STEUBEN COUNTY HEALTH CARE FACILITY
(AN ENTERPRISE FUND OF THE COUNTY OF STEUBEN, NEW YORK)

Financial Statements as of December 31, 2008 and 2007 Together with Independent Auditors' Report

Bonadio & Co., LLP
Certified Public Accountants

STEUBEN COUNTY HEALTH CARE FACILITY
(AN ENTERPRISE FUND OF THE COUNTY OF STEUBEN, NEW YORK)

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

June 15, 2009

To the Health and Education Committee of the
County Legislature of the County of Steuben New York:

We have audited the accompanying financial statements of Steuben County Health Care Facility (the Facility), an enterprise fund of the County of Steuben, New York, as of December 31, 2008, as listed in the foregoing table of contents. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Steuben County Health Care Facility Fund as of December 31, 2007, were audited by other auditors whose report dated May 30, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Steuben County Health Care Facility Fund and do not purport to, and do not, present fairly the financial position of the County of Steuben, New York, as of December 31, 2008, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Steuben County Health Care Facility Fund of the County of Steuben, New York as of December 31, 2008 and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

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STEUBEN COUNTY HEALTH CARE FACILITY
(AN ENTERPRISE FUND OF THE COUNTY OF STEUBEN, NEW YORK)

BALANCE SHEETS
DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,723,732	$ 145,378
Accounts receivable, net of allowance for doubtful accounts	2,708,532	2,471,402
Current portion of assets whose use is limited	634,242	5,222,278
Inventory	36,104	30,225
Amounts due from third-party payors	168,992	89,195
Prepaid expenses and other current assets	1,301	113,483
Total current assets	7,272,903	8,071,961
NONCURRENT ASSETS:		
Assets whose use is limited, net of current portion	189,314	184,236
Bond issuance cost, net	51,034	57,039
Resident funds held in trust	50,996	38,011
Capital assets, net	19,386,492	18,603,015
Total noncurrent assets	19,677,836	18,882,301
Total assets	$ 26,950,739	$ 26,954,262
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of bonds payable	$ 735,000	$ 705,713
Accounts payable	552,722	1,491,020
Current portion of accrued compensation	423,114	372,460
Accrued interest payable	272,484	283,059
Total current liabilities	1,983,320	2,852,252
NONCURRENT LIABILITIES:		
Bonds payable, net of current portion	16,996,900	17,731,887
Resident funds held in trust	50,996	38,011
Accrued post-employment benefit obligation	209,000	62,000
Amounts due to third-party payors	215,222	313,558
Estimated arbitrage liability	342,568	342,568
Accrued compensation, net of current portion	403,705	400,256
Total noncurrent liabilities	18,218,391	18,888,280
Total liabilities	20,201,711	21,740,532
NET ASSETS:		
Invested in capital assets, net of related debt	1,705,626	222,454
Restricted	958,163	1,935,055
Unrestricted	4,085,239	3,056,221
Total net assets	6,749,028	5,213,730
Total liabilities and net assets	$ 26,950,739	$ 26,954,262

The accompanying notes are an integral part of these statements.

STEUBEN COUNTY HEALTH CARE FACILITY
(AN ENTERPRISE FUND OF THE COUNTY OF STEUBEN, NEW YORK)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING REVENUES:		
Net resident service revenue	$ 8,250,954	$ 7,442,775
Intergovernmental transfer	3,874,820	(312,500)
Adjustment of prior years' revenue, net	871,668	231,674
Other operating revenue	198,112	297,335
Total operating revenues	13,195,554	7,659,284
OPERATING EXPENSES:		
Salaries and wages	5,197,721	4,849,805
Employee benefits	2,260,374	2,053,233
Supplies and other	1,773,255	1,718,312
New York State assessment	427,733	356,772
Depreciation	551,753	212,108
Provision for doubtful accounts	184,572	289,027
Indirect county costs	368,289	444,196
Total operating expenses	10,763,697	9,923,453
Operating income (loss)	2,431,857	(2,264,169)
NONOPERATING REVENUES (EXPENSES):		
Interest expense	(425,448)	(489,262)
Interest income	87,239	553,849
Loss on disposal of capital assets	(277,555)	(12,077)
Total nonoperating revenues (expenses)	(615,764)	52,510
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,816,093	(2,211,659)
CAPITAL CONTRIBUTIONS AND TRANSFERS:		
Transfers	(649,084)	-
County capital contributions	-	850,000
County subsidies	368,289	444,196
	(280,795)	1,294,196
CHANGE IN NET ASSETS	1,535,298	(917,463)
NET ASSETS - beginning of year	5,213,730	6,131,193
NET ASSETS - end of year	$ 6,749,028	$ 5,213,730

The accompanying notes are an integral part of these statements.

