

**COUNTY OF CHAUTAUQUA**

**NEW YORK**

*Basic Financial Statements, Required  
Supplementary Information, Supplementary Information  
and Federal Awards Information  
for the Year Ended December 31, 2017 and  
Independent Auditors' Reports*



**COUNTY OF CHAUTAUQUA, NEW YORK**  
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**Year Ended December 31, 2017**

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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

Honorable County Executive and Members of the County Legislature  
County of Chautauqua, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Chautauqua, New York (the "County") as of and for the year ended December 31, 2017, 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***

The County's 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 the Chautauqua County Industrial Development Agency, which is shown as a discretely presented component unit. We also did not audit the financial statements of the Chautauqua Tobacco Asset Securitization Corporation ("CTASC"), which represents 0.8% and 0.9%, respectively, of the assets and revenues of governmental activities. We also did not audit the financial statements of the Chautauqua County Land Bank Corporation, ("CCLBC"), which represents 1.5% and 7.2%, respectively, of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the CCIDA, CTASC and CCLBC, is based solely on the report of 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 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2017, 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the County has restated net position of the Business-type Activities as of December 31, 2016. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Supplementary Information, as listed in the table of contents and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 the other auditors. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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's internal control over financial reporting and compliance.

Duescher & Malachi LLP

July 16, 2018



**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

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As management of the County of Chautauqua (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2017. This document should be read in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative. For comparative purposes, certain data from the prior year has been reclassified to conform with the current year presentation.

**Financial Highlights**

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$178,390,872 (net position). This consists of \$162,379,796 net investment in capital assets, \$17,755,913 restricted for specific purposes, and unrestricted net position of \$(1,744,837).
- The County's total primary government net position decreased by \$17,590,969 during the year ended December 31, 2017. Governmental activities decreased the County's net position by \$18,128,664, while net position of the business-type activities increased by \$537,695.
- As of the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$47,506,997; a decrease of \$8,069,390 in comparison with the prior year's combined ending fund balance of \$55,576,387.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$15,508,213, or 6.9 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 41.7 percent of the General Fund's total fund balance of \$37,171,415 at December 31, 2017.
- The County's governmental activities total net bond indebtedness decreased by \$1,719,918 as a result of principal payments of \$2,229,000, a decrease in unamortized premiums of \$28,272 offset by interest accretion of \$537,354.

**Overview of the Financial Statements**

This discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the County's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services. The business-type activities of the County include three Sewer Districts, two Water Districts, the Chautauqua County Landfill, the Electric Plant, and the Chautauqua County Land Bank Corporation, a blended component unit.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also the Chautauqua County Industrial Development Agency, a local development agency for which the County is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 16-17 of this report.

**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 County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds**—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains four individual governmental funds. Additionally, the County reports the activities of its blended component unit, the Chautauqua County Tobacco Asset Securitization Corporation as a governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, County Road Fund, Road Machinery Fund, the Chautauqua County Tobacco Asset Securitization Corporation, and Capital Projects Fund which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary funds**—The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the three Sewer Districts (“Sewer”), two Water Districts (“Water”), the Chautauqua County Landfill (“Landfill”), the Electric Plant and the Chautauqua County Land Bank Corporation (the “Land Bank”). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County’s various functions. The County uses internal service funds to account for the management of health insurance and workers’ compensation. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer, the Water, the Landfill, the Electric Plant, and the Land Bank all of which are considered to be major funds of the County. Conversely, the internal service funds are combined into aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the Supplementary Information section of this report.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

**Fiduciary Funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The 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 County maintains one type of fiduciary fund, the Agency Fund.

The Agency Fund reports resources held by the County in a custodial capacity for individuals, private organizations or other governments.

The fiduciary fund financial statement can be found on page 26 of this report.

**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 and fund financial statements. The notes to the financial statements can be found on pages 27-66 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County’s progress in funding its obligation to provide post-employment benefits to its employees, the County’s net pension liability, and the County’s budgetary comparison schedules for the General Fund, County Road Fund, and Road Machinery Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 67-73 of this report.

The combining statements referred to earlier in connection with the Internal Service Funds are presented immediately following the required supplementary information on pages 74-76.

Finally, Federal Awards Information can be found on pages 77-90 of this report.

## Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$178,390,872, at the close of the most recent fiscal year, as compared to \$195,981,841 (as restated) at the close of the fiscal year ended December 31, 2016.

**Table 1—Condensed Statements of Net Position—Primary Government**

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016 (as restated)	2017	2016 (as restated)
<b>Assets:</b>						
Current assets	\$ 105,328,298	\$ 112,654,279	\$ 30,831,694	\$ 31,648,929	\$ 136,159,992	\$ 144,303,208
Noncurrent assets	8,095,273	8,849,662	-	-	8,095,273	8,849,662
Capital assets	194,801,669	200,934,893	46,932,755	44,949,470	241,734,424	245,884,363
Total assets	<u>308,225,240</u>	<u>322,438,834</u>	<u>77,764,449</u>	<u>76,598,399</u>	<u>385,989,689</u>	<u>399,037,233</u>
Deferred outflows of resources	<u>20,265,279</u>	<u>38,828,769</u>	<u>1,712,564</u>	<u>2,954,881</u>	<u>21,977,843</u>	<u>41,783,650</u>
<b>Liabilities:</b>						
Current liabilities	38,784,940	38,613,669	2,123,178	892,160	40,908,118	39,505,829
Noncurrent liabilities	141,035,201	154,026,307	38,535,942	40,257,158	179,571,143	194,283,465
Total liabilities	<u>179,820,141</u>	<u>192,639,976</u>	<u>40,659,120</u>	<u>41,149,318</u>	<u>220,479,261</u>	<u>233,789,294</u>
Deferred inflows of resources	<u>8,804,796</u>	<u>10,633,381</u>	<u>292,603</u>	<u>416,367</u>	<u>9,097,399</u>	<u>11,049,748</u>
<b>Net position:</b>						
Net investment in capital assets	126,729,634	138,247,175	35,650,162	32,477,405	162,379,796	170,724,580
Restricted	16,781,086	13,891,307	974,827	908,462	17,755,913	14,799,769
Unrestricted	(3,645,138)	5,855,764	1,900,301	4,601,728	(1,744,837)	10,457,492
Total net position	<u>\$ 139,865,582</u>	<u>\$ 157,994,246</u>	<u>\$ 38,525,290</u>	<u>\$ 37,987,595</u>	<u>\$ 178,390,872</u>	<u>\$ 195,981,841</u>

The largest portion of the County's primary government net position, \$162,379,796, reflects its investment in capital assets, (e.g., land, infrastructure, buildings and building improvements, machinery and equipment, vehicles, landfill and water treatment facilities), less any debt used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's primary government net position, \$17,755,913, represents resources that are subject to external restrictions on how they may be used imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Primary government unrestricted net position was \$(1,744,837). This demonstrates that future funding will be necessary to liquidate long-term obligations, including the OPEB obligation of \$27,729,659 and net pension liability of \$22,091,030.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2017 and December 31, 2016.

**Table 2—Condensed Statement of Changes in Net Position—Primary Government**

	Governmental activities		Business-type activities		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues	\$ 100,441,052	\$ 104,940,552	\$ 15,453,900	\$ 14,364,668	\$ 115,894,952	\$ 119,305,220
General revenues	136,097,789	133,113,432	265,058	64,958	136,362,847	133,178,390
Total revenues	<u>236,538,841</u>	<u>238,053,984</u>	<u>15,718,958</u>	<u>14,429,626</u>	<u>252,257,799</u>	<u>252,483,610</u>
Total expenses	<u>254,931,688</u>	<u>240,107,154</u>	<u>14,917,080</u>	<u>14,637,573</u>	<u>269,848,768</u>	<u>254,744,727</u>
Transfers	<u>264,183</u>	<u>521,147</u>	<u>(264,183)</u>	<u>(521,147)</u>	<u>-</u>	<u>-</u>
Change in net position	(18,128,664)	(1,532,023)	537,695	(729,094)	(17,590,969)	(2,261,117)
Net position—beginning	157,994,246	159,526,269	37,987,595	37,142,588	195,981,841	196,668,857
Restatement (see Note 2)	-	-	-	1,574,101	-	1,574,101
Net position—ending	<u>\$ 139,865,582</u>	<u>\$ 157,994,246</u>	<u>\$ 38,525,290</u>	<u>\$ 37,987,595</u>	<u>\$ 178,390,872</u>	<u>\$ 195,981,841</u>

**Governmental activities**—Governmental activities decreased the County’s primary government net position by \$18,128,664. A summary of revenues for governmental activities for the years ended December 31, 2017 and 2016 is presented below.

**Table 3—Summary of Sources of Revenues—Governmental Activities**

	Year ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent
Charges for services	\$ 29,450,582	\$ 29,677,086	\$ (226,504)	(0.8)
Operating grants and contributions	58,127,964	66,091,699	(7,963,735)	(12.0)
Capital grants and contributions	12,862,506	9,171,767	3,690,739	40.2
Property taxes and tax items	62,234,703	63,397,533	(1,162,830)	(1.8)
Non-property tax items	69,241,648	66,571,722	2,669,926	4.0
Other general revenues	4,621,438	3,144,177	1,477,261	47.0
Total revenues	<u>\$ 236,538,841</u>	<u>\$ 238,053,984</u>	<u>\$ (1,515,143)</u>	<u>(0.6)</u>

At December 31, 2017, the most significant source of revenues for governmental activities is non-property tax items, which account for \$69,241,648, or 29.3 percent of total revenues. The other significant sources of revenue include property taxes and tax items, which comprise \$62,234,703, or 26.3 percent of total revenues and operating grants and contributions, which comprise \$58,127,964, or 24.6 percent of total revenues. Comparatively, for the year ended December 31, 2016, the most significant source of revenues for governmental activities is non-property tax items, which account for \$66,571,722, or 28.0 percent of total revenues. The other significant sources of revenue include operating grants and contributions, which comprise \$66,091,699, or 27.8 percent of total revenues and property taxes and tax items, which comprise \$63,397,533, or 26.6 percent of total revenues.

During the year ended December 31, 2017, total revenues decreased by 0.6 percent, mainly due to a decrease in operating grants and contributions related to additional intergovernmental transfer (“IGT”) revenue related to the County’s previous ownership and operating of the County Home received in the prior year and not in the current year. This decrease was partially offset by an increase in capital grants and contributions and non-property tax items.

