental programs: economic assistance and opportunity, public safety, general support, transportation, and health – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Table 3  
Governmental Activities (In Millions)**

	<u>2011</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Economic Assistance and Opportunity	\$ 35.4	\$ 17.1
Public safety	14.7	9.6
General support	12.5	8.2
Transportation	11.3	5.4
Health	12.1	7.2
All others	<u>17.8</u>	<u>8.4</u>
 Totals	 <u>\$ 103.8</u>	 <u>\$ 55.8</u>

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$14,120,882, which was \$2,088,690 less than last year's total of \$16,209,572 million. Included in this year's total change in fund balance are current deficits of \$518,340 and \$2,019,327 in the County's General Fund and Capital Fund, respectively. The County budgeted for a \$3.1 million deficit in the General Fund for 2011.

An overview of the Governmental Funds results for 2011 follows. This includes more detailed information about sources and uses of funds.

**Table 4 - Governmental Funds  
Summary of Revenue and Expenditures (In Millions)**

	2011 Revenue	2011 % of Total
Real property taxes	\$ 19.0	19.0%
Real property tax items	2.7	2.7%
Sales and use taxes	27.0	27.0%
Departmental income	12.2	12.2%
Intergovernmental charges	1.6	1.6%
Use of money and property	0.1	0.1%
Licenses and permits	0.1	0.1%
Fines and forfeitures	0.3	0.3%
Sale of property and comp. for loss	0.9	0.9%
Miscellaneous local sources	2.1	2.1%
State aid	17.0	16.9%
Federal aid	17.2	17.2%
	<hr/>	<hr/>
Total revenue	<u>\$ 100.2</u>	<u>100.0%</u>
	<hr/>	<hr/>
	2011 Expenditures	2011 % of Total
General governmental support	\$ 7.1	6.6%
Education	7.8	7.3%
Public safety	8.4	7.8%
Health	7.9	7.3%
Transportation	15.8	14.7%
Economic Assistance and Opportunity	29.6	27.5%
Culture and recreation	0.3	0.3%
Home and community services	8.0	7.4%
Employee benefits	14.1	13.1%
Debt service - principal	7.5	6.9%
Debt service - interest	1.0	1.0%
	<hr/>	<hr/>
Total expenditures	<u>\$ 107.4</u>	<u>100.0%</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

Actual charges to appropriations (expenditures) were \$2 million less than the final budget amounts. The most significant unfavorable variances occurred in Home and Community services and employee benefits exceeding their budgeted amounts by \$899 and \$830 thousand, respectively. These variances were primarily the result of reclassifications of salaries and benefits that directly related to the Hurricane Irene FEMA activities classified under transportation.

Resources available for appropriation were \$681 thousand greater than the final budgeted amount. The most significant favorable variance occurred in the County's sales and use tax items which exceeded budgeted amounts by \$1.3 million. This is the result of the county budgeting conservatively for sales tax. Because the County calculated the town and village distribution amounts based upon the conservative County portion, there was a doubling effect on the variance. The most significant unfavorable variance for revenue occurred in State Aid, which was \$1.5 million lower than the amended budgeted amount. This variance was primarily a result of the change in state budgetary cuts backs in aid for social services programs. There were no other significant unfavorable variances to discuss.

The final 2011 budget planned on a reduction in the General Fund balance of \$2.9 million; however, the actual operating deficit of \$500 thousand, resulting in a budget surplus of \$2.4 million, which is explained in the above analysis.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2011, the County had \$111,176,705 invested in a broad range of capital assets including equipment, buildings, roads, and bridges (see Table 5 below).

**Table 5 Capital Assets at Year End (In Millions)**

	Governmental <u>Activities</u>
	<u>2011</u>
Land and land improvements	\$ 1.9
Buildings and improvements	48.1
Machinery and equipment	15.4
Infrastructure	159.7
Construction work in progress	9.6
Accumulated depreciation	<u>(123.5)</u>
Totals	<u>\$ 111.2</u>

## **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

### Debt

At year-end, the County had \$23,765,000 in bonds outstanding versus \$25,771,800 last year. The county refunded \$10,985,000 in bonds during 2011.

The County's other long-term liabilities consist of \$3,470,409 compensated absences, which represents vacation and sick pay due to eligible employees upon termination and \$11,244,000 of other post-employment benefits which represents the accrual for benefits other than pensions due employees upon termination.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County, like many other counties in New York State, is continually challenged on a fiscal level by the increases of unpredictable and extraordinary mandated expenses such as retirement costs, fuel and energy costs, snow removal, storm sewer management and health and liability insurance premium increases. These factors combined with the economic downturn that continues throughout the State have adversely affected our County, and it is because of these increasing costs and factors that the preparation of the 2012 budget was very difficult.

In late June of 2011 the New York State Legislature approved to limit the annual growth of local property taxes to 2 percent or the rate of inflation. Several counties will be considering future budgets that call for property-tax increases several times the 2 percent limit due to the cost of providing services mandated by the state, like Medicaid and welfare programs, that are rising faster than the 2 percent cap. The cap also limits municipalities in improving its infrastructure such as roads and bridges, and capital improvements to water, sewer and public safety departments. The State Legislature must pass meaningful mandate relief and redefine the provisions of the tax cap in order to implement actual property tax reductions to our residents.

On August 31, 2011 many communities in the county were devastated by Hurricane Irene. The full impact economically on the County has yet to be determined. Pending state and federal disaster relief, the County may be affected by delays in payment. Aid forecasts have been promising.

As in previous years, the County is required to pay the five villages and ten local school districts the unpaid 2011-12 taxes by April 1, 2012. The combined amount due is \$9.4 million which could further strain our cash reserves, depending on the status of 2011 property tax collection returns from the town tax collectors at that time.

Our overall goal for fiscal year 2012 is to maintain continuous service to the residents of the County and where possible enhance services and keep any cost increase at a minimum. The County remains optimistic to maintain its level of services, minimize property tax increases and prevent reduction in County personnel.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the:

Greene County  
County Administrators Office  
411 Main Street  
Catskill, NY 12414  
(518) 719-3270

**GREENE COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	Governmental <u>Activities</u>	Component <u>Units</u>
<b>ASSETS:</b>		
CURRENT ASSETS:		
Cash	\$ 8,188,831	\$ 3,120,374
Restricted cash	569,603	-
Investments - Restricted	-	666,522
Taxes receivable, net of allowance for doubtful accounts	13,945,557	-
Accounts receivable, net of allowance for doubtful accounts	3,321,447	1,021,550
Tobacco settlement receivable	-	594,529
State and federal receivables, net of allowance for uncollectible amounts	15,089,803	-
Installment sale receivable	-	1,000,000
Due from other governments	941,201	140,191
Due from other funds	4,562	-
Prepaid expenses	34,273	13,210
Inventory	-	2,426
Notes receivable	<u>3,634,530</u>	<u>-</u>
Total current assets	<u>45,729,807</u>	<u>6,558,802</u>
NONCURRENT ASSETS:		
Other assets	-	838,090
Bond issuance costs, net	-	192,862
Capital assets, net	<u>111,176,705</u>	<u>7,489,956</u>
Total noncurrent assets	<u>111,176,705</u>	<u>8,520,908</u>
	<u>\$ 156,906,512</u>	<u>\$ 15,079,710</u>
<b>LIABILITIES:</b>		
CURRENT LIABILITIES:		
Accounts payable	6,232,221	389,884
Accrued expenses	101,302	46,910
Other Liabilities	1,134,324	-
Bonds and notes payable	1,665,000	200,000
Due to other governments	11,773,024	4,774
Due to other Employee Retirement System	2,637,965	-
Deferred revenue	<u>-</u>	<u>603,523</u>
Total current liabilities	<u>23,543,836</u>	<u>1,245,091</u>
LONG-TERM LIABILITIES:		
Bonds and notes payable	22,100,000	13,699,396
Compensated absences	3,470,409	31,097
Other post-employment benefits	<u>11,244,000</u>	<u>-</u>
Total long-term liabilities	<u>36,814,409</u>	<u>13,730,493</u>
	<u>\$ 60,358,245</u>	<u>\$ 14,975,584</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	87,411,705	-
Restricted	312,388	-
Unrestricted	<u>8,824,174</u>	<u>104,126</u>
TOTAL NET ASSETS	<u>\$ 96,548,267</u>	<u>\$ 104,126</u>

The accompanying notes are an integral part of these statements.