STEUBEN COUNTY HEALTH CARE FACILITY
(AN ENTERPRISE FUND OF THE COUNTY OF STEUBEN, NEW YORK)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	$ 12,595,719	$ 7,819,790
Cash paid to suppliers	(3,375,864)	(3,076,068)
Cash paid to or on behalf of employees	(7,256,992)	(6,839,717)
Net cash flow from operating activities	1,962,863	(2,095,995)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
County capital contributions	-	850,000
Payments on bonds, principal	(705,700)	(675,713)
Payments on bonds, interest	(776,799)	(756,044)
Change in assets whose use is limited	4,582,958	13,534,044
Purchase of capital assets	(1,572,207)	(14,438,624)
Net cash flow from capital and related financing activities	1,528,252	(1,486,337)
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest on investments	87,239	751,878
Net cash flow from investing activities	87,239	751,878
CHANGE IN CASH AND CASH EQUIVALENTS	3,578,354	(2,830,454)
CASH AND CASH EQUIVALENTS - beginning of year	145,378	2,975,832
CASH AND CASH EQUIVALENTS - end of year	$ 3,723,732	$ 145,378
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Income (loss) from operations	$ 2,431,857	$ (2,264,169)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	551,753	212,108
County indirect charges	368,289	444,196
Provision for doubtful accounts	184,572	289,027
Changes in assets and liabilities:		
Resident accounts receivable	(421,702)	(13,670)
Inventory	(5,879)	(8,990)
Due from third-party payors	(79,797)	-
Prepaid expenses and other current assets	112,182	2,242
Accounts payable	(1,281,179)	104,834
Due to third-party payors	(98,336)	108,975
Accrued compensation	54,103	(1,032,548)
Accrued post-employment benefit obligation	147,000	62,000
Net cash flow from operating activities	$ 1,962,863	$ (2,095,995)
SUPPLEMENTAL NON-CASH CAPITAL TRANSACTIONS		
Transfers of capital assets to other governmental entities	$ 649,084	$ -
Increase in capital assets reported in accounts payable	$ 342,881	$ 1,223,481

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

Steuben County Health Care Facility (the Facility) is a public, 105-bed skilled nursing facility. The Home is owned by, operated as, and presented as an enterprise fund of the County of Steuben, New York (the County), a political sub-division of the State of New York. An enterprise fund is a proprietary type fund that uses the accrual basis of accounting and is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation), of providing goods or services are to be financed or recovered primarily through user charges.

The financial statements present only the Steuben County Health Care Facility Fund and do not purport to, and do not, present fairly the financial position of the County of Steuben, New York, as of December 31, 2008 and 2007, and the changes in its net assets, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The Facility has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that use Proprietary Fund Accounting*. The Facility has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Facility has elected not to adopt the provision of paragraph 7 of GASB Statement No. 20, which allows for the application of FASB statements issued after November 30, 1989.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

GASB requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Restricted - This component of net assets consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted - This component of net assets consists of net assets that do not meet the definition of "invested in capital assets" or "restricted."

When both restricted and unrestricted resources are available for use for the same purpose, the Facility uses restricted resources first and then unrestricted resources, as needed.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, bank demand deposit accounts, money market accounts, and all highly liquid investments with an original maturity of three months or less which, at times, may exceed federally insured limits. The Facility has not experienced any losses in such accounts. As a fund of the County, the Facility's cash balances are covered by depository insurance at year-end or collateralized with securities held by the pledging financial institution, or its trust department or agent.

Resident Accounts Receivable and Revenue

The Facility provides services to residents under agreements with third-party payors (primarily Medicare and Medicaid), whereby it is reimbursed under provisions of their respective reimbursement formulas. Final determination of the amounts earned is subject to review by third-party payors or their agents. Net resident service revenue is reported at estimated net realizable amounts from residents, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. It is not possible to determine the extent of additional liabilities (or receivables) resulting from governmental audits conducted in subsequent years.

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

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Income Taxes

The Facility is an enterprise fund of the County and is consequently exempt from Federal and state income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets
Capital assets are stated at cost if purchased or at fair market value at date of donation. Major renewals and betterments greater than $500 are capitalized at cost, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed. Depreciation expense is recognized over the estimated useful lives of the respective assets using the straight-line method.

