

COUNTY OF OSWEGO

Oswego, New York

FINANCIAL REPORT

December 31, 2011

COUNTY OF OSWEGO

FOR THE YEAR ENDED DECEMBER 31, 2011

Independent Auditor's Report	1-1a
Required Supplementary Information	
Management's Discussion and Analysis	2-2h
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4-4a
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds	7
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes	
in Fund Balances to the Statement of Activities	8
Statement of Net Assets - Proprietary Fund	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets -	
Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund	11
Statement of Fiduciary Net Assets - Fiduciary Funds	12
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	13
Notes to Financial Statements	14-35
Required Supplementary Information	
Budgetary Comparison Schedule (Non-GAAP) - General Fund	36
Schedule of Funding Progress.....	37
Notes to Required Supplementary Information	38
Supplementary Information	
Combining Balance Sheet - Non-Major Governmental Funds	39-39a
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Non-Major Governmental Funds	40-40a
Report Required Under <i>Government Auditing Standards</i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	
Based on an Audit of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i>	41-42
Reports Required Under the Single Audit Act (OMB Circular A-133)	
Independent Auditor's 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	43-44
Schedule of Expenditures of Federal Awards	45-46
Notes to Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48

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INDEPENDENT AUDITOR'S REPORT

County Legislature
County of Oswego
Oswego, 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 County of Oswego (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 the County of Oswego Industrial Development Agency. The County of Oswego Industrial Development Agency represents 99% and 84%, respectively, of the assets and revenues of the component units. The financial statements of the County of Oswego Industrial Development Agency were audited by other auditors whose reports, issued in accordance with auditing standards generally accepted in the United States of America, have been furnished to us. Our opinions, insofar as they relate to the amounts included for the County of Oswego Industrial Development Agency, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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

During the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2012 on our consideration of the County's internal control over financial reporting and 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.

- 1 -

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 2 through 2h and 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. 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 combining and individual non-major fund financial statements and the 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 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cianchi, D'Andrea, Little, McLaughlin, & Company, LLP

September 11, 2012
Ithaca, New York

COUNTY OF OSWEGO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Our discussion and analysis of the County of Oswego's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the County's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$170,858,615 (net assets) compared to 178,767,776 in 2010.
- The County's governmental net assets decreased by \$7,909,161 or 4.4%. During 2007, the County adopted Governmental Accounting Standards Board (GASB) Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This Statement requires the County to record a liability for a portion of the Actuarial Accrued Liability. The County recorded an additional liability and an expense of \$9,055,267 in 2011.
- During the year, the County had expenses that were \$7,909,161 more than the \$186,318,548 generated in tax and other revenues for all the government's activities. This compares to last year when revenues exceeded expenses by \$3,559,147.
- The General Fund recorded an increase in fund balance of \$265,571 in 2011 and had a fund balance at the end of the year of \$59,852,396.
- The County's long-term obligations increased by \$7,168,493 or 7.6% during the current fiscal year.
- The resources available for appropriation were \$(2,563,414) less than budgeted and expenditures were \$16,825,843 favorable when compared to budget. One reason for the differences in budget versus actual is the approval of grants and awards by the County Legislature which cross fiscal years. The County Legislature approves the grants to be rolled over into the subsequent years' budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3 through 4a) provide information about the County as a whole and present a long-term view of the County's finances. Governmental Fund financial statements start on page 5. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in greater 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 the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains other information in the form of (1) combining statements for those funds that are not considered major funds and, therefore, are not presented individually in the basic financial statements, and (2) statements comparing results of operations to budgetary statements for the General Fund.

Reporting the County as a Whole

Our analysis of the County as a whole begins on page 3, with the Government-wide financial statements. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer the question of whether the County, as a whole, is better or worse off as a result of the year's activities. 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 revenues and expenses are taken into account regardless of when the cash is received or paid.

COUNTY OF OSWEGO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

These two statements report the County's net assets and changes in them. One 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. One needs 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 separate the County into two kinds of activities:

Governmental Activities: Most of the County's services are reported in this category, including public safety, public health, economic assistance, transportation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

Component units: The County includes two separate legal entities in its report - the Soil and Water Conservation District and the Industrial Development Agency. Although legally separate, these "component units" are important because the County is financially accountable for them. Complete financial statements for the Soil and Water Conservation District and Industrial Development Agency can be obtained from its administrative offices at 3105 State Route 3, Fulton, New York 13069 and 44 West Bridge Street, Oswego, New York 13126, respectively.

Reporting the County's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the County's Major Funds begins on page 5. The Governmental Fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: All of the County's services are reported in the 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 spending. These funds are reported using an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund financial statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between Governmental *Activities* (reported in the Government-wide financial statements) and Governmental *Funds* is explained in a reconciliation following the Governmental Fund financial statements.

The County as Trustee: The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 12 and 13. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

COUNTY OF OSWEGO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

THE COUNTY AS A WHOLE

The County's net assets for the fiscal year ended December 31, 2011 decreased from \$178,767,776 to \$170,858,615. Last year's net assets increased by \$3,559,147. By far, the largest portion of the County's net assets (92.4 percent) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (20.0%) represents resources restricted due to external restrictions on how they may be used and are reported as restricted net assets.

The remaining category of total net assets, unrestricted net assets may be used to meet the government's ongoing obligations and services to creditors and citizens.

Our analysis below focuses on the net assets (Figure 1), and changes in net assets (Figure 2), of the County's Governmental Activities.

Figure 1
Net Assets
(In thousands)

	Total Primary Government		Percent Change
	2010	2011	2010 - 2011
<i>Current assets</i>	\$ 116,012	\$ 97,832	(15.6%)
<i>Other noncurrent assets</i>	19,660	25,553	29.3%
<i>Capital assets</i>	159,357	172,344	8.1%
Total Assets	295,029	295,729	0.2%
<i>Current liabilities</i>	31,226	34,784	11.4%
<i>Noncurrent liabilities</i>	85,035	90,086	5.9%
Total Liabilities	116,261	124,870	7.4%
<i>Invested in capital assets, net of related debt</i>	161,485	157,851	(2.3%)
<i>Restricted</i>	5,712	34,175	498.3%
<i>Unrestricted</i>	11,571	(21,167)	(282.9%)
Total Net Assets	\$ 178,768	\$ 170,859	(4.4%)

The net assets of the County's Governmental Activities decreased by (4.4%) or \$(7,909,161). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, decreased from \$11,570,969 at December 31, 2010 to \$(21,167,042) at the end of 2011.

COUNTY OF OSWEGO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The County's governmental revenues decreased by (2.2%) or \$(4,165,769). The total cost of all governmental programs and services increased by 3.9% or \$7,302,539. General government expenses increased by 12.3%, primarily because of increased Internal Service Fund activity, and increased payment of sales tax collections to towns and villages. Our analysis in Figure 2 considers the operations of Governmental Activities.

Figure 2
Changes in Net Assets
(In thousands)

	Total Primary Government		Percent Change
	2010	2011	2010 - 2011
REVENUES			
<i>Program Revenues:</i>			
Charges for services	\$ 25,289	\$ 25,059	(0.9%)
Operating grants	59,674	49,779	(16.6%)
Capital grants	3,815	3,798	(0.4%)
<i>General Revenues:</i>			
Property taxes and tax items	58,873	63,335	7.6%
Sales taxes	37,767	40,301	6.7%
Tobacco settlement	1,482	1,499	1.1%
Use of money and property	884	735	(16.9%)
Other revenues	2,255	1,374	(39.1%)
Other taxes	445	439	(1.3%)
Total Revenues	\$ 190,484	\$ 186,319	(2.2%)
PROGRAM EXPENSES			
General government	\$ 25,430	\$ 28,549	12.3%
Education	12,300	9,816	(20.2%)
Public safety	24,705	26,641	7.8%
Public health	12,926	13,574	5.0%
Transportation	26,043	25,166	(3.4%)
Economic assistance and opportunity	71,295	74,485	4.5%
Culture and recreation	1,357	1,337	(1.5%)
Home and community services	11,556	12,205	5.6%
Interest on long-term debt	1,313	2,455	87.0%
Total Expenses	\$ 186,925	\$ 194,228	3.9%
INCREASE (DECREASE) IN NET ASSETS	\$ 3,559	\$ (7,909)	(322.2%)

Governmental Activities

Property tax revenues are budgeted to increase \$5,695,604 next year. Pilot agreements totaled \$13,638,828 in 2010 and \$14,802,721 in 2011. These amounts are included within property taxes and tax items, and indicate an overall 7.6% increase from 2010 to 2011.

Sales taxes increased \$2,533,938 or 6.7% from 2010 to 2011. Use of money and property decreased \$(149,183), primarily due to a decrease in interest rates on investments.

COUNTY OF OSWEGO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

Figure 3
Revenues by Source
2011

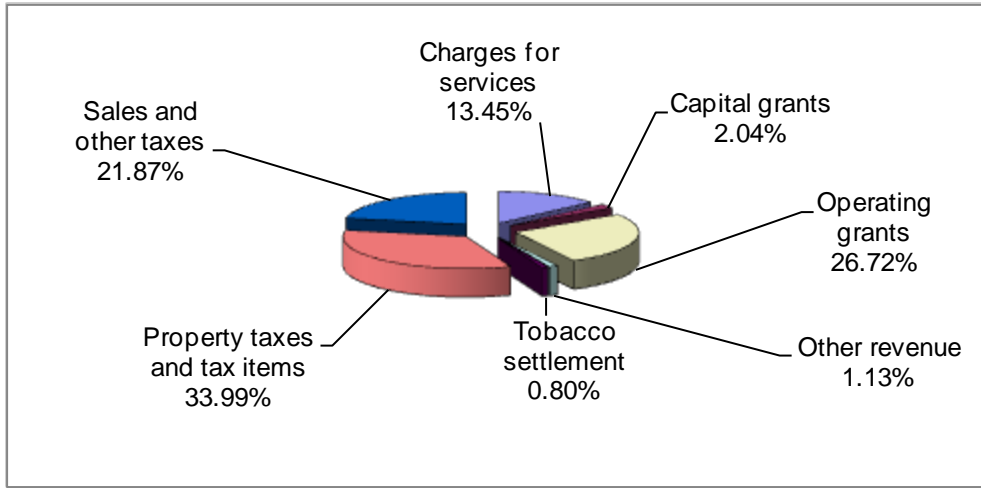
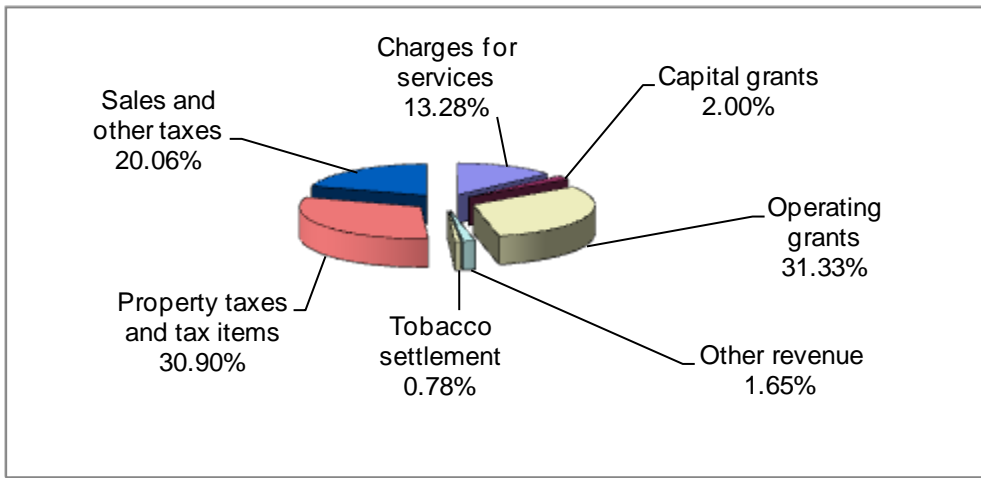


Figure 4
Revenues by Source
2010



The cost of all Governmental Activities this year was \$194,227,709. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities through general revenues was \$115,590,896 because some of the cost was paid by those who directly benefited from the programs (\$25,059,458), or other governments and organizations subsidized certain programs with grants and contributions (\$53,577,355). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, were \$78,636,813. The County paid for the remaining "public benefit" portion of Governmental Activities with \$107,681,735 in taxes and with other revenues, such as interest and general entitlements.