**GREENE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Units
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General governmental support	\$ 12,485,051	\$ 1,354,913	\$ 2,921,466	\$ -	\$ (8,208,672)	
Education	6,342,407	1,217,782	2,625,784	851,080	(1,647,761)	
Public safety	14,680,315	1,610,234	3,515,308	-	(9,554,773)	
Health	12,072,576	1,553,320	3,349,272	-	(7,169,984)	
Transportation	11,321,885	915,543	3,351,808	1,700,081	(5,354,453)	
Economic Assistance and Opportunity	35,438,143	5,816,504	12,541,562	-	(17,080,077)	
Culture and recreation	414,374	52,927	114,122	-	(247,325)	
Home and community services	9,699,429	1,333,118	3,223,680	-	(5,142,631)	
Interest	<u>1,345,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,345,975)</u>	
Total governmental activities	103,800,155	13,854,341	31,643,002	2,551,161	(55,751,651)	
<b>COMPONENT UNITS:</b>						
Soil and Water Conservation District	\$ 2,866,464	\$ 1,952,468	\$ 845,665	\$ -		\$ (68,331)
Industrial Development Agency	1,381,343	309,239	98,492	214,076		(973,612)
Tobacco Asset Securitization Corporation	<u>749,959</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(749,959)</u>
Total component units	<u>\$ 4,997,766</u>	<u>\$ 2,261,707</u>	<u>\$ 944,157</u>	<u>\$ 214,076</u>		<u>\$ (1,791,902)</u>
<b>GENERAL REVENUE:</b>						
Real property taxes					18,955,218	\$ -
Real property tax items					2,710,820	-
Sales and use taxes					26,994,267	-
Sale of property and compensation for loss					855,056	-
Use of money and property					147,587	9,370
Other sources					<u>2,085,643</u>	<u>1,151,268</u>
Total general revenue					<u>\$ 51,748,591</u>	<u>\$ 1,160,638</u>
Change in net assets					\$ (4,003,060)	\$ (631,264)
Net assets - beginning of year					<u>100,551,327</u>	<u>735,390</u>
Net assets - end of year					<u>\$ 96,548,267</u>	<u>\$ 104,126</u>

The accompanying notes are an integral part of these statements.

**GREENE COUNTY**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>General</u>	<u>County Road</u>	<u>County Machinery</u>	<u>Community Development</u>	<u>Economic Development</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS:</b>							
Cash	\$ 4,645,196	\$ 4,600	\$ 61,226	\$ 487,627	32,546	\$ 2,957,636	\$ 8,188,831
Restricted cash	569,603	-	-	-	-	-	569,603
Taxes receivable, net of an allowance for uncollectible taxes of \$316,485	13,945,557	-	-	-	-	-	13,945,557
Accounts receivable	3,269,202	-	52,245	-	-	-	3,321,447
Due from other funds	4,995,160	4,588,546	849,942	-	-	27,495	10,461,143
State and federal receivables	14,164,417	540,762	-	-	-	384,624	15,089,803
Due from other governments	941,201	-	-	-	-	-	941,201
Prepaid expenditures	34,273	-	-	-	-	-	34,273
Miscellaneous other assets	<u>120,194</u>	<u>-</u>	<u>-</u>	<u>3,514,336</u>	<u>-</u>	<u>-</u>	<u>3,634,530</u>
	<u>\$ 42,684,803</u>	<u>\$ 5,133,908</u>	<u>\$ 963,413</u>	<u>\$ 4,001,963</u>	<u>\$ 32,546</u>	<u>\$ 3,369,755</u>	<u>\$ 56,186,388</u>
<b>LIABILITIES:</b>							
Accounts payable	\$ 5,292,972	\$ 204,379	\$ 150,743	\$ 25,000	\$ -	\$ 559,127	\$ 6,232,221
Accrued expenses	2,321,409	290,176	26,380	-	-	-	2,637,965
Due to other funds	4,835,854	2,835,671	42,887	20,249	-	2,721,920	10,456,581
Due to other governments	11,767,011	-	-	173	-	5,840	11,773,024
Deferred revenue	<u>7,451,379</u>	<u>-</u>	<u>-</u>	<u>3,514,336</u>	<u>-</u>	<u>-</u>	<u>10,965,715</u>
Total liabilities	<u>31,668,625</u>	<u>3,330,226</u>	<u>220,010</u>	<u>3,559,758</u>	<u>-</u>	<u>3,286,887</u>	<u>42,065,506</u>
<b>FUND BALANCE:</b>							
Nonspendable							
Prepaid expenses	<u>34,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,273</u>
Total nonspendable fund balance	<u>34,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,273</u>
Restricted							
Restricted for liability	242,097	-	-	-	-	-	242,097
Restricted for debt service	<u>67,230</u>	<u>507</u>	<u>2,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,291</u>
Total restricted fund balance	<u>309,327</u>	<u>507</u>	<u>2,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,388</u>
Assigned							
Appropriated for subsequent years expenditures	1,710,000	500,000	200,000	109,936	-	-	2,519,936
Encumbrances	130,438	4,435	4,390	20,000	-	-	159,263
Other Assigned	<u>185,860</u>	<u>-</u>	<u>157,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,930</u>
Total assigned fund balance	<u>2,026,298</u>	<u>504,435</u>	<u>361,460</u>	<u>129,936</u>	<u>-</u>	<u>-</u>	<u>3,022,129</u>
Unassigned							
	<u>8,646,280</u>	<u>1,298,740</u>	<u>379,389</u>	<u>312,269</u>	<u>32,546</u>	<u>82,868</u>	<u>10,752,092</u>
Total fund balance	<u>11,016,178</u>	<u>1,803,682</u>	<u>743,403</u>	<u>442,205</u>	<u>32,546</u>	<u>82,868</u>	<u>14,120,882</u>
	<u>\$ 42,684,803</u>	<u>\$ 5,133,908</u>	<u>\$ 963,413</u>	<u>\$ 4,001,963</u>	<u>\$ 32,546</u>	<u>\$ 3,369,755</u>	<u>\$ 56,186,388</u>

The accompanying notes are an integral part of these statements.



**GREENE COUNTY**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>County Road</u>	<u>County Machinery</u>	<u>Community Development</u>	<u>Economic Development</u>	<u>Capital Projects</u>	<u>Total</u>
<b>REVENUE:</b>							
Real property taxes	\$ 19,002,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,002,536
Real property tax items	2,710,820	-	-	-	-	-	2,710,820
Sales and use taxes	26,994,267	-	-	-	-	-	26,994,267
Departmental income	11,356,391	8,425	-	844,849	-	-	12,209,665
Intergovernmental charges	612,061	-	1,015,642	-	-	-	1,627,703
Use of money and property	146,465	949	160	-	13	-	147,587
Licenses and permits	56,816	-	-	-	-	-	56,816
Fines and forfeitures	272,218	-	-	-	-	-	272,218
Sale of property and compensation for loss	298,528	2,558	553,970	-	-	-	855,056
Miscellaneous local sources	976,940	403,404	177,099	-	-	528,200	2,085,643
State aid	14,391,261	1,421,028	-	-	-	1,149,659	16,961,948
Federal aid	15,481,506	-	-	349,207	-	1,401,502	17,232,215
<b>Total revenue</b>	<b>92,299,809</b>	<b>1,836,364</b>	<b>1,746,871</b>	<b>1,194,056</b>	<b>13</b>	<b>3,079,361</b>	<b>100,156,474</b>
<b>EXPENDITURES:</b>							
General governmental support	6,887,699	-	-	-	-	212,956	7,100,655
Education	6,190,596	-	-	-	-	1,657,920	7,848,516
Public safety	8,185,627	193,141	-	-	-	-	8,378,768
Health	7,896,304	-	-	-	-	-	7,896,304
Transportation	4,654,165	6,142,893	1,737,420	-	-	3,258,997	15,793,475
Economic assistance and opportunity	29,568,210	-	-	-	-	-	29,568,210
Culture and recreation	269,056	-	-	-	-	8,905	277,961
Home and community services	6,776,909	-	-	1,176,668	-	-	7,953,577
Employee benefits	12,225,351	1,662,610	239,333	-	-	-	14,127,294
Debt service - principal	1,194,528	5,075,719	1,189,313	-	-	-	7,459,560
Debt service - interest	614,773	348,092	81,853	-	-	-	1,044,718
<b>Total expenditures</b>	<b>84,463,218</b>	<b>13,422,455</b>	<b>3,247,919</b>	<b>1,176,668</b>	<b>-</b>	<b>5,138,778</b>	<b>107,449,038</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>7,836,591</b>	<b>(11,586,091)</b>	<b>(1,501,048)</b>	<b>17,388</b>	<b>13</b>	<b>(2,059,417)</b>	<b>(7,292,564)</b>
<b>OTHER SOURCES (USES):</b>							
Proceeds of debt	5,418,740	4,510,590	1,055,670	-	-	-	10,985,000
Payment to refunding bond escrow agent	(5,781,126)	-	-	-	-	-	(5,781,126)
Interfund transfers in	-	7,232,061	756,485	4,000	-	40,090	8,032,636
Interfund transfers (out)	(7,992,545)	(40,091)	-	-	-	-	(8,032,636)
<b>Total other sources (uses)</b>	<b>(8,354,931)</b>	<b>11,702,560</b>	<b>1,812,155</b>	<b>4,000</b>	<b>-</b>	<b>40,090</b>	<b>5,203,874</b>
<b>REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(518,340)</b>	<b>116,469</b>	<b>311,107</b>	<b>21,388</b>	<b>13</b>	<b>(2,019,327)</b>	<b>(2,088,690)</b>
<b>FUND EQUITY - beginning of year</b>	<b>11,534,518</b>	<b>1,687,213</b>	<b>432,296</b>	<b>420,817</b>	<b>32,533</b>	<b>2,102,195</b>	<b>16,209,572</b>
<b>FUND EQUITY - end of year</b>	<b>\$ 11,016,178</b>	<b>\$ 1,803,682</b>	<b>\$ 743,403</b>	<b>\$ 442,205</b>	<b>\$ 32,546</b>	<b>\$ 82,868</b>	<b>\$ 14,120,882</b>

The accompanying notes are an integral part of these statements.

