

MADISON COUNTY

BASIC FINANCIAL STATEMENTS

**YEAR ENDED
DECEMBER 31, 2012**



CINDY J. EDICK, TREASURER

MADISON COUNTY
BASIC FINANCIAL STATEMENTS

YEAR ENDED
DECEMBER 31, 2012

PREPARED BY MADISON COUNTY TREASURER'S OFFICE

CINDY J. EDICK, TREASURER

SALLY G. MAKARCHUK, DEPUTY TREASURER
ACCOUNTING & FINANCE

REBECCA S. MARSALA, DEPUTY TREASURER
TAX ENFORCEMENT

**MADISON COUNTY, NEW YORK
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis (unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities.....	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in	
Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures,	
and Changes in Fund Balances of Governmental Funds	
to the Statement of Activities.....	21
Proprietary Funds	
Statement of Net Position.....	22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows.....	24
Fiduciary Fund	
Statement of Fiduciary Net Position	25
Component Units Financial Statements	
Statement of Net Position	26
Statement of Activities.....	27
Notes to the Basic Financial Statements	28
Required Supplementary Information (unaudited)	
Schedule of Funding Progress – Other Postemployment Benefits	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance,	
Budget and Actual – General Fund.....	49
Notes to Required Supplementary Information	50
Combining Financial Information	
Combining Balance Sheet – Non-major Governmental Funds.....	53
Combining Statement of Revenues, Expenditures, and	
Changes in Fund Balances – Non-major Governmental Funds	54
Combining Balance Sheet – Special Revenue Funds	55
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Special Revenue Funds.....	57

**INDEPENDENT
AUDITORS' REPORT**

INDEPENDENT AUDITOR'S REPORT

Members of the Madison County
Board of Supervisors
County of Madison, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Madison, New York (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Madison County Industrial Development Agency which represent 41 percent, 51 percent, and 23 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Madison County Industrial Development Agency is based solely on the report 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report 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 of Madison, New York, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in note 1 to the financial statements, the County of Madison, New York adopted the provisions of GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65 - "Items Previously Reported and Assets and Liabilities."

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance, budget and actual - general fund, and other postemployment benefits - schedule of funding progress on pages 4 to 15, 48 and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Madison, New York's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2013, on our consideration of the County of Madison, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County of Madison, New York's internal control over financial reporting and compliance.

Williamsville, New York
September 23, 2013

Toski & Co., CPAs, P.C.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(Unaudited)**

MADISON COUNTY, NEW YORK

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2012

Our discussion and analysis of Madison County, New York's (the County) financial performance provides for an overview of the County's financial activities for the year ended December 31, 2012. Please read this discussion and analysis in conjunction with the County's Basic Financial Statements that begin on page 16 and the Notes to the Basic Financial Statements that begin on page 28.

FINANCIAL HIGHLIGHTS

- The County finished the fiscal year with governmental activities net position of \$83,419,529, a decrease of \$6,304,501 from 2011 and business-type activities net position of \$6,653,630, a decrease of \$578,127 from 2011.
- Upon adoption of the 2012 budget, the County's tax margin was \$51,604,851, or 68.0% of its total taxing power, compared to 68.3% at the end of 2011.
- The County's primary government reported a liability of \$26,443,932 for other postemployment benefits (OPEB) as of December 31, 2012, an increase of \$5,795,616, or 28.1%, compared with the prior year.
- Governmental activities capital assets, net of accumulated depreciation, increased by \$4,087,456, to \$92,286,280. This increase is mainly attributable to additional construction in progress recorded for the Public Safety Communication Upgrade project.
- The County reported unassigned fund balance of \$5,306,981 for governmental funds as of December 31, 2012.
- The State of New York, through a Public Protection and General Government Budget Bill, awarded the County of Madison a \$1,000,000 grant in 2012 to provide interim financial assistance to mitigate shortfalls in real property tax revenue resulting from non-payment of real property taxes by the Oneida Indian Nation of New York. Although the County received the grant during the past six fiscal years, the amount of the award has decreased significantly and it was not certain that this grant would be made again in 2012. Therefore, it was not included in the 2012 Adopted Budget or the 2012 Modified Budget.

USING THIS ANNUAL BASIC FINANCIAL STATEMENT

The Statement of Net Position and the Statement of Activities provide information about the County on a government-wide level basis and present a longer-term view of the County's finances. Fund level financial statements start on page 18 for governmental activities. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund level financial statements also report the County's operation in more detail than government-wide level 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 an agent for the benefit of those outside of the government.

REPORTING THE COUNTY ON A GOVERNMENT-WIDE BASIS

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities provide information on the financial condition and results of operations of the primary government, along with its aggregate discretely presented component units. These statements focus on the two main types of activities carried out by the County – governmental and business-type. The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting, which

MADISON COUNTY, NEW YORK

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2012

is similar to the reporting used by most private-sector companies. All of the current year's revenues and expenses are reported and accounted for regardless of when cash is received or paid. In the Statement of Net Position, assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources equal net position. Over time, increases and decreases in the County's net position may be an indication of whether the financial health of the County is improving or deteriorating. The analysis of other non-financial factors, such as changes in the County's tax base, will assist in assessing the overall financial position of the County.

The Statement of Net Position and Statement of Activities reported three types of activities:

- **Governmental Activities** – The County's basic services are reported here, including public safety, education, public works, economic assistances, health and general administration. Property taxes, sales taxes, state and federal aid and grants finance most of these activities.
- **Business-type Activities** – The County's solid waste operations are supported primarily by user fees and are accounted for and reported in the business-type activities. In addition, the County sponsors a municipal public entity risk pool for workers' compensation claims and benefits, which are accounted for and reported in the business-type activities.
- **Component Units** – The County includes its Soil and Water Conservation District and Industrial Development Agency as component units. Although legally separate, these component units are included as required by GASB Statement No. 14.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Governmental Funds – Most of the County's basic services are reported in governmental funds that focus on how resources flow into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental fund statement provides a detailed short-term view of the County's general government operations and the basic services it provides. Governmental funds information assists you in determining whether there are more or fewer financial resources available that can be spent in the near future to finance the County's varied programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds are shown in reconciliations on pages 19 and 21.

Proprietary Funds – When the County charges customers for the services it provides, whether to outside customers or units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statements of Net Position and Activities. The reports specific to the County's enterprise funds (components of proprietary funds) are the same as the business-type activities reported in the government-wide statements, except they provide more detailed information and an additional statement, the Statement of Cash Flows.

THE COUNTY AS TRUSTEE

Reporting the County's Fiduciary Responsibilities

Fiduciary Funds – Those funds that the County has fiduciary responsibilities for because of a trust arrangement are Fiduciary Funds. At December 31, 2012, the County had no trust arrangements.

Agency Funds – Agency Funds account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations.

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Condensed Statement of Net Position

In the government-wide financial statements, net position reports the financial condition at year-end for both the governmental and business-type activities. The following summarizes the County's financial position related to each of these activities as of December 31, 2012 and 2011:

Table 1
Condensed Statement of Net Position
As of December 31

	2012			2011		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Assets						
Current and other assets	\$ 51,534,413	\$ 4,722,292	\$ 56,256,705	\$ 57,436,331	\$ 4,181,360	\$ 61,617,691
Capital assets, net of accumulated depreciation	92,286,280	9,950,346	102,236,626	88,198,824	10,458,886	98,657,710
Total assets	<u>143,820,693</u>	<u>14,672,638</u>	<u>158,493,331</u>	<u>145,635,155</u>	<u>14,640,246</u>	<u>160,275,401</u>
Deferred outflows						
	-	-	-	-	-	-
Liabilities						
Long-term debt outstanding	13,585,000	-	13,585,000	15,010,000	-	15,010,000
Other postemployment benefits (OPEB) liability	25,571,555	872,377	26,443,932	19,997,204	651,112	20,648,316
Other liabilities	21,244,609	7,146,631	28,391,240	20,903,921	6,757,377	27,661,298
Total liabilities	<u>60,401,164</u>	<u>8,019,008</u>	<u>68,420,172</u>	<u>55,911,125</u>	<u>7,408,489</u>	<u>63,319,614</u>
Deferred inflows						
	-	-	-	-	-	-
Net Position						
Net investment in capital assets	78,701,280	9,950,346	88,651,626	76,779,617	10,458,886	87,238,503
Restricted	11,510,254	519,149	12,029,403	13,190,074	773,678	13,963,752
Unrestricted (deficit)	(6,792,005)	(3,815,865)	(10,607,870)	(245,661)	(4,000,807)	(4,246,468)
Total net position	<u>\$ 83,419,529</u>	<u>\$ 6,653,630</u>	<u>\$ 90,073,159</u>	<u>\$ 89,724,030</u>	<u>\$ 7,231,757</u>	<u>\$ 96,955,787</u>

The largest portion of the County's net position is reflected in the invested in capital assets (e.g. land, building, infrastructure, machinery, equipment) less accumulated depreciation and any related debt used to acquire the capital assets that is still outstanding. The County's capital assets are used to provide the various services to the citizens of the County; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is net of related debt, the resources required to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate the debt liability. The total primary government investment in capital assets, net of related debt at December 31, 2012 was \$88,651,626, compared with \$87,238,503 at December 31, 2011.

The total primary government capital assets of \$102,236,626 (net of accumulated depreciation) are detailed, including the current year activity, in Note 4 of the Notes to the Basic Financial Statements.

As of December 31, 2012, the County has governmental activities restricted net position of \$11,510,254, which are restricted for inventory and prepaid expenses of \$2,650,934, various employee benefits programs of \$1,986,757, insurance of \$1,036,405, capital projects of \$5,699,252, and miscellaneous reserves of \$136,906. The County has restricted net position in business-type activities of \$519,149, which are restricted for capital equipment purchases. Governmental activities unrestricted net position

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

amounted to (\$6,792,005) as compared with 2011 unrestricted net position of (\$245,661). Business-type activities unrestricted net position amounted to (\$3,815,865), as compared with 2011 unrestricted net position of (\$4,000,807).

Condensed Statement of Changes in Net Position

In the government-wide financial statements, changes in net position provide the results of operations for both the governmental and business-type activities for the past year. The following summarizes these activities for the years ended December 31, 2012 and 2011:

Table 2
Condensed Statement of Change in Net Position
For the Years Ended December 31

	2012			2011		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 10,623,995	\$ 5,665,924	16,289,919	\$ 13,382,648	\$ 5,288,864	\$ 18,671,512
Operating grants and contributions	22,615,726	20,847	22,636,573	23,995,893	292,883	24,288,776
Capital grants and contributions	2,823,682	-	2,823,682	468,756	-	468,756
General revenues:						
Taxes and other tax items	55,263,818	-	55,263,818	54,027,417	-	54,027,417
Tobacco settlement	919,343	-	919,343	901,477	-	901,477
Off-track betting	76,249	-	76,249	79,383	-	79,383
Investment income	114,637	15,545	130,182	211,005	23,566	234,571
Transfers	20,000	(20,000)	-	19,002	(19,002)	-
Total revenues	<u>92,457,450</u>	<u>5,682,316</u>	<u>98,139,766</u>	<u>93,085,581</u>	<u>5,586,311</u>	<u>98,671,892</u>
Expenses						
General government	21,686,802	-	21,686,802	20,562,232	-	20,562,232
Education	4,916,607	-	4,916,607	5,119,643	-	5,119,643
Public safety	15,340,353	-	15,340,353	13,008,554	-	13,008,554
Health	9,492,912	-	9,492,912	11,417,142	-	11,417,142
Transportation	12,661,367	-	12,661,367	13,219,502	-	13,219,502
Economic assistance and opportunity	31,135,289	-	31,135,289	29,138,642	-	29,138,642
Culture and recreation	651,457	-	651,457	637,362	-	637,362
Home and community services	2,280,427	-	2,280,427	2,319,891	-	2,319,891
Interest on debt	596,737	-	596,737	629,404	-	629,404
Environmental landfill	-	4,712,838	4,712,838	-	5,144,666	5,144,666
Workers' compensation	-	1,547,605	1,547,605	-	1,319,622	1,319,622
Total expenses	<u>98,761,951</u>	<u>6,260,443</u>	<u>105,022,394</u>	<u>96,052,372</u>	<u>6,464,288</u>	<u>102,516,660</u>
Net Position						
Change in net position	(6,304,501)	(578,127)	(6,882,628)	(2,966,791)	(877,977)	(3,844,768)
Net position - beginning	89,724,030	7,231,757	96,955,787	92,690,821	8,109,734	100,800,555
Net position - ending	<u>\$ 83,419,529</u>	<u>\$ 6,653,630</u>	<u>\$ 90,073,159</u>	<u>\$ 89,724,030</u>	<u>\$ 7,231,757</u>	<u>\$ 96,955,787</u>