COUNTY OF OSWEGO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

The total cost less revenues generated by activities, or the net cost, for each of the County's programs is presented in Figures 5 and 6 for 2011 and 2010. The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Figure 5
Net Program Cost
Governmental Activities
2011

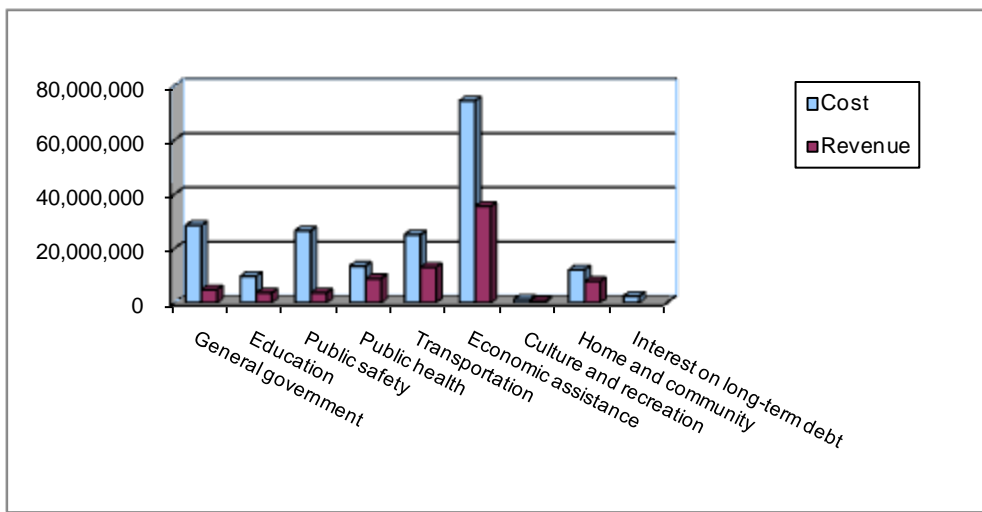
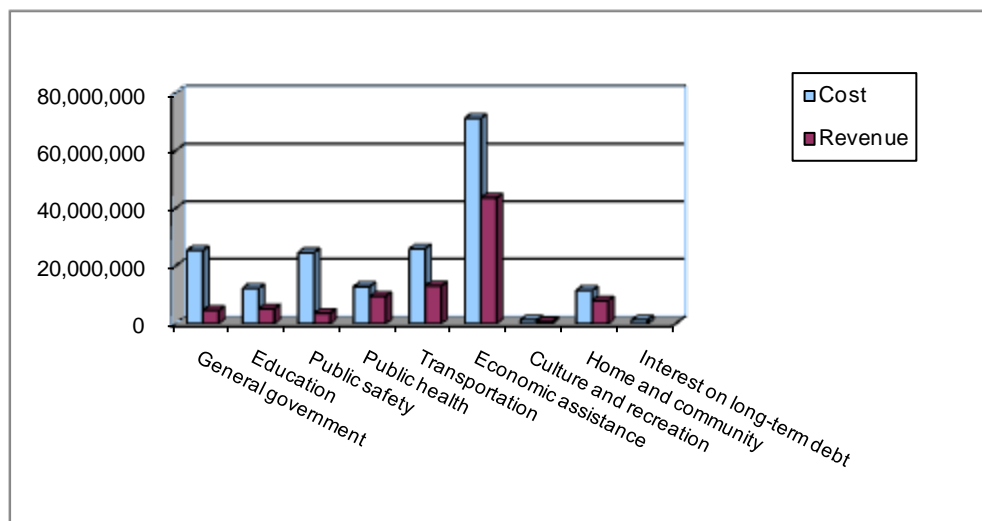


Figure 6
Net Program Cost
Governmental Activities
2010



COUNTY OF OSWEGO
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

THE COUNTY'S FUNDS

As the County completed the year, its Governmental Funds, as presented in the balance sheet on page 5, reported a combined fund balance of \$80,796,059, which is below last year's total of \$91,131,271 mainly due to the on-going E-911 Public Safety Capital Project and interest payment on Bonds related to this project. Figure 7 shows the changes in fund balance for the County's Funds.

Figure 7
Governmental Funds
Fund Balance at Years Ended
(In thousands)

	2010	2011	Percent Change
<i>General Fund</i>	\$ 59,587	\$ 59,852	0.4%
<i>OTASC Fund</i>	5,635	4,332	(23.1%)
<i>Non-Major Governmental Funds</i>	25,910	16,612	(35.9%)
Totals	\$ 91,132	\$ 80,796	(11.3%)

The General Fund balance decreased primarily due to a decrease in State and Federal revenues. The OTASC Fund decreased due to payments of principal and interest. Other Governmental Funds decreased mainly due to capital project expenditures exceeding revenues.

General Fund Budgetary Highlights

Over the course of the year, the County Legislature revised the County budget several times. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget. In addition to these transfers, the County Legislature increased the overall budget to provide for various grants where the majority of the funding came from federal and state sources.

After these adjustments, the actual charges to appropriations (expenditures) were below the final budget amounts. The most significant positive variances occurred in the County's education and economic assistance and opportunity accounts. The positive variances of \$2,659,969 (Education), and \$8,260,069 (Economic Assistance and Opportunity) mainly occurred due to Cayuga Community College lowering their rates; less stimulus monies available, and community block grants approved in the current year which cross fiscal years.

Resources available for appropriation were \$4,158,414 below the final budgeted amounts, including interfund activity. State and federal sources, which cross fiscal years, were below the final budget by \$(9,664,144). For the 2011 year, ARRA funding and State matches declined, as this is the final year for ARRA funding. A positive variance of \$4,679,000 occurred in the non-property tax items due to an increase in sales tax revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2011, the County had \$172,343,820, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net increase (including additions and deductions) of 8.1% or \$12,987,292 over last year. The biggest change happened in Construction In Progress, as construction of the E-911 Public Safety Capital Project was under way.

COUNTY OF OSWEGO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Figure 8
Capital Assets, Net of Depreciation
(In thousands)

	Total Primary Government		Percent Change
	2010	2011	2010 - 2011
<i>Land</i>	\$ 6,469	\$ 6,469	0%
<i>Construction-in-progress</i>	6,507	18,101	178.2%
<i>Buildings and improvements</i>	56,073	52,981	(5.5%)
<i>Equipment</i>	6,847	8,272	20.8%
<i>Infrastructure</i>	83,461	86,521	3.7%
Totals	\$ 159,357	\$ 172,344	8.1%

Debt Administration

Debt, both short-term and long-term, considered a liability of Governmental Activities, increased in 2011 by \$7,168,493 as shown in Figure 9. The recognition of additional postemployment benefit liabilities of \$9,055,267, offset by principal bond payments of \$1,839,839 caused total long-term liabilities to increase. Of the total debt, \$19,560,000 was subject to the constitutional debt limit and represented 5.53% of the County's statutory debt limit.

The County adopted resolutions, dated May 15, 2003, to establish a Local Development Corporation (LDC) and passed a local law to sell its rights to receive payments expected to become due under the master settlement agreement, related consent decree and final judgment with various tobacco companies. On December 18, 2003, the LDC sold the rights associated with this settlement. This sale was recorded in the new Oswego Tobacco Asset Securitization Corporation (OTASC) Fund, and the bonds associated with this debt are shown as component unit bonds. The County is not legally liable for the bonds issued by the OTASC.

Figure 9
Outstanding Debt at Years Ended
(In thousands)

	Total Primary Government		Percent Change
	2010	2011	2010 - 2011
<i>Serial bonds</i>	\$ 20,660	\$ 19,560	(5.3%)
<i>Amortization on serial bonds</i>	626	563	(10.1%)
<i>Component unit bonds</i>	15,710	15,033	(4.3%)
<i>Landfill closure and postclosure costs</i>	19,960	19,960	-0-
<i>Claims and judgments</i>	6,076	6,029	(0.8%)
<i>Other postemployment benefits</i>	31,075	40,130	29.1%
Totals	\$ 94,107	\$ 101,275	7.6%

COUNTY OF OSWEGO
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The County's bond rating is currently Aa3.

The County does not purchase insurance to pay its obligations under Workers' Compensation Law and has claims and judgments of \$6,028,803 outstanding at year end compared with \$6,075,738 last year. Other obligations include future landfill maintenance costs. More detailed information about the County's long-term liabilities is presented in Note 3-B-4 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors, including the current economy, when setting the fiscal year ending December 31, 2011 budget tax rates and fees.

Unemployment in Oswego County averaged 10.3% in 2011 and 10.8% in 2010. Inflation was 2.9% in 2011 and 1.6% in 2010.

These indicators were taken into account when adopting the General Fund budget for 2012. Amounts available for appropriation in the General Fund budget are \$169,017,291, an increase of 2.6% over the adopted December 31, 2011 budget of \$164,764,863.

Real property taxes increased \$5,695,604 or 15.4% for the 2012 budget. Appropriations increased \$4,134,071 or 2.2% for the 2012 budget, mainly due to inflation factors.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and 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 the report or need any additional financial information, contact John W. Kruk, County Treasurer, 46 East Bridge Street, Oswego, New York 13126.

