



**Trust for Cultural Resources of the
County of Onondaga**

**Financial Statements
December 31, 2011 and 2010**

Trust for Cultural Resources of the County of Onondaga
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December 31, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Trust for Cultural Resources of the County of Onondaga

We have audited the accompanying financial statements of the business-type activities of the Trust for Cultural Resources of the County of Onondaga as of and for the year ended December 31, 2011 and 2010, which collectively comprise the Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trust for Cultural Resources of the County of Onondaga's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Trust for Cultural Resources of the County of Onondaga, as of December 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2012, on our consideration of the Trust for Cultural Resources of the County of Onondaga's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Syracuse, New York
February 18, 2012

**Trust for Cultural Resources of the County of Onondaga
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010 (unaudited)**

As management of the Trust for Cultural Resources of the County of Onondaga (the "Trust"), we offer readers of this Trust's financial statements this narrative overview and analysis of the financial activities of the Trust for the fiscal year ended December 31, 2011 and 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

FINANCIAL HIGHLIGHTS

- The Trust primarily receives revenues from project and application fees. During 2011, the Trust received one new application and received project fees from this project totaling \$238,350. The Trust had one project fee of \$721,850 in 2010.
- The Trust assisted with one project during 2011, whereby a total of \$50,000,000 of debt was issued on behalf of such project whereby the Trust received fees ranging from .5% of such bond amount, totaling \$238,350. This debt is considered conduit debt and is not recorded on the financial statements of the Trust since the bonds are not obligations of the Trust and the Trust has no obligation to pay such bonds, even in default.
- The Trust's net assets decreased by \$78,593 in 2011 and increased in 2010 by \$493,571, primarily due to the project fees that the Trust collected in 2011 and 2010. The Trust also distributed \$252,248 and \$139,550 of grants to various cultural organizations throughout Onondaga County in 2011 and 2010, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trust's basic financial statements. The Trust's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Trust's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Trust's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

The Statement of Activities presents information showing how the Trust's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods. Both of the government-wide financial statements report only business-type (proprietary) activities, since none of the Trust's activities are considered to be governmental activities supported primarily by taxes.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Trust, like other component units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Trust does not have any finance-related legal requirements for funds, as such maintains its books and records consistent with other proprietary funds, which is on a basis consistent with business-type activities. The Trust's financial statements are considered a proprietary fund (enterprise fund) which is the same information as presented within the Statements of Financial Position and Statements of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 7 through 11 of this report.

**Trust for Cultural Resources of the County of Onondaga
Management's Discussion and Analysis
For the Years Ended December 31, 2011 and 2010 (unaudited)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Trust's financial position. In the case of the Trust, assets exceeded liabilities by \$406,750 and \$485,343 as of December 31, 2011 and 2010, respectively. This net asset balance primarily consists of cash and cash equivalents of \$420,328 and \$487,071 for 2011 and 2010, respectively, which may be used by the Trust for future economic development needs as more fully described in the Trusts mission statement.

The Trust's only fund is treated as a proprietary (business-type) fund. The following are summarized versions of the government-wide financial statements for 2011 and 2010:

Net Assets		
	2011	2010
Cash and cash equivalents	\$ 420,328	\$ 487,071
Total assets	\$ 420,328	\$ 487,071
Due to Onondaga Economic Development	\$ 13,180	\$ -
Accounts payable	398	1,728
Total liabilities	\$ 13,578	\$ 1,728
Unrestricted net assets	\$ 406,750	\$ 485,343

Change in Net Assets		
	2011	2010
Revenue and other support:		
Project fees	\$ 238,350	\$ 721,350
Application fees	500	500
Interest income	1,287	890
Total revenue and other support	240,137	722,740
Expenses:		
Grants distributed	\$ 252,248	\$ 139,550
Onondaga County Office of Economic Development	56,028	75,000
Professional services	8,261	12,563
Insurance	1,491	1,422
Travel, meetings and conferences	375	511
Office expenses	327	110
Miscellaneous	-	13
Total expenses	318,730	229,169
Change in unrestricted net assets	(78,593)	493,571
Unrestricted net assets at beginning of year	485,343	(8,228)
Unrestricted net assets at end of year	\$ 406,750	\$ 485,343

REQUEST FOR INFORMATION

This financial report is designed to provide readers with a general overview of the Trust's finances. If you have questions about this report or need additional information, contact the Trust's board at the Trust for Cultural Resources of the County of Onondaga, 333 W. Washington St, Suite 130, Syracuse, NY 13202.