A summary of program expenses of governmental activities for the years ended December 31, 2017 and December 31, 2016 is presented below.

**Table 4—Summary of Program Expenses—Governmental Activities**

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016	Dollars	Percent (%)
General government support	\$ 53,709,224	\$ 50,696,115	\$ 3,013,109	5.9
Education	10,752,150	10,721,430	30,720	0.3
Public safety	39,322,865	32,050,550	7,272,315	22.7
Health	19,799,069	17,411,388	2,387,681	13.7
Transportation	30,005,569	27,720,432	2,285,137	8.2
Economic assistance and opportunity	95,034,163	96,461,548	(1,427,385)	(1.5)
Culture and recreation	1,100,548	527,252	573,296	108.7
Home and community services	2,065,665	1,292,654	773,011	59.8
Interest and fiscal charges	3,142,435	3,225,785	(83,350)	(2.6)
Total program expenses	<u>\$ 254,931,688</u>	<u>\$ 240,107,154</u>	<u>\$ 14,824,534</u>	6.2

At December 31, 2017, the County's most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$95,034,163, or 37.3 percent of program expenses. The other significant expenses include general government support of \$53,709,224, or 21.1 percent of total expenses, public safety of \$39,322,865, or 15.4 percent of total expenses and transportation of \$30,005,569, or 11.8 percent of total expenses. For the year ended December 31, 2016, the most significant expense category for governmental activities is economic assistance and opportunity of \$96,461,548, or 40.2 percent of program expenses. The other significant expenses include general government support of \$50,696,115, or 21.1 percent of total expenses, public safety of \$32,050,550, or 13.3 percent of total expenses and transportation of \$27,720,432, or 11.5 percent of total expenses.

During the year ended December 31, 2017, total expenses increased by 6.2 percent. This is primarily the result of an increase in the County's other post-employment benefits obligation and long-term retirement payable.

**Business type activities**—Business-type activities increased the County’s net position by \$537,695. For the year ended December 31, 2017, operating revenues decreased 3.6 percent, while operating expenses decreased 6.8 percent from the year ended December 31, 2016.

A summary of operating revenues and operating expenses for the County’s business-type activities for the years ended December 31, 2017 and 2016 is presented below.

**Table 5—Summary of Operating Revenues and Expenses—Business-Type Activities**

	Year Ended December 31,		Increase/(Decrease)	
	2017	2016 (as restated)	Dollars	Percent (%)
Operating revenues:				
Charges for services	\$ 15,443,645	\$ 16,017,132	\$ (573,487)	(3.6)
Total operating revenues	<u>\$ 15,443,645</u>	<u>\$ 16,017,132</u>	<u>\$ (573,487)</u>	(3.6)
Operating expenses:				
Personal services	\$ 3,327,627	\$ 3,277,826	\$ 49,801	1.5
Contractual services	4,698,892	4,426,429	272,463	6.2
Fringe benefits	2,164,972	2,434,988	(270,016)	(11.1)
Depreciation and depletion	3,778,179	4,401,917	(623,738)	(14.2)
Cost of real estate sold	608,504	1,100,342	(491,838)	(44.7)
Total operating expenses	<u>\$ 14,578,174</u>	<u>\$ 15,641,502</u>	<u>\$ (1,063,328)</u>	(6.8)

As detailed above, the County’s business-type activities’ operating revenues for the year ended December 31, 2017 decreased 3.6 percent as a result of a decrease in charges for services related to the Land Bank operating grant revenue received during 2016 and not matched in 2017.

Additionally, the most significant operating expense items for the year ended December 31, 2017 were contractual services expense of \$4,698,892, or 32.2 percent of operating expenses, depreciation and depletion expense of \$3,778,179, or 25.9 percent of operating expenses, and personal services expenses of \$3,327,627, or 22.8 percent of operating expenses. For the year ended December 31, 2016, the most significant expense items contractual service expense of \$4,426,429, or 28.3 percent of operating expenses, depreciation and depletion expense of \$4,401,917, or 28.1 percent of operating expenses, and personal services expenses of \$3,277,826, or 21.0 percent of operating expenses.

### Financial Analysis of Governmental 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 assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the County Legislature.

At December 31, 2017, the County's governmental funds reported combined ending fund balances of \$47,506,997, a decrease of \$8,069,390 in comparison with the prior year. Approximately 32.6% of this amount, \$15,508,213, constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is either *nonspendable, restricted or assigned* to indicate that it is: (1) not in spendable form, \$8,738,763, (2) restricted for particular purposes, \$16,781,086, (3) assigned for particular purposes, \$6,478,935.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$15,508,213, while the total fund balance was \$37,171,415. The General Fund fund balance decreased \$6,408,908 from the prior year primarily as the result of a decrease in federal aid. As a measure of the General Fund's liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total expenditures and transfers out. *Unassigned fund balance* represents 6.9 percent of General Fund expenditures and transfers out, while total fund balance represents 16.6 percent of that same amount.

The fund balance in the County Road Fund decreased \$56,320 from December 31, 2017. The decrease is primarily the result of an increased transportation expenditures. The Road Machinery Fund fund balance decreased \$822,633 as a result of increased transfers to the County Road Fund and increased transportation expenditures. The Capital Projects Fund fund balance decreased \$826,679 as a result of capital outlay expenditures exceeding state and federal aid and transfers in from other funds. Finally, the fund balance of CTASC increased \$45,150 as a result of normal operations.

**Proprietary funds**—The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Overall net position of the proprietary funds increased. This was primarily a result of a decrease in operating expenses. The Landfill, Water Districts', and Land Bank's net position increased \$1,127,425, \$10,089 and \$282,551, respectively, primarily from operating revenues exceeding operating expenses. The Sewer Districts and Electric Plant's net position decreased by \$743,266 and \$139,104, respectively, during the year. The decrease in the Sewer Districts is primarily the result of operating expenses exceeding operating revenue while the decrease in Electric Plant is primarily the result of interest expense.

### **General Fund Budgetary Highlights**

The County's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the County has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with the budget.

A summary of General Fund results of operations for the year ended December 31, 2017 is presented in Table 6 on the following page.

**Table 6—Summary of General Fund Results of Operations**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 222,133,563	\$ 227,176,881	\$ 218,048,028	\$ (9,128,853)
Expenditures and other financing uses	<u>224,648,409</u>	<u>234,166,512</u>	<u>224,456,936</u>	<u>9,709,576</u>
Excess (deficiency) of revenues, other financing sources and special items over expenditures and other financing uses	<u>\$ (2,514,846)</u>	<u>\$ (6,989,631)</u>	<u>\$ (6,408,908)</u>	<u>\$ 580,723</u>

**Original budget compared to final budget**—During the year the budget was modified to reflect the acceptance of new state and federal grants as well as additional anticipated departmental income.

**Final budget compared to actual result**—The General Fund had a positive variance from the final budgetary appropriations and estimated revenue of \$580,723. The positive variances related to budgetary appropriations were realized primarily in health, economic assistance and opportunity, while state and federal aid actual had negative variances from estimated revenue. These variances, both positive and negative, relate to diminished activity in certain state and federally funded programs during the current year.

### **Capital Asset and Debt Administration**

**Capital assets**—The County’s investment in capital assets for its governmental activities and business-type activities as of December 31, 2017 amounted to \$241,734,424 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and building improvements, machinery and equipment, vehicles, landfill assets and water treatment facilities. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets, net of depreciation, for the governmental activities and business-type activities at the years ended December 31, 2017 and 2016 are presented in Table 7 on the following page.

**Table 7—Summary of Capital Assets (Net of Depreciation)**

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
Land	\$ 748,464	\$ 748,464	\$ -	\$ -	\$ 748,464	\$ 748,464
Construction in progress	2,727,549	25,001,623	5,496,232	2,421,566	8,223,781	27,423,189
Infrastructure	128,040,540	115,011,257	20,781,202	21,480,492	148,821,742	136,491,749
Buildings and building improvements	49,847,330	52,975,725	4,959,043	5,304,769	54,806,373	58,280,494
Machinery and equipment	9,161,046	4,172,886	10,451,251	10,302,404	19,612,297	14,475,290
Vehicles	4,276,740	3,024,938	976,452	580,910	5,253,192	3,605,848
Landfill assets	-	-	4,106,782	4,662,885	4,106,782	4,662,885
Water treatment facilities	-	-	161,793	196,444	161,793	196,444
Total assets	<u>\$ 194,801,669</u>	<u>\$ 200,934,893</u>	<u>\$ 46,932,755</u>	<u>\$ 44,949,470</u>	<u>\$ 241,734,424</u>	<u>\$ 245,884,363</u>

The County's infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial statements. The County has elected to depreciate its infrastructure assets. Additional information on the County's capital assets can be found in Note 5 of this report.

**Long-term debt**—At December 31, 2017 the County's governmental activities had total long-term debt outstanding of \$141,035,201, as compared to \$154,026,307 in the prior year. This includes serial bonds and bonds with accreted interest issued by Chautauqua Tobacco Asset Corporation (the "CTASC"). The County's business-type activities had total long-term debt outstanding of \$38,535,942, as compared to \$40,257,158 (as restated) in the prior year.

A summary of the County's long-term liabilities at December 31, 2017 and 2016 is presented in Table 8 on the following page.

**Table 8—Summary of Long-Term Liabilities**

	Year Ended December 31,		Increase/(decrease)	
	2017	2016 (as restated)	Dollars	Percent
<b>Governmental activities:</b>				
Serial bonds	\$ 34,397,256	\$ 36,276,256	\$ (1,879,000)	(5.2)
Premium on serial bonds	351,047	379,319	(28,272)	(7.5)
CTASC bonds and accreted interest, net	38,377,501	38,190,147	187,354	0.5
Compensated absences	2,505,315	2,526,591	(21,276)	(0.8)
Workers' compensation	16,269,353	15,972,792	296,561	1.9
OPEB obligation	25,564,305	23,321,762	2,242,543	9.6
Long-term due to other governments	360,000	400,000	(40,000)	(10.0)
Net pension liability	20,948,966	36,959,440	(16,010,474)	(43.3)
Long-term retirement payable	2,261,458	-	2,261,458	100.0
Total governmental activities	<u>\$ 141,035,201</u>	<u>\$ 154,026,307</u>	<u>\$ (12,991,106)</u>	(8.4)
<b>Business-type activities:</b>				
Serial bonds	\$ 10,502,800	\$ 11,535,885	\$ (1,033,085)	(9.0)
Premium on serial bonds	718,140	775,977	(57,837)	(7.5)
Notes payable	720,746	872,377	(151,631)	(17.4)
Compensated absences	164,311	176,980	(12,669)	(7.2)
Landfill closure and post-closure	22,598,943	22,106,636	492,307	2.2
Workers' compensation	523,585	617,338	(93,753)	(15.2)
OPEB obligation	2,165,353	1,979,456	185,897	9.4
Net pension liability	1,142,064	2,192,509	(1,050,445)	(47.9)
Total business-type activities	<u>\$ 38,535,942</u>	<u>\$ 40,257,158</u>	<u>\$ (1,721,216)</u>	(4.3)
<b>Agency fund (held in escrow for County Home)</b>				
Workers' compensation	\$ 1,200,532	\$ 1,939,869	\$ (739,337)	(38.1)
OPEB obligation	1,038,988	1,287,134	(248,146)	(19.3)
Total Agency fund	<u>\$ 2,239,520</u>	<u>\$ 3,227,003</u>	<u>\$ (987,483)</u>	(30.6)

Additional information on the County's long-term debt can be found in Note 11 of this report.