COUNTY OF OSWEGO
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Component Units		
	Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 37,008,528	\$ 12,591	\$ 9,534,734
Restricted cash and cash equivalents	5,252,612		
Investments	2,087,500		
Taxes receivable, net	21,898,569		
Accounts receivable, net	13,419,712		9,049,352
Due from state and federal governments	16,217,020		
Due from other governments	44,169		
Prepaid expenses	1,903,884		1,229,720
Inventories		2,443	
Total Current Assets	97,831,994	15,034	19,813,806
Noncurrent Assets:			
Restricted cash and cash equivalents	22,838,954		
Restricted investments	2,713,886		
Land and construction in progress	24,569,737		
Capital assets, net of accumulated depreciation (See Note 2-A-6)	147,774,083		
Total Assets	295,728,654	15,034	19,813,806
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	7,633,012		500
Accrued liabilities	7,564,441		
Interest payable	790,067		
Due to other governments	8,699,523		1,522
Compensated absences	2,362,042		
Deferred revenue	2,421,140		13,967
Current portion of long-term liabilities	5,313,986		
Total Current Liabilities	34,784,211		15,989
Long-term liabilities, net of current portion:			
Other postemployment benefits	40,130,354		
Other long-term liabilities	49,955,474		812,500
Total Liabilities	124,870,039	-0-	828,489
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	157,850,743		
Restricted for:			
Debt	1,784,406		
Community Development	32,390,508		13,343,989
Unrestricted	(21,167,042)	15,034	5,641,328
Total Net Assets	\$ 170,858,615	\$ 15,034	\$ 18,985,317

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>FUNCTIONS/PROGRAMS</u>				
Primary Government:				
Governmental Activities:				
General government	\$ 28,548,787	\$ 4,508,898	\$ 381,637	\$ _____
Education	9,816,293	_____	3,679,609	_____
Public safety	26,640,629	944,795	2,790,066	_____
Public health	13,573,980	3,771,157	5,199,338	_____
Transportation	25,165,644	5,271,208	4,117,616	3,798,471
Economic assistance and opportunity	74,484,630	3,389,082	32,252,858	_____
Culture and recreation	1,337,332	178,028	469,175	_____
Home and community services	12,205,507	6,996,290	888,585	_____
Interest on long-term debt	2,454,907	_____	_____	_____
Total Governmental Activities	194,227,709	25,059,458	49,778,884	3,798,471
Total Primary Government	\$ 194,227,709	\$ 25,059,458	\$ 49,778,884	\$ 3,798,471
Component Units:				
Soil and Water Conservation District	\$ 463,523	\$ 59,486	\$ 291,257	\$ _____
Industrial Development Agency	422,596	588,423	_____	_____
Total Component Units	\$ 886,119	\$ 647,909	\$ 291,257	\$ -0-

Net (Expense) and Changes in Net Assets brought forward

GENERAL REVENUES

Taxes:

- Property taxes, levied for general purposes
- Property tax items
- Sales taxes
- Other taxes
- Tobacco settlement payments
- Cogeneration facility settlement
- Use of money and property
- Miscellaneous
- Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Component Units</u>	
	<u>Soil and Water Conservation District</u>	<u>Industrial Development Agency</u>
\$ (23,658,252)	\$ _____	\$ _____
(6,136,684)	_____	_____
(22,905,768)	_____	_____
(4,603,485)	_____	_____
(11,978,349)	_____	_____
(38,842,690)	_____	_____
(690,129)	_____	_____
(4,320,632)	_____	_____
(2,454,907)	_____	_____
(115,590,896)	-0-	-0-
(115,590,896)	-0-	-0-
_____	(112,780)	_____
_____	_____	165,827
-0-	(112,780)	165,827
-0-	(112,780)	165,827
44,417,191	_____	_____
18,917,611	_____	175,963
40,300,991	_____	_____
439,407	_____	_____
1,497,941	_____	_____
_____	_____	1,500,000
734,713	_____	13,900
1,373,881	80,260	3,296
107,681,735	80,260	1,693,159
(7,909,161)	(32,520)	1,858,986
178,767,776	47,554	17,126,331
<u>\$ 170,858,615</u>	<u>\$ 15,034</u>	<u>\$ 18,985,317</u>

COUNTY OF OSWEGO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Major Funds			
	General Fund	OTASC Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents - Unrestricted	\$ 36,330,196	\$	\$ 549,826	\$ 36,880,022
- Restricted	22,711,749	118,118	5,261,699	28,091,566
Temporary investments	2,087,500			2,087,500
Restricted investments		2,713,886		2,713,886
Taxes receivable (net)	21,898,569			21,898,569
Tobacco settlement receivable		1,500,000		1,500,000
Due from other funds	2,707,741		13,214,218	15,921,959
Due from state and federal governments	13,090,446		3,126,574	16,217,020
Due from other governments	44,169			44,169
Other receivables, net	10,674,695		1,011,190	11,685,885
Prepaid expenses	1,750,704			1,750,704
 Total Assets	 \$ 111,295,769	 \$ 4,332,004	 \$ 23,163,507	 \$ 138,791,280
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 6,027,653	\$	\$ 1,571,901	\$ 7,599,554
Due to other funds	19,308,326		2,707,741	22,016,067
Due to other governments	8,699,523			8,699,523
Compensated absences	1,757,186		604,856	2,362,042
Deferred revenues	15,650,685		1,667,350	17,318,035
 Total Liabilities	 51,443,373	 -0-	 6,551,848	 57,995,221
 Fund Balances:				
Nonspendable	1,750,704			1,750,704
Restricted	22,588,639	4,332,004	10,536,788	37,457,431
Assigned	4,222,767		6,074,871	10,297,638
Unassigned	31,290,286			31,290,286
 Total Fund Balances	 59,852,396	 4,332,004	 16,611,659	 80,796,059
 Total Liabilities and Fund Balances	 \$ 111,295,769	 \$ 4,332,004	 \$ 23,163,507	 \$ 138,791,280

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total Governmental Fund Balances		\$ <u>80,796,059</u>
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.</p>		
Historical cost	\$ 446,598,055	
Accumulated depreciation	<u>(274,254,235)</u>	<u>172,343,820</u>
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p>		
		<u>14,896,895</u>
<p>Internal Service Funds are used by management to charge the costs of certain activities, such as health and workers' compensation insurance. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Assets.</p>		
		<u>(1,168,520)</u>
<p>Certain accrued expenses reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.</p>		
		<u>(1,326,140)</u>
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable	\$ (19,560,000)	
Other postemployment benefits	(40,130,354)	
Component unit bonds payable	(15,033,145)	
Landfill closure and postclosure costs	<u>(19,960,000)</u>	<u>(94,683,499)</u>
Net Assets of Governmental Activities		<u>\$ 170,858,615</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Major Funds			Total Governmental Funds
	General Fund	OTASC Debt Service Fund	Non-Major Governmental Funds	
<u>REVENUES</u>				
Real property taxes	\$ 44,417,191	\$	\$	\$ 44,417,191
Real property tax items	18,917,611			18,917,611
Nonproperty tax items	40,598,000			40,598,000
Departmental income	10,936,649		7,006,903	17,943,552
Intergovernmental charges	354,195		2,572,014	2,926,209
Use of money and property	582,984	150,466	597,725	1,331,175
Licenses and permits	46,180		1,450	47,630
Fines and forfeitures	293,229			293,229
Sale of property and compensation for loss	386,708	1,497,941	2,688,080	4,572,729
Miscellaneous local sources	785,066		144,628	929,694
Interfund revenues	67,901		860,197	928,098
State sources	26,272,960		3,159,938	29,432,898
Federal sources	18,878,203		5,261,379	24,139,582
Total Revenues	<u>162,536,877</u>	<u>1,648,407</u>	<u>22,292,314</u>	<u>186,477,598</u>
<u>EXPENDITURES</u>				
Current:				
General governmental support	25,175,715	36,622		25,212,337
Education	9,726,348			9,726,348
Public safety	18,826,733			18,826,733
Public health	11,141,791			11,141,791
Transportation	1,540,946		15,674,827	17,215,773
Economic assistance and opportunity	64,754,773		2,638,314	67,393,087
Culture and recreation	1,071,426			1,071,426
Home and community services	1,978,348		6,570,981	8,549,329
Employee benefits	967,112		162,293	1,129,405
Debt service principal and interest		1,699,075	2,006,344	3,705,419
Capital outlay			21,500,642	21,500,642
Total Expenditures	<u>135,183,192</u>	<u>1,735,697</u>	<u>48,553,401</u>	<u>185,472,290</u>
Excess of Revenues (Expenditures)	<u>27,353,685</u>	<u>(87,290)</u>	<u>(26,261,087)</u>	<u>1,005,308</u>
<u>OTHER FINANCING (USES) SOURCES</u>				
Interfund transfers in	5,000		17,821,166	17,826,166
Interfund transfers (out)	(27,093,114)	(1,215,550)	(858,022)	(29,166,686)
Total Other Financing (Uses) Sources	<u>(27,088,114)</u>	<u>(1,215,550)</u>	<u>16,963,144</u>	<u>(11,340,520)</u>
Excess of Revenues (Expenditures) and Other Financing (Uses) Sources	<u>265,571</u>	<u>(1,302,840)</u>	<u>(9,297,943)</u>	<u>(10,335,212)</u>
Fund Balances, Beginning	<u>59,586,825</u>	<u>5,634,844</u>	<u>25,909,602</u>	<u>91,131,271</u>
Fund Balances, Ending	<u>\$ 59,852,396</u>	<u>\$ 4,332,004</u>	<u>\$ 16,611,659</u>	<u>\$ 80,796,059</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (10,335,212)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	\$ 24,171,948	
Depreciation expense	<u>(11,024,977)</u>	<u>13,146,971</u>

Sales of capital assets are reported net of the book value of the asset in the Statement of Activities; on the Statement of Revenues, Expenditures, and Changes in Fund Balances, the sale is reported at the amount received. This is the book value of assets sold.

(159,679)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

(124,376)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

1,777,268

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Change in interest payable	\$ (423,932)	
Change in other postemployment benefits	<u>(9,055,267)</u>	<u>(9,479,199)</u>

Internal Service Funds are used by management to charge the costs of certain activities, such as workers compensation and insurance, to individual funds. The net (expense) of the Internal Service Fund is reported with Governmental Activities.