The County's primary government net position decreased by \$6,882,628 in 2012. Governmental activities net position decreased by \$6,304,501 and business-type activities net position decreased by \$578,127. Key elements of these changes are as follows:

MADISON COUNTY, NEW YORK

Management's Discussion and Analysis (Unaudited)

Year Ended December 31, 2012

Governmental Activities

Revenues:

- *Charges for Services* – There was a decrease of \$2,758,653, or 20.6%, for this category of program revenues. This decrease is largely due to a significant decline in the Health functional activity, resulting primarily from the divestiture of the certified home health care division and the long-term care division of the Public Health Department. A reduction in intergovernmental charges also contributed to the overall decrease in charges for services.
- *Operating Grants and Contributions* – This category of program revenues decreased by \$1,380,167, or 5.8%, compared with 2011. The decrease is due in part to a \$749,729 decrease in State and Federal Aid in the Transportation functional activity. This decline was mainly due to reductions in aid for the County's public transportation program, a bridge project, and emergency disaster assistance. There was also a \$514,906 reduction in aid in the Health functional activity, mainly due to the divestiture of the certified home health care division and the long-term care division of the Public Health Department. A decrease of \$407,844 in the Education functional activity, largely due to a decline in aid for the education of handicapped children, also served to reduce operating grants and contributions in 2012.
- *Capital Grants and Contributions* – This category of program revenues increased by \$2,354,926, or 502.4%. The increase is mainly attributable to a spike in Federal Aid for the Public Safety Communication Upgrade capital project.
- *Sales tax* – The County's gross sales tax revenue increased by \$854,487, or 3.7%, compared with 2011.
- *Tobacco Settlement* – As a result of a Master Settlement Agreement with the tobacco industry, the County receives annual payments to compensate for medical costs incurred due to illness resulting from the use of tobacco products. The 2012 tobacco settlement payment of \$919,343 increased by \$17,866, or 2.0%, compared with 2011.

Expenses:

- *Public Safety* – Public Safety expense increased by \$2,331,799, or 17.9%. This increase in expense is primarily attributable to increases in personal services and employee and retiree benefits.
- *Health* – Health expense decreased by \$1,924,230, or 16.9%. This decrease is mainly due to a marked decline in expense resulting from the sale of the certified home health care division and the long-term care division of the Public Health Department.
- *Economic Assistance and Opportunity* – Expense for this functional activity increased by \$1,996,647, or 6.9%. This increase is due in part to an increase in Medicaid expense of \$986,591. An increase in job training administration and services of \$369,741 also attributed to the overall increase in expense.

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

Business-type Activities

Revenues:

- *Environmental Landfill* – Net non-operating revenues decreased by \$249,699. This 84.8% decrease is mainly due to a decrease in state and federal aid of \$272,036. Much of the decline in aid is the result of a decrease in Federal Aid for a solar landfill capping project. Charges for services rose by \$181,047, or 4.6%.
- *Workers' Compensation* – Revenue from participant charges increased by \$155,336, or 12.0%, compared with 2011.

Expenses:

- *Environmental Landfill* – Overall, total operating expenses decreased by \$425,257. The 8.3% decrease is primarily due to a \$606,519 decline in contractual expense. This reduction is mainly the result of expenses relating to landfill closure that were recorded in 2011 that were not also incurred in 2012.
- *Workers' Compensation* – Contractual expense increased by \$227,983, or 17.3%, compared to 2011. This increase is the result of a \$170,969 increase in claims expense and a \$57,014 increase in service fees and assessments.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS – As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in analyzing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year or funds available in the subsequent year for appropriation to reduce the County tax levy. More detailed information on the fund balance classifications can be found in Note 1e of the Notes to the Basic Financial Statements of this report.

As of December 31, 2012, the County governmental funds reported combined fund balances of \$29,335,315. This represents a decrease of \$5,736,473, or 16.4%, as compared with a prior-year fund balance of \$35,071,788. Unassigned fund balance of \$5,306,981 is available for spending at the government's discretion. The remaining fund balance of \$24,028,334 is nonspendable, restricted, or assigned to indicate that it is not available for new spending. The following tables present the County's governmental fund balances as of December 31, 2012 and 2011:

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

Table 3
Condensed Schedule of Governmental Funds
Fund Balances
December 31, 2012

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories	\$ 137,792	\$ 1,597,932	\$ 1,735,724
Prepaid expenses	771,410	143,800	915,210
Restricted:			
Fringe benefits reserves	1,811,714	175,043	1,986,757
Insurance reserve	1,036,405	-	1,036,405
Capital reserve	182,580	5,516,672	5,699,252
Other reserve	136,906	-	136,906
Assigned:			
Appropriated	6,410,869	1,080,997	7,491,866
Unappropriated	875,807	4,150,407	5,026,214
Unassigned	<u>5,306,981</u>	<u>-</u>	<u>5,306,981</u>
Total fund balances	<u>\$ 16,670,464</u>	<u>\$ 12,664,851</u>	<u>\$ 29,335,315</u>

Table 4
Condensed Schedule of Governmental Funds
Fund Balances
December 31, 2011

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories	\$ 145,563	\$ 1,384,437	\$ 1,530,000
Prepaid expenses	986,220	150,077	1,136,297
Restricted:			
Fringe benefits reserves	1,886,740	58,922	1,945,662
Insurance reserve	703,760	-	703,760
Capital reserve	267,315	7,456,491	7,723,806
Other reserve	150,549	-	150,549
Assigned:			
Appropriated	6,000,000	728,054	6,728,054
Unappropriated	644,587	4,109,224	4,753,811
Unassigned	<u>10,399,849</u>	<u>-</u>	<u>10,399,849</u>
Total fund balances	<u>\$ 21,184,583</u>	<u>\$ 13,887,205</u>	<u>\$ 35,071,788</u>

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

The following table presents the County's governmental fund balances as of December 31, 2012 and 2011, and the changes in fund balance for the years then ended:

Table 5
Condensed Schedule of Governmental Funds
Changes in Fund Balances
For the years ended December 31

	2012			2011		
	General Fund	Non-major Governmental Funds	Total Governmental Funds	General Fund	Non-major Governmental Funds	Total Governmental Funds
Fund balances, beginning	\$ 21,184,583	\$ 13,887,205	35,071,788	\$ 21,001,235	\$ 18,952,098	\$ 39,953,333
Revenues	84,332,506	9,478,985	93,811,491	88,503,929	6,569,628	95,073,557
Expenditures	(78,648,948)	(20,919,016)	(99,567,964)	(78,669,814)	(21,305,288)	(99,975,102)
Other financing sources, net	20,000	11,530,768	11,550,768	20,000	11,217,274	11,237,274
Other financing uses, net	(10,217,677)	(1,313,091)	(11,530,768)	(9,670,767)	(1,546,507)	(11,217,274)
Fund balances, ending	\$ 16,670,464	\$ 12,664,851	\$ 29,335,315	\$ 21,184,583	\$ 13,887,205	\$ 35,071,788

Proprietary Funds

The County's proprietary funds provide the same information found in the business-type activities as presented on the government-wide financial statements, but with more detail.

Enterprise Fund – Environmental Landfill – As of December 31, 2012, the total net position of the environmental landfill operation was \$6,501,015, a decrease of \$505,782 from 2011. As of December 31, 2012, the restricted amount of net position of the enterprise environmental landfill fund was \$10,469,495 and the unrestricted amount of net position was (\$3,968,480).

Enterprise Fund – Workers' Compensation – The County is the sponsor of a public entity risk pool for Workers' Compensation claims/benefits. The pool consists of 41 participating municipal entities that share in the risk of the pool on a pro-rata basis of their estimated claim expense to the total estimated claim expense. At year-end 2012, the total net position of this enterprise fund was \$152,615, a decrease from the prior year of \$72,345.

Table 6
Condensed Schedule of Proprietary Funds
Net Position
As of December 31

	2012			2011		
	Environmental Landfill	Workers' Compensation	Total	Environmental Landfill	Workers' Compensation	Total
Net investment in capital assets	\$ 9,950,346	\$ -	\$ 9,950,346	\$ 10,458,886	\$ -	\$ 10,458,886
Restricted	519,149	-	519,149	773,678	-	773,678
Unrestricted	(3,968,480)	152,615	(3,815,865)	(4,225,767)	224,960	(4,000,807)
Total net position	\$ 6,501,015	\$ 152,615	\$ 6,653,630	\$ 7,006,797	\$ 224,960	\$ 7,231,757

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

Table 7
Condensed Schedule of Proprietary Funds
Changes in Net Position
For the years ended December 31

	2012			2011		
	Environmental Landfill	Workers' Compensation	Total	Environmental Landfill	Workers' Compensation	Total
Net position, beginning	\$ 7,006,797	\$ 224,960	\$ 7,231,757	\$ 7,869,184	\$ 240,550	\$ 8,109,734
Total operating revenue	4,162,178	1,472,466	5,634,644	3,981,131	1,298,013	5,279,144
Total operating expense	(4,712,838)	(1,547,605)	(6,260,443)	(5,138,095)	(1,319,622)	(6,457,717)
Operating loss	(550,660)	(75,139)	(625,799)	(1,156,964)	(21,609)	(1,178,573)
Non-operating revenue, net	44,878	2,794	47,672	294,577	6,019	300,596
Net position, ending	\$ 6,501,015	\$ 152,615	\$ 6,653,630	\$ 7,006,797	\$ 224,960	\$ 7,231,757

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget was increased at the beginning of the year by \$334,988 for incomplete 2011 special projects and other incomplete budget obligations. This compares with a fiscal year 2011 beginning-of-year increase in budgeted appropriations of \$743,896. These incomplete projects and obligations included \$212,272 for retroactive salary increases for employees of various bargaining units whose agreements were expected to be ratified in 2011, but were not ratified until 2012. An additional \$122,057 was also appropriated at the beginning of 2012 for continued Indian affairs research.

The County authorized the use of additional General Fund unappropriated fund balance of \$1,604,172 for employee and retiree medical claims payments during fiscal year 2012.

For 2012, actual expenditures in the General Fund were \$8,161,593 lower than the modified budget, compared to \$11,016,115 lower in 2011. Actual revenues were \$4,736,552 lower than modified revenue estimates in 2012, compared with \$3,538,485 lower than modified revenue estimates in 2011.

Actual General Fund revenues were \$4,514,119 less than General Fund expenditures in 2012. This compares with a 2011 surplus of revenues over expenditures of \$183,348.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – The County's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounted to \$102,236,626, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and bridges. The County's investment in capital assets for the current fiscal year increased 4.6% for governmental activities and decreased 4.9% for business-type activities. Overall, the County's investment in capital assets for the current fiscal year for the primary government, including governmental and business-type activities, increased 3.6%.

The following tables are Condensed Schedules of Capital Assets for the current fiscal year and the preceding fiscal year.

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

Table 8
Condensed Schedule of Capital Assets
As of December 31, 2012

At the end of 2012, the County had invested \$102,236,626 in capital assets, net of depreciation, in a broad range of assets, including infrastructure, which included roads, bridges, culverts and sewer.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percent of Total</u>
Land	\$ 935,082	\$ 715,347	\$ 1,650,429	0.8%
Construction in progress	19,023,426	29,468	19,052,894	9.1%
Buildings	32,769,686	1,467,936	34,237,622	16.3%
Improvements other than buildings	1,575,787	11,354,334	12,930,121	6.2%
Infrastructure	115,919,064	1,197,446	117,116,510	56.0%
Machinery and equipment	<u>20,060,818</u>	<u>4,210,447</u>	<u>24,271,265</u>	<u>11.6%</u>
Total capital assets	190,283,863	18,974,978	209,258,841	100.0%
Accumulated depreciation	<u>(97,997,583)</u>	<u>(9,024,632)</u>	<u>(107,022,215)</u>	
Total net capital assets	<u>\$ 92,286,280</u>	<u>\$ 9,950,346</u>	<u>\$ 102,236,626</u>	

Table 9
Condensed Schedule of Capital Assets
As of December 31, 2011

At the end of 2011, the County had invested \$98,657,710 in capital assets, net of depreciation, in a broad range of assets, including infrastructure, which included roads, bridges, culverts and sewer.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Percent of Total</u>
Land	\$ 935,082	\$ 715,347	\$ 1,650,429	0.8%
Construction in progress	14,755,042	547,431	15,302,473	7.6%
Buildings	32,309,496	1,467,936	33,777,432	16.8%
Improvements other than buildings	1,575,787	11,354,334	12,930,121	6.4%
Infrastructure	112,572,057	650,015	113,222,072	56.2%
Machinery and equipment	<u>20,444,287</u>	<u>4,000,871</u>	<u>24,445,158</u>	<u>12.2%</u>
Total capital assets	182,591,751	18,735,934	201,327,685	100.0%
Accumulated depreciation	<u>(94,392,927)</u>	<u>(8,277,048)</u>	<u>(102,669,975)</u>	
Total net capital assets	<u>\$ 88,198,824</u>	<u>\$ 10,458,886</u>	<u>\$ 98,657,710</u>	

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

Major capital acquisitions during the current fiscal year included the following:

Governmental activities

- Infrastructure improvements to roads and bridges \$3,248,651.
- Public Safety Communication Upgrade project additional construction in progress \$4,284,036.
- Energy efficiency projects at various County buildings \$356,780.