### **Economic Factors and Next Year's Budgets**

The County's elected and appointed officials considered many factors while setting the fiscal year 2017 budget, tax rates for governmental activities, and fees that will be charged for the business-type activities. One of these factors is the economy. Chautauqua County typically adopts their calendar year budget in November, which presents significant challenges in forecasting expense and revenue.

Amounts available for appropriation in the 2018 General Fund budget are \$235.6 million compared to \$224.6 million in 2017. Effective December 1, 2015, as a result of Home Rule legislation, the County's sales tax rate was increased from 7.5% to 8%. This increase generates approximately \$8.0 million additional County income annually. As required with the enactment of the sales tax increase, the County agreed to reduce the real property tax levy by no less than 3% of the 2015 real property tax levy for each of the years 2016 and 2017. The adopted budgets for the years 2016 and 2017 included a reduction to the

levy of 5.0% and 3.2% respectively from the 2015 levy. The State has passed New Home Rule legislation to allow the County to continue the sales tax rate at 8% through November 30th, 2020. The new legislation does not tie the County to any requirements to reduce the real property tax levy in the future periods covered by the legislation. The County decreased the full value property tax rate from \$8.48 per thousand to \$8.44 per thousand for 2018.

The 2019 budget will still present many challenges for Chautauqua County. In addition to having to replace 2017's use of fund balance in the 2018 budget, the cost of operations continue to rise. In addition, sales tax revenue is dependent on economic factors and can materially fluctuate from budget, which is derived from historical data. The County's elected and appointed officials continue to look for ways to increase revenues and decrease expenses for future years.

The County has obligated \$1,407,386 of General Fund fund balance, \$438,010 of General Fund reserves, \$600,000 of County Road Fund fund balance and \$300,000 of Road Machinery Fund fund balance to the 2018 budget. The County's fiscal management policy is to maintain General Fund unassigned fund balance within the range of 5-15% of revenues. The County maintains bond ratings of A1 from Moody's and A+/stable from Standard and Poor and does not anticipate cash flow problems in 2018 and 2019. The 2019 budget document takes shape during the summer and fall of 2018.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kitty Crow, Director of Finance, 3 North Erie Street, Mayville, New York 14757.

# BASIC FINANCIAL STATEMENTS



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**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Statement of Net Position**  
**December 31, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Agency
	<b>ASSETS</b>			
Cash, cash equivalents and investments	\$ 13,006,164	\$ 28,080,318	\$ 41,086,482	\$ 2,071,097
Restricted cash, cash equivalents and investments	23,325,110	-	23,325,110	-
Restricted investments	2,305,600	-	2,305,600	-
Receivables, net of allowance				
Accounts receivable	3,496,047	2,360,647	5,856,694	-
Taxes receivable	16,352,669	-	16,352,669	-
Other receivables	10,848,748	-	10,848,748	11,168,986
Mortgage receivable	-	-	-	1,406,936
Internal balances	180,193	(180,193)	-	-
Intergovernmental receivables	40,545,258	13,746	40,559,004	-
Inventories	765,164	-	765,164	-
Prepaid items	2,598,618	113,853	2,712,471	-
Security deposit paid	-	-	-	8,957
Real property held for resale	-	443,323	443,323	999,224
Capital assets not being depreciated	3,476,013	5,496,232	8,972,245	-
Capital assets, net of accumulated depreciation	<u>191,325,656</u>	<u>41,436,523</u>	<u>232,762,179</u>	<u>3,460,271</u>
Total assets	<u>308,225,240</u>	<u>77,764,449</u>	<u>385,989,689</u>	<u>19,115,471</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	941,367	659,093	1,600,460	-
Deferred outflows of resources—pensions	<u>19,323,912</u>	<u>1,053,471</u>	<u>20,377,383</u>	-
Total deferred outflows of resources	<u>20,265,279</u>	<u>1,712,564</u>	<u>21,977,843</u>	-
<b>LIABILITIES</b>				
Accounts payable	12,478,138	1,618,565	14,096,703	213,256
Retainages payable	86,206	-	86,206	-
Accrued liabilities	2,605,755	278,385	2,884,140	352,363
Intergovernmental payables	15,261,394	-	15,261,394	-
Performance bond deposits	-	73,150	73,150	-
Unearned revenue	8,353,447	153,078	8,506,525	459,843
Noncurrent liabilities:				
Due within one year	5,319,579	1,338,207	6,657,786	2,257,583
Due in more than one year	<u>135,715,622</u>	<u>37,197,735</u>	<u>172,913,357</u>	<u>2,374,603</u>
Total liabilities	<u>179,820,141</u>	<u>40,659,120</u>	<u>220,479,261</u>	<u>5,657,648</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred gain on refunding	3,437,550	-	3,437,550	-
Deferred inflows of resources—pensions	<u>5,367,246</u>	<u>292,603</u>	<u>5,659,849</u>	-
Total deferred inflows of resources	<u>8,804,796</u>	<u>292,603</u>	<u>9,097,399</u>	-
<b>NET POSITION</b>				
Net investment in capital assets	126,729,634	35,650,162	162,379,796	1,234,245
Restricted for:		-		
Insurance	3,226,744	-	3,226,744	-
Capital projects	9,491,539	-	9,491,539	-
Tax stabilization	100,060	-	100,060	-
Occupancy tax	305,331	-	305,331	-
E911/W911	689,700	-	689,700	-
Fire services	366,945	-	366,945	-
Lakes and waterways	310,607	-	310,607	-
Debt service	2,290,160	-	2,290,160	-
Landfill	-	974,827	974,827	-
Industrial Development Agency	-	-	-	11,694,466
Unrestricted	<u>(3,645,138)</u>	<u>1,900,301</u>	<u>(1,744,837)</u>	<u>529,112</u>
Total net position	<u>\$ 139,865,582</u>	<u>\$ 38,525,290</u>	<u>\$ 178,390,872</u>	<u>\$ 13,457,823</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Statement of Activities**  
**Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Agency
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
Governmental activities:								
General government support	\$ 53,709,224	\$ 10,797,508	\$ 2,586,691	\$ 518	\$ (40,324,507)	\$ -	\$ (40,324,507)	\$ -
Education	10,752,150	161,013	4,549,342	-	(6,041,795)	-	(6,041,795)	-
Public safety	39,322,865	4,860,145	1,635,157	904,187	(31,923,376)	-	(31,923,376)	-
Health	19,799,069	7,123,064	9,027,999	6,467	(3,641,539)	-	(3,641,539)	-
Transportation	30,005,569	2,646,084	2,142,693	11,014,340	(14,202,452)	-	(14,202,452)	-
Economic assistance and opportunity	95,034,163	3,824,120	37,585,269	596,074	(53,028,700)	-	(53,028,700)	-
Culture and recreation	1,100,548	-	215,483	340,920	(544,145)	-	(544,145)	-
Home and community services	2,065,665	38,648	385,330	-	(1,641,687)	-	(1,641,687)	-
Interest and fiscal charges	3,142,435	-	-	-	(3,142,435)	-	(3,142,435)	-
Total governmental activities	<u>254,931,688</u>	<u>29,450,582</u>	<u>58,127,964</u>	<u>12,862,506</u>	<u>(154,490,636)</u>	<u>-</u>	<u>(154,490,636)</u>	<u>-</u>
Business-type activities:								
Sewer	4,842,678	3,972,774	-	-	-	(869,904)	(869,904)	-
Water	50,603	58,915	-	-	-	8,312	8,312	-
Landfill	6,876,473	8,121,183	10,255	-	-	1,254,965	1,254,965	-
Electric Plant	2,309,649	2,170,545	-	-	-	(139,104)	(139,104)	-
Chautauqua County Land Bank Corporation	837,677	1,120,228	-	-	-	282,551	282,551	-
Total business-type activities	<u>14,917,080</u>	<u>15,443,645</u>	<u>10,255</u>	<u>-</u>	<u>-</u>	<u>536,820</u>	<u>536,820</u>	<u>-</u>
Total primary government	<u>\$ 269,848,768</u>	<u>\$ 44,894,227</u>	<u>\$ 58,138,219</u>	<u>\$ 12,862,506</u>	<u>(154,490,636)</u>	<u>536,820</u>	<u>(153,953,816)</u>	<u>-</u>
<b>Component units:</b>								
Chautauqua County Industrial Development Agency	\$ 3,672,587	\$ 1,707,161	\$ 1,152,948	\$ -				(812,478)
Total component units	<u>\$ 3,672,587</u>	<u>\$ 1,707,161</u>	<u>\$ 1,152,948</u>	<u>\$ -</u>				<u>(812,478)</u>
General revenues:								
					59,639,813	-	59,639,813	-
					2,594,890	-	2,594,890	-
					69,241,648	-	69,241,648	-
					794,690	101,127	895,817	482,605
					1,631,979	163,931	1,795,910	514,561
					2,194,769	-	2,194,769	-
					264,183	(264,183)	-	-
					<u>136,361,972</u>	<u>875</u>	<u>136,362,847</u>	<u>997,166</u>
					(18,128,664)	537,695	(17,590,969)	184,688
					<u>157,994,246</u>	<u>37,987,595</u>	<u>195,981,841</u>	<u>13,273,135</u>
					<u>\$ 139,865,582</u>	<u>\$ 38,525,290</u>	<u>\$ 178,390,872</u>	<u>\$ 13,457,823</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**December 31, 2017**