(2,734,934)

Change in Net Assets of Governmental Activities	\$ <u><u>(7,909,161)</u></u>
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See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
DECEMBER 31, 2011

		<u>Governmental Activities</u> <u>Internal Service Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$	128,506
Accounts receivable, net		<u>206,765</u>
Due from other funds		<u>6,094,108</u>
Total Current Assets		<u>6,429,379</u>
Total Assets		<u>6,429,379</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable		<u>31,980</u>
Accrued liabilities		<u>1,478</u>
Total Current Liabilities		<u>33,458</u>
Noncurrent Liabilities:		
Other liabilities		<u>7,564,441</u>
Total Noncurrent Liabilities		<u>7,564,441</u>
Total Liabilities		<u>7,597,899</u>
<u>NET ASSETS</u>		
Unrestricted		<u>(1,168,520)</u>
Total Net Assets	\$	<u><u>(1,168,520)</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Governmental Activities Internal Service Fund</u>
<u>OPERATING REVENUES</u>	
Charges for services	\$ 2,177,250
Interfund transfer	11,340,520
Other operating revenues	2,802,222
Total Operating Revenues	<u>16,319,992</u>
<u>OPERATING EXPENSES</u>	
Salaries and wages	24,130
Fringe benefits	6,284
Contractual services	61,267
Benefits and awards	19,244,749
Total Operating Expenses	<u>19,336,430</u>
(Loss) from Operations	<u>(3,016,438)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest income	3,034
Donated services	278,470
Total Nonoperating Revenues	<u>281,504</u>
Change in Net Assets	(2,734,934)
Total Net Assets, Beginning	<u>1,566,414</u>
Total Net Assets, Ending	<u><u>\$ (1,168,520)</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Activities <u>Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received from providing services	\$ 19,301,142
Cash payments - Employees	<u>(30,275)</u>
Cash payments - Suppliers	<u>(61,657)</u>
Cash payments - Benefits and awards	<u>(19,212,906)</u>
Net Cash Provided by Operating Activities	<u>(3,696)</u>
Cash Flows from Non-Capital Financing Activities:	
Net Cash Provided by Non-Capital Financing Activities	<u>-0-</u>
Cash Flows from Capital and Related Financing Activities:	
Net Cash Provided by Capital and Related Financing Activities	<u>-0-</u>
Cash Flows from Investing Activities:	
Interest income received	<u>3,034</u>
Net Cash Provided by Investing Activities	<u>3,034</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(662)</u>
Cash and Cash Equivalents, January 1,	<u>129,168</u>
Cash and Cash Equivalents, December 31,	<u><u>\$ 128,506</u></u>
Reconciliation of (Loss) from Operations to Net Cash Provided by Operating Activities:	
(Loss) from operations	\$ (3,016,438)
Decrease in interfund receivable	<u>2,522,490</u>
Decrease in other receivables	<u>180,190</u>
(Decrease) in accounts payable	<u>(390)</u>
Increase in accrued liabilities	<u>31,843</u>
Increase in other liabilities	<u>139</u>
Donated Services	<u>278,470</u>
Net Cash (Used) by Operating Activities	<u><u>\$ (3,696)</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents - Unrestricted	\$ <u>694</u>	\$ <u>1,693,916</u>
Accounts receivable		<u>621,065</u>
Securities and mortgages	<u>22,203,327</u>	
 Total Assets	 <u>22,204,021</u>	 <u>\$ 2,314,981</u>
<u>LIABILITIES</u>		
Agency liabilities		<u>\$ 2,314,981</u>
 Total Liabilities	 <u>-0-</u>	 <u>\$ 2,314,981</u>
<u>NET ASSETS</u>		
Held in Trust for Deferred Compensation	<u>\$ 22,204,021</u>	

See Independent Auditor's Report and Notes to Financial Statements

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

		Private Purpose Trust Fund
	<u>ADDITIONS</u>	
Contributions		\$ 776,686
Investment earnings		<u>1</u>
Total Additions		<u>776,687</u>
	<u>DEDUCTIONS</u>	
Total Deductions		<u>-0-</u>
Change in Net Assets		776,687
Net Assets - Beginning		<u>21,427,334</u>
Net Assets - Ending		<u>\$ 22,204,021</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Summary of Significant Accounting Policies

The financial statements of the County of Oswego (the County) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below.

A. Financial Reporting Entity

The County, which was established in 1816, is governed by County Law and other general laws of the State of New York and various local laws. The County Legislature, which is the legislative body responsible for the overall operation of the County, consists of twenty-five legislators, one from each district. Each County Legislator has one vote. The Chairman of the County Legislature serves as Chief Executive Officer and the County Treasurer serves as Chief Fiscal Officer of the County. The County provides the following basic services: public safety (including district attorney, assigned counsel, sheriff, probation, and jail), education (partial tuition to community colleges and tuition and transportation of handicapped children), public health, mental health, social services, highway maintenance, culture and recreation programs, planning, landfill, and resource recovery programs.

All governmental activities and functions performed for the County are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the 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 as set forth in GASB Statement Number 14, "The Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units."

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement Number 14, as amended by GASB Statement Number 39, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following are included as discretely presented component units:

The Industrial Development Agency is a Public Benefit Corporation created by State legislation to promote the economic welfare, recreation opportunities, and prosperity of County inhabitants. Members of the agency are appointed by the Board of Legislators which exercises no oversight responsibility. The agency members have complete responsibility for management of the agency and accountability for fiscal matters. The County is not liable for agency bonds or notes. The Industrial Development Agency is considered a component unit of the County and is discretely presented.

The Oswego County Soil and Water Conservation District was established in October 1945 under provisions of Article 3, Section 30, of the General Municipal Law. The Soil and Water Conservation District is considered a component unit of the County and is discretely presented.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

During 2003, in accordance with the laws of New York State, and the securitization of its future tobacco settlement proceeds, the Oswego Tobacco Asset Securitization Corporation (OTASC) was established. OTASC is organized as a not-for-profit local development corporation that purchased the rights to the tobacco settlement proceeds from the County. OTASC in turn, pledged and assigned all of its rights as security and as a source of payment to the New York Counties Tobacco Trust III, which issued in aggregate \$79,680,000 of Tobacco Settlement Pass-Through Bonds. The proceeds from securitizing its future proceeds amounted to \$22,150,000 and were recognized in the 2003 financial statements of the County. OTASC is deemed to be a blended component unit of the County. The bonds issued by OTASC are not obligations of the County.

Complete financial statements of individual component units can be obtained from their respective administrative offices.

B. Basic Financial Statements

The County's basic financial statements include both Government-wide (reporting the County as a whole) and Governmental Fund financial statements (reporting the County's funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either Governmental or Business-type. The County's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. Services relating to workers' compensation administration and health insurance administration are classified as internal services, and are allocated to Governmental Activities.

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of activities for the primary government and for the County's discretely presented component units. Government-wide financial statements do not include the activities reported in the Fiduciary Funds or fiduciary component units. This Government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

In the Government-wide Statement of Net Assets, the Governmental Activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the County's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the County.

The County does not allocate indirect costs. Indirect costs are reported in the function entitled "general government."

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

2. Governmental Fund Financial Statements

The financial transactions of the County are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The County records its transactions in the funds described below:

a. Governmental Funds

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following are the County's Governmental Funds:

1) Major Funds

General Fund - Principal operating fund and includes all operations not required to be recorded in other funds.

OTASC Debt Service Fund - Accounts for current payments of principal and interest on the Tobacco Settlement Pass-through Bonds and current receipts of tobacco settlement proceeds.

2) Non-Major Funds

Special Revenue Funds - Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

County Road Fund - Accounts for expenditures for highway purposes authorized by Section 114 of the Highway Law.

Road Machinery Fund - Accounts for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of the Highway Law.

Refuse and Garbage Fund - Accounts for the expense of operation and program income of the energy recovery facility.

Special Grant Fund - Accounts for funds received under the Workforce Investment Act (WIA).

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Capital Project Funds - Account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities other than those financed by the Enterprise or Internal Service Funds. The County utilizes separate funds to account for capital projects benefiting the following programs: general government, transportation, sanitation, recreation, and public safety.

Debt Service Fund - Accounts for current payments of principal and interest on general obligation long-term debt (and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness).

Permanent Funds - Resources legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs.

b. Proprietary Funds

The Proprietary Funds are used to account for activities which are similar to those often found in the private sector. The cost of providing goods or services to the general public are financed or recovered primarily through user fees. The measurement focus is upon determination of operating income, changes in net assets, financial position, and cash flows. The following Proprietary Funds are utilized:

Internal Service Fund - Accounts for special activities or services provided by one department to other departments or to other governments on a cost-reimbursement basis, and for insurance coverage when the Board has decided to have a self-insurance program on an actuarial basis. The reimbursements and premiums are treated as operating revenues of the Internal Service Fund and as expenditures/expenses of the reimbursing or insured fund. Included is the following:

Self-Insurance Funds for Workers' Compensation and Health Insurance - Accounts for the accumulation of resources for payment of compensation, assessments, and other obligations under the Workers' Compensation Law, Article 5. Health insurance is used to account for the accumulation of resources for payment of health insurance benefits.

c. Fiduciary Funds

The Fiduciary Funds are used to account for assets held by the County in a trustee or custodial capacity, and therefore are not available to support the County's programs. The following are the County's Fiduciary Funds:

Private Purpose Trust Fund - Reports all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The County uses this fund to report deferred compensation funds for its employees.

Agency Funds - Account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Funds are custodial in nature and do not involve measurement of results of operations. The most significant of the County's Agency Funds are mortgage tax and social service trust funds.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Accrual Basis - The Government-wide financial statements and the Proprietary and Fiduciary Fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis - Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The County considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. All other revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

D. Cash and Cash Equivalents/Investments

For financial statement purposes, the County considers all highly liquid investments with original maturities of three months or less as cash equivalents. Investments consist of certificates of deposit with original maturities greater than three months and are valued at cost, which approximates fair value.

E. Inventory

Inventory associated with Governmental Activities is considered immaterial at year end.

F. Real Property Taxes

Real property taxes for County purposes are levied and become a lien on the property in January of each year based on County budget requirements. These taxes are apportioned among the subdivisions of the County (the Cities of Fulton and Oswego and 22 towns) on the basis of the calculated full valuation of taxable property and among properties within the subdivisions on an ad valorem basis. Included in the amount levied by the County and spread upon the tax rolls are: taxes for town, fire protection and fire district, and special improvement district purposes; non-city school district taxes transmitted to the County for collection in accordance with statutory provisions and certain other items.

COUNTY OF OSWEGO
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The City of Fulton assumes the responsibility for enforcing collection of delinquent City and County taxes within its boundaries. County taxes levied within the City of Oswego are enforced by the County. City taxes levied prior to January 1, 2000 within the City of Oswego are enforced by the City. Taxes levied on or after January 1, 2000 are enforced by the County. All other jurisdictions normally receive payment in full from the collecting officers or the County, and tax assets arising from the levy or re-levy of taxes and tax items of those jurisdictions become the property and enforcement responsibility of the County. Real property taxes not paid within a timely period are generally included in County tax sale proceedings, and the County may ultimately take title to those parcels for which taxes have not been paid.

City School District tax delinquencies relating to parcels located outside the cities are also the enforcement responsibility of the County. City School District taxes which remain unpaid are subject to tax sale proceedings without being re-levied, and, subject to normal processing delays, the districts are generally made whole at the time of collection or tax sale, whichever is earlier.

Property taxes levied for 2011 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2011, and expected to be collected within the first sixty days of 2012, are recognized as revenues in the General Fund in 2011. Net receivables estimated to be collectible subsequent to the first sixty days of 2011 are reflected as deferred revenues. Deferred property tax revenues totaled \$14,772,519 at December 31, 2011. No amounts have been deferred in the Statement of Net Assets.