Business-type activities

- Two articulated dump trucks \$300,027.
- Photovoltaic energy system for the West side landfill closure \$547,431.

Additional information on capital assets can be found in Note 4 in the Notes to the Basic Financial Statements of this report.

Long-term Debt – At the end of 2012, the County had total bonded debt outstanding of \$13,585,000, which is comprised of debt backed by the full faith and credit of the County.

In May 2010, the County issued tax-exempt bonds, Build America Bonds, and Recovery Zone Economic Development bonds totaling \$16,390,000, with an interest rate of from 3.11% to 5.28%, which will be fully amortized in 2020.

The following table presents the County's outstanding debt and the changes that occurred during 2012 and 2011:

Table 10
Outstanding Debt
As of December 31

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Beginning outstanding debt	\$ 15,010,000	\$ -	\$ 15,010,000	\$ 16,390,000	\$ -	\$ 16,390,000
Bonds issued	-	-	-	-	-	-
Scheduled debt payments	(1,425,000)	-	(1,425,000)	(1,380,000)	-	(1,380,000)
Ending outstanding debt	<u>13,585,000</u>	<u>-</u>	<u>13,585,000</u>	<u>15,010,000</u>	<u>-</u>	<u>15,010,000</u>

The County's statutory debt limitation is \$265,669,901. The County has used 5.1% of its limitation at the end of 2012, compared with 5.8% at the end of 2011.

Economic Factors and Ensuing Year's Budget and Rates

The unemployment rate for the County as of July 2013 is 7.2%, which compares to 8.6% for the previous year. The New York State average is 7.6%, and the national unemployment rate is 7.7% as of July 2013 (*Sources: New York State Department of Labor and Bureau of Labor Statistics*).

As of July 2013, the Consumer Price Index for the area has risen 1.8% compared to the previous year. The national average for the same period has risen 2.0%.

General Fund unassigned fund balance amounted to \$5,306,981 as of December 31, 2012. The County appropriated \$6,410,869 for spending in the 2013 budget.

MADISON COUNTY, NEW YORK
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2012

The tax levy increased by \$878,784, to \$30,333,205, for tax year 2013. At December 31, 2012, the County had a maximum taxing power of \$75,905,686, and had used 32.01% of its limit as compared with 31.70% for the previous year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the County's finances and to provide accountability for the funds the County receives and disburses. If you have any questions about this report or need additional financial information, please contact Cindy J. Edick, Madison County Treasurer, Post Office Box 665, Wampsville, New York 13163, or the Madison County Treasurer's Office, County Office Building, North Court Street, Wampsville, New York 13163.

BASIC FINANCIAL STATEMENTS

MADISON COUNTY, NEW YORK
STATEMENT OF NET POSITION
As of December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 18,325,410	\$ 3,803,348	\$ 22,128,758	\$ 1,068,551
Accounts receivable, net	12,587,271	319,117	12,906,388	232,000
Prepaid expenses	915,210	33,785	948,995	-
Due from other governments	11,790,262	58,339	11,848,601	131,360
Due from other funds	6,090,937	-	6,090,937	-
Internal balances	89,599	(89,599)	-	-
Inventories	1,735,724	78,153	1,813,877	-
Total current assets	51,534,413	4,203,143	55,737,556	1,431,911
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	-	519,149	519,149	-
Capital assets, net	92,286,280	9,950,346	102,236,626	372,602
Total non-current assets	92,286,280	10,469,495	102,755,775	372,602
Total assets	143,820,693	14,672,638	158,493,331	1,804,513
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows	-	-	-	-
LIABILITIES				
Current liabilities:				
Accounts payable, accrued liabilities and retained percentages	3,858,928	204,926	4,063,854	10,326
Due to other governments	13,261,342	-	13,261,342	-
Compensated absences	90,208	2,442	92,650	-
Bonds payable	1,465,000	-	1,465,000	-
Bond accrued interest payable	90,411	-	90,411	-
Other liabilities	-	1,307,455	1,307,455	362,281
Total current liabilities	18,765,889	1,514,823	20,280,712	372,607
Current liabilities payable from restricted assets:				
Customer deposits payable	3,036	12,000	15,036	-
Non-current liabilities:				
Bonds payable	12,120,000	-	12,120,000	-
Amortized bond premium	452,326	-	452,326	-
Compensated absences	3,488,358	137,417	3,625,775	-
Other postemployment benefits (OPEB) liability	25,571,555	872,377	26,443,932	-
Landfill closure/post closure	-	5,482,391	5,482,391	-
Total non-current liabilities	41,632,239	6,492,185	48,124,424	-
Commitments and contingencies (Notes 9 and 10)	-	-	-	-
Total liabilities	60,401,164	8,019,008	68,420,172	372,607
DEFERRED INFLOWS OF RESOURCES				
Total deferred inflows	-	-	-	-
NET POSITION				
Net investment in capital assets	78,701,280	9,950,346	88,651,626	372,602
Restricted for:				
Employee benefits	1,986,757	-	1,986,757	-
Insurance	1,036,405	-	1,036,405	723,378
Capital projects	5,699,252	-	5,699,252	-
Other	2,787,840	519,149	3,306,989	-
Unrestricted (deficit)	(6,792,005)	(3,815,865)	(10,607,870)	335,926
Total net position	\$ 83,419,529	\$ 6,653,630	\$ 90,073,159	\$ 1,431,906

The notes to the basic financial statements are an integral part of this statement.

**MADISON COUNTY, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities			Total
FUNCTIONS/PROGRAMS									
PRIMARY GOVERNMENT									
Governmental activities:									
General government support	\$ 21,686,802	\$ 3,744,689	\$ 1,453,279	\$ -	\$ (16,488,834)	\$ -	\$ (16,488,834)	\$ -	
Education	4,916,607	313,114	1,154,095	-	(3,449,398)	-	(3,449,398)	-	
Public safety	15,340,353	868,922	613,178	2,823,682	(11,034,571)	-	(11,034,571)	-	
Health	9,492,912	4,032,599	2,926,055	-	(2,534,258)	-	(2,534,258)	-	
Transportation	12,661,367	255,637	2,650,078	-	(9,755,652)	-	(9,755,652)	-	
Economic assistance and opportunity	31,135,289	757,216	13,147,440	-	(17,230,633)	-	(17,230,633)	-	
Culture and recreation	651,457	-	188,295	-	(463,162)	-	(463,162)	-	
Home and community services	2,280,427	651,818	483,306	-	(1,145,303)	-	(1,145,303)	-	
Interest on long-term debt	596,737	-	-	-	(596,737)	-	(596,737)	-	
Total governmental activities	98,761,951	10,623,995	22,615,726	2,823,682	(62,698,548)	-	(62,698,548)	-	
Business-type activities:									
Environmental landfill	4,712,838	4,193,458	20,847	-	-	(498,533)	(498,533)	-	
Workers' compensation	1,547,605	1,472,466	-	-	-	(75,139)	(75,139)	-	
Total business-type activities	6,260,443	5,665,924	20,847	-	-	(573,672)	(573,672)	-	
Total primary government	\$ 105,022,394	\$ 16,289,919	\$ 22,636,573	\$ 2,823,682	(62,698,548)	(573,672)	(63,272,220)	-	
Component units:									
Madison County Industrial Dev Agency	461,218	373,147	164,616	-	-	-	-	76,545	
Madison County Soil & Water Cons Dist	1,939,788	158,700	1,641,541	-	-	-	-	(139,547)	
Total component units	\$ 2,401,006	\$ 531,847	\$ 1,806,157	\$ -	-	-	-	(63,002)	
General revenues:									
Taxes:									
Real property tax and other tax items					30,441,564	-	30,441,564	-	
Sales tax					23,910,028	-	23,910,028	-	
Other non-property tax items					912,226	-	912,226	-	
Tobacco settlement revenues					919,343	-	919,343	-	
Off-track betting revenues					76,249	-	76,249	-	
Unrestricted interest income					114,637	15,545	130,182	1,944	
Transfers					20,000	(20,000)	-	-	
Total general revenues					56,394,047	(4,455)	56,389,592	1,944	
Change in net position					(6,304,501)	(578,127)	(6,882,628)	(61,058)	
Net position - beginning, as restated					89,724,030	7,231,757	96,955,787	1,492,964	
Net position - ending					\$ 83,419,529	\$ 6,653,630	\$ 90,073,159	\$ 1,431,906	

The notes to the basic financial statements are an integral part of this statement.

MADISON COUNTY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
As of December 31, 2012

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 9,377,384	\$ 8,948,026	\$ 18,325,410
Taxes receivable, net	8,255,692	-	8,255,692
Accounts receivable	1,930,150	1,777,273	3,707,423
Due from other funds	6,670,023	61,215	6,731,238
Loans receivable	-	493,327	493,327
State and federal receivables	8,694,280	3,095,982	11,790,262
Inventories	137,792	1,597,932	1,735,724
Prepaid expenses	771,410	143,800	915,210
Total assets	<u>35,836,731</u>	<u>16,117,555</u>	<u>51,954,286</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,967,776	\$ 496,192	\$ 3,463,968
Accrued liabilities	242,378	140,082	382,460
Retained percentages	-	12,500	12,500
Other liabilities	3,036	-	3,036
Due to other funds	60,542	359,331	419,873
Due to other governments	13,261,342	-	13,261,342
Total liabilities	<u>16,535,074</u>	<u>1,008,105</u>	<u>17,543,179</u>
 Deferred inflows	 <u>2,631,193</u>	 <u>2,444,599</u>	 <u>5,075,792</u>
Fund balances:			
Nonspendable	909,202	1,741,732	2,650,934
Restricted	3,167,605	5,691,715	8,859,320
Assigned	7,286,676	5,231,404	12,518,080
Unassigned	5,306,981	-	5,306,981
Total fund balances	<u>16,670,464</u>	<u>12,664,851</u>	<u>29,335,315</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 35,836,731</u>	 <u>\$ 16,117,555</u>	 <u>\$ 51,954,286</u>

The notes to the basic financial statements are an integral part of this statement.

**MADISON COUNTY, NEW YORK
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
As of December 31, 2012**

Total fund balances - governmental funds \$ 29,335,315

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Non-depreciable assets:

Land	\$	935,082
Construction in progress		19,023,426
		19,958,508

Depreciable assets:

Buildings		32,769,686
Improvements other than buildings		1,575,787
Infrastructure		115,919,064
Machinery and equipment		20,060,818
Accumulated depreciation		(97,997,583)
		72,327,772

Total capital assets 92,286,280

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These long-term liabilities are included in the governmental activities in the statement of net assets and consist of:

Compensated absences		(3,578,566)
Other postemployment benefits (OPEB)		(25,571,555)
Amortized bond premium		(452,326)
Bonds payable		(13,585,000)
Accrued bond interest payable		(90,411)
Total long-term liabilities		(43,277,858)

Some of the County's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds

5,075,792

Net position of governmental activities \$ 83,419,529

MADISON COUNTY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Real property taxes	\$ 28,860,018	\$ 5,400	\$ 28,865,418
Real property tax items	1,288,768	-	1,288,768
Non-property tax items	24,406,017	416,310	24,822,327
Departmental income	6,941,487	663,736	7,605,223
Intergovernmental charges	282,869	775,645	1,058,514
Use of money and property	98,818	101,817	200,635
Licenses and permits	16,338	-	16,338
Fines and forfeitures	170,998	-	170,998
Sale of property and compensation for loss	1,354,571	32,990	1,387,561
Miscellaneous local sources	2,001,196	69,684	2,070,880
Interfund	207,857	723,847	931,704
State aid	10,528,930	2,339,013	12,867,943
Federal aid	8,174,639	4,350,543	12,525,182
Total Revenues	<u>84,332,506</u>	<u>9,478,985</u>	<u>93,811,491</u>
EXPENDITURES			
General government support	19,441,954	-	19,441,954
Education	4,838,780	-	4,838,780
Public safety	12,089,931	4,298,826	16,388,757
Health	8,148,666	-	8,148,666
Transportation	417,442	10,134,021	10,551,463
Economic assistance and opportunity	27,804,567	1,258,189	29,062,756
Culture and recreation	587,787	-	587,787
Home and community services	1,156,759	1,084,673	2,241,432
Employee benefits	4,163,062	2,054,410	6,217,472
Debt service:			
Principal	-	1,425,000	1,425,000
Interest	-	663,897	663,897
Total Expenditures	<u>78,648,948</u>	<u>20,919,016</u>	<u>99,567,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,683,558</u>	<u>(11,440,031)</u>	<u>(5,756,473)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	20,000	11,530,768	11,550,768
Transfers out	<u>(10,217,677)</u>	<u>(1,313,091)</u>	<u>(11,530,768)</u>
Total other financing sources (uses)	<u>(10,197,677)</u>	<u>10,217,677</u>	<u>20,000</u>
Net change in fund balances	(4,514,119)	(1,222,354)	(5,736,473)
Fund balances at beginning of year	<u>21,184,583</u>	<u>13,887,205</u>	<u>35,071,788</u>
Fund balances at end of year	<u>\$ 16,670,464</u>	<u>\$ 12,664,851</u>	<u>\$ 29,335,315</u>

The notes to the basic financial statements are an integral part of this statement.