Trust for Cultural Resources of the County of Onondaga

Statements of Financial Position

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	<u>\$ 420,328</u>	<u>\$ 487,071</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Due to Onondaga Economic Development	\$ 13,180	\$ -
Accounts payable	<u>398</u>	<u>1,728</u>
	13,578	1,728
Unrestricted net assets	<u>406,750</u>	<u>485,343</u>
	<u>\$ 420,328</u>	<u>\$ 487,071</u>

The accompanying notes are an integral part of the financial statements

Trust for Cultural Resources of County of Onondaga

Statements of Activities

	Years ended December 31,	
	2011	2010
Revenue and other support:		
Project fees	\$ 238,350	\$ 721,350
Application fees	500	500
Interest income	1,287	890
Total revenue and other support	<u>240,137</u>	<u>722,740</u>
Expenses:		
Grants distributed	252,248	139,550
Onondaga County Office of Economic Development	56,028	75,000
Professional services	8,261	12,563
Insurance	1,491	1,422
Travel, meetings and conferences	375	511
Office expenses	327	110
Miscellaneous	-	13
Total expenses	<u>318,730</u>	<u>229,169</u>
Change in unrestricted net assets	(78,593)	493,571
Unrestricted net assets at beginning of year	<u>485,343</u>	<u>(8,228)</u>
Unrestricted net assets at end of year	<u>\$ 406,750</u>	<u>\$ 485,343</u>

The accompanying notes are an integral part of the financial statements

Trust for Cultural Resources of the County of Onondaga

Statements of Cash Flows – Proprietary fund

	Years ended December 31,	
	2011	2010
Cash flows from operating activities:		
Inflows -		
Project fees	\$ 238,350	\$ 721,350
Application fees	500	500
Interest received	1,287	890
Outflows -		
Onondaga County Office of Economic Development	(42,848)	(75,000)
Grants distributed	(252,248)	(139,550)
Professional services	(9,591)	(19,063)
Other services	(2,193)	(2,056)
Net cash (used in) provided by operating activities*	<u>(66,743)</u>	<u>487,071</u>
Cash - Beginning of year	<u>487,071</u>	-
Cash - end of year	<u>\$ 420,328</u>	<u>\$ 487,071</u>

***Reconciliation of change in net assets to net cash (used in) provided by operating activities:**

Change in net assets:	\$ (78,593)	\$ 493,571
Changes in operating assets and liabilities:		
Accounts payable	11,850	(6,500)
Net cash (used in) provided by operating activities	<u>\$ (66,743)</u>	<u>\$ 487,071</u>

The accompanying notes are an integral part of the financial statements

Trust for Cultural Resources of the County of Onondaga

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Operations

The Trust for Cultural Resources of the County of Onondaga (“Trust”) was organized to support, promote and protect the cultural institutions that provide cultural, educational and historical opportunities to the people of Onondaga County and New York State, and to improve the viability and growth of these organizations as set forth in Article 20 and 22 of the Arts and Cultural Affairs Law of the State of New York.

The Trust is considered a public authority and is subject to rules and regulations of the New York State Public Authorities Act of 2009. The Trust must provide various reports to New York State officials on a frequent basis. Failure to follow public authority regulations or to provide accurate and timely information to the New York State officials could impair the ability for the Trust to act under the public authority laws of the State of New York.

Basis of Presentation

The Trust is considered a governmental entity for accounting and financial reporting purposes. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34, the Trust’s financial statements apply all applicable GASB pronouncements as well as FASB statements and interpretations, APB opinions, and ARBs of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In addition, in accordance with GASB 34, the Trust has elected to apply all FASB statements and interpretations issued after November 30, 1989, except for those that pronouncements conflict with or contradict GASB pronouncements.

Governance

The Trust is managed by a Board of Trustees which establishes the general policies governing the organization. The Board of Trustees is comprised of five voting trustees who are all subject to confirmation by the Onondaga County Legislature.

Annual Budgets

The Trust is required to provide to the New York State authorities budget office an annual budget on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year. This budget is submitted to the authority’s budget office and can be found on the Trust’s website at www.syracusecentral.com/Economic-Development-Services-Trust-for-Cultural-Resources.aspx.