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>County Road</u>	<u>Road Machinery</u>	<u>CTASC</u>		
<b>ASSETS</b>						
Cash, cash equivalents and investments	\$ 3,929,117	\$ -	\$ 2,497,579	\$ -	\$ -	\$ 6,426,696
Restricted cash, cash equivalents and investments	20,577,670	-	-	196,591	2,550,849	23,325,110
Restricted investments	-	-	-	2,305,600	-	2,305,600
Receivables (net of allowances)						
Accounts receivable	3,348,445	80,915	66,687	-	-	3,496,047
Taxes receivable	17,331,748	-	-	-	-	17,331,748
Other receivables	5,448,757	-	-	-	104,991	5,553,748
Intergovernmental receivables	27,059,717	5,372,497	-	-	1,365,407	33,797,621
Due from other funds	3,478,296	-	-	-	-	3,478,296
Inventories	109,228	-	655,936	-	-	765,164
Prepaid items	2,231,532	164,541	23,778	-	-	2,419,851
Total assets	<u>\$ 83,514,510</u>	<u>\$ 5,617,953</u>	<u>\$ 3,243,980</u>	<u>\$ 2,502,191</u>	<u>\$ 4,021,247</u>	<u>\$ 98,899,881</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 10,754,371	\$ 66,490	\$ 575,964	\$ -	\$ 947,829	\$ 12,344,654
Accrued liabilities	2,025,394	150,267	22,360	-	-	2,198,021
Due to other funds	-	3,286,879	-	-	-	3,286,879
Intergovernmental payables	15,261,394	-	-	-	-	15,261,394
Unearned revenue	8,353,447	-	-	-	-	8,353,447
Total liabilities	<u>36,394,606</u>	<u>3,503,636</u>	<u>598,324</u>	<u>-</u>	<u>947,829</u>	<u>41,444,395</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	9,948,489	-	-	-	-	9,948,489
Total deferred inflows of resources	<u>9,948,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,948,489</u>
<b>FUND BALANCES</b>						
Nonspendable	7,789,517	164,541	679,714	-	104,991	8,738,763
Restricted	12,224,223	-	-	2,502,191	2,054,672	16,781,086
Assigned	1,649,462	1,949,776	1,965,942	-	913,755	6,478,935
Unassigned	15,508,213	-	-	-	-	15,508,213
Total fund balances	<u>37,171,415</u>	<u>2,114,317</u>	<u>2,645,656</u>	<u>2,502,191</u>	<u>3,073,418</u>	<u>47,506,997</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 83,514,510</u>	<u>\$ 5,617,953</u>	<u>\$ 3,243,980</u>	<u>\$ 2,502,191</u>	<u>\$ 4,021,247</u>	<u>\$ 98,899,881</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**December 31, 2017**

Amounts reported for governmental activities in the statement of net position (page 16) are different because:

Fund balances—total governmental funds (page 18)		\$ 47,506,997
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$384,087,020 and the accumulated depreciation is \$189,285,351.		194,801,669
Uncollected property taxes of \$9,948,489, of which \$979,079 have been reserved, are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		8,969,410
Long-term receivable from Jamestown Community College is not reported as a fund receivable, but rather is recognized when the resources are available. The asset is reported in the statement of net position.		5,295,000
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		941,367
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to		
employer contributions	\$ 6,272,027	
Deferred outflows of resources related to experience,		
changes of assumptions and investment earnings	13,051,885	
Deferred inflows related to pension plans	<u>(5,367,246)</u>	13,956,666
Internal service funds are used by the County to charge the costs of health insurance and workers' compensation to the individual funds. The assets and liabilities of the internal services funds are included in the governmental funds statement of net position.		(2,929,109)
Deferred gains on refunding are not financial resources and, therefore are not reported as liabilities in governmental funds.		(3,437,550)
Retained percentages are not a current liability and, therefore, are not reported in the funds.		(86,206)
Net accrued interest for serial bonds is not reported in the funds.		(386,814)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (34,397,256)	
Premium on serial bonds	(351,047)	
CTASC bonds and accreted interest, net	(38,377,501)	
Compensated absences	(2,505,315)	
Other post-employment benefits obligation	(25,564,305)	
Long-term due to other governments	(360,000)	
Net pension liability	(20,948,966)	
Long-term retirement payable	<u>(2,261,458)</u>	<u>(124,765,848)</u>
Net position of governmental activities		<u>\$ 139,865,582</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds**  
**Year Ended December 31, 2017**

	<u>Special Revenue</u>					<b>Total Governmental Funds</b>
	<b>General</b>	<b>County Road</b>	<b>Road Machinery</b>	<b>CTASC</b>	<b>Capital Projects</b>	
<b>REVENUES</b>						
Real property taxes	\$ 59,511,960	\$ -	\$ -	\$ -	\$ -	\$ 59,511,960
Real property tax items	2,594,890	-	-	-	-	2,594,890
Non property tax items	68,451,148	790,500	-	-	-	69,241,648
Departmental income	17,732,103	645	540	-	-	17,733,288
Intergovernmental charges	4,214,236	78,737	344,808	-	591,928	5,229,709
Licenses and permits	239,165	-	-	-	-	239,165
Fines and forfeitures	327,427	-	-	-	-	327,427
Use of money and property	3,842,421	1,018,520	36,032	200,485	-	5,097,458
Sale of property and compensation for loss	1,984,036	-	75,328	-	135,405	2,194,769
Miscellaneous	835,310	242,867	312,758	-	59,720	1,450,655
Tobacco settlement revenue	-	-	-	1,849,632	-	1,849,632
State aid	26,611,592	6,123,636	-	-	1,173,194	33,908,422
Federal aid	31,439,557	2,509,595	-	-	3,357,813	37,306,965
Total revenues	<u>217,783,845</u>	<u>10,764,500</u>	<u>769,466</u>	<u>2,050,117</u>	<u>5,318,060</u>	<u>236,685,988</u>
<b>EXPENDITURES</b>						
Current:						
General government support	48,252,670	-	-	81,692	-	48,334,362
Education	10,596,814	-	-	-	-	10,596,814
Public safety	30,504,878	-	-	-	-	30,504,878
Health	19,638,851	-	-	-	-	19,638,851
Transportation	3,814,056	22,019,353	3,465,343	-	-	29,298,752
Economic assistance and opportunity	91,168,717	-	-	-	-	91,168,717
Culture and recreation	441,006	-	-	-	-	441,006
Home and community services	1,155,568	-	-	-	-	1,155,568
Debt service:						
Principal	1,899,000	-	20,000	350,000	-	2,269,000
Interest and fiscal charges	1,169,198	-	205	1,573,275	-	2,742,678
Capital outlay	-	-	-	-	8,868,935	8,868,935
Total expenditures	<u>208,640,758</u>	<u>22,019,353</u>	<u>3,485,548</u>	<u>2,004,967</u>	<u>8,868,935</u>	<u>245,019,561</u>
Excess (deficiency) of revenues over expenditures	<u>9,143,087</u>	<u>(11,254,853)</u>	<u>(2,716,082)</u>	<u>45,150</u>	<u>(3,550,875)</u>	<u>(8,333,573)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	264,183	11,644,705	2,393,449	-	2,724,196	17,026,533
Transfers out	(15,816,178)	(446,172)	(500,000)	-	-	(16,762,350)
Total other financing sources (uses)	<u>(15,551,995)</u>	<u>11,198,533</u>	<u>1,893,449</u>	<u>-</u>	<u>2,724,196</u>	<u>264,183</u>
Net change in fund balances	(6,408,908)	(56,320)	(822,633)	45,150	(826,679)	(8,069,390)
Fund balances—beginning	43,580,323	2,170,637	3,468,289	2,457,041	3,900,097	55,576,387
Fund balances—ending	<u>\$ 37,171,415</u>	<u>\$ 2,114,317</u>	<u>\$ 2,645,656</u>	<u>\$ 2,502,191</u>	<u>\$ 3,073,418</u>	<u>\$ 47,506,997</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended December 31, 2017**

Amounts reported for governmental activities in the statement of activities (page 17) are different because:

Net change in fund balances—total governmental funds (page 20) \$ (8,069,390)

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 and reported as depreciation expense. This is the amount by which capital outlays, net of disposals, exceeded depreciation in the current period.

Capital asset additions and transfers	\$ 16,072,671	
Disposition of capital assets	(2,851,166)	
Depreciation expense	<u>(19,354,729)</u>	(6,133,224)

Certain tax and other revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.

Change in unavailable tax revenue	\$ 127,853	
Change in long-term receivable	<u>(275,000)</u>	(147,147)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

Direct pension contributions	\$ 435,542	
Cost of benefits earned net of employee contributions	<u>(1,255,221)</u>	(819,679)

Internal services funds are used by management to charge the costs of health insurance and workers' compensation. The net loss of the internal service funds of \$347,252 is reported within governmental activities. (347,252)

Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. 1,510

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 14,077

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Principal payments on serial bonds	\$ 1,879,000	
Amortization of bond premium	28,272	
Principal payment on CTASC bond	350,000	
Accreted interest on CTASC bond	(515,384)	
Amortization of bond discount on CTASC bond	(21,970)	
Amortization of deferred gain on CTASC bond	177,068	
Change in compensated absences	21,276	
Change in other post-employment benefits obligation	(2,242,543)	
Change in long-term due to other governments	40,000	
Change in long-term retirement payable	(2,261,458)	
Amortization of deferred charge on refunding	<u>(81,820)</u>	<u>(2,627,559)</u>

Change in net position of governmental activities \$ (18,128,664)