MADISON COUNTY, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Net change in fund balances - total governmental funds **\$ (5,736,473)**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives.

	Capital outlays	\$ 8,374,838	
	Retirement of capital assets	(19,487)	
	Less depreciation expense	<u>(4,267,895)</u>	4,087,456

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (650,194)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	Repayment bond principal	<u>1,425,000</u>	1,425,000
--	--------------------------	------------------	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

	Compensated absences	76,901	
	Other postemployment benefits (OPEB)	(5,574,351)	
	Change in accrued interest, net of unamortized bond premium	<u>67,160</u>	<u>(5,430,290)</u>

Change in net position of governmental activities **\$ (6,304,501)**

**MADISON COUNTY, NEW YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of December 31, 2012**

	Business-type Activities Enterprise Funds		Totals
	Environmental Landfill	Workers' Compensation	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,289,345	\$ 1,514,003	\$ 3,803,348
Accounts receivable, net	319,117	-	319,117
State & federal receivables	58,339	-	58,339
Prepaid expenses	33,785	-	33,785
Internal balances	(89,599)	-	(89,599)
Inventories	78,153	-	78,153
Total current assets	<u>2,689,140</u>	<u>1,514,003</u>	<u>4,203,143</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	519,149	-	519,149
Total restricted assets	<u>519,149</u>	<u>-</u>	<u>519,149</u>
Capital assets:			
Land	715,347	-	715,347
Construction in progress	29,468	-	29,468
Buildings and building improvements	1,467,936	-	1,467,936
Improvements other than buildings	12,551,780	-	12,551,780
Machinery and equipment	4,210,447	-	4,210,447
Less accumulated depreciation	(9,024,632)	-	(9,024,632)
Total capital assets net of accumulated depreciation	<u>9,950,346</u>	<u>-</u>	<u>9,950,346</u>
Total non-current assets	<u>10,469,495</u>	<u>-</u>	<u>10,469,495</u>
Total assets	<u>13,158,635</u>	<u>1,514,003</u>	<u>14,672,638</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable, accrued liabilities and retained percentages	150,993	53,933	204,926
Compensated absences payable	2,442	-	2,442
Other liabilities	-	1,307,455	1,307,455
Total current liabilities	<u>153,435</u>	<u>1,361,388</u>	<u>1,514,823</u>
Current liabilities payable from restricted assets:			
Customer deposits payable	12,000	-	12,000
Total current liabilities payable from restricted assets	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Noncurrent liabilities:			
Compensated absences payable	137,417	-	137,417
Other postemployment benefits payable	872,377	-	872,377
Landfill closure/post-closure	5,482,391	-	5,482,391
Total noncurrent liabilities	<u>6,492,185</u>	<u>-</u>	<u>6,492,185</u>
Total liabilities	<u>6,657,620</u>	<u>1,361,388</u>	<u>8,019,008</u>
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	9,950,346	-	9,950,346
Restricted:			
Other purposes	519,149	-	519,149
Unrestricted	(3,968,480)	152,615	(3,815,865)
Total net position	<u>\$ 6,501,015</u>	<u>\$ 152,615</u>	<u>\$ 6,653,630</u>

The notes to the basic financial statements are an integral part of this statement.

MADISON COUNTY, NEW YORK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities Enterprise Funds		
	Environmental Landfill	Workers' Compensation	Totals
Operating revenues:			
Charges for services	\$ 4,162,178	\$ 1,453,349	\$ 5,615,527
Insurance recoveries	-	19,117	19,117
Total operating revenue	\$ 4,162,178	\$ 1,472,466	\$ 5,634,644
Operating expenses:			
Personal services	936,231	-	936,231
Employee benefits	493,152	-	493,152
Other postemployment benefit expense	221,265	-	221,265
Contractual expense	2,101,245	1,547,605	3,648,850
Depreciation	960,945	-	960,945
Total operating expenses	4,712,838	1,547,605	6,260,443
Operating income (loss)	(550,660)	(75,139)	(625,799)
Non-operating revenues (expenses):			
Interest revenue	12,751	2,794	15,545
Rental of real property	1,800	-	1,800
State and federal aid	20,847	-	20,847
Gain on disposal of assets	29,480	-	29,480
Transfer to other funds	(20,000)	-	(20,000)
Total non-operating revenues	44,878	2,794	47,672
Increase (decrease) in net position	(505,782)	(72,345)	(578,127)
Net position at beginning of year	7,006,797	224,960	7,231,757
Net position at end of year	\$ 6,501,015	\$ 152,615	\$ 6,653,630

The notes to the basic financial statements are an integral part of this statement.

**MADISON COUNTY, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012**

	Business-type activities Enterprise Funds		Totals
	Environmental Landfill	Workers' Compensation	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 3,958,432	\$ 1,453,350	\$ 5,411,782
Cash paid for contractual services	(1,888,274)	(1,412,712)	(3,300,986)
Cash paid to and on behalf of employees	(1,404,446)	19,117	(1,385,329)
Net cash provided (used) by operating activities	<u>665,712</u>	<u>59,755</u>	<u>725,467</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State and federal aid	126,386	-	126,386
Transfers to/from other funds	(20,000)	-	(20,000)
Net cash provided by noncapital financing activities	<u>106,386</u>	<u>-</u>	<u>106,386</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash outlay for capital assets, net	(422,925)	-	(422,925)
Net cash used by capital and related financing activities	<u>(422,925)</u>	<u>-</u>	<u>(422,925)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from interest and dividends	14,551	2,794	17,345
Cash received from rental of real property	-	-	-
Net cash provided by investing activities	<u>14,551</u>	<u>2,794</u>	<u>17,345</u>
Net increase (decrease) in cash and cash equivalents	363,724	62,549	426,273
Cash and cash equivalents, January 1	2,444,770	1,451,454	3,896,224
Cash and cash equivalents, December 31	<u>\$ 2,808,494</u>	<u>\$ 1,514,003</u>	<u>\$ 4,322,497</u>
Classified as:			
Cash and cash equivalents - unrestricted	2,289,345	1,514,003	3,803,348
Cash and cash equivalents - restricted	519,149	-	519,149
Total cash and cash equivalents	<u>\$ 2,808,494</u>	<u>\$ 1,514,003</u>	<u>\$ 4,322,497</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (550,660)	\$ (75,139)	\$ (625,799)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	960,945	-	960,945
Changes in assets and liabilities:			
Increase in accounts receivable	(211,607)	-	(211,607)
Increase in prepaid expense	(1,470)	-	(1,470)
Decrease in internal balances	6,861	-	6,861
Increase in inventories	(13,982)	-	(13,982)
Increase/(Decrease) in accounts payable	(20,996)	134,894	113,898
Decrease in retained percentages	(4,624)	-	(4,624)
Increase in customer deposits	1,000	-	1,000
Increase in accrued liabilities	2,364	-	2,364
Increase in compensated absences	24,937	-	24,937
Increase in closure/post closure payable	251,679	-	251,679
Increase in OPEB liability	221,265	-	221,265
Net cash provided by operating activities	<u>\$ 665,712</u>	<u>\$ 59,755</u>	<u>\$ 725,467</u>

The notes to the basic financial statements are an integral part of this statement.

**MADISON COUNTY, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
As of December 31, 2012**

ASSETS	
Cash and cash equivalents	\$ 4,817,862
Accounts receivable	<u>1,995,170</u>
Total assets	<u>6,813,032</u>
 LIABILITIES	
Due to other funds	6,221,766
Accounts payable and accrued expenses	<u>591,266</u>
Total liabilities	<u>6,813,032</u>
NET POSITION	<u><u>\$ -</u></u>

The notes to the basic financial statements are an integral part of this statement.

**MADISON COUNTY, NEW YORK
STATEMENT OF NET POSITION
COMPONENT UNITS
As of December 31, 2012**

	<u>Madison County Industrial Development Agency</u>	<u>Madison County Soil and Water Conservation District</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 371,729	\$ 696,822	\$ 1,068,551
Accounts receivable, net	-	232,000	232,000
Due from other governments	-	131,360	131,360
Total current assets	<u>371,729</u>	<u>1,060,182</u>	<u>1,431,911</u>
Noncurrent assets:			
Capital assets, net	<u>372,602</u>	-	<u>372,602</u>
Total noncurrent assets	<u>372,602</u>	-	<u>372,602</u>
Total assets	<u>744,331</u>	<u>1,060,182</u>	<u>1,804,513</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	8,449	1,877	10,326
Other liabilities	798	361,483	362,281
Total liabilities	<u>9,247</u>	<u>363,360</u>	<u>372,607</u>
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	372,602	-	372,602
Restricted for:			
Other purposes	26,556	696,822	723,378
Unrestricted	<u>335,926</u>	-	<u>335,926</u>
Total net position	<u>\$ 735,084</u>	<u>\$ 696,822</u>	<u>\$ 1,431,906</u>

The notes to the basic financial statements are an integral part of this statement.

MADISON COUNTY, NEW YORK
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended December 31, 2012

	<u>Madison County Industrial Development Agency</u>	<u>Madison County Soil and Water Conservation District</u>	<u>Total</u>
Expenses	\$ 461,218	\$ 1,939,788	\$ 2,401,006
Program revenues:			
Charges for services	373,147	158,700	531,847
Operating grants and contributions	<u>164,616</u>	<u>1,641,541</u>	<u>1,806,157</u>
Projected adjustment to revenue			
Total program revenues	<u>537,763</u>	<u>1,800,241</u>	<u>2,338,004</u>
Net program expense	<u>76,545</u>	<u>(139,547)</u>	<u>(63,002)</u>
Non-operating revenues:			
Unrestricted interest income	<u>793</u>	<u>1,151</u>	<u>1,944</u>
Total non-operating revenue	<u>793</u>	<u>1,151</u>	<u>1,944</u>
Change in net position	77,338	(138,396)	(61,058)
Total net position at beginning of year	<u>657,746</u>	<u>835,218</u>	<u>1,492,964</u>
Total net position at end of year	<u>\$ 735,084</u>	<u>\$ 696,822</u>	<u>\$ 1,431,906</u>

The notes to the basic financial statements are an integral part of this statement.

**NOTES TO THE
BASIC FINANCIAL STATEMENTS**

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Madison County, New York (the County) was incorporated in 1806 and is governed by County Law and other General Laws of the State of New York. The Board of Supervisors, which is the legislative body responsible for the overall operation of the County, consists of 19 members, with each member's vote weighted on the basis of population in the town or district represented. The Chairman of the Board of Supervisors serves as the Chief Executive Officer. The County Treasurer serves as the Chief Fiscal Officer and the Budget Officer.

The basic services provided are highway maintenance, social services, health services, public safety, cultural and recreational programs and certain administrative services.

Summary of Significant Accounting Policies

The accounting policies of the County conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

(a) *Reporting Entity*

The financial reporting entity consists of the County (primary government) and organizations for which the primary government is financially accountable and the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Aggregate discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Based upon the foregoing criteria and the significant factors presented below, the following organizations, functions, or activities are included in the County's aggregate discretely presented component units:

Madison County Industrial Development Agency

The Madison County Industrial Development Agency (IDA) is a public benefit corporation created by the New York State Legislature and established to promote the economic welfare, recreation opportunities and prosperity of the County inhabitants and to develop economically sound commerce and industry. Members of the Agency's Board of Directors are appointed by the County Board of Supervisors. The Agency's Board has complete responsibility for management of the agency and accountability for fiscal matters. The County is not liable for agency bonds and exercises no oversight responsibility. Separate financial statements may be obtained from the Madison County IDA at 3215 Seneca Turnpike, Canastota, New York 13032.