**GREENE COUNTY**

**COMBINED STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND EQUITY -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund			
	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:				
Real property taxes	\$ 19,938,453	\$ 19,981,501	\$ 19,002,536	\$ (978,965)
Real property tax items	2,300,000	2,300,000	2,710,820	410,820
Sales and use tax	25,700,000	25,700,000	26,994,267	1,294,267
Departmental income	10,410,733	10,460,417	11,356,391	895,974
Intergovernmental charges	605,900	605,900	612,061	6,161
Use of money and property	172,600	172,600	146,465	(26,135)
Licenses and permits	48,200	48,200	56,816	8,616
Fines and forfeitures	278,720	278,720	272,218	(6,502)
Sale of property and compensation for loss	135,000	181,317	298,528	117,211
Miscellaneous local sources	267,565	92,431	976,940	884,509
State aid	14,817,229	16,871,768	14,391,261	(2,480,507)
Federal aid	<u>9,388,452</u>	<u>14,925,024</u>	<u>15,481,506</u>	<u>556,482</u>
Total revenue	<u>84,062,852</u>	<u>91,617,878</u>	<u>92,299,809</u>	<u>681,931</u>
EXPENDITURES:				
General government support	6,726,701	6,891,170	6,887,699	3,471
Education	6,390,682	6,390,682	6,190,596	200,086
Public safety	7,279,808	8,173,796	8,185,627	(11,831)
Health	8,498,501	8,736,906	7,896,304	840,602
Transportation	-	4,654,165	4,654,165	-
Economic assistance and opportunity	32,089,968	32,218,178	29,568,210	2,649,968
Culture and recreation	280,269	412,576	269,056	143,520
Home and community services	4,250,681	5,877,509	6,776,909	(899,400)
Employee benefits	11,332,968	11,391,849	12,225,351	(833,502)
Debt service - principal	1,152,788	1,152,788	1,194,528	(41,740)
Debt service - interest	<u>620,988</u>	<u>620,987</u>	<u>614,773</u>	<u>6,214</u>
Total expenditures	<u>78,623,354</u>	<u>86,520,606</u>	<u>84,463,218</u>	<u>2,057,388</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>5,439,498</u>	<u>5,097,272</u>	<u>7,836,591</u>	<u>2,739,319</u>
OTHER SOURCES (USES):				
Proceeds of debt	-	-	5,418,740	5,418,740
Payment to refunding bond escrow agent	-	-	(5,781,126)	(5,781,126)
Interfund transfers in	-	-	-	-
Interfund transfers (out)	<u>(7,992,546)</u>	<u>(7,992,545)</u>	<u>(7,992,545)</u>	<u>-</u>
Total other sources (uses)	<u>(7,992,546)</u>	<u>(7,992,545)</u>	<u>(8,354,931)</u>	<u>(362,386)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES, ENCUMBRANCES, AND OTHER USES	(2,553,048)	(2,895,273)	(518,340)	2,376,933
FUND EQUITY - beginning of year	<u>11,534,518</u>	<u>11,534,518</u>	<u>11,534,518</u>	<u>-</u>
FUND EQUITY - end of year	<u>\$ 8,981,470</u>	<u>\$ 8,639,245</u>	<u>\$ 11,016,178</u>	<u>\$ 2,376,933</u>

The accompanying notes are an integral part of these statements.

## GREENE COUNTY

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011

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Fund balance - All governmental funds	\$ 14,120,882
Amounts reported for governmental activities in the statement of net assets are different due to the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	111,176,705
Long-term liabilities, including bonds payable and other debt, are not due and payable in the current period and are, therefore, not reported in the funds.	(28,369,733)
Deferral of income earned in the current year is recognized as revenue under the accrual basis of accounting.	10,965,715
Other post employment benefits are recognized as a liability under full accrual accounting.	(11,244,000)
Debt interest expenditures are recorded on cash basis in the funds but on the accrual basis of accounting for government activities.	<u>(101,302)</u>
Net assets of governmental activities	<u>\$ 96,548,267</u>

The accompanying notes are an integral part of these statements.

## GREENE COUNTY

### RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011

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Net changes in fund equity - Total governmental funds	\$ (2,088,690)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	12,661,054
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(4,402,474)
Proceeds from refunding of long-term debt are recorded as an other source in the governmental funds but are recorded as additional liabilities in the statement of net assets	(10,985,000)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets	12,991,800
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities, this revenue is recorded as earned upon levy	(359,379)
Accrued post employment benefits, long-term portion of compensated absences, and settlements and claims do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(11,768,000)
Interest is accrued on the outstanding bonds on the statement of net assets but is not recorded as an expenditure in the government funds	<u>(52,371)</u>
Change in net assets - Governmental activities	<u>\$ (4,003,060)</u>

The accompanying notes are an integral part of these statements.

# GREENE COUNTY

## STATEMENT OF NET ASSETS - PROPRIETARY FUNDS DECEMBER 31, 2011

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	Internal <u>Service Fund</u>
<b>ASSETS:</b>	
Current assets:	
Cash	\$ 84,263
Restricted Cash	<u>-</u>
Total current assets	<u>84,263</u>
Total assets	<u>\$ 84,263</u>
 <b>LIABILITIES:</b>	
Current liabilities:	
Accrued expenses	\$ <u>2,709,492</u>
Total current liabilities	<u>2,709,492</u>
Total liabilities	<u>2,709,492</u>
 <b>NET ASSETS:</b>	
Unassigned	<u>(2,625,229)</u>
	<u>(2,625,229)</u>
Total liabilities and net assets	<u>\$ 84,263</u>

The accompanying notes are an integral part of these statements.

# GREENE COUNTY

## STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND FOR THE YEAR ENDED DECEMBER 31, 2011

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	Internal Service Fund
Operating revenue:	
Charges for services	\$ 800,001
Other operating revenue	<u>-</u>
Total operating revenue	<u>800,001</u>
Operating expenses:	
Workers Compensation benefits	<u>2,075,784</u>
Total operating expenses	<u>2,075,784</u>
Income (Loss) from operations	<u>(1,275,783)</u>
Non-operating revenue (expense):	
Interest income	1,786
Other	<u>105,405</u>
Total non-operating revenue	<u>107,191</u>
Excess (deficiency) of revenue over expenses before transfers	(1,168,592)
Change in Net Assets	<u>(1,168,592)</u>
Net assets - beginning of year, as restated	<u>(1,456,637)</u>
Net assets - end of year	<u>\$ (2,625,229)</u>

The accompanying notes are an integral part of these statements.

**GREENE COUNTY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES:	
Cash received from providing services	\$ 905,406
Cash payments for claims and administration	<u>(2,827,299)</u>
Net cash flow from (to) operating activities	<u>(1,921,893)</u>
 CASH FLOW FROM INVESTING ACTIVITIES:	
Investment and other income	<u>1,786</u>
Net cash flow from investing activities	<u>1,786</u>
 CHANGE IN CASH	(1,920,107)
CASH - beginning of year	<u>2,004,370</u>
CASH - end of year	<u><u>\$ 84,263</u></u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Income (loss) from operations	\$ (1,275,783)
Adjustments to reconcile income (loss) from operations to net cash flow from operating activities:	
Change in:	
Accrued expenses	<u>(646,110)</u>
Net cash flow from (to) operating activities	<u><u>\$ (1,921,893)</u></u>

**GREENE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2011**

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	<i>Private Purpose Trusts</i>	<i>Agency</i>
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash	\$ 15,959	\$ 1,230,859
Account receivable	-	96,770
Due from other funds	-	2,505
Total assets	<u>15,959</u>	<u>1,330,134</u>
 <b>LIABILITIES:</b>		
Accounts Payable	-	7,978
Due to other funds	-	7,067
Other liabilities	-	1,315,089
Total liabilities	<u>\$ -</u>	<u>\$ 1,330,134</u>
 <b>NET ASSETS:</b>		
Unassigned	<u><u>\$ 15,959</u></u>	

**COUNTY OF GREENE**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	<i>Private Purpose Trusts</i>
	<u>                    </u>
<b>ADDITIONS:</b>	
Gifts and contributions	\$ 6,927
Investment earnings	5
Total additions	<u>6,932</u>
 <b>DEDUCTIONS:</b>	
Expenditures	<u>4,848</u>
 NET INCREASE	2,084
 NET ASSETS - beginning of year	<u>13,875</u>
 NET ASSETS - end of year	<u><u>\$ 15,959</u></u>

The accompanying notes are an integral part of these statements.