Taxes receivable at December 31, 2011 are summarized as follows:

Delinquent tax installment agreements	\$	1,994,461
Delinquent taxes		12,461,710
Delinquent Village taxes		287,781
Delinquent City taxes		904,001
Tax sale certificates		33,169
Property acquired for taxes		283,180
School taxes		5,647,424
Other		311,843
Allowance for uncollectible taxes		<u>(25,000)</u>
Totals		<u>\$ 21,898,569</u>

School taxes included in the 2011 rolls totaled \$6,042,744, including interest and penalties.

G. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

H. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of over \$5,000 for equipment and land, \$100,000 for buildings, and \$200,000 for infrastructure, which have a useful life greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

Buildings	40 years
Machinery and equipment	5 - 20 years
Infrastructure	40 years

I. Self-Insurance

1. General Liability

The County assumes the liability for most risk including comprehensive general liability, auto liability, and law enforcement liability. Judgments and claims are recorded when it is probable asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The liability is funded by annual budget appropriations from the Governmental Funds. It is management's belief that any estimated current contingent loss liabilities (i.e., those to be liquidated with available financial resources in the ensuing fiscal year), of Governmental Fund types are not significant. All revenues and expenditures related to the County's general liability self-insurance plan are recorded in the General Fund.

2. Workers' Compensation

The County participates in a Self-Insurance Plan established to pay claims and judgments for workers' compensation. The guidance provided by GASB Statement Number 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," indicates these activities should be accounted for in an Internal Service Fund. Accordingly, the County accounts for the activities of this pool in an Internal Service Fund.

In addition to the County, participation in the Plan is available to, and includes, each of the 22 towns, 10 villages, and two cities within the County. Funding of the Plan is determined annually by the County Legislature. Payments are collected through the annual tax levy for towns and cities, and are billed annually to villages. The County has not recognized any liability for claims and judgments that may have been incurred but not yet reported to the County because it is management's belief that these amounts are not significant. The County has reserved equity of approximately \$1,000,000 within the Internal Service Fund to provide for future claim losses.

Outstanding claims, as actuarially determined by an independent consultant, amounted to \$6,028,803 at December 31, 2011.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

J. Compensatory Absences

The County's employees are granted vacation, sick leave, and other leave benefits as defined in agreements between the County and four representative units. In the event of termination, an employee is entitled to payment for accumulated vacation. Upon retirement, an employee is entitled to vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

Estimated vacation accumulated by employees is recorded as an expense when earned. The liability for compensated absences is \$2,362,042 for Governmental Activities. Governmental Fund compensated absences expense is recorded in the functional area in which it is earned.

Payment of vacation recorded in the Governmental Funds is dependent upon many factors. Therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation when such payment becomes due.

K. Equity Classifications

1. Government-wide Financial Statements

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.

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 of other governments; or 2) law through constitutional provisions or enabling legislation.

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

2. Governmental Fund Financial Statements

Governmental Fund equity is classified as fund balance. Proprietary Fund equity is classified the same as in the Government-wide financial statements. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

During the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable**
Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted**
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.
- **Committed**
Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- **Assigned**
Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned**
Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The County has adopted resolutions to commit fund balance. Currently, fund balance is assigned by the County Treasurer for encumbrances and designations and the County Legislature, by resolution, approves fund balance appropriations for next year's budget. The County has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the County's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

L. Revenues

Substantially all Governmental Fund revenues are accrued. Property tax receivables expected to be received later than 60 days after year end are deferred. In applying GASB Statement Number 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Subsidies and grants to Proprietary Funds which finance either capital or current operations are reported as nonoperating revenue based on GASB Statement Number 33.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

M. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements reflect when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between Governmental or Proprietary Funds are netted as part of the reconciliation to the Government-wide financial statements.

Note 2 - Stewardship, Compliance and Accountability

A. Deficit Fund Balance

The Internal Service Fund reported a deficit fund balance of \$(1,168,520) as of December 31, 2011. This deficit resulted from benefits and awards exceeding operating revenues. There was no deficit fund balance as of December 31, 2010.

Note 3 - Detail Notes

A. Assets

1. Cash and Investments

Pooled Cash - During 2011, the County pooled its cash from all funds, except for cash required by law to be segregated, into a concentration account for investment purposes. County officials decided to apply all interest earned on these investments to the General Fund, with the exception of reserve funds and bonded indebtedness.

In addition, the County has investments in securities at December 31, 2011 of \$2,087,500 in repurchase agreements, \$22,203,327 as deferred compensation assets, and \$2,713,886 in OTASC investments.

Cash restricted in the General Fund at December 31, 2011 is for capital and insurance reserves.

2. Investment Policy

The County's investment policies are governed by state statutes. State statutes provide that the County may invest funds only when those funds are not currently needed and may invest only in government obligations and secured time deposits with commercial banks or trust companies. Investments are recorded at cost. The market value of investments at December 31, 2011 approximates cost. In addition, the County has its own written investment policy. The County's monies must be deposited in Federal Deposit Insurance Corporation (the FDIC) insured commercial banks or trust companies located within the state.

The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Collateral is required for demand and time deposits and certificates of deposit at the value of all deposits not covered by the FDIC. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least the cost of the repurchase agreement.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. While the County does not have a specific policy for custodial credit risk, New York State statutes govern the County's investment policies, as discussed previously in these notes. GASB Statement Number 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County's aggregate bank balances of \$70,928,091 and the discretely presented component units' balances of \$9,549,393 are either insured or collateralized with securities held by the pledging financial institution in the County and IDA's names, respectively.

Investments, including investments by OTASC, are stated at fair value.

3. Long-term Receivables

The County has contracted with Operation Oswego County, Inc. (OOC), a not-for-profit corporation, to supervise the development of an industrial park, to lease sites, and to manage and operate said park. As of December 31, 2011, the amounts advanced by the County to OOC for land purchases total approximately \$261,973 which, according to the contract, will be reimbursed to the County if and when the park sites are developed and sold or leased. The County charges the payments made to OOC to expenditures of the Capital Projects Fund in the year they were made and includes the associated asset in the Statement of Net Assets. During 2007, the County contracted with OOC for the lease of space at the Oswego County Business Expansion Center. The advances above have been reduced by \$36,798 for the lease of this space.

This receivable is not reflected in the County's financial statements at December 31, 2011; however, had it been reflected, it would have been substantially offset by an allowance for doubtful accounts in the Government-wide financial statements and deferred revenues in the Governmental Fund financial statements.

The Internal Service Fund has a mortgage receivable of \$153,902 and an accounts receivable for health \$52,863 on December 31, 2011. These receivables are reflected in the County's financial statements.

4. Sales Tax

A 4% sales tax is levied in and for the County under the general authority of Article 29 of the Tax Law and specific authority of local law. This tax is administered and collected by the State Sales Tax Commission in the same manner as the State imposed 4% sales and compensating use tax. Net collections, meaning monies collected after deducting therefrom expenses of administration and collection and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State to the County on a monthly basis. The amount of sales taxes receivable at year end is \$5,305,923.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

5. Other Receivables

Other receivables as of December 31, 2011, are as follows:

Major Funds:	
General Fund:	
Sales tax collections	\$ 5,305,923
Real property Pro-tax	3,541,017
Health department fees	996,090
Other	<u>831,665</u>
Total General Fund	<u>\$ 10,674,695</u>
Non-Major Funds:	
Special Revenue Funds:	
County Road:	
Rental reimbursements	\$ 3,966
Sale of materials	<u>71,907</u>
Total County Road Fund	<u>75,873</u>
Road Machinery:	
Rental reimbursements	<u>1,949</u>
Refuse and Garbage:	
Sale of materials	<u>854,807</u>
Debt Service:	
Other	<u>78,561</u>
Total Non-Major Governmental Funds	<u>\$ 1,011,190</u>

6. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance at 12/31/10	Additions	Deletions	Balance at 12/31/11
<u>Governmental Activities:</u>				
Nondepreciable:				
Land	\$ 6,468,896	\$	\$	\$ 6,468,896
Construction in progress	<u>6,507,038</u>	<u>14,878,167</u>	<u>(3,284,364)</u>	<u>18,100,841</u>
Total Nondepreciable	<u>12,975,934</u>	<u>14,878,167</u>	<u>(3,284,364)</u>	<u>24,569,737</u>
Depreciable:				
Buildings	120,168,980			120,168,980
Machinery and equipment	35,597,359	3,022,849	(1,980,919)	36,639,289
Infrastructure	255,664,753	9,555,296		265,220,049
Total Depreciable	<u>411,431,092</u>	<u>12,578,145</u>	<u>(1,980,919)</u>	<u>422,028,318</u>
Total Historical Cost	<u>424,407,026</u>	<u>27,456,312</u>	<u>(5,265,283)</u>	<u>446,598,055</u>
Less Accumulated Depreciation:				
Buildings	(64,096,011)	(3,091,988)		(67,187,999)
Machinery and equipment	(28,750,826)	(1,437,307)	1,821,240	(28,366,893)
Infrastructure	(172,203,661)	(6,495,682)		(178,699,343)
Total Accumulated Depreciation	<u>(265,050,498)</u>	<u>(11,024,977)</u>	<u>1,821,240</u>	<u>(274,254,235)</u>
Governmental Activities Capital Assets, Net	<u>\$ 159,356,528</u>	<u>\$ 16,431,335</u>	<u>\$ (3,444,043)</u>	<u>\$ 172,343,820</u>

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General governmental support	\$ 426,820
Public safety	818,545
Public health	132,954
Transportation	7,810,409
Economic assistance and opportunity	242,422
Culture and recreation	19,560
Home and community services	<u>1,574,267</u>
Total Governmental Activities Depreciation Expense	<u>\$ 11,024,977</u>

B. Liabilities

1. Pension Plans

a. General Information

The County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple-employer defined benefit retirement system, which provides retirement benefits. Obligations of employers and employees to contribute, and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) 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 funds.

The System issues 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, 110 State Street, Albany, New York 12244.

b. Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 and have less than ten years of credited service. These members contribute 3% of their salary. Prior to October 2000, all County employees who joined after July 27, 1976 were required to contribute 3%, but the laws were modified to forgive the 3% contribution for those with ten or more years of service time. Those joining NYSERS on or after January 1, 2010 are required to contribute 3% of their annual salary for their entire working career. 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 the employer to the Pension Accumulation Fund.

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

<u>Year</u>	<u>ERS</u>
2011	\$ 7,041,020
2010	5,162,477
2009	2,879,232

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The County's contributions made to the System were equal to 100% of the contributions required for each of the years. The System's pension relief legislation (New York State Chapter 620, Laws of 2004) was enacted to provide employers with relief in payment of their annual ERS cost. This legislation provides several options to employers, including delaying their payments from December 15 to February 6 of the ensuing year, payment of a portion of their cost over an amortized period, and the means to issue serial bonds to provide funding for the employer's liability. In addition, the employer was given the option of making full payment on December 15 at a discounted amount. The County exercised its option of making payment on December 15, 2011, equal to 100% of the contributions required for the year.