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2017**

	<b>Business-type Activities</b>					<b>Governmental Activities— Internal Service Funds</b>	
	<b>Enterprise Funds</b>						
	<b>Sewer Districts</b>	<b>Water Districts</b>	<b>Landfill</b>	<b>Electric Plant</b>	<b>Land Bank Corporation</b>		<b>Total</b>
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 3,720,817	\$ -	\$ 21,311,358	\$ 2,304,577	\$ 743,566	\$ 28,080,318	\$ 6,579,468
Receivables (net of allowances)	1,257,809	20,282	766,759	315,797	-	2,360,647	-
Intergovernmental receivables	-	-	13,746	-	-	13,746	6,747,637
Prepaid items	37,248	-	76,605	-	-	113,853	178,767
Properties held for sale	-	-	-	-	443,323	443,323	-
Total current assets	<u>5,015,874</u>	<u>20,282</u>	<u>22,168,468</u>	<u>2,620,374</u>	<u>1,186,889</u>	<u>31,011,887</u>	<u>13,505,872</u>
Noncurrent assets:							
Capital assets, not being depreciated	465,938	415,572	4,614,722	-	-	5,496,232	-
Capital assets, being depreciated (net of accumulated amortization/depletion)	22,333,904	161,793	7,502,950	11,437,876	-	41,436,523	-
Total noncurrent assets	<u>22,799,842</u>	<u>577,365</u>	<u>12,117,672</u>	<u>11,437,876</u>	<u>-</u>	<u>46,932,755</u>	<u>-</u>
Total assets	<u>27,815,716</u>	<u>597,647</u>	<u>34,286,140</u>	<u>14,058,250</u>	<u>1,186,889</u>	<u>77,944,642</u>	<u>13,505,872</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charge on refunding debt	-	-	-	659,093	-	659,093	-
Deferred outflows of resources—pensions	345,419	-	708,052	-	-	1,053,471	-
Total deferred outflows of resources	<u>345,419</u>	<u>-</u>	<u>708,052</u>	<u>659,093</u>	<u>-</u>	<u>1,712,564</u>	<u>-</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	359,346	106	1,246,642	-	12,471	1,618,565	133,484
Accrued expenses	63,696	87	61,336	153,266	-	278,385	20,920
Due to other funds	-	180,193	-	-	-	180,193	11,224
Performance bond deposits	-	-	-	-	73,150	73,150	-
Unearned revenue	-	-	-	-	153,078	153,078	-
Total current liabilities	<u>423,042</u>	<u>180,386</u>	<u>1,307,978</u>	<u>153,266</u>	<u>238,699</u>	<u>2,303,371</u>	<u>165,628</u>
Noncurrent liabilities:							
Due within one year:							
Compensated absences	59,175	-	105,136	-	-	164,311	-
Serial bonds and notes payable	112,180	-	360,000	701,716	-	1,173,896	-
Due in more than one year:							
Serial bonds and notes payable	608,566	-	-	10,159,224	-	10,767,790	-
Landfill closure and post-closure	-	-	22,598,943	-	-	22,598,943	-
Workers' compensation liability	139,779	467	383,339	-	-	523,585	16,269,353
Net OPEB obligation	524,670	-	1,640,683	-	-	2,165,353	-
Net pension liability	374,467	-	767,597	-	-	1,142,064	-
Total noncurrent liabilities	<u>1,818,837</u>	<u>467</u>	<u>25,855,698</u>	<u>10,860,940</u>	<u>-</u>	<u>38,535,942</u>	<u>16,269,353</u>
Total liabilities	<u>2,241,879</u>	<u>180,853</u>	<u>27,163,676</u>	<u>11,014,206</u>	<u>238,699</u>	<u>40,839,313</u>	<u>16,434,981</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources—pensions	95,940	-	196,663	-	-	292,603	-
Total inflows outflows of resources	<u>95,940</u>	<u>-</u>	<u>196,663</u>	<u>-</u>	<u>-</u>	<u>292,603</u>	<u>-</u>
<b>NET POSITION</b>							
Net investment in capital assets	22,079,096	577,365	11,757,672	1,236,029	-	35,650,162	-
Restricted	-	-	974,827	-	-	974,827	-
Unrestricted	3,744,220	(160,571)	(5,098,646)	2,467,108	948,190	1,900,301	(2,929,109)
Total net position	<u>\$ 25,823,316</u>	<u>\$ 416,794</u>	<u>\$ 7,633,853</u>	<u>\$ 3,703,137</u>	<u>\$ 948,190</u>	<u>\$ 38,525,290</u>	<u>\$ (2,929,109)</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended December 31, 2017**

	<b>Business-type Activities</b>					<b>Governmental Activities— Internal Service Funds</b>	
	<b>Enterprise Funds</b>						
	<b>Sewer Districts</b>	<b>Water Districts</b>	<b>Landfill</b>	<b>Electric Plant</b>	<b>Land Bank Corporation</b>		<b>Total</b>
<b>OPERATING REVENUES</b>							
Charges for services	\$ 3,972,774	\$ 58,915	\$ 8,121,183	\$ 2,170,545	\$ 1,120,228	\$ 15,443,645	\$ 24,152,826
Total operating revenues	<u>3,972,774</u>	<u>58,915</u>	<u>8,121,183</u>	<u>2,170,545</u>	<u>1,120,228</u>	<u>15,443,645</u>	<u>24,152,826</u>
<b>OPERATING EXPENSES</b>							
Personal services	1,040,711	2,999	2,143,683	-	140,234	3,327,627	-
Contractual services	1,782,738	12,607	1,520,919	1,312,856	69,772	4,698,892	-
Fringe benefits	744,961	346	1,400,497	-	19,168	2,164,972	-
Depreciation	1,274,268	34,651	1,319,067	657,886	-	3,285,872	-
Landfill closure expense	-	-	492,307	-	-	492,307	-
Cost of real estate sold	-	-	-	-	608,503	608,503	-
Insurance claims and expenses	-	-	-	-	-	-	25,005,104
Total operating expenses	<u>4,842,678</u>	<u>50,603</u>	<u>6,876,473</u>	<u>1,970,742</u>	<u>837,677</u>	<u>14,578,173</u>	<u>25,005,104</u>
Operating income (loss)	<u>(869,904)</u>	<u>8,312</u>	<u>1,244,710</u>	<u>199,803</u>	<u>282,551</u>	<u>865,472</u>	<u>(852,278)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State sources	-	-	10,255	-	-	10,255	-
Interest income (expense)	10,355	1,777	88,995	(338,907)	-	(237,780)	52,714
Other miscellaneous revenue	116,283	-	47,648	-	-	163,931	452,312
Total nonoperating revenues (expenses)	<u>126,638</u>	<u>1,777</u>	<u>146,898</u>	<u>(338,907)</u>	<u>-</u>	<u>(63,594)</u>	<u>505,026</u>
Transfers out	-	-	(264,183)	-	-	(264,183)	-
Change in net position	(743,266)	10,089	1,127,425	(139,104)	282,551	537,695	(347,252)
Total net position—beginning, as restated (See Note 2)	<u>26,566,582</u>	<u>406,705</u>	<u>6,506,428</u>	<u>3,842,241</u>	<u>665,639</u>	<u>37,987,595</u>	<u>(2,581,857)</u>
Total net position—ending	<u>\$ 25,823,316</u>	<u>\$ 416,794</u>	<u>\$ 7,633,853</u>	<u>\$ 3,703,137</u>	<u>\$ 948,190</u>	<u>\$ 38,525,290</u>	<u>\$ (2,929,109)</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2017**

	<b>Business-type Activities</b>					<b>Total</b>	<b>Governmental</b>
	<b>Enterprise Funds</b>						<b>Activities—</b>
	<b>Sewer Districts</b>	<b>Water Districts</b>	<b>Landfill</b>	<b>Electric Plant</b>	<b>Land Bank Corporation</b>		<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from services provided	\$ 3,956,037	\$ 53,067	\$ 7,916,511	\$ 2,181,842	\$ 1,230,260	\$ 15,337,717	\$ 24,842,037
Payments to suppliers and service providers	(1,725,007)	(12,692)	(411,943)	(1,323,560)	(731,757)	(4,204,959)	(25,013,646)
Payments to employees for salaries and benefits	(1,703,276)	(3,402)	(3,532,017)	-	(208,370)	(5,447,065)	-
Net cash provided by (used for) operating activities	<u>527,754</u>	<u>36,973</u>	<u>3,972,551</u>	<u>858,282</u>	<u>290,133</u>	<u>5,685,693</u>	<u>(171,609)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Advances to (from) other funds	-	180,193	-	-	-	180,193	(191,538)
Transfers to other funds	-	-	(264,183)	-	-	(264,183)	-
Other income	97,366	1,937	57,903	-	-	157,206	452,312
Net cash provided by (used for) noncapital financing activities	<u>97,366</u>	<u>182,130</u>	<u>(206,280)</u>	<u>-</u>	<u>-</u>	<u>73,216</u>	<u>260,774</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Interest expense	(2,836)	(160)	(8,035)	(361,422)	-	(372,453)	-
Acquisition and reclassifications of capital assets	(844,306)	(282,541)	(4,104,000)	(38,310)	-	(5,269,157)	-
Principal payments on serial bonds	-	(12,000)	(345,000)	(676,085)	-	(1,033,085)	-
Principal payments on notes payable	(151,631)	-	-	-	-	(151,631)	-
Net cash (used for) capital and related financial activities	<u>(998,773)</u>	<u>(294,701)</u>	<u>(4,457,035)</u>	<u>(1,075,817)</u>	<u>-</u>	<u>(6,826,326)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest received	32,108	-	97,030	17,759	-	146,897	52,714
Net cash provided by investing activities	<u>32,108</u>	<u>-</u>	<u>97,030</u>	<u>17,759</u>	<u>-</u>	<u>146,897</u>	<u>52,714</u>
Net increase (decrease) in cash and cash equivalents	(341,545)	(75,598)	(593,734)	(199,776)	290,133	(920,520)	141,879
Cash and cash equivalents—beginning	4,062,362	75,598	21,905,092	2,504,353	453,433	29,000,838	6,437,589
Cash and cash equivalents—ending	<u>\$ 3,720,817</u>	<u>\$ -</u>	<u>\$ 21,311,358</u>	<u>\$ 2,304,577</u>	<u>\$ 743,566</u>	<u>\$ 28,080,318</u>	<u>\$ 6,579,468</u>

(continued)

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2017**

(concluded)