Basis of accounting – The financial statements for the IDA are presented on the accrual basis of accounting.

Madison County Soil and Water Conservation District

The Madison County Soil and Water Conservation District (the District) was created by the New York State Legislature to provide for the conservation of soil and water resources and prevention of soil erosion. The District provides technical assistance relative to natural resource conservation and water quality to the residents of the County. Although the Board of Supervisors appoints the five members of the District board, the members have complete responsibility for management and

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

accountability for fiscal matters of the District. Separate financial statements may be obtained from the Madison County Soil and Water Conservation District at 6503 Wes Road, Hamilton, New York 13346.

Basis of accounting – The financial statements for the District are presented on the modified accrual basis of accounting.

(b) Accounting and Reporting Change

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, is intended to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. This Statement has been adopted by the County effective for the year beginning January 1, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is intended to provide a complete set of all pre-November 30, 1989 FASB and AICPA pronouncements that are currently in place and in use by governments. This Statement has been adopted by the County effective for the year beginning January 1, 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is intended to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources on the statement of net position. This Statement has been adopted by the County effective for the year beginning January 1, 2012.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, is intended to amend GASB Statement No. 53 and clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement has been adopted by the County effective for the year beginning January 1, 2012.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement has been adopted by the County effective for the year beginning January 1, 2012.

The following accounting standards have been issued, but have not yet been implemented by the County:

GASB Statement No. 61, *Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, is intended to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. The requirements of the Statement are effective for periods beginning after June 15, 2012, which is the fiscal year beginning January 1, 2013 for the County. Management has not yet determined the effect that this Statement will have on the future financial statements of the County.

GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statement No. 10 and No. 62*, is intended to enhance the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The requirements of the Statement are effective for periods beginning after December 15, 2012, which is

the fiscal year beginning January 1, 2013 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, is intended to improve financial reporting by state and local governmental pension plans. The requirements of the Statement are effective for periods beginning after June 15, 2013, which is the fiscal year beginning January 1, 2014 for the County. Management has not yet determined the effect that this Statement will have on the future financial statements of the County.

GASB Statement No. 68, *Accounting & Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, is intended to improve accounting and financial reporting by state and local governments for pension plans. The requirements of the Statement are effective for periods beginning after June 15, 2014, which is the fiscal year beginning January 1, 2015 for the County. Management has not yet determined the effect that this Statement will have on the future financial statements of the County.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is intended to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of the Statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning January 1, 2014 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is intended to improve accounting and financial reporting by state and local governments that extend and receive Nonexchange financial guarantees. The requirements of the Statement are effective for periods beginning after December 15, 2013, which is the fiscal year beginning January 1, 2014 for the County. This Statement is not expected to have a material effect on future financial statements of the County.

(c) Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) concentrate on the County as a whole and do not emphasize fund types but rather a governmental or a business-type activities classification, which are presented separately. The governmental activities and business-type activities comprise the primary government and are reported separately from the discretely presented component units of the County. General governmental and intergovernmental revenues support the governmental activities, whereas the business-type activities are primarily supported by user fees and charges for services.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The Statement of Activities reflects the expenses of a given function or segment and the extent they are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions, directly associated within a given function. Taxes and other revenues not associated with a specific function are reported as general revenue.

The effect of interfund activity has been removed from the government-wide financial statements. However, the interfund services between functions are not eliminated.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and deferred outflows, fund equity/net position, revenues and expenditures/expenses.

Governmental Fund Types

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers certain revenues (i.e. property taxes) to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments and certain other long-term liabilities are recorded only when payment is due.

The County reports the following major governmental fund:

General Fund – The General Fund is the County’s principal operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

The County reports the following governmental funds collectively in the Non-major Governmental funds:

Capital Projects Fund – Used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the enterprise funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specified revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The primary funds included in the Special Revenue Funds are:

County Road Fund – Used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.

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

Community Development Grant Fund – Used to account for funds received under the U.S. Department of Housing and Urban Development’s Community Development Block Grant Program and the Workforce Investment Act.

Proprietary Fund Types

All proprietary funds are major funds and are used to account for a government’s business-type activities, which are similar to those often found in the private sector. Proprietary fund types use the economic resources measurement focus and accrual basis of accounting. Proprietary funds are comprised of:

Enterprise Funds – The Enterprise Funds are used to account for operations that provide services primarily to customers other than governments outside the financial reporting entity and are financed primarily by user charges. The Enterprise Funds are:

Environmental Landfill Fund – The Environmental Landfill Fund accounts for the planning, development, operation and maintenance of County solid waste handling facilities. Substantially all revenues are from user fees, and it is the County’s intention that the solid waste operation be self-supporting.

Workers’ Compensation Fund – The Workers’ Compensation Fund accounts for the activities of a County-sponsored, 41-member municipal workers’ compensation pool.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as agent for individuals, private organizations, other governments and/or funds. They cannot be used to support the government’s own programs. Fiduciary funds are comprised of:

Agency Funds – Agency Funds account for situations where the government’s role is purely custodial. Accordingly, all assets are offset by a liability to the authorized party.

(d) Basis of Accounting/Measurement Focus

The accounting basis for each fund is determined by its measurement focus. The measurement focus for governmental funds is based upon determination of current financial resources. Proprietary funds are accounted for on a flow of economic resources measurement focus. Agency Funds are custodial in nature (assets equal liabilities) and do not measure the result of operations.

The government-wide financial statements are prepared on a full accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements have been met. Fiduciary fund financial statements are also prepared on an accrual basis.

Modified Accrual Basis – All governmental funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. The two primary revenue sources which are treated as susceptible to accrual are property taxes collected within 60 days of the reporting period, and sales tax which is recorded based on the date of sales. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt, which are recorded as expenditures when paid, and compensated absences and claims/judgments, which are recognized as a liability in the applicable fund if payable with current financial resources.

Accrual Basis – Proprietary and fiduciary fund types and discretely presented component units are accounted for using the accrual basis of accounting. Under this method, revenues including unbilled amounts are recognized when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of related cash inflows and outflows. Capital assets, the related outstanding debt and other long-term liabilities related to activities of the proprietary and fiduciary fund types, and the discretely presented component units, are recorded within these fund types.

Operating revenues and expenses generally result from the proprietary funds' principal operations, providing services and producing and delivering goods. Non-operating revenues and expenses are reported as capital and related financing activities, non-capital financing activities, or investing activities which normally would not be reported as components of operating income.

Inventories – The County uses the purchase method of accounting for inventories. At the end of the period, material and supplies inventories are taken and significant inventories are recorded as an asset with an offset to reserve for inventories. Inventories are valued at cost using the first-in, first-out (FIFO) method.

Designation for use in next year's budget – This account represents resources to be used in the 2013 budget period.

State and Federal receivables – This account includes reimbursement claims for various grant-in-aid programs from State and Federal agencies.

Restricted/Unrestricted Assets – If both restricted and unrestricted assets are available for an incurred expenditure, the County shall first apply the unrestricted assets.

(e) *Fund Balance Classifications for Governmental Funds*

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was issued to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. An explanation of the various fund balance classifications for governmental funds follows:

Nonspendable fund balance consists of assets that are 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 principal of endowments.

Restricted fund balance consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation.

Committed fund balance consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The County Board of Supervisors is the decision-making authority that can, by resolution, commit fund balance.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned fund balance represents the residual classification for the County's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or unassigned.

When resources are available from multiple classifications, the County spends funds in the following order: restricted, committed, assigned, unassigned.

(f) *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(g) *Deposits and Investments*

Deposit and Investment Policies – The County maintains an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and attain a market rate of return. Oversight of investment activity is the responsibility of the County Treasurer who is also the Chief Fiscal Officer of the County.

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – New York State General Municipal Law and the County's Investment and Deposit Policy authorize the County to purchase the following types of investments:

- Obligations of the United States of America;
- Obligations where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Special time deposit accounts;
- Certificates of Deposit;
- Obligations of public authorities, public housing authorities, urban renewal agencies, and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments;

MADISON COUNTY, NEW YORK

Notes to the Basic Financial Statements

Year Ended December 31, 2012

- Obligations issued pursuant to New York State Local Finance Law Section 24.00 and 25.00 (with approval of the New York State Comptroller) by any municipality, school district or district corporation other than the County of Madison, New York; and
- Repurchase agreements authorized subject to the following restrictions: All repurchase agreements must be entered into subject to a master repurchase agreement. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America. No substitutions will be allowed and the custodian shall be a party other than the trading partner.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the County may not recover its deposits. In accordance with New York State General Municipal Law and the County’s Investment and Deposit Policy, all deposits of the County, including certificates of deposits and special time deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits. The County restricts the securities to the following eligible items: (a) obligations issued or fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation; (b) obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Intern-American Development Bank, the Asian Development Bank, and the African Development Bank; (c) obligations partially insured or guaranteed by any agency of the United States of America; (d) obligations issued or fully insured or guaranteed by the State of New York, obligations issued by municipal corporation, school district or district corporation of New York State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public monies; (e) obligations issued by states (other than the State of New York) of the United States rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization; (f) obligations of Puerto Rico rated in the highest rating category by at least one Nationally Recognized Statistical Rating Organization; (g) obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the two highest categories by at least one Nationally Recognized Statistical Rating Organization; (h) obligations of domestic corporations rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization; and (i) Zero coupon obligations of the United States of America marketed at “treasury strips.”

As of December 31, 2012, the County’s bank balance of \$29.5 million was covered by depository insurance or collateralized by pledged securities held by the pledging banks’ trust departments not in the County’s name and exposed to custodial credit risk.

Investments – For investments, custodial risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counter-party to the transaction fails. The County’s investment policy requires all County investments be registered or insured in the County’s name and held in the custody of the bank or the bank’s trust department. Pledged securities are not required to be registered or inscribed in the name of the County of Madison. In the event that the pledged securities are not registered or inscribed in the name of the County of Madison, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the County of Madison or its custodial bank.

Concentration of Credit Risk – The County places no limit on the amount that may be invested in any one issue. At year-end 2012, the County had no investments.

Custodial Accounts – Custodial assets refer to cash and cash equivalents held by the County for a third party. During 2012, the County held no custodial assets for third parties.

Funds Held by Trustee – Funds held by trustee for the primary government refer to cash and investments held by a third party for the County. During 2012, there were no funds held by a trustee for the primary government.

(h) *Compensated Absences*

Under the terms of personnel policies and union contracts, County employees, other than elected officials, are granted personal, sick, and vacation leave credits and may accumulate these credits as follows:

Personal Leave – Employees are granted from between three and five days personal leave each year depending on their contracts, coverage and hiring date. At December 31, all unused personal leave is converted to sick leave. Employees are not paid for the value of their unused personal leave credits upon termination.

Sick Leave – Employees are granted sick leave credits of one-half day to one day per month depending on their contracts and hiring date. All covered employees are allowed to accumulate up to 165 days of sick leave credits, except those in the White Collar Bargaining Unit, who are allowed to accumulate up to 200 days of sick leave. Covered employees are allowed to buy-back sick leave credits in accordance with their contracts. The buy-back of sick leave credits is limited to those days in excess of 100 days accumulated and may not exceed 30 days of buy-back credits. In addition, the benefit buy-back is paid at 50% of the employee's current hourly rate. Employees at termination, except those in the Management Compensation Plan, with at least 10 years of service, are compensated from a minimum of between 10 and 20 days of accumulated sick leave and as many as between 20 and 60 days depending on contract and length of service.

Vacation Leave – Employees are granted vacation leave credits of from 10 to 20 days per year depending on contract and years of service. The maximum accumulation per employee is 40 days. Full time employees, except those in the Nurses Bargaining Unit, may receive up to 30 days' pay in lieu of vacation time. Employees receive payment at termination from 10 days to 40 days' vacation leave credits depending on contract and years of service.

(i) *Medicaid Claims*

During 2005, the New York State Legislature enacted major changes to the funding of the County's share of Medicaid cost. Chapter 58 of the Laws of 2005 capped Medicaid cost at 2005 levels and limited the growth rates to 3.5% in 2006, 3.25% in 2007, and permanently capped the growth at 3% starting in 2008. The cap is established based on the County's local share expenditure made during the 2005 calendar base year. In 2012, the New York State Legislature amended the law to further reduce the growth rates to 2.0% in 2013, 1.0% in 2014, and 0.0% thereafter. As a result of this legislation, the County will receive a long-term benefit because of future costs to the County being limited to the growth rates described above.