Concentration of Credit Risk

Financial instruments that potentially subject the Trust to concentration of credit risk consist principally of cash and cash equivalents. The Trust places its temporary cash investments with limited financial institutions and at various times these investments exceed the Federal Deposit Insurance Corporation limits.

Trust for Cultural Resources of the County of Onondaga

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Trust considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

All deposits of the Trust, including certificates of deposit and special time deposits in excess of the amount insured under the Federal Deposit Insurance Act (FDIC) shall be secured by eligible collateral. Eligible collateral is defined as consisting of any one, or combination, of the following: (a) pledge of eligible securities with an aggregate market value as provided by General Municipal Law equal to the aggregate amount of deposits or (b) by an eligible surety bond payable to the Trust for an amount equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The Trust has an excess amount of \$157,160 and \$230,879 held in single bank in excess of the FDIC insured amounts as of December 31, 2011 and 2010, respectively. This excess amount is collateralized by securities held by the pledging financial institution.

Income Taxes and Uncertain Tax Positions

The Trust is exempt from taxation under Section 115 of the Internal Revenue Code, and has been classified as an organization that is not a private foundation under Section 509(a) of the Code. The Trust also believes that none of its activities are subject to unrelated business income tax; therefore no provision for such income tax has been made in the financial statements for the years ended December 31, 2011 and 2010.

In accordance with the disclosure provisions of FASB ASC Sub-Topic 740-19 which addresses accounting for uncertainties in income taxes, as of and for the years ended December 31, 2011 and 2010, the Trust has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Trusts' tax years are still open for IRS possible examination.

Trust for Cultural Resources of the County of Onondaga

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Trust recognizes project fee revenue related to a bond closing at the time of the bond closing. All project fees are considered to be operating revenues.

Use of Estimates

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

Risks and Uncertainties

Investment securities (including cash equivalents) are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the Statements of Financial Position and the Statements of Activities.

2. Investments

The Trust has a written investment policy. This investment policy allows the Trust to invest in a variety of appropriate investment vehicles, including but not limited to special time deposits, certificates of deposits, obligations of the United States of America, obligations guaranteed by agencies of the United States of America and obligations of the State of New York. All investments held on behalf of the Trust shall be held in the custody of a bank or trust company and shall be held pursuant to a written custodial agreement. As of December 31, 2011 and 2010, all of the assets of the Trust are invested within either a general checking account or a money market account which are considered cash and cash equivalents for financial statement reporting.

The Trust has adopted the Financial Accounting Standards Board Accounting Standards Codification Topic 820 (ASC 820), which requires enhanced disclosures about financial instruments carried at fair value. Although not considered investments, all cash and cash equivalents are stated at fair value and are considered "level one" inputs, which is defined by ASC 820 hierarchy as financial instruments whose fair values are based upon quoted market prices reported on the last day of the fiscal year.

Trust for Cultural Resources of the County of Onondaga

Notes to Financial Statements

2. Investments (continued)

Fair Value Measurement

In accordance with the FASB ASC Topic 820 which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access. All cash and cash equivalents are considered level 1 for financial reporting purposes.
- Level 2** Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

While the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

3. Conduit Debt Obligations

The Trust has the ability to issue bonds which are deemed to be limited obligations of the Trust. These bonds are considered to be limited obligations as the payments for such bonds are pledged from a source outside the Trust which has the obligation to pay the principal and interest of such bonds. These bonds are paid solely from the net revenues and other funds of the Trust pledged under terms of each individual bond indenture agreement. Since the Trust does not have any obligation to repay the principal and interest of such bonds, the bonds are not reflected on the statement of net assets as long-term debt. As of December 31, 2011 and 2010, the Trust has issued bonds with an aggregate principal amount outstanding of approximately \$157,355,000 and \$107,355,000, respectively.

Trust for Cultural Resources of the County of Onondaga

Notes to Financial Statements

4. Related Party Transactions

The Trust has entered into an agreement with Onondaga County to provide staffing and other support costs for all of the Trust's activities. The contract totaled approximately \$56,000 and \$75,000 in 2011 and 2010, respectively. This contract is all-inclusive for employee salaries and related fringe benefits; as such no salaries or benefits are recorded individually on the financial statements of the Trust. Under terms of the contract, Onondaga County is the legally responsible entity to make such fringe benefit and salary payments. It is expected that Onondaga County will renew such contract for fiscal year 2012.

5. Subsequent Events

In preparing financial statements, management of the Trust has evaluated events and transactions for potential recognition or disclosure through February 16, 2012, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.