	Business-type Activities					Total	Governmental
	Enterprise Funds						Activities—
	Sewer Districts	Water Districts	Landfill	Electric Plant	Land Bank Corporation		Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ (869,904)	\$ 8,312	\$ 1,244,710	\$ 199,803	\$ 282,551	\$ 865,472	\$ (852,278)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and depletion	1,274,268	34,651	1,811,374	657,886	-	3,778,179	-
(Increase) decrease in accounts receivable	(16,737)	(5,848)	(204,672)	11,297	-	(215,960)	5,969
Decrease in intergovernmental receivables	-	-	-	-	-	-	683,242
(Increase) decrease in prepaid assets	(526)	-	2,140	-	-	1,614	(10,700)
(Increase) in property held for resale	-	-	-	-	(69,132)	(69,132)	-
Decrease in deferred outflows of resources—pensions	367,442	-	821,794	-	-	1,189,236	-
Increase (decrease) in accounts payable	75,289	(38)	1,112,560	-	(48,968)	1,138,843	(279,788)
(Decrease) in retainage payable	(15,936)	-	-	-	-	(15,936)	-
Increase in performance bond deposits	-	-	-	-	15,650	15,650	-
Increase in unearned revenue	-	-	-	-	110,032	110,032	-
(Decrease) in accrued workers' compensation	(7,091)	(57)	(86,605)	-	-	(93,753)	-
Increase (decrease) in compensated absences liability	614	-	(13,283)	-	-	(12,669)	-
Increase in other post employment benefits	80,274	-	105,623	-	-	185,897	-
Increase (decrease) in other accrued expenses	(1,096)	(47)	(5,724)	(10,704)	-	(17,571)	281,946
(Decrease) in deferred inflows of resources—pensions	(36,405)	-	(87,359)	-	-	(123,764)	-
(Decrease) in net pension liability	(322,438)	-	(728,007)	-	-	(1,050,445)	-
Total adjustments	<u>1,397,658</u>	<u>28,661</u>	<u>2,727,841</u>	<u>658,479</u>	<u>7,582</u>	<u>4,820,221</u>	<u>680,669</u>
Net cash provided by (used for) operating activities	<u>\$ 527,754</u>	<u>\$ 36,973</u>	<u>\$ 3,972,551</u>	<u>\$ 858,282</u>	<u>\$ 290,133</u>	<u>\$ 5,685,693</u>	<u>\$ (171,609)</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Statement of Fiduciary Net Position—Fiduciary Fund**  
**December 31, 2017**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 3,267,442
Cash held in escrow for County Home	2,239,520
Accounts receivable	<u>130,405</u>
Total assets	<u>\$ 5,637,367</u>
<b>LIABILITIES</b>	
Agency liabilities	\$ 3,397,847
Held in escrow for County Home:	
Workers' compensation	1,200,532
Net OPEB obligation	<u>1,038,988</u>
Total liabilities	<u>\$ 5,637,367</u>

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

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the County of Chautauqua, New York (the “County”) have been prepared in conformity 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 government accounting and financial reporting principles. The more significant of the County’s accounting principles are described below.

***Description of Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

***Reporting Entity***

Subject to the New York State Constitution, the County operates pursuant to its Charter and Administrative Code, as well as various local laws. Additionally, certain New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government. The Charter was enacted by local law and approved by the electorate at a general election held November 8, 1973. The Chautauqua County Legislature is the legislative body responsible for overall operations, the County Executive serves as chief executive officer, and the Director of Finance serves as chief fiscal officer.

The County provides mandated social service programs such as Medicaid, aid to dependent children, and home relief. The County also provides services and facilities in the areas of culture, recreation, police, youth, health, senior services, roads, sanitary sewage and water. These general government programs and services are financed by various taxes, state and federal aid, and departmental revenue (which is primarily comprised of service fees and various types of program related charges). Additionally, the County operates a landfill and an energy plant.

The County participates with the City of Jamestown and the County of Cattaraugus in a community college region for the purpose of sponsoring Jamestown Community College. This region is a separate body operating as a public benefit corporation. The Board of Trustees of the Jamestown Community College Region (the “Region”) consists of fourteen members, of which the County appoints three members. While from time to time the County issues public improvement bonds for Region purposes, it must be approved by the County Legislature. The Region holds the County harmless from any and all claims, debts, demands, and causes of actions arising out of the County’s participation in the Region.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

***Discretely Presented Component Unit***—The component unit column in the basic financial statements includes the financial data of the County's discretely presented component unit. This unit is reported in a separate column to emphasize that it is legally separate from the County.

**Chautauqua County Industrial Development Agency**—The Chautauqua County Industrial Development Agency (the "Agency") was created on March 22, 1972 as a public benefit corporation under Title I, Article 18A of General Municipal Law of the State of New York. The purpose of the Agency is to promote, develop, encourage and assist in acquiring, constructing and maintaining industrial manufacturing facilities. The Agency is exempt from federal and state income taxes. The Agency's annual financial report can be obtained by writing the County of Chautauqua Industrial Development Agency, 200 Harrison Street, Jamestown, New York 14701.

***Excluded from the Financial Reporting Entity***—Although the following is related to the County, it is not included in the County's reporting entity.

**Roberts Road Development Corporation**—The Roberts Road Development Corporation (the "Corporation") was created pursuant to Section 1411 of the Not-For-Profit Corporation Law on March 19, 2009 to assist in the development of the former Roblin Steel, Edgewood, and Alumax properties located along Roberts Road in Chautauqua County. The Corporation is excluded from the financial reporting entity due to a lack of activity for the year ended December 31, 2017. Had the Corporation had activity, it would be a discretely presented component unit because the County can appoint the voting and non-voting members to the Board of Directors.

***Blended Component Units***—The following blended component units are legally separate entities from the County, but are, in substance, part of the County's operations and therefore data from these units are combined with data of the primary government.

**Chautauqua Tobacco Asset Securitization Corporation**—The Chautauqua Tobacco Asset Securitization Corporation ("CTASC") is a special purpose, bankruptcy remote, local development corporation incorporated under the provisions of Section 1411 of the New York State Not-for-Profit Corporation Law and is an instrumentality of, but separate and apart from the County. Although legally separate and independent of the County, CTASC is considered an affiliated organization under GASB and, therefore, is reported as a blended component unit of the County. The CTASC annual financial report can be obtained by writing the Chautauqua Tobacco Asset Securitization Corporation, 3 North Erie Street, Mayville, New York 14757.

**Chautauqua County Land Bank Corporation**—The Chautauqua County Land Bank Corporation (the "Land Bank") was created in May of 2012 by the Chautauqua County Board of Legislators under the provisions of the 1973 Laws of New York State. The Land Bank is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Land Bank is a blended component unit because the County is sole corporate member of the Land Bank. The Land Bank's annual financial report can be obtained by writing the Chautauqua County Land Bank Corporation, 200 Harrison Street, Jamestown, New York 14701.

### ***Basis of Presentation—Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. 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.

As discussed earlier, the County has one discretely presented component unit. While the Chautauqua County Industrial Development Agency is considered to be major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### ***Basis of Presentation—Fund Financial Statements***

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- *General Fund*—The General Fund is the primary operating fund of the County and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The principal sources of revenues for the General Fund are property taxes and sales taxes.
- *County Road Fund*—The County Road Fund is used to account for the construction and maintenance of County roads and other transportation expenses in accordance with New York State laws.
- *Road Machinery Fund*—The Road Machinery Fund is used to account for the maintenance of heavy equipment utilized for road maintenance and construction.
- *Chautauqua County Tobacco Asset Securitization Corporation ("CTASC")*—The CTASC is used to account for the receipt and disbursement of resources related to tobacco assets and related obligations.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

*Enterprise Funds*—These funds are used to account for operations which provide goods or services to the general public. These ongoing activities are similar to those found in the private sector; therefore, the determination of net income is necessary to sound financial administration. The County maintains the following enterprise funds:

- *Sewer*—The Sewer Fund is comprised of three County sewer districts and is used to account for the operating activities of the County sewer districts.
- *Water*—The Water Fund is comprised of two County water districts and is used to account for the operating activities of the County water district.
- *Landfill*—The Landfill Fund is used to account for the operating activities of the County landfill including transfer stations.
- *Electric Plant*—The Electric Plant Fund is used to account for the operating activities of the County electric generation plant at the County landfill.
- *Chautauqua County Land Bank Corporation*—The Land Bank Corporation, a blended component unit, is used to account for operations aimed to help communities recover from the effects of foreclosures.

Additionally, the County reports the following fund types:

*Internal Service Funds*—The Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost reimbursement basis. The County maintains the following internal service funds:

- *Workers' Compensation Fund*—This fund is used to account for the County's self-insurance program for workers' compensation claims. Additionally, the fund is utilized to account for amounts due from other local governments within the County related to their workers' compensation liabilities.
- *Health Insurance Fund*—This fund is used to account for the County's insurance program for vision and dental benefits.

*Fiduciary Fund*—The Agency Fund is used to account for assets held by the County as an agent for other governments or other funds, such as payroll withholdings.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities column are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column. For financial reporting purposes, CTASC intrafund transfers have been eliminated.

### ***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The 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 available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues 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 and pensions are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary funds are reported using the *economic resources measurement focus* and use the *accrual basis* of accounting. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance***

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short term highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days or less from the date of acquisition. State statutes and various resolutions of the County Legislature govern the County’s investment policies. Permissible investments include obligations of the U.S. Treasury and U.S. Government agencies, repurchase agreements and obligations of New York State or its localities. Investments are stated at fair value in accordance with GASB.

***Restricted Cash, Cash Equivalents and Investments***—Restricted cash, cash equivalents and investments represent amounts to support fund balance restrictions, unspent proceeds of debt and cash received for items not meeting revenue recognition criteria.

***Inventories***—All inventories, which are comprised of general supplies are valued at the lower of cost using the first-in/first out (FIFO) method or market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

***Receivables***—Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs. All major revenues of the County are considered “susceptible to accrual” under the modified accrual basis. These include property tax, sales tax, State and Federal aid, and various grant program revenues.

***Prepaid items***—Certain payments to vendors and the New York State Retirement Systems reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Property Held for Resale***—The Land Bank Corporation reports property held for resale at cost, which totaled \$443,323 at December 31, 2017.

***Unearned Revenue***—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2017, the County reported unearned revenues within the General Fund of \$8,353,447, the majority of which represent grant funds received in advance of eligibility criteria being met.

***Capital Assets***—Capital assets include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or contracted. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as expenditures are incurred. The County depreciates capital assets using the straight-line method over their estimated useful lives as presented on the following page.

Assets	Years
Buildings	40
Building improvements	20
Land improvements	20
Infrastructure:	
Dams and drainage systems	100
Traffic control systems	40
Bridges and culverts	30
Roads	20
Machinery and equipment:	
Office equipment and furniture	10
Heavy equipment	9
Other	5
Vehicles	4
Computers	3

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routing capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial 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 a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2017, the County has two items that qualified for reporting in this category. The first item is deferred charges on refunding bonds that are being amortized over the life of the refunded debt. The second item is related to pensions reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net charge in the County’s proportion of the collective net pension liability, the difference during the measurement period between the County’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date.

In addition to liabilities, the statement of financial 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. The County had three items that qualified for reporting in this category. The first arises under the modified accrual basis of accounting. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow of resources for items which represent a deferred gain on CTASC refunding bonds that is being amortized over the life of the refunded debt. The final item represents the effect of the net change in the County’s contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements.