Maintenance and repairs are charged to expense. The cost of capital assets retired or otherwise disposed of and their related accumulated depreciation are removed from the accounts.

Resident Funds Held in Trust
The Facility acts as a custodian for resident funds. The funds are expended at the direction of the residents for personal items. Transactions involving receipt and disbursement of resident funds are not included in the operating results of the Facility. New York State Department of Health regulations require that these funds be reported as an asset and a liability on the balance sheet.

Compensated Absences
Liabilities for compensated absences such as vacation are recorded when vested and earned by the employees and payment is not dependent upon a future event. The liabilities are recorded based on employees' rates of pay as of December 31 and include all payroll related liabilities.

County Cost Allocation
The County incurs the costs of certain overhead services for the benefit of the Facility. These costs are included in operating expenses on the statements of revenues, expenses, and change in net assets and are detailed in Note 9.

Disadvantaged Facility Funding
The Facility receives disadvantaged facility funding from New York State in the form of Medicaid rate enhancements. These rate enhancements are determined by the New York State Department of Health under Chapter 58 of the New York State Laws of 2004 and are calculated based on the Facility's prior years' Medicaid cost report data. The Facility recognized revenue from these rate enhancements of approximately $325,000 and $232,000 for the periods ending December 31, 2008 and 2007, respectively. The Facility reports this funding as a component of net resident service revenue in the accompanying statements of revenues, expenses, and change in net assets.

Inventory
Inventory is stated at the lower of cost or market, determined on a first-in, first-out (FIFO) basis or market. Inventory consists of dietary, medical, office and maintenance supplies.

Assets Whose Use is Limited
The County Legislature and bond indentures have designated certain cash and cash equivalents as amounts to be used for future purchases of capital assets. These assets, net of related debt earmarked to finance capital expenditures, are reported as net assets restricted for capital improvements.

Bond Issuance Costs
Bond issuance costs have been capitalized using straight-line amortization over a period of 20 years, the term of the bonds. Bond issuance costs are reported net of accumulated amortization of $10,215 and $4,210 at December 31, 2008 and 2007, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization of Interest Cost
In accordance with generally accepted accounting principles, the Facility capitalizes the "net effect" of interest revenue and interest expense on externally restricted funds used to finance the acquisition/construction of a specified asset during the capitalization period. The interest expense component is the total interest on the debt during the capitalization period. The interest revenue is interest earned on the invested bond proceeds during the capitalization period. The capitalization period begins on the date of the borrowing and ends when the asset is ready for its intended use. The "net effect" of interest expensed and interest earned during the capitalization period will be depreciated over the useful life of the specified asset.

Arbitrage
The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The Facility's policy is to record as a liability the estimated amount owed. At both December 31, 2008 and 2007, the Facility had recorded approximately $343,000 as the estimated arbitrage liability.

Use of Estimates
The preparation of financial statements in conformity with 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 and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. RESIDENT ACCOUNTS RECEIVABLE

Resident accounts receivable consisted of the following at December 31:

	2008	2007
Resident accounts receivable	$ 3,333,969	$ 2,927,891
Allowance for doubtful accounts	(625,437)	(456,489)
	$ 2,708,532	$ 2,471,402

Concentration of Credit Risk
The distribution of resident accounts receivable by payor class is as follows at December 31:

	2008	2007
Medicaid	40%	44%
Medicare	13%	16%
Private pay	42%	38%
Other	5%	2%
	100%	100%

4. NET RESIDENT SERVICE REVENUE

Adjustments to previously recognized Medicaid revenue of approximately $872,000 and $232,000 for 2008 and 2007, respectively, are included in operating revenue in the statements of revenues, expenses and change in net assets.

The 2008 adjustment of prior years' revenue included revenues related to a New York State Department of Health audit of approximately $207,000, the new rebasing transition payments for 2007 of approximately $335,000, disadvantaged facility funding monies of approximately $325,000 and other miscellaneous payer class changes of approximately $5,000.

The 2007 adjustment of prior years' revenue included revenues related to disadvantaged facility funding monies of approximately $232,000.

For the year ended December 31, 2008, aggregate revenue from the Medicaid and Medicare programs accounted for approximately 56% and 12%, respectively, of net resident service revenue. For the year ended December 31, 2007, aggregate revenue from the Medicaid and Medicare programs accounted for approximately 57% and 13%, respectively, of net resident service revenue.