**GREENE COUNTY**

**STATEMENT OF NET ASSETS - COMPONENT UNITS  
DECEMBER 31, 2011**

	Greene County Soil and Water Conservation District	Greene Industrial Development Agency	Greene Tobacco Asset Securitization Corporation	Total
<b>ASSETS:</b>				
Cash	\$ 1,036,711	\$ 1,959,162	\$ 124,501	\$ 3,120,374
Investments - Restricted	-	-	666,522	666,522
Inventory	2,426	-	-	2,426
Accounts receivable, net of allowance for doubtful accounts	930,842	90,708	-	1,021,550
Tobacco settlement receivable	-	-	594,529	594,529
Installment sale receivable	-	1,000,000	-	1,000,000
Other assets	835,499	-	2,591	838,090
Due from other governments	-	140,191	-	140,191
Prepaid expenses	-	13,210	-	13,210
Land, Property and equipment, net of accumulated depreciation	-	7,489,956	-	7,489,956
Bond issuance costs, net	-	-	192,862	192,862
Total assets	<u>2,805,478</u>	<u>10,693,227</u>	<u>1,581,005</u>	<u>15,079,710</u>
<b>LIABILITIES:</b>				
Accrued expenses	861	46,049	-	46,910
Due to other governments	-	4,774	-	4,774
Accounts Payable	312,982	33,962	42,940	389,884
Deferred revenue	591,087	12,436	-	603,523
Compensated Absences	31,097	-	-	31,097
Bonds and notes payable	-	623,180	13,276,216	13,899,396
Total liabilities	<u>936,027</u>	<u>720,401</u>	<u>13,319,156</u>	<u>14,975,584</u>
<b>NET ASSETS</b>	<u>\$ 1,869,451</u>	<u>\$ 9,972,826</u>	<u>\$ (11,738,151)</u>	<u>\$ 104,126</u>

The accompanying notes are an integral part of these statements

**GREENE COUNTY**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Soil and Water Conservation <u>District</u>	Industrial Development <u>Agency</u>	Greene Tobacco Asset Securitization <u>Corporation</u>	<u>Total</u>
Revenue:				
Departmental income	\$ 784,392	\$ 309,239	\$ -	\$ 1,093,631
Intergovernmental charges	1,168,076	-	-	1,168,076
Miscellaneous local sources	8,447	214,076	-	222,523
Federal aid	524,115	-	-	524,115
State aid	321,550	98,492	-	420,042
Use of money and property	9,370	-	-	9,370
Other income	<u>-</u>	<u>372,323</u>	<u>556,422</u>	<u>928,745</u>
Total revenue	<u>2,815,950</u>	<u>994,130</u>	<u>556,422</u>	<u>4,366,502</u>
Expenditures:				
General governmental support	2,866,464	565,792	36,665	3,468,921
Other Expenses	-	787,704	-	787,704
Debt service - interest	<u>-</u>	<u>27,847</u>	<u>713,294</u>	<u>741,141</u>
Total expenditures	<u>2,866,464</u>	<u>1,381,343</u>	<u>749,959</u>	<u>4,997,766</u>
Excess of revenue over expenditures	(50,514)	(387,213)	(193,537)	(631,264)
FUND EQUITY - beginning of year	<u>1,919,965</u>	<u>10,360,039</u>	<u>(11,544,614)</u>	<u>735,390</u>
FUND EQUITY - end of year	<u>\$ 1,869,451</u>	<u>\$ 9,972,826</u>	<u>\$ (11,738,151)</u>	<u>\$ 104,126</u>

The accompanying notes are an integral part of these statements.

# GREENE COUNTY

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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### 1. NATURE OF OPERATIONS

Greene County, New York (the County) was established in 1800, and is governed by County law and other general laws of the State of New York. The Board of Legislators, which is the legislative body responsible for the overall operation of the County, consists of fourteen members representing nine legislative districts with each member's vote weighted on the basis of population. The Chairman of the County Legislature, elected by the board each year, is the Chief Executive Officer of the County, the County Treasurer, elected for a four-year term, is the Chief Fiscal Officer of the County, the County Clerk, Sheriff, and District Attorney are constitutional officials and are elected in accordance with constitutional provisions.

The County provides the following principal services: police and law enforcement, educational assistance for County residents attending community colleges, economic assistance and maintenance of County roads.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the acceptable standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

#### Reporting Entity

The reporting entity consists of (a) the primary government which is Greene County, (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.

The decision to include a potential component unit in the County's reporting entity is based upon several criteria set forth in generally accepted accounting principles, including legal standing, fiscal dependency, financial accountability, selection of governing authority, ability to significantly influence operations, and the primary government's economic benefit from resources of the affiliated entity.

Based on the application of these criteria, the County has determined that Greene County Soil and Water Conservation District (the "District"), the Greene County Industrial Development Agency (the "IDA"), and the Greene Tobacco Asset Securitization Corp. (the "GTASC") are component units and their activities have been included in the financial reporting entity.

## 1. NATURE OF OPERATIONS (Continued)

### Reporting Entity (Continued)

Component units of the County include the following:

*Greene County Soil and Water Conservation District (the District)* – This component unit is a political subdivision established by the County Legislature for the purpose of improving and advancing conservation, wise use and orderly development of the soil, water and related natural resources of the County of Greene, New York.

*Greene Industrial Development Agency (IDA)* – The IDA is a Public Benefit Corporation created by State legislation to promote the economic welfare, recreational opportunities and prosperity of the County's inhabitants.

*Greene Tobacco Asset Securitization Corp. (GTASC)* - This component unit is a non-profit corporation created for the purpose of issuing bonds securitized solely from County Tobacco Settlement Revenues under the Purchase and Sale Agreement dated October 15, 2000, and to forward to the County net proceeds from the bond issuance.

Various joint ventures entered into between the County and other state and local governmental entities (see Note 13) are excluded from the reporting entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

#### *Government-Wide Financial Statements*

The statement of net assets and the statement of activities present financial information about the County's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

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

### *Fund Financial Statements*

The fund statements provide information about the County's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the County are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the County are as follows:

### Governmental Fund Types

Governmental funds are those in which most governmental functions of the County are reported. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the County's governmental fund types:

The County utilizes the following major funds:

- General Fund - The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in other funds.
- County Road Fund - Established to account for revenue and expenditures related to the construction and maintenance of County roads in accordance with New York State laws.
- Capital Projects - The capital projects fund is used to account for financial resources used for the acquisition or construction of major capital projects (other than those reported in the proprietary fund type).
- Community Development Fund - Established to account for the expenditures relating to the promotion of economic development and prosperity of the County's inhabitants through the use of Community Development Block Grants.
- Economic Development – Established to account for the expenditures relating to the promotion of certain economic development and prosperity of the County's inhabitants.
- Road Machinery Fund - Established to account for revenue and expenditures related to the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment in accordance with New York State laws.

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

### Proprietary Fund Types

Proprietary funds are used to account for the County's on-going activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The County maintains the following proprietary funds:

- Internal Service Fund

The internal service fund is used to account for special activities or services provided by one department to other departments or to other governments on a cost reimbursement basis. The Workers Compensation Fund is used to account for the County's self-insured Workers' Compensation Plan.

The County established a plan of self-insurance under the Workers' Compensation Law whereby other Towns and Villages can participate in the plan. Each participant is billed by the plan for its share of the estimated premium costs for the ensuing year. Any deficiencies in the amounts billed are added to the next year's bill.

### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and/or other funds.

### Basis of Accounting and Measurement Focus

The modified accrual basis of accounting is followed by the governmental and fiduciary funds and the component units. Under the modified accrual basis of accounting, revenue is recorded when it is susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter (within 60 days of year-end) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, pension contributions, and compensated absences, are recorded when the liability is incurred, if measurable.

In applying the susceptible-to-accrual concept to state and federal aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of this revenue. In one, monies must be expended on the specific purpose or project before any amounts are recorded as revenue by the County; therefore, revenue is recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenue at the time of receipt.

Sales taxes collected and held by the state at year-end on behalf of the County are also recognized as revenue. Other revenue, except for property taxes (see Note 7), is recorded when received in cash because they are generally not measurable until actually received.

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

### Basis of Accounting and Measurement Focus (Continued)

The accrual basis of accounting is used by the enterprise funds. Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred.