(j) *Environmental Landfill Closure and Post-closure Care Costs*

In accordance with Governmental Accounting Standards Board Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Cost*, the County has accrued future costs of its solid waste landfill operations. The amounts accrued as of December 31, 2012 are discussed in note 6(c).

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates made by the County in the determination of recorded assets and liabilities include, but are not limited to, allowances for uncollectible property taxes, landfill closure and post-closure liabilities and reserves for self-insurance claim liabilities.

2. PROPERTY TAXES AND COLLECTION

County real property taxes are levied on December 31 of each year for the following fiscal year and become a tax lien on January 1. For fiscal year 2012, the County's real property tax levy (for county-wide purposes) was \$29,454,421, and the composite tax rate was \$7.50837.

Taxes are collected by Town Tax Collectors commencing on January 1 to the expiration of their warrant, which generally is April 30. No later than May 10, uncollected taxes are returned by the Town Tax Collectors to the County Treasurer for collection as delinquent taxes under Article 11 (In Rem proceedings) of the New York State Real Property Tax Law. Taxes for County purposes are levied together with taxes for town and special district purposes as a single tax bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined tax bill. The collection of County taxes levied on properties within the City of Oneida is enforced by the City, and the County receives the full amount of such taxes from the City within the tax levy year.

The County guarantees the real property tax levies of the town, village, and school district real property tax levies located within the County except city school district taxes levied on property located within the City of Oneida. At December 31, 2012, the County reflected liabilities to the non-city school districts of \$5,379,731, the city school district of \$200,589, and the villages of \$379,555, for amounts of real property taxes that the County had assumed responsibility for collecting. The County paid the respective school districts and villages the amounts owed by April 1, 2013. The amounts payable are included in "Due to Other Governments" in the accompanying basic financial statements. Any such taxes remaining unpaid at year-end are relieved onto the County tax bill on December 31.

At December 31, 2012, the total real property taxes receivable was \$8,255,692 (after deduction of an allowance for uncollectible taxes of \$985,000). An estimate of these tax liens that will not be collected within the first 60 days of the subsequent year amounted to \$2,491,801.

3. SALES AND USE TAX

The County of Madison imposes a 4% local sales and use tax in the area outside of the City of Oneida and a 2% local sales and use tax within the City of Oneida. All sales and use tax received by the County is treated as a general sales tax revenue. By State statute, the County shares 50% of the gross sales tax collected in the County and outside the boundaries of the City of Oneida.

The towns' and villages' 50% share is distributed to each municipality based on the percentage each contributes toward the annual County tax levy. Eight villages have opted to receive their sales tax distribution as a direct payment and can use the sales tax revenue for any purpose. The other two villages and 15 townships, by State statute, must first have their sales tax distribution used to reduce their respective County taxes based on the percentage each contributes to the annual County tax levy. Any sales tax surplus at the end of the year is used to reduce the ensuing year's town tax rates.

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

On June 1, 2004, the County increased its local sales and use tax from 3% to 4%. In 2007, 2009, and again in 2011, the County extended the additional 1% sales and compensating use tax. The current County sales and use tax legislation is scheduled to expire on November 30, 2013, at which time it must be rescinded, amended or renewed.

The sales tax portion of the General Fund’s non-property tax items amounted to \$23,910,028 in 2012, of which \$10,135,612 was distributed to towns and villages to decrease County and town tax rates. At December 31, 2012, this amount included an accrual of approximately \$1,642,525 for sales tax transactions that occurred in the State of New York in 2012 that had not been received by the County at December 31, 2012. At December 31, 2012, undistributed excess sales tax collections for towns and villages amounted to \$2,576,820, and this governmental activity and general fund liability is included in “Due to Other Governments” in the accompanying basic financial statements.

The County recognizes as sales tax revenue the entire four percent in the General Fund as required by GASB Statements Number 33 and 36. The subsequent payments to the towns and villages are recognized in the General Fund as general government expenditures.

4. CAPITAL ASSETS

Primary Government

Standard capitalization thresholds for capitalizing assets have been established for each major class of assets as summarized below:

<u>Class of Asset</u>	<u>Threshold</u>
Land	All
Construction in progress	Aggregate costs
Buildings	\$20,000
Improvements other than buildings	\$10,000
Infrastructure	\$50,000
Machinery and equipment	\$ 1,000

All capitalized assets are reported 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 increase 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 following estimated useful lives:

<u>Asset Category</u>	<u>Useful Life</u>
Land	Not depreciable
Construction in progress	Not depreciable
Buildings	25-50 years
Improvements other than buildings	15-20 years
Infrastructure	10-65 years
Machinery and equipment	5-30 years

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

Depreciation expense of the primary government for the year ended December 31, 2012 was as follows:

Governmental activities:

General government support	\$	461,247
Education		3,635
Public safety		570,866
Health		50,101
Transportation		2,896,682
Economic assistance and opportunity		162,496
Culture and recreation		6,955
Home and community services		<u>115,913</u>

Total depreciation expense - governmental activities \$ 4,267,895

Business-type activities:

Environmental landfill		<u>960,945</u>
------------------------	--	----------------

Total depreciation expense - business-type activities \$ 960,945

Capital asset activity of the primary government for the year ended December 31, 2012 is detailed on the following page.

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 935,082	\$ -	\$ -	\$ 935,082
Construction in progress	14,755,042	4,933,261	664,877	19,023,426
Total capital assets, not being depreciated	15,690,124	4,933,261	664,877	19,958,508
Capital assets, being depreciated:				
Buildings	32,309,496	460,190	-	32,769,686
Improvements other than buildings	1,575,787	-	-	1,575,787
Infrastructure	112,572,057	3,347,007	-	115,919,064
Machinery and equipment	20,444,287	299,257	682,726	20,060,818
Total capital assets being depreciated	166,901,627	4,106,454	682,726	170,325,355
Less accumulated depreciation for:				
Buildings	(11,612,108)	(638,972)	-	(12,251,080)
Improvements other than buildings	(1,104,327)	(32,819)	-	(1,137,146)
Infrastructure	(68,121,840)	(2,200,419)	-	(70,322,259)
Machinery and equipment	(13,554,652)	(1,395,685)	663,239	(14,287,098)
Total accumulated depreciation	(94,392,927)	(4,267,895)	663,239	(97,997,583)
Total capital assets, being depreciated, net	72,508,700	(161,441)	19,487	72,327,772
Governmental activities capital assets, net	\$ 88,198,824	\$ 4,771,820	\$ 684,364	\$ 92,286,280
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 715,347	\$ -	\$ -	\$ 715,347
Construction in progress	547,431	29,468	547,431	29,468
Total capital assets, not being depreciated	1,262,778	29,468	547,431	744,815
Capital assets, being depreciated:				
Buildings	1,467,936	-	-	1,467,936
Improvements other than buildings	11,354,334	-	-	11,354,334
Infrastructure	650,015	547,431	-	1,197,446
Machinery and equipment	4,000,871	428,959	219,383	4,210,447
Total capital assets, being depreciated	17,473,156	976,390	219,383	18,230,163
Less accumulated depreciation for:				
Buildings	(462,618)	(29,528)	-	(492,146)
Improvements other than buildings	(5,064,300)	(697,787)	-	(5,762,087)
Infrastructure	(46,802)	(23,401)	-	(70,203)
Machinery and equipment	(2,703,328)	(210,229)	213,361	(2,700,196)
Total accumulated depreciation	(8,277,048)	(960,945)	213,361	(9,024,632)
Total capital assets, being depreciated, net	9,196,108	15,445	6,022	9,205,531
Business-type activities capital assets, net	\$ 10,458,886	\$ 44,913	\$ 553,453	\$ 9,950,346

5. RETIREMENT BENEFITS

(a) *Retirement System*

- (1) Plan Description – The County of Madison participates in the New York State and Local Employees’ Retirement System (ERS). This is a cost-sharing, multiple-employer retirement system. The system provides retirement benefits as well as death and disability benefits. Obligations of the 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 for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at <http://www.osc.state.ny.us/retire/publications/index.php> or obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.
- (2) Funding Policy – The System is non-contributory except for employees who joined the ERS after July 27, 1976, who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressed used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

The required contributions for the current year and two preceding years were:

	<u>ERS</u>
2012	\$4,348,495
2011	3,923,184
2010	3,014,188

The County’s contributions made to the systems were equal to 100% of the contributions required for each year.

Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years. Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years. Madison County has not elected to bond or amortize any portion of its retirement bills as allowed by the aforementioned Laws of the State of New York.

(b) *Other Postemployment Benefits*

Madison County provides certain healthcare benefits for retired employees, their dependents and certain survivors. The County adopted the requirements of GASB Statement No. 45 during the year ended December 31, 2008. The County recognizes the cost of postemployment healthcare in the year when the services are received and reports the accumulated liability from prior years. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing in 2008.

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

Plan Description – The County provides continuation of medical insurance coverage to eligible employees who retire directly into the New York State Retirement System, and to eligible elected officials who have attained at least 10 years of service with the County. The plan is a single-employer, postemployment healthcare benefits plan. The retirees and their beneficiaries receive this medical insurance coverage for the remainder of their lives. The plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy – Retirees do not contribute anything toward the cost of these post-employment benefits, with the exception of one bargaining unit which requires the retiree to contribute 10% of the premium for their plan. However, all retiree beneficiaries are required to contribute the full premiums for the respective plans. Actual medical claims paid on behalf of retirees and their beneficiaries are self-funded by the County. The County currently pays for postemployment healthcare benefits on a pay-as-you-go basis.

Annual Other Postemployment Benefit (OPEB) Cost – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 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 not to exceed thirty (30) years. The following table summarizes the County’s ARC, the annual OPEB cost, the amount contributed to the plan, and the resulting net OPEB obligation by governmental activities and business-type activities:

	Governmental Activities	Business-type Activities	Primary Government
Annual required contribution	\$7,616,873	\$280,666	\$7,897,539
Employer contributions	<u>(2,042,522)</u>	<u>(59,401)</u>	<u>(2,101,923)</u>
Increase in net OPEB obligation	5,574,351	221,265	5,795,616
Net OPEB obligation 1/1/12	19,997,204	651,112	20,648,316
Net OPEB obligation 12/31/12	<u>\$25,571,555</u>	<u>\$872,377</u>	<u>\$26,443,932</u>

Funded Status and Funding Progress – The following tables provide the funded status and funding progress for the primary government for the current year and the two preceding years:

<u>Funded Status</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Accrued Liability (AAL)	\$72,092,368	\$72,092,368	\$82,087,027
Actuarial Value of Plan Assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$72,092,368</u>	<u>\$72,092,368</u>	<u>\$82,087,027</u>
Actuarial Value of Assets as a Percentage of AAL	-0-%	-0-%	-0-%
Annual Covered Payroll	\$26,445,509	\$26,445,509	\$24,045,477
Ratio of UAAL to Annual Covered Payroll	273%	273%	341%
<u>Funding Progress</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual OPEB Costs (ARC)	\$7,099,030	\$7,099,030	\$7,897,539
Percentage Funded	24.95%	27.76%	29.87%
Year-end Balance	\$15,519,645	\$20,648,316	\$26,443,932

Actuarial Methods and Assumptions – The valuation of postemployment healthcare benefits involves estimates and assumptions about the probability of events occurring in the future. Examples are assumptions about future employment, mortality, and the health care cost trend.

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of cost sharing between the County and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

For the valuation dated January 1, 2012, the Projected Unit Credit cost method was used. Since Madison County does not currently segregate funding for these benefits, the investment rate of return, 4.309%, is the expected return on the County's general assets. The rates of turnover and rates of retirement were based on the experience under the New York State Employees' Retirement System and the New York Police and Fire Retirement System. It was assumed that 100% of future retirees eligible will elect to receive postretirement healthcare benefits, including medical coverage. Current retirees were assumed to continue participation in their current plans.

The County is currently eligible to receive the Medicare Part D prescription drug subsidy, which is accrued as revenue in the current year. Subsidies for future years cannot be recognized as a reduction in the actuarial accrued liability.