Contractual Allowances

Net resident service revenue is measured at established rates adjusted for third-party contractual allowances as follows at December 31:

	2008	2007
Gross resident service revenue	$ 9,615,916	$ 9,149,389
Less: Contractual allowances	(1,364,962)	(1,706,614)
	$ 8,250,954	$ 7,442,775

Intergovernmental Transfers

County-sponsored nursing homes in New York State receive additional Medicaid reimbursement known as Intergovernmental Transfer payments (IGT). Payments for this program are funded principally with local and federal funds. This provision results in a statewide rate enhancement to non-state operated public residential health care facilities for services provided. When estimable, IGT revenue is recorded when the Facility is entitled to receive it; otherwise, it is recorded on a cash basis. The Facility had recorded revenue of approximately $3,875,000 for the year ended December 31, 2008 and expense of $312,500 for the year ended December 31, 2007.

New York State Cash Assessment

In April 2002, the State of New York approved a 6% assessment on nursing facilities' cash receipts, with the exception of Medicare cash receipts, to provide funding for workforce recruitment and retention awards authorized pursuant to Chapter 1 and subsequently amended by Chapter 82 of the Laws of 2002. A significant portion of this assessment is reimbursed to the Facility and is included in net resident service revenue. Total assessment expense for the years ended December 31, 2008 and 2007 was approximately $428,000 and $357,000, respectively, and is included in the accompanying statements of revenues, expenses and change in net assets.

The Facility is required to prepare and file various reports of actual and allowable costs annually. Provisions have been made in the financial statements for prior and current years' estimated final settlements. The difference between the amount provided and the actual final settlement is recorded as an adjustment to net resident service revenue in the year the final settlement is determined.

4. NET RESIDENT SERVICE REVENUE (Continued)

The laws and regulations governing the reimbursement for health care services are complex and subject to interpretation. Governmental review for compliance with these laws and regulations has increased, resulting in fines and penalties for noncompliance by individual health care providers or adjustments to amounts requested and recorded by the provider. While no outstanding regulatory inquiries exist at December 31, 2008 and 2007 for the Facility, that in the opinion of management would be material to its financial position or results of operations, compliance with these laws and regulations is subject to future interpretation, or actions.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non-depreciable capital assets:					
Construction in progress	$ 17,456,312	$ 10,412	$ -	$(17,466,724)	$ -
Total non-depreciable capital assets	17,456,312	10,412	-	(17,466,724)	-
Depreciable capital assets:					
Buildings	2,939,998	-	(2,939,998)	10,125,063	10,125,063
Fixed equipment	2,326,471	66,172	(2,326,471)	7,022,914	7,089,086
Land improvements	254,212	913,429	(254,212)	139,689	1,053,118
Moveable equipment	1,646,954	1,271,856	(1,299,224)	179,058	1,798,644
Total depreciable capital assets	7,167,635	2,251,457	(6,819,905)	17,466,724	20,065,911
Total capital assets	24,623,947	2,261,869	(6,819,905)	-	20,065,911
Less: Accumulated depreciation:					
Buildings	2,286,153	364,232	(2,982,535)	649,084	316,934
Fixed equipment	2,075,021	42,819	(2,109,302)	-	8,538
Land improvements	223,181	24,243	(226,362)	-	21,062
Moveable equipment	1,436,577	120,459	(1,224,151)	-	332,885
	6,020,932	551,753	(6,542,350)	649,084	679,419
Capital assets, net	$ 18,603,015	$ 1,710,116	$ (277,555)	$ (649,084)	$ 19,386,492

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non-depreciable capital assets:					
Construction in progress	$ 3,665,402	$ 13,790,910	$ -	$ -	$ 17,456,312
Total non-depreciable capital assets	3,665,402	13,790,910	-	-	17,456,312
Depreciable capital assets:					
Buildings	2,415,336	524,662	-	-	2,939,998
Fixed equipment	2,314,283	12,188	-	-	2,326,471
Land improvements	254,212	-	-	-	254,212
Moveable equipment	1,539,449	110,864	(3,359)	-	1,646,954
Total depreciable capital assets	6,523,280	647,714	(3,359)	-	7,167,635
Total capital assets	10,188,682	14,438,624	(3,359)	-	24,623,947
Less: Accumulated depreciation:					
Buildings	2,200,578	85,575	-	-	2,286,153
Fixed equipment	2,008,649	66,372	-	-	2,075,021
Land improvements	216,819	8,226	(1,864)	-	223,181
Moveable equipment	1,382,143	54,434	-	-	1,436,577
	5,808,189	214,607	(1,864)	-	6,020,932
Capital assets, net	$ 4,380,493	$ 14,224,017	$ (1,495)	$ -	$ 18,603,015

The Facility capitalized interest on construction projects for the years ended December 31, 2008 and 2007 of approximately $341,000 and $336,000, respectively.