The County-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time 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 for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

### Budgetary Data

#### *General Budget Process*

No later than November 1, the Budget Officer submits to the County Legislature a proposed tentative operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the means of financing them for all funds except the Capital Projects and the Soil and Water Conservation District. Public hearings are conducted to obtain taxpayers' comments. Prior to December 20, the budget is adopted by the County Legislature. The County Administrator is authorized to approve certain budget transfer requests within departments, within a fund; however, any revisions that alter total expenditures of any department or fund must be approved by the County Legislature. For year-end financial reporting, adjustments are made to actual results to conform with modified budget classifications and reflect year-end encumbrances.

#### *Budgetary Basis of Accounting*

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

The County Legislature has amended the 2011 budget, as follows:

	<u>General Fund</u>
Original adopted budget	\$ 86,485,462
Encumbrances carried forward	130,438
Appropriation adjustments	<u>7,897,251</u>
Amended budget	<u>\$ 94,513,151</u>

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as assigned reservations of fund balances since the commitments do not constitute expenditures or liabilities.

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

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Cash

For purposes of reporting the statement of cash flows, the County includes all cash accounts and certificates of deposit that are not subject to withdrawal restrictions or penalties as cash on the accompanying balance sheet.

### Accounts Receivable

- **Governmental Funds**

The County establishes an allowance for doubtful accounts based on a review of outstanding amounts and the past history of collections. All trade accounts and property taxes receivable are shown net of an allowance for doubtful accounts.

### Due To/From Other Funds

The amounts reported on the Government Funds Balance Sheet for due to and due from other funds represents amounts due between different fund types (general, county road, county machinery, community development, economic development, and capital projects 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 Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the fund and government-wide statements. The consumption method is used to account for these costs.

### Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2011. For assets acquired prior to January 1, 2011, estimated historical costs were used. Donated assets are reported at estimated fair market value at the time received. In accordance with generally accepted accounting principles, the County has retroactively capitalized pre-2011 infrastructure and related depreciation effective for the year ended December 31, 2012.



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

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the County-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$5,000	N/A	N/A
Buildings and improvements	10,000	Straight-line	30
Vehicles and equipment	5,000	Straight-line	3-10
Land improvements	5,000	Straight-line	20
Infrastructure	(*)	Straight-line	10-50

(\*) – Infrastructure utilized multiple capitalization thresholds based upon the type of infrastructure. They included; Roads \$100,000, bridges \$700,000, \$15,000-\$400,000 for culverts and \$100 for signage.

### Deferred Revenue

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

### Compensated Absences

Pursuant to contractual agreements, County employees are entitled to accrue sick leave, vacation leave and personal leave. An individual who leaves the employment of the County is entitled to be paid for 100% unused vacation leave as follows:

All employees except Deputy Sheriffs, Solid Waste and the Highway Department are paid 100% of a maximum of 30 vacation days for a total of 240 hours for employees working a 40 hour work week and 210 hours for employees working a 35 hour work week.

All Deputy Sheriffs, Solid Waste and Highway Department employees are paid 100% of a maximum of 40 days for a total of 320 hours for a 40 hour work week.

Upon death or retirement, unused sick leave shall be paid accordingly as follows:

All employees except Nurses, Solid Waste and the Highway Department employees are paid 75% of a maximum of 160 sick days, for a total of 1,280 hours paid at 75% for employees working a 40 hour work week and 1,120 hours paid at 75% for employees working a 35 hour work week.

Nurses are paid 50% of a maximum of 240 days, for a total of 1,680 hours paid at 50% for a 35 hour work week.

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

Solid waste employees are paid 100% of 105 days, for a total of 840 hours paid at 100% for a 40 hour work week.

The Highway Department employees are reimbursed at different rates. Employees hired before February 13, 1996 that had accrued at least 50 sick hours are reimbursed for a maximum of 120 days or 960 hours for a 40 hour work week. They are reimbursed for the hours accrued by February 13, 1996 at 100% and the balance of unused sick time up to the maximum hours are paid at 50%.

Employees not grandfathered or hired after February 13, 1996 are paid 50% of a maximum of 240 days, for a total of 1,920 hours paid at 50% for a 40 hour work week.

The estimated value of earned and unused leave credits in the amount of \$3,470,409 has been recorded as non-current government liability.

### Pension Plan

The County participates in the New York State and Local Employees' Retirement System (ERS). ERS is a cost sharing multiple employer system that provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by 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 includes financial statements and required supplemental information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12236.

### Other Post-Employment Benefits

In addition to providing retirement benefits, the County provides certain health benefits for retired employees. Substantially all of the County's employees have the option of receiving these benefits that are provided by an insurance company upon retirement. At the fund level, the County recognizes the cost of providing these benefits as the premiums are paid. The costs recognized in 2011 approximated \$2.9 million for approximately 300 employees and survivors. In accordance with the provisions of Governmental Accounting Standards Board Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the County has recorded in the government-wide statement of net assets the required other post-employment benefits totaling \$11,244,000 as of December 31, 2011.

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

### Classifications

#### 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 Balance – Reservations and Designations**

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or they are contractually required to be maintained intact. Non-spendable fund balance includes the prepaid items and inventory recorded in the component units.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The County has available the following restricted fund balances.

#### Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The County Legislature, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

#### Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Balance – Reservations and Designations (Continued)

#### Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the County elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

#### Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of County property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of County property or capital improvement. The reserve is accounted for in the general fund under restricted fund balance.

#### Insurance

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

#### Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

#### Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

## 2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Balance – Reservations and Designations (Continued)

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority, i.e., the County Legislature. The County has no committed fund balances as of December 31, 2011.

Assigned fund balance – Includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$130,438.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the County.

#### Order of Fund Balance Spending Policy

The County's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

#### 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 of sixty days thereafter. Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are included in deferred revenue.

#### Interfund Transfers

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

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

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

### Insurance

The County assumes the risk for general liability. The County is involved in many pending tort claims against them, the ultimate outcomes of which cannot be reasonably determined. Therefore, 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.

The County maintains a risk retention reserve which is included in the General Fund. The County also maintains a workers' compensation risk pool in which it predominately participates. In compliance with Government Accounting Standards Board (GASB) pronouncement Number 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, the County, based upon available data has estimated and recorded in the Internal Service Fund a workers' compensation premium liability. The County has also recorded an unbilled receivable for the same amount, less cash reserves at year-end. The estimate includes incurred but not reported claims as is required by accounting principles generally accepted in the United States of America.

### New Accounting Standards

The County has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2011, the County implemented the following standards issued by GASB:

- GASB Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.
- GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

GASB Statement 34 establishes standards requiring state and local governments to include government-wide financial statements that are prepared on an accrual basis of accounting using the economic resources measurement focus. The previous requirement for fund financial statements is modified to present information for individual major funds rather than by fund type.

GASB Statement 45 establishes standards for the accrual basis measurement and recognition of OPEB costs over a period that relates to when the service is provided to the employer, rather than recognizing those costs on a pay-as-you-go basis. The Statement provides information about the actuarial accrued liabilities for OPEB and its funding status. The Statement was implemented prospectively, with no beginning net OPEB obligation.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes accounting and financial reporting requirements intended to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes 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.

### **3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND COUNTY-WIDE STATEMENTS (CONTINUED)**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the County-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

#### Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

Total fund balances of the County's governmental funds differ from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets versus the solely current financial resources focus of the governmental fund balance sheets.

#### Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

##### Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

##### Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

##### Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net assets.

### **4. STEWARDSHIP**

The Internal Service Fund deficit is primarily the result of unfunded estimated future liabilities of the self-insured workers compensation fund. The County estimates current costs and charges its participants on a pay-as-you-go method.

The County annually assesses, with the assistance of an actuary, the current and estimated future claims of the fund and adjusts its reserves in accordance with that analysis. The County will continue to assess this estimate. These estimated future costs are not funded.

## 5. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. This standard provides guidance on accounting and reporting for public-private or public-public partnerships. The County is required to adopt the provisions of Statement No. 60 for the year ending December 31, 2012. The County's management has not yet assessed the impact of this statement on its future financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. This standard modifies requirements for inclusion of component units in the County's financial statements. This standard provides additional guidance on blending component units. The County is required to adopt the provisions of Statement No. 61 for the year ending December 31, 2013. The County's management has not yet assessed the impact of this statement on its future financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard incorporates certain accounting and financial reporting guidance from the Financial Accounting Standards Board (FASB) Statements and Interpretations, the Accounting Principles Board Opinions, and the Accounting Research Bulletins into GASB's authoritative literature. The County is required to adopt the provisions of Statement No. 62 for the year ending December 31, 2012. The County's management has not yet assessed the impact of this statement on its future financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. The County is required to adopt the provisions of Statement No. 63 for the year ending December 31, 2012. The County's management has not yet assessed the impact of this statement on its future financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*. This standard clarifies whether an effective hedging relationship continues after the replacement of swap counterparty or swap counterparty's credit support provider. The County is required to adopt the provisions of Statement No. 64 for the year ending December 31, 2012. The County's management has not yet assessed the impact of this statement on its future financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This standard establishes accounting and financial reporting standards that reclassify, as deferred resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. The County is required to adopt the provisions of Statement No. 65 for the year ending December 31, 2013. The County's management has not yet assessed the impact of this statement on its future financial statements.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. This standard improves accounting and financial reporting by clarifying guidance regarding risk financing, operating lease payments, and accounting for loans. The County is required to adopt the provisions of Statement No. 66 for the year ending December 31, 2013. The County's management has not yet assessed the impact of this statement on its future financial statements.