***Net Position Flow Assumption***—Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County’s highest level of decision-making authority. The County Legislature is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The County Legislature (“Legislature”) has by resolution authorized the chief fiscal officer (i.e. Director of Finance) to assign fund balance. The Legislature may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenditures/Expenses***

***Program Revenues***—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

**Proprietary Funds Operating and Nonoperating Revenues and Expenses**—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Sewer, Water, Landfill, Electric Plant, Land Bank and internal services funds are charges to customers and interfund/intergovernmental entities for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Property Taxes**—The County-wide property tax is levied by the County Legislature effective January 1<sup>st</sup> of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on January 1<sup>st</sup> of the year for which they are levied. In the government-wide statements, property tax receivables and related revenue include all amounts due the County regardless of when cash is received. Over time, substantially all property taxes are collected.

Delinquent property taxes not collected at year end (excluding collections in the 60 day subsequent period) are recorded as a deferred inflow of resources in fund financial statements.

Property taxes are due and payable within 30 days. Such taxes are collected by the respective collection officers in each town and in the cities of Dunkirk and Jamestown until April 1<sup>st</sup> each year, after which rolls are returned to the County. At that time settlement proceedings take place whereby the County becomes the tax collecting agency and the towns and cities receive full credit for their entire levy. The County becomes the enforcement agency for tax liens on all County real property.

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable that represents taxes re-levied for school (\$6,599,602) and the portion that represents taxes re-levied for the cities and villages (\$589,587) are recognized as liabilities that are included in intergovernmental payables. Also, \$9,948,489 of the receivable that is not considered available under the modified accrual basis of accounting, i.e. will not be collected within sixty days, is recorded as a deferred inflow of resources, net of a \$1,379,079 allowance.

Tax rates are calculated using assessments prepared by individual town and city assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessment value of real property in the tax levy of 2017 is approximately \$7.172 billion. The effective tax rate on this value is approximately \$8.48 per thousand. The statutory minimum tax rate is 1.5% of the 5-year average of the equalized assessment. The 2017 levy represents approximately 14.84% of the maximum statutory levy.

**Compensated Absences**—County employees are granted vacation and compensatory time in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and compensatory time. Upon retirement employees may be entitled to utilize the value of accumulated sick time to pay for health insurance coverage after retirement. Employees who retire with more than 15 years of county service are also entitled to one month of health insurance coverage for each year of County service.

Compensated absences are reported as accrued liabilities in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and they are included in wages and benefits.

Payment of compensated absences recorded in the general government long-term debt in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the future payment of compensated absences when such payments become due.

**Pensions**—The County is mandated by New York State law to participate in the New York State Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

**Other Postemployment Benefits**—In addition to providing pension benefits, the County provides health insurance coverage and/or payments health and survivor benefits for retired employees and their survivors. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. See additional information in Note 8.

#### **Other**

**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 disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Insurance**—The County assumes liability for some risk including, but not limited to, workers' compensation. Asserted and incurred but not reported claims and judgements are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Such recording is consistent with the requirements of GASB.

Governmental fund type estimated current contingent liabilities (i.e., those to be liquidated with available financial resources in the ensuing year) for property damage and personal injury liabilities are recorded in the General Fund. The long-term portion (i.e., liabilities to be paid from future resources) is recorded within long-term debt in the government-wide financial statements.

**Adoption of New Accounting Pronouncement**—During the year ended December 31, 2017, the County implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units*; No. 81, *Irrevocable Split-Interest Agreement*, and No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68*, effective for the year ending December 31, 2017. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and accessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 81 establishes recognition and measurement requirements for irrevocable split-interest

agreements. GASB Statement No. 82 addresses issues regarding the (1) presentation of payroll-related measures in the supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Other than as discussed in Note 2, GASB Statements No. 73, 74, 80, 81, and 82 did not have a material impact on the County's financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The County has not completed the process of evaluating the impact that will result from adopting GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues* effective for the year ending December 31, 2018, No. 83, *Certain Asset Retirement Obligations*; and No. 84, *Fiduciary Activities*; and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* effective for the year ending December 31, 2019, and No. 87, *Leases* effective for the year ending December 31, 2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, and 88 will have on its financial position and results of operations when such statements are adopted.

### ***Stewardship, Compliance and Accountability***

***Deficit Net Position***—At December 31, 2017, the County had a deficit net position of \$3,048,721 in the Workers' Compensation Fund within the Internal Service Funds. This deficit is the result of year end case reserves and reserves for incurred but not reported claims that are related to the County's general operations, which are primarily long-term in nature. This deficit is anticipated to be remedied through future charges to the operating funds and the enterprise funds. The Worker's Compensation Fund charges the general operations of the County for actual claims paid on a pay as you go basis.

### ***Legal Compliance—Budgets***

***Budgets and Budgetary Accounting***—The County's annual procedures, as required by Article XIV of the County Charter and Administrative Code, in establishing the budgetary data reflected in the basic financial statements are as follows:

- Not later than July 1<sup>st</sup> of each year, the Budget Director must furnish department heads with the appropriate budget forms for estimation of revenues and expenditures for the ensuing fiscal year.
- Not later than August 1<sup>st</sup>, the department heads must file their completed budget requests with the Budget Director.
- The Budget Director then reviews and investigates all budget requests. The Budget Director may recommend in whole or in part the estimates as deemed appropriate. On or before September 15<sup>th</sup>, the Budget Director must submit a tentative budget to the County Executive.
- The County Executive must then formulate a tentative budget and submit such to the Clerk of the Legislature by September 25<sup>th</sup>.
- Public hearings are held. The Legislature must then take action on the budget within six calendar days following the public hearing. If the is budget passed and does not contain changes from the County Executive's tentative budget such budget is adopted; however, if the

budget passed contains any changes it must be returned to the County Executive on the seventh day after the public hearing for his examination and consideration.

- If the County Executive does not object to the changes made, the Legislative passed budget becomes adopted. If the County Executive objects to any of the changes made, he must file such objections with the Clerk of the Legislature within ten days. The Legislature may, with a two-thirds vote, uphold the County Executive’s objections; otherwise, the Legislative passed budget without such objected changes becomes the adopted budget.

**2. RESTATEMENT OF NET POSITION**

During the year ended December 31, 2017, the County determined that the portion of the landfill liability dedicated to gas well maintenance represents a reserve of net position as of December 31, 2016 in accordance with New York State General Municipal Law Section 6-o. As a result of this, beginning net position of Business-type Activities was restated by \$908,462.

For the fiscal year ended December 31, 2017, the County implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The implementation of GASB Statement No. 80 resulted in the Chautauqua County Land Bank Corporation (the “Land Bank”), previously presented as a discretely presented component unit, to be presented as a blended component unit because the County is the Sole Member of the Land Bank. As a result, net position of business-type activities has been restated by \$665,639 as of December 31, 2016.

Net position of business-type activities as of December 31, 2016 has been restated as follows:

	<u>Business-type Activities</u>
Net position, December 31, 2016—as previously reported	\$ 36,413,494
Landfill gas well maintenance reserve	908,462
GASB Statement No. 80 implementation	<u>665,639</u>
Net position, December 31, 2016—as restated	<u>\$ 37,987,595</u>

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The County’s investment policies are governed by State statutes. In addition, the County has its own written investment policy. County monies must be deposited in FDIC-insured commercial banks or trust companies, located within the State. The County Director of Finance is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance (“FDIC”). The County has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

The total cash, cash equivalents and investments (including amounts restricted) reported by the primary government of the County at December 31, 2017 is presented on the following page:

Governmental Funds	\$ 32,057,406
Enterprise Funds	28,080,318
Internal Service Funds	6,579,468
Agency Fund	<u>5,506,962</u>
Total	<u>\$ 72,224,154</u>

The primary government's cash, cash equivalents and investments were comprised of the following:

Petty cash	\$ 9,321
Petty cash held by financial institutions	4,529
Cash held by financial institutions	12,069,256
Cash equivalents held by financial institutions	2,314,940
Investments	<u>57,826,108</u>
Total	<u>\$ 72,224,154</u>

**Deposits with financial institutions**—All deposits are carried at fair value, and are classified by credit risk category as follows:

	<u>December 31, 2017</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
FDIC insured	\$ 1,848,778	\$ 1,848,778
Uninsured:		
Collateral held by pledging bank's agent in County's name	<u>15,471,251</u>	<u>12,539,947</u>
Total	<u>\$ 17,320,029</u>	<u>\$ 14,388,725</u>

**Cash equivalents**—Cash equivalents include money market funds with a maturity date within three months of year end, and are, therefore considered to be cash equivalents at December 31, 2017. These cash equivalents are carried at fair value as displayed below:

	<u>December 31, 2017</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
County money market funds	\$ 2,198,318	\$ 2,198,318
CTASC money market funds	<u>116,622</u>	<u>116,622</u>
Total	<u>\$ 2,314,940</u>	<u>\$ 2,314,940</u>

**Custodial credit risk—deposits**—Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As noted above, the State Statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2017, the County's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the County's name.

**Restricted cash, cash equivalents and investments**—Total governmental funds restricted cash, cash equivalents and investments of \$25,630,710, of which \$2,502,191 represents amounts restricted for CTASC, \$8,353,447 represents unearned revenue, \$2,550,849 for capital projects and \$12,224,223 supports General Fund restricted fund balance. These deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County.

***Chautauqua County Industrial Development Agency cash and cash equivalents***—Deposits for the Agency totaled \$2,071,097 and were fully collateralized or insured at December 31, 2017.

***Investments***—All investments are reported using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1. Quotes prices for identical assets or liabilities in active markets to which the County has access at the measurement date.
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets in markets that are not active;
  - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

The County has the following fair value measurements as of December 31, 2017:

- Savings, CDs and time deposits of \$750,690 are valued using quoted market prices for identical assets in active markets (level 1 input).
- U.S. Government agency bonds of \$41,010,719 are valued using quoted market prices for identical assets in active markets (level 1 input).
- Corporate and foreign bonds of \$815,669 are valued using quoted market prices for identical assets in active markets (level 1 input).
- Municipal bonds of \$15,249,030 are valued using quoted market prices for identical assets in active markets (level 1 input).

Investments at December 31, 2017 are shown on the following page.