In June 2008, the Facility completed its construction project and moved into the new building. Building, improvements, and equipment in the amount of $649,084 were transferred at net book value to the County.

6. BONDS PAYABLE

In 2004 the Facility received authorization from the New York State Department of Health to construct a new health care facility. On August 15, 2005, the County, on behalf of the Facility, issued $19,710,000 public improvement serial bonds to finance the construction of the new facility. The Facility's bonds payable consist of Public Improvement Serial Bonds, payable in annual principal installments through August 15, 2025. Interest is payable in semi-annual installments through August 15, 2025. Interest is charged at 4% through 2019, 4.125% for the year 2020 and 4.250% for the years 2021 through 2025. Bonds payable totaled $17,731,900 and $18,437,600 at December 31, 2008 and 2007, respectively

The bonds are general obligations of the County collateralized by all taxable real property within the County subject to ad valorem taxes to pay the bonds and interest thereon, without limitation as to the rate or amount.

6. BONDS PAYABLE (Continued)

The repayment of these obligations is estimated as follows:

	Principal	Interest
2009	$ 735,000	$ 726,625
2010	765,000	697,225
2011	795,000	666,625
2012	830,000	634,825
2013 - 2017	4,710,000	2,647,325
2018 - 2022	5,795,000	1,615,613
2023 - 2025	4,101,900	352,538
	$ 17,731,900	$ 7,340,776

7. EMPLOYEE PENSION PLAN

Plan Description

Through the County, Facility employees participate in the New York State and Local Employees' Retirement System (the System), which is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute, and the amount of 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 adopts and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY, 12244-0001.

Funding Policy

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first 10 years of participation. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as a percentage of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The County is required to contribute to the system at an actuarially determined rate. The County's contribution made to the System was equal to 100% of the contributions required for 2008 and 2007. The Facility's portion of the County's required contribution for the current year and each of the preceding two years was approximately $391,900, $419,000, and $456,000, respectively. The Facility's portion of the County's required contribution for 2007 and each of the preceding two years was approximately and $419,000, $456,000, and $455,000, respectively, and is included in fringe benefits on the statements of revenues, expenses and change in net assets.

The County (and Facility) currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of pre-funding additional benefits if so determined by the County. For 2008 and 2007, the Facility contributed approximately $194,000 and $219,000, respectively, for these premiums. Third-party administrative costs are included in the calculated premium and allocated to the Facility based on enrollment. Internal County costs of administering the Plan are paid by the County.

8. POST-RETIREMENT BENEFITS/IMPLEMENTATION OF GASB 45

Funding Policy (Continued)

In addition to providing pension benefits (see Note 7), the County also provides certain health care benefits for retired employees, their dependents and certain survivors. Substantially all of the County's employees may become eligible for those benefits if they reach normal retirement age while working for the County. The Facility is liable for its allocated share of all health insurance expenses for Facility retirees. Prior to 2007, the Facility recognized the cost of providing post-retirement health insurance benefits by expensing those costs as incurred.

During 2007, the Facility, as part of the County, implemented GASB Statement No. 45. *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*, prospectively. This Statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosures.

Plan Description

The County provides continuation of medical insurance coverage to employees who retire under the New York Retirement Systems at the same time they end their service to the County. The plan is a single employer defined benefit other postemployment benefit (OPEB) plan (the Plan). Based on collective bargaining agreements, the retiree and his or her beneficiaries receive this coverage for the remainder of their lives.

Health care benefits for non-union employees are similar to those of union employees. The retirees' share of the calculated premium costs ranges from 50% to 100%, depending on the retirement date and length of service. In most instances, actual medical claims paid on behalf of retirees are self-funded by the County. 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.

Accounting Policy

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets paid by a willing buyer to a willing seller.

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the Plan was unfunded. The County's actuarial accrued liability for benefits was $40,746,400, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $40,746,400. The covered payroll (annual payroll of active employees covered by the plan) was $41,616,000, and the ratio of the UAAL to the covered payroll was 97.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions and the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Facility accounts for the costs of these benefits on the cash basis.