## 6. CASH AND INVESTMENTS

The County investment policies are governed by the statutes of the State of New York (State). In addition, the County has its own written investment policy. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Government and its agencies and obligations of the State of New York.

The County does not typically purchase investments for a long enough duration to cause it to be believed that it is exposed to any material interest rate risk.

The County does not purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

For purposes of reporting the statement of cash flows for proprietary fund type, the County includes all cash accounts which are not subject to withdrawal restrictions or penalties as cash.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Generally accepted accounting principles directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance. As of December 31, 2011, all of the County's cash and investment balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the County's name:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 11,515,006	\$ 10,089,515
Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	\$ 7,393,628	
Covered by FDIC insurance	<u>4,121,378</u>	
Total	<u>\$ 11,515,006</u>	

## 7. PROPERTY TAXES

County real property taxes are levied annually no later than December 31 and become a lien on January 1. Taxes are collected during the period January 1 to July 31 by the town tax collectors, thereafter by the County Treasurer's tax department. On March 1 interest is accrued on all unpaid taxes in accordance with real property law. Taxes for County purposes are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the towns.

**7. PROPERTY TAXES (Continued)**

Unpaid village taxes levied on properties are turned over to the County for enforcement. Any such taxes remaining unpaid at year end are re-levied as County taxes in the subsequent year.

At December 31, 2011, real property taxes receivable totaled \$13,945,557 which was offset by an allowance for uncollectible taxes at year end of \$316,485. Current year returned school district and village taxes receivable are also included as liabilities to the school districts and village which will be paid no later than February 28, 2011. \$6,002,532 of the remaining portion of taxes receivable has been reserved as deferred tax revenue and represents an estimate of the outstanding taxes which will not be collected within the first sixty (60) days of the subsequent year.

**8. STATE AND FEDERAL RECEIVABLES**

State and federal receivables are comprised of the following:

<u>Fund</u>	<u>Balance</u>	<u>Description</u>
General	<u>\$ 14,164,417</u>	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
County road	<u>\$ 540,762</u>	Claims for reimbursement of expenditures for various road projects.
Capital projects	<u>\$ 384,624</u>	Claims for reimbursement of expenditures for various capital projects.

Community Development Block Grants:

The County is the recipient of Community Development Block Grants to operate revolving loan funds. These funds are to be loaned to industry and not-for-profit organizations for the purpose of creating and retaining permanent jobs within the County. The balance of loans receivable and deferred revenue at December 31, 2011 of \$3,514,336 consists of loans that require periodic payments of principal and interest or interest only for loans that have not been fully drawn down, and have a rate of interest at one-half of prime plus one percent.

## 9. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at January 1, 2011	Additions	Deletions	Balance at December 31, 2011
Capital assets				
Land	\$ 1,916,400	\$ -	\$ -	\$ 1,916,400
Buildings and improvements	35,692,120	12,376,675	-	48,068,795
Vehicles and equipment	15,238,776	296,026	155,109	15,379,693
Infrastructure	152,448,750	7,226,250	-	159,675,000
Construction work in progress	16,846,057	5,138,778	12,376,675	9,608,160
	<u>222,142,103</u>	<u>25,037,729</u>	<u>12,531,784</u>	<u>234,648,048</u>
Less: Accumulated depreciation	<u>(119,223,978)</u>	<u>(4,402,474)</u>	<u>(155,109)</u>	<u>(123,471,343)</u>
Total capital assets	<u>\$ 102,918,125</u>	<u>\$ 20,635,255</u>	<u>\$ 12,376,675</u>	<u>\$ 111,176,705</u>

Depreciation expense of \$4,402,474 is allocated to specific functions as follows:

General government support	\$ 246,885
Public safety	451,768
Health	280,838
Transportation	3,120,445
Economic Assistance and Opportunity	95,010
Culture and recreation	3,973
Home and community	203,555
	<u>\$ 4,402,474</u>

## 10. DEBT

A summary of changes in long-term debt is as follows:

	Balance at January 1, 2011	Increase	Decrease	Balance at December 31, 2011	Current
Governmental activity:					
Serial Bonds	\$ 25,771,800	\$ 10,985,000	\$ 12,991,800	\$ 23,765,000	\$ 1,655,000
Other post employment benefits	-	14,119,000	2,875,000	11,244,000	-
Compensated absences	3,619,705	-	149,296	3,470,409	-
Leases payable	92,628	-	38,333	54,295	-
Installment purchase agreements	63,694	-	13,845	49,849	-
Judgments and claims	<u>304,706</u>	<u>811,403</u>	<u>85,929</u>	<u>1,030,180</u>	<u>-</u>
Total governmental long-term debt	<u>\$ 29,852,533</u>	<u>\$ 25,915,403</u>	<u>\$ 16,154,203</u>	<u>\$ 39,613,733</u>	<u>\$ 1,655,000</u>

**10. DEBT (Continued)**

Interest on long term debt for the year was composed of:

Interest paid	\$	1,293,604
Accrued interest 12/31/2010		(48,931)
Accrued interest 12/31/2011		<u>101,302</u>
 Total expense	 \$	 <u>1,345,975</u>

Bonds

The County's bonds are comprised of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/11</u>
Governmental Activity:					
Public Improvement	2003	\$ 16,160,000	3.13%	2012	\$ 805,000
Refunding - Court House	2010	12,205,000	3%-4%	2028	11,665,000
Refunding - Community College	2010	421,800	3%-4%	2028	400,000
Refunding - Solid Waste	2011	368,000	1.5%-5%	2022	365,000
Refunding - Community College	2011	1,020,000	1.5%-5%	2022	1,015,000
Refunding - County Building	2011	<u>9,597,000</u>	1.5%-5%	2022	<u>9,515,000</u>
 Total general long-term debt account group		 <u>\$ 39,771,800</u>			 <u>\$ 23,765,000</u>

The GTASC bonds are comprised of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/11</u>
Governmental activity:					
Tobacco Settlement Bonds - 2005 Series	8/25/2005	\$ 11,672,040	variable	2045	\$ 11,292,875
Tobacco Settlement Bonds - 2005 Series	11/25/2005	<u>1,204,040</u>	variable	2060	<u>1,983,341</u>
 Total general long-term debt account group		 <u>\$ 12,876,080</u>			 <u>\$ 13,276,216</u>

\* Net of bond discount

The County's future bond debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 1,655,000	\$ 818,003	\$ 2,473,003
2012	1,675,000	766,194	2,441,194
2013	1,695,000	724,044	2,419,044
2014	1,715,000	683,394	2,398,394
2015	1,670,000	637,594	2,307,594
2016-2020	8,525,000	2,288,794	10,813,794
2021-2025	5,080,000	820,581	5,900,581
2026-2030	<u>1,750,000</u>	<u>105,600</u>	<u>1,855,600</u>
 Total	 <u>\$ 23,765,000</u>	 <u>\$ 6,844,204</u>	 <u>\$ 30,609,204</u>

## 10. DEBT (Continued)

The County's component unit's future debt services requirements are as follows:

GTASC:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 100,000	\$ 490,688	\$ 590,688
2013	105,000	490,688	595,688
2014	110,000	490,688	600,688
2015	115,000	490,050	605,050
2016	120,000	486,863	606,863
2017-2021	855,000	2,336,882	3,191,882
2022-2026	1,110,000	2,113,050	3,223,050
2027-2031	1,415,000	1,806,375	3,221,375
2032-2036	1,820,000	1,403,750	3,223,750
2038-2041	2,335,000	887,125	3,222,125
2042-2045	<u>2,335,000</u>	<u>240,125</u>	<u>2,575,125</u>
Total	<u>\$ 10,420,000</u>	<u>\$ 11,236,284</u>	<u>\$ 21,656,284</u>

## 11. RETIREMENT BENEFITS

### Plan Description

The County participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute 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 (Comptroller) serves as sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

### Funding Policy

The Systems are non-contributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of service. 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.

## 11. RETIREMENT BENEFITS (Continued)

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

	<u>ERS</u>
2011	<u>\$2,919,519</u>
2010	<u>\$2,501,598</u>
2009	<u>\$1,846,671</u>

The County's contribution made to the Systems was equal to 100 percent of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.5% interest factor added. Local governments were given the option to prepay this liability. The County elected to make the full payment on December 15, 1989.