6. LONG-TERM OBLIGATIONS

(a) *Bonds and Loans Payable*

The County borrows funds on a long-term basis for the purpose of financing acquisition of equipment and construction of buildings and improvements. This policy enables the cost of capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term obligations represent a reconciling item between the fund and government-wide statements. Interest expense net of bond premium amortization for governmental activities for the year ended December 31, 2012 was \$596,737. Detail relating to general obligation bonds of the County, outstanding at December 31, 2012, is summarized as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Governmental Activities				
Public safety communications	2010	2020	3.11 – 5 28%	<u>\$13,585,000</u>
Total governmental activities				<u>\$13,585,000</u>
Total primary government				<u>\$13,585,000</u>

Principal and interest payments due on the bonds outstanding at December 31, 2012, for the primary government, are as follows:

Governmental Activities		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2013	\$1,465,000	\$615,295
2014	1,520,000	557,615
2015	1,580,000	493,910
2016	1,645,000	419,412
2017	1,730,000	333,180
2018	1,820,000	244,098
2019	1,880,000	150,976
2020	<u>1,945,000</u>	<u>51,367</u>
Total	<u>\$13,585,000</u>	<u>\$2,865,853</u>

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

The debt service on these bonds and other obligations will be financed through real property taxes, proceeds from OTB revenues, use charges or other existing available resources for the retirement of debt.

(b) Long-term Liabilities

The following is a summary of long-term liabilities for the primary government as of December 31, 2012:

	Balance 12/31/11	Additions	Deductions	Balance 12/31/12	Current Portion
Governmental Activities					
Compensated absences	\$ 3,655,467	\$ 67,539	\$ (144,440)	\$ 3,578,566	\$ 90,208
Other postemployment benefits					
(OPEB) obligation	19,997,204	7,616,873	(2,042,522)	25,571,555	-
Bonds payable	15,010,000	-	(1,425,000)	13,585,000	1,465,000
Amortized bond premium	513,774	-	(61,448)	452,326	-
Total long-term liabilities	<u>\$ 39,176,445</u>	<u>\$ 7,684,412</u>	<u>\$ (3,673,410)</u>	<u>\$ 43,187,447</u>	<u>\$ 1,555,208</u>
Business-type Activities/Environmental Landfill					
Compensated absences	\$ 114,922	\$ 24,937	\$ -	\$ 139,859	\$ 2,442
Other postemployment benefits					
(OPEB) obligation	651,112	280,666	(59,401)	872,377	-
Landfill closure/post closure	5,230,712	251,679	-	5,482,391	-
Total long-term liabilities	<u>\$ 5,996,746</u>	<u>\$ 557,282</u>	<u>\$ (59,401)</u>	<u>\$ 6,494,627</u>	<u>\$ 2,442</u>

(c) Accrued Landfill Closing Costs

State and Federal laws and regulations require the County to place a final cover on its municipal landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as a liability based on landfill capacity used each year. The \$5,482,391 reported as landfill closure and post-closure care liability represents the cumulative amount reported to date. The County will recognize the remaining estimated cost of closure and post-closure care of \$164,609 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

It is estimated that the landfill capacity used through December 31, 2012 amounts to 88.1%, and the estimated remaining landfill life after January 1, 2013 is 2 years and 2 months.

7. AMOUNTS DUE TO AND DUE FROM OTHER FUNDS

Amounts due to and due from other funds at December 31, 2012 are as follows:

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

	Interfund Receivables							Total
	Governmental Activities						Business-type	
	Non-major Governmental Funds						Activities	
	General Fund	Community Development	County Road	Road Machinery	Sewer District	Capital Projects	Environmental Landfill	
Interfund Payables								
Governmental activities:								
General Fund	\$ -	\$ 3,604	\$ 5,276	\$ 29,226		\$ 21,048	\$ 1,388	\$ 60,542
Non-major Governmental Funds:								
Special Revenue:								
Community Development	37,749	-	-	-	-	-	-	37,749
County Road	251,892	-	-	-	-	-	-	251,892
Road Machinery	47,586	-	-	-	-	-	-	47,586
Sewer District	3,240	-	-	-	-	-	-	3,240
Capital Projects	18,864	-	-	-	-	-	-	18,864
Total Non-major	359,331	-	-	-	-	-	-	359,331
Total Governmental Activities	359,331	3,604	5,276	29,226	-	21,048	1,388	419,873
Business-type activities:								
Environmental Landfill	88,926	-	-	2,061	-	-	-	90,987
Agency Funds	6,221,766	-	-	-	-	-	-	6,221,766
Total Primary Government	\$ 6,670,023	\$ 3,604	\$ 5,276	\$ 31,287	\$ -	\$ 21,048	\$ 1,388	\$ 6,732,626

8. OPERATING TRANSFERS

The following is a summary of operating transfers for the year ended December 31, 2012. All of the operating transfers were normal budgeted transfers.

	Interfund Transfers To					Total
	Governmental Activities					
	General Fund	County Road	Road Machinery	Capital Projects	Debt Service	
Interfund Transfers From						
Governmental activities:						
General Fund	\$ -	\$ 7,194,685	\$ 1,734,222	\$ 321,770	\$ 967,000	\$ 10,217,677
Non-major Governmental Funds:						
County Road	-	-	-	191,194	-	191,194
Capital Projects	-	-	-	-	1,121,897	1,121,897
Total Non-major	-	-	-	191,194	1,121,897	1,313,091
Total Governmental Activities	-	7,194,685	1,734,222	512,964	2,088,897	11,530,768
Business-type activities:						
Environmental Landfill	20,000	-	-	-	-	20,000
Total primary government	\$ 20,000	\$ 7,194,685	\$ 1,734,222	\$ 512,964	\$ 2,088,897	\$ 11,550,768

9. SIGNIFICANT CLAIMS AND CONTINGENT LIABILITIES

The County for some years has been involved in litigation adverse to the Oneida Indian Nation of New York (OIN) and other Indian tribes, and in some cases the United States, with respect to Indian land claims, tax and regulatory disputes, and the OIN's application to have certain lands taken into trust for its benefit. The County successfully defended against the OIN's land claims, with those claims finally dismissed by the Second Circuit in 2010. *Oneida Indian Nation of New York v. County of Oneida*, 617 F.3d 114 (2d Cir. 2010), cert. denied S.Ct (2011).¹ The County currently has a petition for certiorari pending in the Supreme Court of the United States challenging the "not disestablished" Oneida reservation, which the OIN and United States claim is extant in Central New York.

An historic agreement to settle all disputes between the OIN, on the one hand, and New York State, Madison County and Oneida County, on the other hand, was announced by Governor Cuomo on May 16, 2013 subject to legislative approvals by the two Counties and New York States. Oneida County voted to approve the settlement on May 28; Madison County on May 30. The New York State Legislature voted to approve the settlement on June 22. In light of the terms and conditions of the Settlement Agreement, and approvals obtained to date, the Settlement Agreement may resolve all pending litigation in state court (involving tax assessments) and federal court (challenging the Secretary of the Interior's record of decision in 2008 to take 13,000 acres of land into trust for the benefit of OIN and seeking Supreme Court review of the "not disestablished" reservation). The settlement is complex and numerous entities (tribal and non-tribal) have expressed opposition to some or all of its terms. Various legal challenges to the Settlement Agreement are possible. Given the complexity of the agreement and possible legal challenges to it, the ultimate outcome of the settlement cannot yet be determined. All or some of the pending state and federal litigation could resume. If so, the outcome of the various legal proceedings would be uncertain.

The County is subject to a number of lawsuits in addition to the ones described above in the ordinary conduct of its affairs. Such lawsuits and claims are not, in the opinion of management, expected to have a material effect on the County's financial condition.

10. INSURANCE AND COMMITMENTS

The County purchases commercial insurance coverage and is self-insured for the deductible portion of its general liability risks. The County also funds its Workers' Compensation claim liability through a municipal workers' compensation risk pool, of which the County is the sponsoring member. In addition, the County is self-funded for its major medical, surgical, and hospital claims, which are administered by a third-party claims administrator. At December 31, 2012, the County has accrued a liability in its governmental activities and general fund of \$717,467, representing incurred but not yet reported health insurance claims and \$262,995 representing general liability claims. The governmental fund liability at December 31, 2012 is recorded entirely in the General Fund as accounts payable. The County has also accrued a liability of \$1,307,455 for workers' compensation premiums, unresolved claims and legal costs in its business-type activities and major enterprise fund (Workers' Compensation) at December 31, 2012.

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

¹ A similar land claim asserted by the Stockbridge-Munsee Community in the Northern District of New York was dismissed on July 23, 2013 and the Tribe filed its Notice of Appeal August 13, 2013.

MADISON COUNTY, NEW YORK
Notes to the Basic Financial Statements
Year Ended December 31, 2012

There was no change in commercial coverage during 2012, and settled claims have not exceeded commercial coverage in any of the past five fiscal years.

The County has also entered into numerous operating lease agreements which, in the opinion of management, are not considered to be material.

11. FEDERAL AND STATE FUNDED PROGRAMS

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

REQUIRED SUPPLEMENTARY
INFORMATION
(Unaudited)

MADISON COUNTY, NEW YORK
OTHER POSTEMPLOYMENT BENEFITS - SCHEDULE OF FUNDING PROGRESS
Last three fiscal years

<u>Fiscal year ended December 31</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability</u>	<u>Unfunded actuarial accrued liability</u>	<u>Funded ratio</u>	<u>Annual covered payroll</u>	<u>Unfunded actuarial accrued liability as a percentage of covered payroll</u>
2012	\$ -	82,087,027	82,087,027	0.0%	24,045,477	341%
2011	-	72,092,368	72,092,368	0.0%	26,445,509	273%
2010	-	72,092,368	72,092,368	0.0%	26,445,509	273%

MADISON COUNTY, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Real property taxes	\$ 29,454,421	\$ 29,454,421	\$ 28,860,018	\$ (594,403)
Real property tax items	1,324,825	1,324,825	1,288,768	(36,057)
Non-property tax items	23,461,450	24,412,862	24,406,017	(6,845)
Departmental income	7,225,457	7,243,540	6,941,487	(302,053)
Intergovernmental charges	455,320	455,320	282,869	(172,451)
Use of money and property	169,800	169,800	98,818	(70,982)
Licenses and permits	17,000	17,000	16,338	(662)
Fines and forfeitures	190,000	190,925	170,998	(19,927)
Sale of property and compensation for loss	1,670,100	1,697,212	1,354,571	(342,641)
Miscellaneous local sources	1,680,104	1,830,267	2,001,196	170,929
Interfund	2,163,513	2,231,089	2,042,865	(188,224)
State aid	9,267,856	9,782,381	10,528,930	746,549
Federal aid	8,684,744	9,819,667	8,174,639	(1,645,028)
Total Revenues	<u>85,764,590</u>	<u>88,629,309</u>	<u>86,167,514</u>	<u>(2,461,795)</u>
EXPENDITURES				
General government support	20,947,866	21,970,642	20,499,409	1,471,233
Education	5,474,947	5,324,151	4,838,780	485,371
Public safety	12,027,544	13,545,358	12,657,804	887,554
Health	8,623,517	9,140,942	8,334,674	806,268
Transportation	461,000	476,515	417,442	59,073
Economic assistance and opportunity	30,209,245	30,354,590	27,810,567	2,544,023
Culture and recreation	623,107	629,020	587,787	41,233
Home and community services	1,176,313	1,186,986	1,174,431	12,555
Unallocated employee benefits	2,734,756	4,156,743	4,163,062	(6,319)
Total Expenditures	<u>82,278,295</u>	<u>86,784,947</u>	<u>80,483,956</u>	<u>6,300,991</u>
Excess of revenues over expenditures	<u>3,486,295</u>	<u>1,844,362</u>	<u>5,683,558</u>	<u>3,839,196</u>
OTHER FINANCING SOURCES (USES)				
Appropriation of Reserves	229,962	439,749	-	(439,749)
Transfers in	20,000	20,000	20,000	-
Transfers out	(9,736,257)	(10,243,271)	(10,217,677)	25,594
Total other financing sources (uses)	<u>(9,486,295)</u>	<u>(9,783,522)</u>	<u>(10,197,677)</u>	<u>(414,155)</u>
Net change in fund balance	(6,000,000)	(7,939,160)	(4,514,119)	3,425,041
Fund balance - beginning	21,184,583	21,184,583	21,184,583	-
Fund balance - ending	<u>\$ 15,184,583</u>	<u>\$ 13,245,423</u>	<u>\$ 16,670,464</u>	<u>\$ 3,425,041</u>

MADISON COUNTY, NEW YORK
Notes to Required Supplementary Information
Year Ended December 31, 2012

1. BUDGETARY DATA

(a) *Budget Policies*

- (1) Budgets are generally adopted on a basis consistent with U.S. Generally Accepted Accounting Principles, with the following exception: Appropriations authorized for the current year are increased by the amount of encumbrances and reservations of fund balance carried forward from the prior year. In addition, interfund eliminations are accounted for through an adjustment from budgetary basis to U.S. GAAP basis for revenue, expenditures and other financing sources and uses.
- (2) No later than the first Monday after the first Tuesday in November, the Budget Officer submits a tentative budget to the County Board of Supervisors for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing them.
- (3) Public hearings are conducted to obtain citizen comment.
- (4) Prior to December 20, the budget is legally enacted through passage of a Board resolution adopting the tentative budget as revised or modified. In the event the tentative budget is not adopted by December 20, the tentative budget as submitted by the Budget Officer with any modifications or changes duly adopted by the Board is then the official adopted budget for the ensuing fiscal year.