8. POST-RETIREMENT BENEFITS/IMPLEMENTATION OF GASB 45 (Continued)

Funded Status and Funding Progress (Continued)

Schedule of Funding Progress for the County's Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a% of Covered Payroll (b-a)/(c)
12/31/2007	$ -	$40,746,400	$40,746,400	0.0%	$41,616,000	97.9%

Annual OPEB Cost and Net OPEB Obligation

The Facility's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 years.

The following table shows the components of the Facility's annual OPEB cost for 2008:

Normal cost	$ 217,900
Amortization of UAAL (past service costs)	123,100
Interest	-
ARC	341,000
Interest on OPEB obligation	3,100
Adjustment on ARC	(3,100)
OPEB expense	$ 341,000

The following table reconciles the Facility's OPEB obligation at December 31, 2008:

Net OPEB obligation at beginning of year	$ 62,000
2008 OPEB expense	341,000
2008 Facility OPEB contributions	(194,000)
Net OPEB obligation at end of year	$ 209,000

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Cost Obligation
12/31/2008	$ 3,605,400	40%	$ 2,162,400

The Facility's annual OPEB cost, percentage of OPEB cost contributed, and the net OPEB obligation at December 31, 2007 were $281,400, 78% and $62,400, respectively.

8. POST-RETIREMENT BENEFITS/IMPLEMENTATION OF GASB 45 (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Facility's annual OPEB cost, percentage of OPEB cost contributed, and the net OPEB obligation at the end of the year were not calculated for the preceding year of December 31, 2006.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of calculations.

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, the AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

Assumptions about Healthcare Costs

The 2006 health insurance premiums for actives and retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 12.95% to 21.72% dependent upon the applicable agreement covering the active or retiree. Those rates see a reduction to the ultimate rate of 5% after 7 to 11 years based on those same agreements.

Other Assumptions and Methods

The inflation rate was assumed to be 5%. Based on historical and expected returns of the County's investments, the investment rate of return was assumed to be 5%. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at a 4% rate.

9. RELATED PARTY TRANSACTIONS

The Facility's cash is combined and deposited with the County's and invested in accordance with the provisions of applicable New York State (the State) statutes. The County also has its own written investment policy. The County deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts or certificates of deposit issued by FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and its agencies, repurchase agreements, and obligations of the State. In accordance with existing policies, repurchase agreements are only entered into with banks or trust companies located within the State or with registered and primary reporting dealers in government securities. Underlying securities for repurchase transactions must be only obligations fully insured and guaranteed by the federal government.

9. RELATED PARTY TRANSACTIONS (Continued)

Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Cash recorded by the Facility is combined with cash recorded by the County in determining amounts covered by Federal Depository Insurance or by collateral held by the County's agent in the County's name. The County Treasurer is responsible for ensuring the deposits are properly collateralized. As of December 31, 2008 and 2007, the County has reported that its deposits were adequately collateralized.

The County incurs the cost of certain services for the benefit of the Facility. Accordingly, the amounts are reflected as costs of the Facility with a subsidy from the County to cover the related costs. These costs are as follows for the years ended December 31:

	2008	2007
Clerk of the Board, purchasing, risk management and accounting departments	$ 82,012	$ 60,341
Data processing	114,580	94,742
Personnel	65,475	66,192
County Treasurer	77,294	54,579
County Administrator	28,928	27,418
Insurance expense paid by the County	-	140,924
	$ 368,289	$ 444,196

The County contributed $850,000 in 2007 for the purchase of capital assets.

10. CONTINGENCIES

The County has elected to be self-insured for workers' compensation claims and accounts for this activity in an internal service fund. Other local municipalities, towns and villages within the County, are permitted to participate in the self-insured workers' compensation plan, and are joint and severally liable for their share of the plan's claims. Expenses and liabilities for claims are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At both December 31, 2008 and 2007, the Facility's estimated liabilities were zero. Costs incurred during 2008 and 2007 for claims were $118,284 and $79,854, respectively. The County also carries excess claims coverage totaling $600,000.

The County has also elected to be self-insured for employee health coverage. Expenses recognized by the Facility during 2008 and 2007 were approximately $1,178,000 and $1,068,000, respectively.

The County has also elected to be self-insured for general liability, malpractice, and automobile insurance. It is the County's policy to charge the Facility for its share of such claims when paid. There are no expenses or accruals for claims related to the Facility during 2008 and 2007.