## 12. POST-EMPLOYMENT HEALTH CARE BENEFITS

### Plan Description

The County provides certain health care benefits for retired employees of the County. The County administers the Retirement Benefits Plan (the "Retirement Plan") as a single-employer defined benefit Other Post-employment 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.

Sheriffs and Deputies are assumed to be covered under 552, a 20 year plan with the New York State Employees' Retirement System. It is assumed these employees will not retire before age 62 before attaining 20 years of service.

Corrections employees are assumed to be covered under 890, a 25 year plan with the New York State Employees' Retirement System. It is assumed these employees will not retire before age 62 before attaining 25 years of service.

All other employees are assumed covered under Tier 4 of the New York State Employees' Retirement System, with early retirement available at age 55 with 5 years of service, and unreduced benefits at age 62 with 5 years or age 55 with 30 years of service. It is assumed these employees will not retire before age 65 before attaining 10 years of service.

The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at December 31, 2011, was approximately 300. The Retirement Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

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

### Funding Policy

The obligations of the Retirement Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. The County pays 100% of the premium for medical and vision benefits. 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 2011 by the County was approximately \$2,875,000.

### 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:

	Governmental Activities
Annual required contribution	\$ 14,119,000
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost (expense)	14,119,000
Contributions made	<u>(2,875,000)</u>
	<hr/>
Increase in net OPEB obligation	11,244,000
Net OPEB obligation - beginning of year	-
	<hr/>
Net OPEB obligation - end of year	<u>\$ 11,244,000</u>
Percentage of annual OPEB cost contributed	20.4%

### 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. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

### Schedule of Funding Progress for the County's Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/1/2010	\$ <u>          </u> -	\$ <u>161,472,500</u>	\$ <u>161,472,500</u>	<u>0.0%</u>	<u>N/A</u>	<u>N/A</u>

### 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 June 1, 2010 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

Valuation Year	<u>Medical Premiums</u>		<u>Vison Premiums</u>
	PPO Inflation rate	EPO Inflation rate	Vision Inflation rate
2010	5.10%	4.60%	5.00%
2011	7.60%	7.60%	5.00%
2012	7.10%	7.10%	5.00%
2013	6.60%	6.60%	5.00%
2014	6.20%	6.20%	5.00%
2015-2018	6.10%	6.10%	5.00%
2019-2024	6.00%	6.00%	5.00%
2025-2033	5.90%	5.90%	5.00%
2034-2035	5.80%	5.80%	5.00%
2036	5.70%	5.70%	5.00%
2037-2038	5.60%	5.60%	5.00%
2039-2042	5.50%	5.50%	5.00%
2043-2048	5.40%	5.40%	5.00%
2049-2063	5.30%	5.30%	5.00%
2064-2072	5.20%	5.20%	5.00%
2073-2074	5.10%	5.10%	5.00%
2075-2076	5.00%	5.00%	5.00%
2077-2078	4.90%	4.90%	4.90%
2079-2081	4.80%	4.80%	4.80%
2082+	4.70%	4.70%	4.70%

\* 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. JOINTLY GOVERNED ORGANIZATION

#### Columbia-Greene Community College

The operation of Columbia-Greene Community College is undertaken jointly with Columbia County, under the provisions of Article 126 of the Education Law, and is excluded from the County's financial statements. The College is administered by a Board of Trustees. The majority of the trustees are County Board appointees, apportioned between the two Counties. The Counties are responsible for College costs not funded through state aid or tuition and have individually issued bonds for capital costs. The Counties also assume liability of any College operating fund deficit, should any operating fund deficit be incurred.

The counties' governing boards also retain certain budgetary approval powers. The counties' share of the College's operating budgets is based on enrollment. For the 2010-2011 fiscal year Greene County's share of the unfunded portion of the operating budget was 45% and Columbia County's was 55%.

The County's share of the operating costs for the year ended December 31, 2011 was \$6,190,596. Separate financial statements are issued for the college and can be found at:

Columbia-Greene Community College  
4400 Route 23B  
Hudson, NY 12534

#### Capital District Regional Off-Track Betting Corporation

Capital District Regional Off-Track Betting Corporation is a public benefit corporation occupying a seventeen county region, established in 1973 under the provisions of Chapters 346 and 347 of the Laws of the State of New York. The Board consists of one representative from each of the seventeen participating municipalities.

Separate financial statements are issued for the OTB and can be found at:

Capital District Regional Off-Track Betting Corporation  
510 Smith Street  
Schenectady, NY 12305

### 14. OPERATING TRANSFERS

During the course of normal operations, the County records numerous transactions between funds including expenditures for the provision of services, as well as transfers between funds to finance various projects or debt payments.

Individual interfund receivable and payable balances arising from these transactions as of December 31, 2011, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 4,995,160	\$ 4,835,854
County road	4,588,546	2,835,671
County machinery	849,942	42,887
Community development	-	20,249
Economic development	-	-
Capital projects	27,495	2,721,920
Agency fund	<u>2,505</u>	<u>7,067</u>
Total	<u>\$ 10,463,648</u>	<u>\$ 10,463,648</u>

#### 14. OPERATING TRANSFERS (Continued)

Interfund transfers throughout the year ended December 31, 2011, were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General fund	\$ -	\$ 7,992,545
County road fund	7,232,061	40,091
Capital projects fund	756,485	-
Aggregate Non-Major	<u>40,090</u>	<u>-</u>
Total	<u>\$ 8,028,636</u>	<u>\$ 8,032,636</u>

#### 15. COMMITMENTS AND CONTINGENCIES

##### Lawsuits

The County has been named, in the normal course of operations, as a defendant in numerous claims of an indeterminate amount. In the opinion of the County, after considering all relevant facts, the ultimate losses not covered by insurance resulting from such litigation would be immaterial in relation to the financial position of the County.

##### Self-Insurance

The County sponsors and participates in a self-insurance plan for workers' compensation under Local Law No. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality, school district, or public entity for participation. At December 31, 2011, there were 42 participants, including the County.

The County is responsible for administration of the plan and its reserves. Participant contributions which are financed on a pay-as-you-go basis are financed on an estimated claim basis with excess contributions transferred to the reserve at the end of the fiscal year. Liabilities are recorded when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment yield assumptions of 3%. These liabilities are recorded at their present value of \$2,709,492 in the County-wide statement of net assets which represents the portion to be liquidated with expendable and available financial resources as of December 31, 2011. Benefits and awards expenditures for the year ended December 31, 2011, were \$2,075,784.

##### Grant Programs

The County participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The County believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the County's financial position or results of operations.

## 15. COMMITMENTS AND CONTINGENCIES (Continued)

### Public Health Reimbursement

The County Public Health Department recognizes revenue when earned based upon tentative rates that are subject to audit and retroactive adjustment by third-party payers. There has been no provision made in these general-purpose financial statements for future audit settlements or rate adjustments.

### Commitments

The County entered into a guaranteed user fee arrangement with the Town of Coxsackie and the Village of Coxsackie to finance the expansion of an existing municipal water system. The agreement calls for the County to make annual payments of \$55,333 for the first sixteen years and annual payments of \$55,667 for the remaining three years; a total obligation of \$1,052,329. The County also has an arrangement with the Coxsackie Transfer Station which calls for the County to make annual payments of \$20,000 for 10 years ending by December 31, 2015. The County has an operating lease which has a yearly expense of \$8,952.

Maximum future non-cancelable payments on these obligations are as follows:

2012	\$	84,285
2013		79,809
2014		75,333
2015		75,333
2016		75,333
Thereafter		<u>93,668</u>
Total	\$	<u>483,761</u>

### Tobacco Settlement

The State of New York is estimated to receive approximately \$25 billion over the next 25 years as a result of a comprehensive settlement among 46 states and U.S. territories and all the major tobacco companies. The settlement represents reimbursement to the State for medical costs incurred, primarily paid by Medicaid, from treating smoking-related illnesses. Since the counties of the State and New York City pay a share of Medicaid costs, the State has apportioned approximately half the settlement funds to these localities.

### Construction Commitments

The County has various commitments with contractors for the completion of capital projects.

## **16. SUBSEQUENT EVENTS**

On March 30, 2012, the County issued a Bond Anticipation Note in the amount of \$10,000,000 bearing interest of 1% and maturing on March 29, 2013. The BAN was issued to finance the interim costs of reconstruction of the various County facilities damaged by Hurricane Irene pending the issuance of Serial Bonds.