(b) *Legally Adopted Budgets*

The General Fund has a legally adopted budget. Appropriations lapse at fiscal year-end and are not eligible to be carried over. All budgets are adopted on a departmental line item level-of-expenditure basis in which expenditures may not legally exceed appropriations on a departmental and line item object-of-expenditure level. Individual governmental fund comparison of budget and actual data at the legal level of control established by the adopted budget is not presented in this report for those funds with legally adopted budgets due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information.

(c) *Budget Carryover and Amendment*

The budget is adopted annually on a basis generally consistent with U.S. GAAP. The County budget treats carryover projects as encumbrances, and the carryover appropriations are added to the next year. The budget is amended for increased grants or State aid received during the year.

MADISON COUNTY, NEW YORK
Notes to Required Supplementary Information
Year Ended December 31, 2012

2. BUDGETARY SUMMARIES

(a) *General Fund*

A summary of legally adopted budgetary activity for the County's General Fund for the fiscal year 2012 follows:

	<u>General Fund</u>
Original Revenue Budget:	
Estimated revenues and other financing sources	\$86,014,552
Appropriated fund balance	<u>6,000,000</u>
Total Original Budget	92,014,552
Authorized Revisions:	
Authorized revisions and transfers	2,506,676
Additional appropriated fund balance	1,604,172
Additional appropriation of reserves	209,787
Grant reappropriations	<u>693,031</u>
Modified Revenue Budget-Budget Basis	<u>\$97,028,218</u>
Original Appropriations Budget:	
Appropriations and other financing uses	<u>\$92,014,552</u>
Total Original Budget	92,014,552
Authorized Revisions:	
Authorized revisions and transfers	4,320,635
Grant reappropriations	<u>693,031</u>
Modified Appropriations Budget-Budget Basis	<u>\$97,028,218</u>

MADISON COUNTY, NEW YORK
Notes to Required Supplementary Information
Year Ended December 31, 2012

(b) Reconciliation of Budget to GAAP - General Fund

A comparative summary of revenues and expenditures for the General Fund on a budgetary basis and a GAAP basis for the fiscal year 2012 follows:

Revenues and other financing sources (budgetary basis)	\$86,187,514
Adjustment: Interdepartmental and intrafund reimbursements treated as revenue for budgetary purposes and as an offset to such costs for GAAP purposes	<u>(1,835,008)</u>
Revenue and other financing sources (GAAP basis)	<u>\$84,352,506</u>
Expenditures and other financing uses (budgetary basis)	\$90,701,633
Adjustment: Interdepartmental and intrafund reimbursements treated as expenditures for budgetary purposes and as an offset to such costs for GAAP purposes	<u>(1,835,008)</u>
Expenditures and other financing uses (GAAP basis)	<u>\$88,866,625</u>

COMBINING FINANCIAL INFORMATION

**MADISON COUNTY, NEW YORK
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
As of December 31, 2012**

	Special Revenue Funds	Capital Projects	Total Non-major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,060,960	\$ 1,887,066	\$ 8,948,026
Accounts receivable	1,777,273	-	1,777,273
Due from other funds	40,167	21,048	61,215
Loans receivable	493,327	-	493,327
State and federal receivables	286,699	2,809,283	3,095,982
Inventories	1,597,932	-	1,597,932
Prepaid expenses	143,800	-	143,800
	Total assets	4,717,397	16,117,555
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 467,960	\$ 28,232	\$ 496,192
Accrued liabilities	140,082	-	140,082
Retained percentages	-	12,500	12,500
Due to other funds	340,467	18,864	359,331
	Total liabilities	59,596	1,008,105
	Deferred inflows	-	2,444,599
 Fund balances:			
Nonspendable	1,741,732	-	1,741,732
Restricted	1,033,914	4,657,801	5,691,715
Assigned	5,231,404	-	5,231,404
	Total fund balances	4,657,801	12,664,851
	Total liabilities, deferred inflows and fund balances	\$ 4,717,397	\$ 16,117,555

MADISON COUNTY, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue Funds	Capital Projects	Debt Service	Total Non-major Governmental Funds
REVENUES				
Real property taxes	\$ 5,400	\$ -	\$ -	\$ 5,400
Non-property tax items	416,310	-	-	416,310
Departmental income	663,736	-	-	663,736
Intergovernmental charges	775,645	-	-	775,645
Use of money and property	91,858	9,959	-	101,817
Sale of property and compensation for loss	32,990	-	-	32,990
Miscellaneous local sources	69,684	-	-	69,684
Interfund	723,847	-	-	723,847
State aid	2,291,491	47,522	-	2,339,013
Federal aid	1,511,413	2,839,130	-	4,350,543
Total Revenues	<u>6,582,374</u>	<u>2,896,611</u>	<u>-</u>	<u>9,478,985</u>
EXPENDITURES				
Public safety	14,790	4,284,036	-	4,298,826
Transportation	9,950,990	183,031	-	10,134,021
Economic assistance and opportunity	1,060,219	197,970	-	1,258,189
Home and community services	1,016,034	68,639	-	1,084,673
Employee benefits	2,054,410	-	-	2,054,410
Debt service:				
Principal	-	-	1,425,000	1,425,000
Interest	-	-	663,897	663,897
Total Expenditures	<u>14,096,443</u>	<u>4,733,676</u>	<u>2,088,897</u>	<u>20,919,016</u>
Excess of expenditures over revenues	<u>(7,514,069)</u>	<u>(1,837,065)</u>	<u>(2,088,897)</u>	<u>(11,440,031)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,928,907	512,964	2,088,897	11,530,768
Transfers out	(191,194)	(1,121,897)	-	(1,313,091)
Total other financing sources	<u>8,737,713</u>	<u>(608,933)</u>	<u>2,088,897</u>	<u>10,217,677</u>
Net change in fund balances	1,223,644	(2,445,998)	-	(1,222,354)
Fund balances at beginning of year	<u>6,783,406</u>	<u>7,103,799</u>	<u>-</u>	<u>13,887,205</u>
Fund balances at end of year	<u>\$ 8,007,050</u>	<u>\$ 4,657,801</u>	<u>\$ -</u>	<u>\$ 12,664,851</u>

**MADISON COUNTY, NEW YORK
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
As of December 31, 2012**

	<u>Community Development</u>	<u>Cowaselon Creek</u>	<u>Law Enforcement Trust</u>	<u>County Road</u>
ASSETS				
Cash and cash equivalents	\$ 1,416,250	\$ 31,551	\$ 19,577	\$ 3,383,560
Accounts receivable	1,754,271	-	110	21,934
Due from other funds	3,604	-	-	5,276
Loans receivable	493,327	-	-	-
State and federal receivables	-	-	-	286,699
Inventories	-	-	-	889,416
Prepaid expenses	12,422	-	-	110,297
Total assets	<u>3,679,874</u>	<u>31,551</u>	<u>19,687</u>	<u>4,697,182</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,496	\$ -	\$ -	\$ 333,060
Accrued liabilities	25,873	-	-	100,108
Due to other funds	37,749	-	-	251,892
Total liabilities	<u>79,118</u>	<u>-</u>	<u>-</u>	<u>685,060</u>
Deferred inflows	<u>2,238,132</u>	<u>-</u>	<u>-</u>	<u>206,467</u>
Fund balances:				
Nonspendable	12,422	-	-	999,713
Restricted	-	-	-	146,981
Assigned	1,350,202	31,551	19,687	2,658,961
Total fund balances	<u>1,362,624</u>	<u>31,551</u>	<u>19,687</u>	<u>3,805,655</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,679,874</u>	<u>\$ 31,551</u>	<u>\$ 19,687</u>	<u>\$ 4,697,182</u>

**MADISON COUNTY, NEW YORK
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
As of December 31, 2012**

	<u>Road Machinery</u>	<u>Madison County Sewer District</u>	<u>Total Special Revenue Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,258,522	\$ 951,500	\$ 7,060,960
Accounts receivable	958	-	1,777,273
Due from other funds	31,287	-	40,167
Loans receivable	-	-	493,327
State and federal receivables	-	-	286,699
Inventories	708,516	-	1,597,932
Prepaid expenses	21,081	-	143,800
	<u>2,020,364</u>	<u>951,500</u>	<u>11,400,158</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 66,766	\$ 52,638	\$ 467,960
Accrued liabilities	14,101	-	140,082
Due to other funds	47,586	3,240	340,467
	<u>128,453</u>	<u>55,878</u>	<u>948,509</u>
 Deferred inflows			
	<u>-</u>	<u>-</u>	<u>2,444,599</u>
 Fund balances:			
Nonspendable	729,597	-	1,741,732
Restricted	886,933	-	1,033,914
Assigned	275,381	895,622	5,231,404
	<u>1,891,911</u>	<u>895,622</u>	<u>8,007,050</u>
 Total liabilities, deferred inflows and fund balances			
	<u>\$ 2,020,364</u>	<u>\$ 951,500</u>	<u>\$ 11,400,158</u>

MADISON COUNTY, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2012

	<u>Community Development</u>	<u>Cowaselon Creek</u>	<u>Law Enforcement Trust</u>	<u>County Road</u>
REVENUES				
Real property taxes	\$ -	\$ 5,400	\$ -	\$ -
Non-property tax items	-	-	-	416,310
Departmental income	165,717	-	-	-
Intergovernmental charges	-	-	-	775,645
Use of money and property	83,192	-	23	4,978
Sale of property and compensation for loss	-	-	-	3,554
Miscellaneous local sources	57,824	-	6,210	5,650
Interfund	118,925	-	-	14,825
State aid	-	-	-	2,291,491
Federal aid	1,508,702	-	-	-
Total Revenues	<u>1,934,360</u>	<u>5,400</u>	<u>6,233</u>	<u>3,512,453</u>
EXPENDITURES				
Public safety	-	-	14,790	-
Transportation	-	-	-	8,360,205
Economic assistance and opportunity	1,060,219	-	-	-
Home and community services	496,288	545	-	-
Employee benefits	130,583	-	-	1,648,031
Total Expenditures	<u>1,687,090</u>	<u>545</u>	<u>14,790</u>	<u>10,008,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>247,270</u>	<u>4,855</u>	<u>(8,557)</u>	<u>(6,495,783)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	7,194,685
Transfers out	-	-	-	(191,194)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,003,491</u>
Net change in fund balances	247,270	4,855	(8,557)	507,708
Fund balances at beginning of year	<u>1,115,354</u>	<u>26,696</u>	<u>28,244</u>	<u>3,297,947</u>
Fund balances at end of year	<u>\$ 1,362,624</u>	<u>\$ 31,551</u>	<u>\$ 19,687</u>	<u>\$ 3,805,655</u>

MADISON COUNTY, NEW YORK
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2012

	<u>Road Machinery</u>	<u>Madison County Sewer District</u>	<u>Total Special Revenue Funds</u>
REVENUES			
Real property taxes	\$ -	\$ -	\$ 5,400
Non-property tax items	-	-	416,310
Departmental income	-	498,019	663,736
Intergovernmental charges	-	-	775,645
Use of money and property	2,109	1,556	91,858
Sale of property and compensation for loss	29,436	-	32,990
Miscellaneous local sources	-	-	69,684
Interfund	590,097	-	723,847
State aid	-	-	2,291,491
Federal aid	2,711	-	1,511,413
Total Revenues	<u>624,353</u>	<u>499,575</u>	<u>6,582,374</u>
EXPENDITURES			
Public safety	-	-	14,790
Transportation	1,590,785	-	9,950,990
Economic assistance and opportunity	-	-	1,060,219
Home and community services	-	519,201	1,016,034
Employee benefits	274,581	1,215	2,054,410
Total Expenditures	<u>1,865,366</u>	<u>520,416</u>	<u>14,096,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,241,013)</u>	<u>(20,841)</u>	<u>(7,514,069)</u>
OTHER FINANCING SOURCES			
Transfers in	1,734,222	-	8,928,907
Transfers out	-	-	(191,194)
Total other financing sources	<u>1,734,222</u>	<u>-</u>	<u>8,737,713</u>
Net change in fund balances	493,209	(20,841)	1,223,644
Fund balances at beginning of year	<u>1,398,702</u>	<u>916,463</u>	<u>6,783,406</u>
Fund balances at end of year	<u>\$ 1,891,911</u>	<u>\$ 895,622</u>	<u>\$ 8,007,050</u>