The New York State Legislature has authorized local governments to make available retirement incentive programs. The County participates in early retirement programs when they are offered and has elected to pay the related cost over a five year amortization period, which includes interest at rates ranging from 8% to 8.5%. There is no remaining liability for these incentive programs at December 31, 2011.

2. Other Postemployment Benefits

In 2007, the County adopted Government Accounting Standards Board (GASB) Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." In the past, the County reported the cost of retiree health care on a "pay-as-you-go" basis.

The County of Oswego Healthcare Plan (Plan) is a single-employer defined benefit Healthcare Plan administered by the County of Oswego. The Plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. The County of Oswego assigns the authority to establish and amend benefit provisions to the County Legislature. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2011, the County contributed \$3,105,548 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation to the County of Oswego Healthcare Plan:

Normal cost	\$ 5,406,814
Amortization of UAAL	7,238,955
Total Annual Required Contribution	12,645,769
Interest on net OPEB obligation	1,243,003
Adjustment to annual required contribution	(1,727,957)
Annual OPEB cost (expense)	12,160,815
Contributions made on behalf of 472 retirees	(3,105,548)
Increase in Net OPEB Obligation	9,055,267
 Net OPEB Obligation - January 1, 2011	 31,075,087
 Net OPEB Obligation - December 31, 2011	 \$ 40,130,354

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the current year and two preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/11	\$ 12,160,815	25.5%	\$ 40,130,354
12/31/10	\$ 10,014,597	25.4%	\$ 31,075,087
12/31/09	\$ 9,632,817	23.6%	\$ 23,599,460

As of January 1, 2011, the most recent actuarial valuation date, the Plan was 22.4% funded. The actuarial accrued liability for benefits was \$125,176,250; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$44,165,776 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 283%.

Actuarial valuations of an ongoing Plan involve 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 funded status of the 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 Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposed are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each 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 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.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

In the January 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 9% initially (14% for prescription drug coverage) reduced by decrements to an ultimate rate of 5% after ten years. Both rates included a 4% inflation assumption.

3. Short-term Debt

a. Bond Anticipation Notes

Bond Anticipation Notes (BANs) issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as long-term debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

During the year ended December 31, 2011, no BANs were issued or redeemed.

4. Long-term Liabilities

At December 31, 2011, the total outstanding bonded indebtedness of the County, not including OTASC debt, aggregated \$19,560,000. The total outstanding debt was subject to the constitutional debt limit and represented 5.53% of its debt limit.

a. Serial Bonds

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

<u>Governmental Activities Bonds</u>	<u>Original Date Issued</u>	<u>Original Debt</u>	<u>Interest Rate</u>	<u>Date Final Maturity</u>	<u>2011 Amount Paid</u>	<u>Balance 12/31/11</u>
Public Improvement (Public Safety)	11/2010	\$ 18,460,000	3.1-6.0%	03/21	\$ -0-	\$ 18,460,000
Public Improvement (Public Safety)	1991	<u>19,000,000</u>	6.6-6.7%	06/12	<u>1,100,000</u>	<u>1,100,000</u>
Total		<u>\$ 37,460,000</u>			<u>\$ 1,100,000</u>	<u>\$ 19,560,000</u>

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

b. Component Unit Debt

During 2003, OTASC issued serial bonds in connection with the securitization of the County's tobacco rights. The bonds carry an interest rate of 5.64% and include annual payments on June 1. Final payment is due in 2043, although OTASC has been paying under accelerated turbo redemptions. As of December 31, 2011 the balance is as follows:

Bonds issued	\$	15,655,000
Less: Discount on bonds payable		(468,675)
Less: Deferred bond issue costs		<u>(153,180)</u>
Net Bond Amount	\$	<u>15,033,145</u>

c. Postclosure Care - Landfill

Postclosure care - Landfill represents the financial obligation related to closure and postclosure care of the landfill. Liquidation of this liability occurs via expenditures in the Refuse and Garbage Fund.

d. Claims and Judgments

Claims and judgments represent the estimated liability for claims for workers' compensation that have been incurred but not reported. This liability is liquidated by the County's Internal Service Fund.

e. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011 was as follows:

	<u>Balance at</u> <u>12/31/10</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance at</u> <u>12/31/11</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Serial bonds	\$ 20,660,000	\$	\$ (1,100,000)	\$ 19,560,000	\$ 2,625,000
Amortization of premium on serial bonds	625,706		(62,571)	563,135	62,571
Component unit bonds	15,710,413		(677,268)	15,033,145	2,626,415
Landfill closure and post closure costs	19,960,000			19,960,000	
Claims and judgments	6,075,738		(46,935)	6,028,803	
Other postemployment benefits	<u>31,075,087</u>	<u>12,160,815</u>	<u>(3,105,548)</u>	<u>40,130,354</u>	
 Total Governmental Activities Long-term Liabilities	 <u>\$ 94,106,944</u>	 <u>\$ 12,160,815</u>	 <u>\$ (4,992,322)</u>	 <u>\$ 101,275,437</u>	 <u>\$ 5,313,986</u>

Additions and decreases to claims and judgments are shown net, as it is impractical to separately determine these amounts.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

f. Debt Service

Debt service requirements at December 31, 2011 were as follows:

Year	Serial Bonds Principal	Serial Bonds Interest	Component Unit Bonds Principal	Component Unit Bonds Interest	Total Due
2012	\$ 2,625,000	\$ 952,434	\$ 2,685,000	\$ 812,743	\$ 7,075,177
2013	1,570,000	865,495	1,485,000	730,518	4,651,013
2014	1,620,000	797,727	1,595,000	640,613	4,653,340
2015	1,705,000	712,773	1,725,000	541,650	4,684,423
2016	1,790,000	623,477	1,855,000	434,250	4,702,727
2017-2021	<u>10,250,000</u>	<u>1,535,338</u>	<u>6,310,000</u>	<u>558,900</u>	<u>18,654,238</u>
Total	<u>\$ 19,560,000</u>	<u>\$ 5,487,244</u>	<u>\$ 15,655,000</u>	<u>\$ 3,718,674</u>	<u>\$ 44,420,918</u>

Interest reported in the Statement of Activities is as follows:

Interest paid - Debt Service Fund	\$ 906,344
Interest paid - OTASC	998,924
Add: Increase in accrued interest	612,210
Less: Amortization on serial bonds	<u>(62,571)</u>
Total Interest	<u>\$ 2,454,907</u>

g. Landfill Closure and Postclosure Care Cost

The County maintains three landfill sites, two of which are not accepting additional waste. State and Federal laws and regulations require the County to place final covers on its landfill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for 30 years after closure.

East Seneca Street Site: This site is still subject to negotiations between the Department of Environmental Conservation (DEC) and the County. Outside engineers have estimated landfill closure costs on this site to be in the range of \$6.5 to \$7.0 million using contract closure. Future postclosure care costs should be approximately \$50,000 per year for 10 years.

Volney (Silk Road) Landfill: The long-term management of the closed site includes groundwater monitoring, remediation, LFG control, leachate removal, and general site maintenance, which has been estimated at \$40,000 per year for 30 years. These costs are currently budgeted by the County.

Bristol Hill Landfill: This site accepts waste currently and has capped 18 acres of a possible 90 acres. This site has a capacity at current filling rates to last approximately another 40 years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The liability associated with this site for closure and postclosure care costs is based on the landfill capacity used to date.

Total future closure costs and postclosure expenses are estimated at \$19,960,000.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

C. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Governmental and Fiduciary Funds financial statements generally reflect such transactions as transfers whereas the Proprietary Fund records such transactions as non-operating revenues or expenses.

Interfund transactions for the year ended December 31, 2011 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenue</u>	<u>Interfund Expenditure</u>
Major Funds:				
General Fund	\$ 2,707,741	\$ 19,308,326	\$ 5,000	\$ 27,093,114
OTASC Fund				1,215,550
Total Major Funds	<u>2,707,741</u>	<u>19,308,326</u>	<u>5,000</u>	<u>28,308,664</u>
Non-Major Governmental Funds:				
Special Revenue Funds:				
County Road Fund	2,459,697		5,370,362	124,750
Road Machinery Fund	173,550		2,709,039	24,600
Refuse and Garbage Fund	1,439,538		49,275	700,000
Special Grant Fund		25,755		
Debt Service Fund	123,110		1,981,446	
Capital Project Funds	<u>9,018,323</u>	<u>2,681,986</u>	<u>7,711,044</u>	<u>8,672</u>
Total Non-Major Governmental Funds	<u>13,214,218</u>	<u>2,707,741</u>	<u>17,821,166</u>	<u>858,022</u>
Proprietary Funds:				
Governmental Activities:				
Internal Service Funds	<u>6,094,108</u>		<u>11,340,520</u>	
Totals	<u>\$ 22,016,067</u>	<u>\$ 22,016,067</u>	<u>\$ 29,166,686</u>	<u>\$ 29,166,686</u>

D. Commitments and Contingent Liabilities

1. Claims and Lawsuits

The County or its agencies are named in several lawsuits arising in the ordinary course of the County's operations. These claims and lawsuits, in the opinion of management, are either adequately covered by insurance or will not result in a material impact on the financial position of the County and, therefore, are not reflected in the accompanying financial statements.

2. Grant Noncompliance

The County participates in a number of federal and state assisted programs which are subject to periodic program compliance audits by the grantors or their representatives. Accordingly, any noncompliance by the County with the applicable programs could be established at some future date and have a material effect on the financial condition of the County. There were no material questioned or disallowed costs which have been communicated by grantors as a result of audits for the year ended December 31, 2011.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

3. Other Litigation

The County and/or its agencies are named in several other lawsuits, some of which are for substantial amounts. These claims are either adequately covered by insurance or, in the opinion of County officials, will not result in material judgments against the County or will not be pursued and, therefore, are not expected to have a material effect on the financial statements.

4. Insurance Reserve

In 1988, the County established an Insurance Reserve Fund pursuant to General Municipal Law Section 6-n as a result of its decision to self-insure public officials liability, policy professionals' liability, pollution, and environmental impairment liability, and the \$250,000 deductible for streets and roads liability insurance coverage. In the opinion of County officials, there are no known claims affecting the above self-insurance risk areas which may result in material judgments against the County. This Insurance Reserve is reported in the General Fund.

5. Unemployment Insurance

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

6. Large Taxpayer

Constellation Power (formerly Niagara Mohawk) paid \$10,056,335 of a pilot agreement on the two Nuclear Power Plants located in the Town of Scriba for their portion of County property taxes recognized in 2011. The amount paid by Constellation represents 16.98% of the recognized real property taxes and payment in lieu of tax agreements.