**GREENE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:		
Passed through State Department of Social Services:		
Social Services Block Grant	93.667	\$ 909,248
Foster Care - Title IV E	93.658	1,313,341
ARRA - Foster Care - Title IV E	93.658	19,043
Adoption Assistance	93.659	414,493
ARRA - Adoption Assistance	93.659	6,910
Child Support Enforcement (Title IV-D)	93.563	264,416
Medical Assistance Program	93.778	1,071,323
Federal Medicaid Salary Sharing	93.778	2,032
Temporary Assistance For Needy Families	93.558	2,659,394
Low Income Home Energy Assistance	93.568	3,462,552
Family Planning Service	93.217	499,487
Child Care and Development Block Grant (A)	93.575	474,189
Public Health Emergency Preparedness	93.069	64,393
Passed through State Office for the Aging:		
Special Programs for Aging, Title III, Part C - Nutrition service	^93.045	113,761
Special Programs for Aging, Title III, Part B - Grants for Supportive Services for Senior Centers	^93.044	60,923
Nutrition Services Incentive Program	93.053	50,878
Special Programs for Aging, Title III, Part D - Disease Prevention and Health Promotion	93.043	3,986
Special Programs for Aging, Title III, Part E - Older Americans Act	^93.052	32,166
Special Programs for Aging, Title VII, Part E - Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	10,592
Medicare Improvements for Patients and Providers Act	93.071	19,580
Health Insurance Information, Counseling, and Assistance Program	93.779	58,203
Weatherization Referral and Packaging Program	93.568	46,681
Retired and Senior Volunteer Program	94.002	43,168
Passed through State Health Central Administration:		
Early Intervention	84.181	15,163
Early Intervention - ARRA	84.181	19,269
Children with Special Healthcare Needs	93.994	24,275
Family Planning Service	93.217	490,608
Immunization Grant	93.268	7,946
ARRA - Immunization Grant	93.712	11,709
Childhood Lead Poisoning Prevention	93.994	9,867
Passed through State Office of Alcoholism and Substance Abuse Services:		
Prevention and Treatment of Substance Abuse Block Grant	93.959	254,558
Passed through State Office of Mental Health:		
Child Welfare Services - State Grants	93.645	<u>49,497</u>
Total U.S. Department of Health and Human Services		<u>12,483,651</u>

(Continued)

**GREENE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011**

U.S. Election Assistance Commission:		
Passed through State Board of Elections:		
Help America Vote Act - Requirements Payments	90.401	26,860
Voting Access for Individuals with Disabilities	93.617	<u>7,680</u>
Total U.S. Election Assistance Commission		<u>34,540</u>
U.S. Department of Justice:		
Passed through Division of Criminal Justice:		
Community Oriented Policing Services	16.710	11,671
Edward Byrne Memorial Justice Assistance Grant	16.738	<u>15,285</u>
Total U.S. Department of Justice		<u>26,956</u>
Department of Housing and Urban Development		
Passed through State Department of Housing and Community Renewal:		
Community Development Block Grants	14.228	349,207
Section 8 Housing Voucher Program	14.855	<u>107,711</u>
Total U.S. Department of Housing and Urban Development		<u>456,918</u>
U.S. Department of Agriculture:		
Passed through State Department of Social Services:		
State Administrative Matching Grant for Supplemental Nutrition Assistance Program	+10.561	<u>630,210</u>
Total U.S. Department of Agriculture		<u>630,210</u>
U.S. Department of Homeland Security:		
Passed through State Emergency Management Office:		
Disaster Grants - Public Assistance	97.036	5,034,374
Emergency Management Performance Grants	97.042	5,987
Homeland Security Grant Program	97.067	<u>112,390</u>
Total U.S. Department of Homeland Security		<u>5,152,751</u>
U.S. Department of Transportation:		
Direct Program:		
Highway Planning and Construction	20.205	1,401,502
Passed through State Department of Transportation:		
Formula Grants for other than Urbanized Areas	20.509	<u>30,702</u>
Total U.S. Department of Transportation		<u>1,432,204</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 20,217,230</u>

~ Temporary aid for needy families (TANF) cluster

^ Special programs for the aging cluster

+ Supplemental nutrition assistance cluster

**REQUIRED REPORTS UNDER OMB CIRCULAR A-133**

## GREENE COUNTY

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

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#### 1. GENERAL

The preceding schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Greene County. The County's reporting entity is defined in the County's financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other government agencies, is included on the schedule.

#### 2. BASIS OF ACCOUNTING

The preceding schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in the County's basic financial statements.

#### 3. INDIRECT COSTS

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

#### 4. MATCHING COSTS

Matching costs, (i.e. the County's share of certain program costs), are not included in the reported expenditures.

#### 5. SUB-RECIPIENTS

No amounts were provided to sub-recipients.

#### 6. NONCASH AWARDS

A significant portion of federal award programs do not involve cash awards to the Greene County, New York. The value of these noncash awards has been recorded as expenditures on the Statement of Expenditures of Federal Awards. Those relating to the County are as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
U.S. Department of Health and Human Services Low Income Home Energy Assistance Value of NYS Comptroller expenditures	93.568	\$ 3,462,552



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

September 28, 2012

To the County Legislature of the Greene County:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Greene County as of and for the year ended December 31, 2011, which collectively comprise the Greene County's basic financial statements and have issued our report thereon dated September 28, 2012. Our report includes references to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Greene County is responsible for establishing and maintaining effective internal control over financial reporting.

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

*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 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.

(Continued)

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

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County in a separate letter dated September 28, 2012.

This report is intended solely for the information and use of the finance committee, management, others within the organization, County Legislature, 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 28, 2012

To the County Legislature of  
Greene County:

**Compliance**

We have audited the compliance of the Greene County with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect each of the Greene County's major federal programs for the year ended December 31, 2011. The Greene County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Greene County's management. Our responsibility is to express an opinion on the Greene County's compliance based on our audit.

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

In our opinion, Greene County complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

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(Continued)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)**

**Internal Control Over Compliance**

Management of Greene County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Greene County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Greene County's internal control over compliance.

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

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

This report is intended solely for the information and use of the finance committee, management, County Legislature, 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.

# COUNTY OF GREENE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2011

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### Section I—Summary of Auditor’s Results

#### Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified?  yes  no
- Significant deficiency (ies) identified that are not considered to be material weakness (es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

- Material weakness (es) identified?  yes  no
- Significant deficiency (ies) identified that are not considered to be material weakness (es)?  yes  none reported

Type of auditors’ report issued on compliance for major programs:  
Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.568	Low Income Home Energy Assistance
97.036	Presidentially declared disaster Grants

**Section I—Summary of Auditor’s Results (Continued)**

Dollar threshold used to distinguish between type A and type B programs:

\$606,517

Auditee qualified as low-risk auditee?

yes       no

**Section II—Financial Statement Findings**

There were no instances of significant deficiencies, material weaknesses, or noncompliance that are required to be reported under *Government Auditing Standards*.

**Section III—Federal Award Findings and Questioned Costs**

We noted no instances of significant deficiencies, material weaknesses, or noncompliance, including questioned costs that are required to be reported under OMB Circular A-133.

## **Section IV—Summary Schedule of Prior Audit Findings**

### **Finding 2010-1**

#### Condition

The County does not independently prepare their Schedule of Federal Awards but works with the auditors to ensure the schedule was prepared completely and accurately. Also, it is the County's current practice to aggregate certain federal award contracts in the same general ledger account. As a result, it is very difficult to track the revenue generated from federal awards to CFDA number which is required for reporting on the Schedule of Federal Awards.

#### Recommendation

The prior auditor recommended management develop procedures and designate responsibility to ensure a schedule is prepared in the future. Additionally they recommended federal awards be tracked by CFDA number in separate general ledger accounts and not be combined with other CFDA numbers or at least a description in the memo section indicating the CFDA number. This will improve the accuracy and efficiency of reporting federal awards for the Schedule of Federal Awards.

#### Current Status

During our audit, we noted that the County has taken steps to identify all federal programs and also supplied schedules of federal awards expended for each of their departments for development of the schedule of federal awards. **Accordingly, we consider this matter resolved.**

### **Finding 2010-2**

#### Condition

During the course of our audit we noted in the Part-County Bataviakill Fund that the County netted reimbursed revenue against expenses. This is an incorrect accounting practice resulting in revenue and expenses as being understated.

#### Recommendation

The prior auditor recommended that the County properly record the total revenue and expenses in this fund and properly budget for this activity in the future.

#### Current Status

During our audit, we noted that the County had corrected this matter and was recording the revenues and expenditures in accordance with generally accepted accounting principles. **Accordingly, we consider this matter resolved.**

### **Finding 2010-3**

#### **Criteria**

Under the compliance requirement allowable costs individuals working on multiple federal programs are required to allocate their time amongst the programs based on actual time worked on those programs. Support for payroll allocations typically are in the form of employee time sheets or formal time studies.

#### **Recommendation**

The prior auditors noted that the nutrition program did not do quarterly payroll evaluations for its employees to track individual time allocated per program.

#### **Current Status**

During our audit, we noted that the County had corrected this matter and was obtaining the appropriate times studies. **Accordingly, we consider this matter resolved.**



## **GREENE COUNTY**

### **CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2011**

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For the year ended December 31, 2011, there were no findings required to be reported under *Government Auditing Standards* or OMB Circular A-133. Accordingly, a corrective action plan is unnecessary.