7. Tobacco Settlement

During 1998, New York State and its localities achieved final approval of the Master Settlement Agreement with the tobacco industry. The settlement represents reimbursement to the State for medical costs incurred, primarily paid by Medicaid, from treating smoking-related illnesses. There are a number of risks associated with the tobacco settlement that may cause the settlement amount to change. These risks include inflating adjustments, adjustments for consumption of cigarettes, bankruptcy by tobacco companies, federal litigation, and individual and class action lawsuits. The County is to receive approximately \$45,000,000 over the next 25 years. The County has already received \$23,578,716 of this amount through December 31, 2011.

E. Deferred Compensation Plan

Employees of the County may elect to participate in a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

In October 1997, the GASB issued Statement Number 32, "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Plans." This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments. Because Plan assets are held by an outside trustee, they are reported in a Private Purpose Trust Fund as part of the fiduciary financial statements. As of December 31, 2011, the market value of the assets of the Plan totaled \$22,203,327.

F. Fund Balance

1. Fund Balance Detail

At December 31, 2011, fund balance in the governmental funds was comprised of the following:

	General Fund	OTASC Debt Service Fund	Non-Major Funds
	_____	_____	_____
<u>Nonspendable:</u>			
Prepaid Expenses	\$ 1,750,704	\$ _____	\$ _____
Total Nonspendable Fund Balance	\$ <u>1,750,704</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
<u>Restricted:</u>			
Capital Reserves	\$ 21,943,475		\$ _____
Insurance Reserves	645,164		
Reserve for Debt		4,332,004	210,758
Unspent Grant Proceeds			5,259,107
Unspent Debt Proceeds			5,066,923
Total Restricted Fund Balance	\$ <u>22,588,639</u>	\$ <u>4,332,004</u>	\$ <u>10,536,788</u>
<u>Assigned:</u>			
Appropriated for next year's budget	\$ 4,000,000		\$ _____
Encumbered for:			
General Government	35,268		
Public Safety	83,771		
Public Health	33,039		
Transportation	2,875		102,941
Economic Assistance and Opportunity	67,814		5,032
Assigned for:			
General Government			532,991
Public Safety			379,307
Transportation			1,736,111
Economic Assistance and Opportunity			3,318,489
Total Assigned Fund Balance	\$ <u>4,222,767</u>	\$ <u>-0-</u>	\$ <u>6,074,871</u>
<u>Unassigned:</u>			
Unassigned fund balance	\$ 31,290,286	\$ _____	\$ _____
Total Unassigned Fund Balance	\$ <u>31,290,286</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

COUNTY OF OSWEGO
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

a. Reconciliation between Restricted Fund Balance and Restricted Net Assets

Restricted fund balances and restricted net assets differ because unspent debt proceeds are reported as restricted fund balance in the fund financial statements and as a portion of invested in capital, net of related debt in the Statement of Net Assets.

Restricted fund balance in the fund financial statements	\$ 37,457,431
Less unspent debt proceeds	<u>(5,066,923)</u>
Restricted net assets in the Government-wide financial statements	<u>\$ 32,390,508</u>

COUNTY OF OSWEGO
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav. (Unfav.)
<u>REVENUES</u>					
Real property taxes	\$ 30,468,927	\$ 34,968,927	\$ 44,417,191	\$	\$ 9,448,264
Real property tax items	25,177,521	25,222,521	18,917,611		(6,304,910)
Nonproperty tax items	35,919,000	35,919,000	40,598,000		4,679,000
Departmental income	11,852,278	12,451,562	10,936,649		(1,514,913)
Intergovernmental charges	5,069,070		354,195		354,195
Use of money and property	669,800	674,800	582,984		(91,816)
Licenses and permits	15,000	15,000	46,180		31,180
Fines and forfeitures	30,000	30,000	293,229		263,229
Sale of property and compensation for loss			386,708		386,708
Miscellaneous local sources	573,870	943,174	785,066		(158,108)
Interfund revenues	60,000	60,000	67,901		7,901
State sources	28,338,816	30,504,470	26,272,960		(4,231,510)
Federal sources	20,105,581	24,310,837	18,878,203		(5,432,634)
Total Revenues	<u>158,279,863</u>	<u>165,100,291</u>	<u>162,536,877</u>	-0-	<u>(2,563,414)</u>
<u>EXPENDITURES</u>					
Current:					
General governmental support	26,030,298	26,601,339	25,175,715	35,268	1,390,356
Education	12,950,000	12,386,317	9,726,348		2,659,969
Public safety	18,401,228	20,363,482	18,826,733	83,771	1,452,978
Public health	12,010,881	12,925,681	11,141,791	33,039	1,750,851
Transportation	940,573	1,846,380	1,540,946	2,875	302,559
Economic assistance and opportunity	70,614,768	73,082,656	64,754,773	67,814	8,260,069
Culture and recreation	1,190,316	1,194,862	1,071,426		123,436
Home and community services	1,350,438	2,724,893	1,978,348		746,545
Employee benefits	954,120	1,106,192	967,112		139,080
Total Expenditures	<u>144,442,622</u>	<u>152,231,802</u>	<u>135,183,192</u>	222,767	16,825,843
Excess of Revenues	<u>13,837,241</u>	<u>12,868,489</u>	<u>27,353,685</u>	(222,767)	14,262,429
<u>OTHER FINANCING (USES)</u>					
Interfund transfers in		1,600,000	5,000		(1,595,000)
Interfund transfers (out)	(20,322,241)	(36,201,545)	(27,093,114)		9,108,431
Total Other Financing (Uses)	<u>(20,322,241)</u>	<u>(34,601,545)</u>	<u>(27,088,114)</u>	-0-	7,513,431
Excess of (Expenditures) Revenues and Other Financing (Uses)	<u>(6,485,000)</u>	<u>(21,733,056)</u>	<u>265,571</u>	<u>\$ (222,767)</u>	<u>\$ 21,775,860</u>
Appropriated Fund Balances	<u>6,485,000</u>	<u>21,733,056</u>			
Net Increase	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>265,571</u>		
Fund Balance, Beginning			<u>59,586,825</u>		
Fund Balance, Ending			<u>\$ 59,852,396</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

COUNTY OF OSWEGO
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Year End</u>	<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>
2011	1/1/2011	\$ <u>-0-</u>	\$ <u>125,176,250</u>	\$ <u>125,176,250</u>	0.0%	\$ <u>44,165,776</u>	283%
2010	1/1/2009	\$ <u>-0-</u>	\$ <u>107,245,149</u>	\$ <u>107,245,149</u>	0.0%	\$ <u>43,832,562</u>	245%
2009	1/1/2009	\$ <u>-0-</u>	\$ <u>101,436,910</u>	\$ <u>101,436,910</u>	0.0%	\$ <u>41,571,326</u>	244%

See Independent Auditor's Report and Notes to Required Supplementary Information

COUNTY OF OSWEGO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles for the General Fund. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in the GAAP based financial statement, but reserve a portion of the applicable appropriation, thereby ensuring appropriations are not exceeded. The accompanying Budgetary Comparison Schedule for the General Fund presents comparisons of the legally adopted budget with actual data.

Note 2 - Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

Note 3 - Budget Policies

No later than November 15, the budget officer submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except the Capital Projects, Special Grant, and Debt Service Funds.

After public hearings are conducted to obtain taxpayer comments, no later than December 20, the County Legislature adopts the budget.

Budget modifications are authorized by resolution of the County Legislature; the budget officer is authorized to transfer certain budgeted amounts, other than for personal services or equipment.

Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects and remain in effect for the life of the project. Budget controls for the Self-Insurance Fund are established through separate annual resolutions.

Note 4 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

COUNTY OF OSWEGO
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>Special Revenue Funds</u>				<u>Debt Service Fund</u>
	<u>County Road Fund</u>	<u>Road Machinery Fund</u>	<u>Refuse and Garbage Fund</u>	<u>Special Grant Fund</u>	
<u>ASSETS</u>					
Assets:					
Cash and cash equivalents - Unrestricted	\$ 21,884	\$ _____	\$ 508,366	\$ 19,301	\$ _____
- Restricted				185,689	9,087
Due from other funds	<u>2,459,697</u>	<u>173,550</u>	<u>1,439,538</u>	<u>143,463</u>	<u>123,110</u>
Due from state and federal governments				143,463	
Other receivables, net	<u>75,873</u>	<u>1,949</u>	<u>854,807</u>		<u>78,561</u>
 Total Assets	 <u>\$ 2,557,454</u>	 <u>\$ 175,499</u>	 <u>\$ 2,802,711</u>	 <u>\$ 348,453</u>	 <u>\$ 210,758</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 614,536	\$ 133,696	\$ 146,231	\$ 63,748	\$ _____
Due to other funds				25,755	
Compensated absences	<u>267,865</u>	<u>39,855</u>	<u>223,875</u>	<u>73,261</u>	
Deferred revenue	<u>1,574,060</u>		<u>93,290</u>		
Total Liabilities	<u>2,456,461</u>	<u>173,551</u>	<u>463,396</u>	<u>162,764</u>	<u>-0-</u>
Fund Balances:					
Restricted				185,689	210,758
Assigned	<u>100,993</u>	<u>1,948</u>	<u>2,339,315</u>		
Total Fund Balances	<u>100,993</u>	<u>1,948</u>	<u>2,339,315</u>	<u>185,689</u>	<u>210,758</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,557,454</u>	 <u>\$ 175,499</u>	 <u>\$ 2,802,711</u>	 <u>\$ 348,453</u>	 <u>\$ 210,758</u>

See Independent Auditors' Report

Capital Projects Funds						Total
General Government Fund	Public Safety Fund	Transportation Fund	Sanitation Fund	Recreation Fund	Permanent Fund	Non-Major Governmental Funds
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ 275	\$ 549,826
	5,066,923					5,261,699
599,891	5,478,837	1,904,411	1,035,184			13,214,218
		2,945,733		37,378		3,126,574
						1,011,190
<u>\$ 599,891</u>	<u>\$ 10,545,760</u>	<u>\$ 4,850,144</u>	<u>\$ 1,035,184</u>	<u>\$ 37,378</u>	<u>\$ 275</u>	<u>\$ 23,163,507</u>
\$ 27,260	\$ 128,597	\$ 398,837	\$ 50,978	\$ 8,018	\$ _____	\$ 1,571,901
		2,652,626		29,360		2,707,741
						604,856
						1,667,350
27,260	128,597	3,051,463	50,978	37,378	-0-	6,551,848
39,915	10,037,856	62,570				10,536,788
532,716	379,307	1,736,111	984,206		275	6,074,871
572,631	10,417,163	1,798,681	984,206	-0-	275	16,611,659
<u>\$ 599,891</u>	<u>\$ 10,545,760</u>	<u>\$ 4,850,144</u>	<u>\$ 1,035,184</u>	<u>\$ 37,378</u>	<u>\$ 275</u>	<u>\$ 23,163,507</u>

COUNTY OF OSWEGO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds				
	County Road Fund	Road Machinery Fund	Refuse and Garbage Fund	Special Grant Fund	Debt Service Fund
<u>REVENUES</u>					
Departmental income	\$ 10,613	\$	\$ 6,996,290	\$	\$
Intergovernmental charges	2,572,014				
Use of money and property		597,091	367	267	
Licenses and permits	1,450				
Sale of property and compensation for loss	2,062,911		625,169		
Miscellaneous local sources	1,737	161	12,272		104,783
Interfund revenues				860,197	
State sources	2,707,337		33,272		
Federal sources				1,882,237	130,873
Total Revenues	<u>7,356,062</u>	<u>597,252</u>	<u>7,667,370</u>	<u>2,742,701</u>	<u>235,656</u>
<u>EXPENDITURES</u>					
Current:					
Transportation	12,557,377	3,117,450			
Economic assistance and opportunity				2,638,314	
Home and community services			6,570,981		
Employee benefits		162,293			
Debt service principal and interest					2,006,344
Capital outlay					
Total Expenditures	<u>12,557,377</u>	<u>3,279,743</u>	<u>6,570,981</u>	<u>2,638,314</u>	<u>2,006,344</u>
Excess of (Expenditures) Revenues	<u>(5,201,315)</u>	<u>(2,682,491)</u>	<u>1,096,389</u>	<u>104,387</u>	<u>(1,770,688)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund transfers in	5,370,362	2,709,039	49,275		1,981,446
Interfund transfers (out)	(124,750)	(24,600)	(700,000)		
Total Other Financing Sources (Uses)	<u>5,245,612</u>	<u>2,684,439</u>	<u>(650,725)</u>	<u>-0-</u>	<u>1,981,446</u>
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	<u>44,297</u>	<u>1,948</u>	<u>445,664</u>	<u>104,387</u>	<u>210,758</u>
Fund Balances, Beginning	56,696		1,893,651	81,302	
Fund Balances, Ending	<u>\$ 100,993</u>	<u>\$ 1,948</u>	<u>\$ 2,339,315</u>	<u>\$ 185,689</u>	<u>\$ 210,758</u>

See Independent Auditor's Report

Capital Projects Funds						Total
General Government Fund	Public Safety Fund	Transportation Fund	Sanitation Fund	Recreation Fund	Permanent Fund	Non-Major Governmental Funds
\$	\$	\$	\$	\$	\$	\$ 7,006,903
						2,572,014
						597,725
						1,450
						2,688,080
25,000	675					144,628
						860,197
		419,329				3,159,938
		3,248,269				5,261,379
25,000	675	3,667,598	-0-	-0-	-0-	22,292,314
						15,674,827
						2,638,314
						6,570,981
						162,293
						2,006,344
31,391	12,218,987	8,397,581	824,367	28,316		21,500,642
31,391	12,218,987	8,397,581	824,367	28,316	-0-	48,553,401
(6,391)	(12,218,312)	(4,729,983)	(824,367)	(28,316)	-0-	(26,261,087)
454,565	238,436	6,224,004	765,723	28,316		17,821,166
(8,672)						(858,022)
445,893	238,436	6,224,004	765,723	28,316	-0-	16,963,144
439,502	(11,979,876)	1,494,021	(58,644)	-0-	-0-	(9,297,943)
133,129	22,397,039	304,660	1,042,850		275	25,909,602
\$ 572,631	\$ 10,417,163	\$ 1,798,681	\$ 984,206	\$ -0-	\$ 275	\$ 16,611,659

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Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

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

County Legislature
County of Oswego
Oswego, New York

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 County of Oswego (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 and we have issued our report thereon dated September 11, 2012. We did not audit the financial statements of the County of Oswego Industrial Development Agency. The financial statements of the County of Oswego Industrial Development Agency were audited by other auditors whose reports, issued in accordance with auditing standards generally accepted in the United States of America, have been furnished to us. 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

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

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

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.

- 41 -

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Compliance and Other Matters

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

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

Cianchi, Nutcracker, Little, Middleman, & Company, LLP

September 11, 2012
Ithaca, New York

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**INDEPENDENT AUDITOR'S 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**

County Legislature
County of Oswego
Oswego, New York

Compliance

We have audited the compliance of the County of Oswego (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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

Internal Control Over Compliance

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

- 43 -

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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 internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 County Legislature, management, 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.

Cianchi, D'Andrea, Little, Middleman, & Company, LLP

September 11, 2012
Ithaca, New York

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

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA #	Pass-Through/ Grantor ID #	Amount of Expenditures
<u>U.S. Department of Agriculture</u>			
State Administrative Matching Grants for SNAP	10.561	NYS Department of Social Services/(1)	\$ 1,142,294
Summer Food Service Program for Children	10.559	NYS DFY-04000	19,258
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,161,552</u>
<u>U.S. Department of Health and Human Services</u>			
Temporary Assistance to Needy Families	93.558	NYS Department of Social Services/(1)	10,749,329
Special Programs for the Aging (Title III, Part B)	93.044	NYS Office for the Aging/(1)	113,295
Special Programs for the Aging (Title III, Part C - Nutrition)	93.045	NYS Office for the Aging/(1)	211,553
Nutrition Services Incentive Program	93.053	NYS Office for the Aging/(1)	72,591
Total Aging Cluster			<u>397,439</u>
Foster Care (Title IV-E)	93.658	NYS Department of Social Services/(1)	1,813,530
Adoption Assistance	93.659	NYS Department of Social Services/(1)	566,211
Social Services Block Grant	93.667	NYS Department of Social Services/(1)	1,096,575
Child Support Enforcement (Title IV-D)	93.563	NYS Department of Social Services/(1)	639,546
Medical Assistance Program (Title XIX)	93.778	NYS Department of Social Services/(1)	2,234,889
Beach Grant	93.778	NYS Department of Health/C019273	6,405
Low Income Home Energy Assistance	93.568	NYS Department of Social Services/(1)	5,483,781
Special Programs for the Aging (Title III, Part D - Disease)	93.043	NYS Office for the Aging/(1)	6,963
Special Programs for the Aging (Title III, Part E)	93.052	NYS Office for the Aging/(1)	48,876
Child Care and Development Block Grant	93.575	NYS Department of Social Services/(1)	1,774,729
Block Grants for Preventive and Treatment of Substance Abuse	93.959	NYS OASAS/(1)	192,395
Independent Living Program - Foster Care Children	93.674	NYS Department of Social Services/(1)	143,087
Maternal and Child Health Services Block Grant	93.994	NYS Department of Health/C-021569	15,992
Child Immunization Grant	93.268	NYS Department of Health/C-018678	26,797
ARRA Child Immunization Grant	93.712	NYS Department of Health/C-018678	6,707
Centers for Disease Control and Prevention and Technical Assistance	93.283	Health Research, Inc. 15-0067-05/15-0075-05	92,755
Health Care Financing Research, Demonstrations, and Evaluations	93.779	NYS Office for the Aging/(1)	57,946
Voting Access for Individuals with Disabilities	93.617	NYS Board of Elections	<u>12,628</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>25,366,580</u>
<u>U.S. Department of Labor</u>			
Workforce Investment Act - Adult Program	17.258	NYS Department of Labor/(1)	412,373
ARRA Workforce Investment Act - Youth Activities	17.259	NYS Department of Labor/(1)	53,136
Workforce Investment Act - Youth Activities	17.259	NYS Department of Labor/(1)	526,662
Workforce Investment Act - Dislocated Workers	17.278	NYS Department of Labor/(1)	475,025
Total Workforce Investment Act Cluster			<u>1,467,196</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>1,467,196</u>

(1) Denotes - Unable to Obtain from Pass-Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

COUNTY OF OSWEGO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA #	Pass-Through/ Grantor ID #	Amount of Expenditures
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	N/A - Direct	\$ 1,069,049
Highway Planning and Construction	20.205	NYS Department of Transportation	1,980,508
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	NYS Department of Transportation	19,951
State and Community Highway Safety - Selective Traffic Enforcement Program	20.600	NYS Governor's Traffic Safety Committee/(1)	14,265
Safety Incentive Grants for Use of Seatbelts	20.604	NYS Department of Transportation	<u>1,354</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>3,085,127</u>
<u>U.S. Department of Housing and Urban Development</u>			
Section 8 Housing Choice Vouchers	14.871	N/A - Direct	188,685
Community Development Block Grant - Small Cities	14.219	N/A - Direct	29,002
Community Development Block Grant - Small Cities	14.219	N/A - Direct	<u>372,936</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>590,623</u>
<u>U.S. Election Assistance Commission</u>			
Help America Vote Act Requirements Payments	90.401	NYS Board of Elections	<u>48,220</u>
<u>U.S. Department of Energy</u>			
Weatherization Assistance for Low-Income Persons	81.042	NYS Office for the Aging/(1)	67,376
ARRA Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	NYSERDA	46,750
ARRA State Energy Program Special Projects	81.119	NYSERDA	167,175
ARRA Energy Efficiency and Conservation Grant	81.128	NYSERDA	<u>7,800</u>
TOTAL U.S. DEPARTMENT OF ENERGY			<u>289,101</u>
<u>U.S. Department of Education</u>			
Special Education - Infant Health Assessment	84.181	NYS Department of Health C-017619	81,915
ARRA Special Education - Infant Health Assessment	84.181	NYS Department of Health C-017619	<u>914</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>82,829</u>
<u>Corporation for National and Community Service</u>			
AmeriCorps Grant	94.006	N/A - Direct	<u>250,111</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>250,111</u>
<u>U.S. Department of Homeland Security</u>			
Hazard Mitigation Grant	97.039	NYS Homeland Security/(1)	100,059
Emergency Management Performance Grants	97.042	NYS Homeland Security/(1)	24,350
Local Emergency Management Performance Grants	97.067	NYS Homeland Security/(1)	188,716
Homeland Security Grant Program	97.073	NYS Homeland Security/(1)	<u>159,516</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>472,641</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 32,813,980</u>

(1) Denotes - Unable to Obtain from Pass-Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

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

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the County, an entity as defined in Note 1 to the County's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

Note 3 - Indirect Costs

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

Note 4 - Matching Costs

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

Note 5 - Department of Social Services - Administrative Costs

Differences between the amounts reflected in the Schedule of Expenditures of Federal Awards and the Department of Social Services' federal financial reports (RF-2A claims) are due to the allocation of administrative costs to the individual programs.

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

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's 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 auditor's 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:

CFDA Numbers	Name of Federal Program or Cluster
93.558	Temporary Assistance to Needy Families
93.575	Child Care and Development Block Grant
20.205	Highway Planning and Construction
81.119	State Energy Program Special Projects - ARRA

Type A and Type B Programs: \$ 984,419

Auditee qualified as low-risk? yes no

Section II - Financial Statement Findings: None

Section III - Federal Awards Findings and Questioned Costs: None