	Fair Value Measurements Using			
	12/31/17	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Savings, CDs and time deposits	\$ 750,690	\$ 750,690	\$ -	\$ -
U.S. Government Agencies	41,010,719	41,010,719	-	-
Corporate and foreign bonds	815,669	815,669	-	-
Municipal bonds	15,249,030	15,249,030	-	-
Total	<u>\$ 57,826,108</u>	<u>\$ 57,826,108</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest rate risk**—In the case of investments, this is the risk that potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. There is the prospect of a loss should those securities be sold prior to maturity. There are no requirements limiting maturity of investments.

**Custodial credit risk—investments**—In compliance with State law, the County’s investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, obligations of public authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorize such investments, time deposit accounts, certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint ventures or cooperative investment programs.

#### 4. RECEIVABLES

Major revenues accrued by the County at December 31, 2017 consisted of the following:

**Accounts Receivable**—Represent amounts due from various sources. The County’s accounts receivable at December 31, 2017 are shown below:

Governmental Funds:	
General Fund	\$ 3,348,445
County Road Fund	80,915
Road Machinery Fund	<u>66,687</u>
Total Governmental Funds	<u>\$ 3,496,047</u>
Enterprise Funds:	
Sewer Fund	\$ 1,257,809
Water Fund	20,282
Landfill Fund	766,759
Electric Fund	<u>315,797</u>
Total Enterprise Funds	<u>\$ 2,360,647</u>
Agency Fund	<u>\$ 130,405</u>

**Taxes Receivable**—Represents amounts due to the County for property taxes, property tax items and non-property tax items of \$17,731,748. These amounts are reported net of an allowance for uncollectible taxes of \$400,000.

**Other Receivables**—Represent loans due from various entities including the Chautauqua County Industrial Development Agency, North Chautauqua Lake Sewer District and Portland, Pomfret, Dunkirk Sewer District. Such loan balances are included in nonspendable fund balance because they represent net current financial resources that cannot be spent. The total amount of other receivables at December 31, 2017 is as follows:

General Fund	\$ 5,448,757
Capital Projects Fund	<u>104,991</u>
Total governmental funds	<u>\$ 5,553,748</u>

**Intergovernmental Receivables**—State and federal receivables primarily represent claims for reimbursement for expenditures in administering various mental health and social service programs. They are net of related advances from New York State. State and federal receivables also include reimbursable amounts for construction expenditures made through the Capital Projects Fund. Other government receivables primarily represent amounts due from local governments within the County relating to their respective share of workers' compensation liabilities. The total amounts accrued from other governments at December 31, 2017 are as follows:

Governmental Funds:	
General Fund	\$ 27,059,717
County Road Fund	5,372,497
Capital Projects Fund	<u>1,365,407</u>
Total Governmental Funds	<u>\$ 33,797,621</u>
Enterprise Funds:	
Landfill Fund	<u>\$ 13,746</u>
Total Enterprise Funds	<u>\$ 13,746</u>
Internal Service Funds:	
Workers' Compensation Fund	<u>\$ 6,747,637</u>
Total Internal Service Funds	<u>\$ 6,747,637</u>

**Chautauqua County Industrial Development Agency**

**Other receivables**—Other receivables represent various notes receivable, in the total amount of \$11,168,986 outstanding at December 31, 2017.

**Mortgage receivable**—Represents various mortgages receivable outstanding. At December 31, 2017, the Agency's mortgage receivable balance was \$1,406,936.

## 5. CAPITAL ASSETS

**Governmental Activities**—Capital asset activity for the primary government’s governmental activities for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets not being depreciated:				
Land	\$ 748,464	\$ -	\$ -	\$ 748,464
Construction in progress	<u>25,001,623</u>	<u>8,917,142</u>	<u>(31,191,216)</u>	<u>2,727,549</u>
Total capital assets, not being depreciated	<u>25,750,087</u>	<u>8,917,142</u>	<u>(31,191,216)</u>	<u>3,476,013</u>
Capital assets being depreciated:				
Infrastructure	214,581,031	23,170,204	-	237,751,235
Buildings and building improvements	88,253,251	3,307,332	(4,883,577)	86,677,006
Machinery and equipment	27,802,449	9,301,534	(205,918)	36,898,065
Vehicles	<u>17,127,134</u>	<u>2,567,675</u>	<u>(410,108)</u>	<u>19,284,701</u>
Total capital assets, being depreciated	<u>347,763,865</u>	<u>38,346,745</u>	<u>(5,499,603)</u>	<u>380,611,007</u>
Less accumulated depreciation:				
Infrastructure	99,569,774	10,140,921	-	109,710,695
Buildings and building improvements	35,277,526	3,592,196	(2,040,046)	36,829,676
Machinery and equipment	23,629,563	4,313,374	(205,918)	27,737,019
Vehicles	<u>14,102,196</u>	<u>1,308,238</u>	<u>(402,473)</u>	<u>15,007,961</u>
Total accumulated depreciation	<u>172,579,059</u>	<u>19,354,729</u>	<u>(2,648,437)</u>	<u>189,285,351</u>
Total capital assets, being depreciated, net	<u>175,184,806</u>	<u>18,992,016</u>	<u>(2,851,166)</u>	<u>191,325,656</u>
Governmental activities capital assets, net	<u>\$ 200,934,893</u>	<u>\$ 27,909,158</u>	<u>\$ (34,042,382)</u>	<u>\$ 194,801,669</u>

Depreciation expense was charged to the functions and programs of the primary government as follows:

Governmental activities:	
General government support	\$ 1,763,771
Public safety	5,115,598
Health	45,448
Transportation	9,944,296
Economic assistance and opportunity	2,463,750
Culture and recreation	15,480
Home and community services	<u>6,386</u>
Total governmental activities depreciation expense	<u>\$ 19,354,729</u>

During the current year, the County adjusted the estimated useful lives of certain depreciable assets which resulted in an increase to the current year depreciation expense.

**Business-type Activities**—Capital asset activity for the primary government’s business-type activities for the fiscal year ending December 31, 2017 is presented below:

	Balance 1/1/2017	Increases and Reclassifications	Decreases and Reclassifications	Balance 12/31/2017
Capital assets, not being depreciated:				
Construction in progress	\$ 2,421,566	\$ 3,148,691	\$ (74,025)	\$ 5,496,232
Total capital assets, not being depreciated	<u>2,421,566</u>	<u>3,148,691</u>	<u>(74,025)</u>	<u>5,496,232</u>
Capital assets, being depreciated or depleted				
Infrastructure	49,703,948	74,025	-	49,777,973
Buildings and building improvements	15,101,449	8,147	-	15,109,596
Machinery and equipment	26,390,595	813,850	(274,323)	26,930,122
Vehicles	2,961,781	344,586	(44,454)	3,261,913
Landfill	40,427,616	125,124	-	40,552,740
Water treatment facility	1,432,431	-	-	1,432,431
Total capital assets, being depreciated	<u>136,017,820</u>	<u>1,365,732</u>	<u>(318,777)</u>	<u>137,064,775</u>
Less accumulated depreciation or depletion for:				
Infrastructure	28,223,456	773,315	-	28,996,771
Buildings and building improvements	9,796,680	353,873	-	10,150,553
Machinery and equipment	16,088,191	1,210,594	(819,914)	16,478,871
Vehicles	2,380,871	232,212	(327,622)	2,285,461
Landfill	35,764,731	681,227	-	36,445,958
Water treatment facility	1,235,987	34,651	-	1,270,638
Total accumulated depreciation or depletion	<u>93,489,916</u>	<u>3,285,872</u>	<u>(1,147,536)</u>	<u>95,628,252</u>
Total capital assets, being depreciated, net	<u>42,527,904</u>	<u>(1,920,140)</u>	<u>828,759</u>	<u>41,436,523</u>
Business-type activities capital assets, net	<u>\$ 44,949,470</u>	<u>\$ 1,228,551</u>	<u>\$ 754,734</u>	<u>\$ 46,932,755</u>

Depreciation expense was charged to the functions and programs of the primary government as follows:

Business-type activities:	
Sewer	\$ 1,274,268
Water	34,651
Landfill	1,319,067
Electric Plant	<u>657,886</u>
Total business-type activities depreciation expense	<u>\$ 3,285,872</u>

**Chautauqua County Industrial Development Agency**

Capital asset activity for the Agency for the fiscal year ended December 31, 2017 was as follows:

	Balance <u>12/31/2017</u>
Buildings and building improvements	\$ 5,012,809
Furniture and equipment	<u>127,798</u>
Total capital assets	5,140,607
Less: accumulated depreciation	<u>(1,680,336)</u>
Total capital assets, net	<u>\$ 3,460,271</u>

**6. ACCRUED LIABILITIES**

Accrued liabilities reported by governmental funds at December 31, 2017 were as follows:

	General Fund	County Road Fund	Road Machinery Fund	Total Governmental Funds
Salary and employee benefits	\$ 2,012,116	\$ 150,267	\$ 22,360	\$ 2,184,743
Other	<u>13,278</u>	<u>-</u>	<u>-</u>	<u>13,278</u>
Total accrued liabilities	<u>\$ 2,025,394</u>	<u>\$ 150,267</u>	<u>\$ 22,360</u>	<u>\$ 2,198,021</u>

**7. PENSION OBLIGATIONS**

***Employees’ Retirement System (“ERS”)***—The County participates in the New York State and Local Employees’ Retirement System (the “System”). The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State’s financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The system is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the System’s fiscal year ending March 31.

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At December 31, 2017, the County reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to the measurement date. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS Systems in reports provided to the County.

	Governmental Activites	Business-type Activites
	ERS	
Measurement date	March 31, 2017	March 31, 2017
Net pension liability	\$ 20,948,966	\$ 1,142,064
County's portion of the Plan's total net pension liability	0.2229509%	0.0121545%

For the year ended December 31, 2017, the County recognized pension expenses of \$11,488,453 and \$626,309 for ERS for governmental activities and business-type activities, respectively. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
ERS				
Differences between expected and actual experiences	\$ 524,961	\$ 28,619	\$ 3,181,219	\$ 173,429
Changes of assumptions	7,156,935	390,170		
Net difference between projected and actual earnings on pension plan investments	4,184,357	228,117	-	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	1,185,632	64,636	2,186,027	119,174
County contributions subsequent to the measurement date	6,272,027	341,929	-	-
Total	<u>\$ 19,323,912</u>	<u>\$ 1,053,471</u>	<u>\$ 5,367,246</u>	<u>\$ 292,603</u>

The County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Governmental	Business-type
	Activities	Activities
	<u>ERS</u>	
2018	\$ 3,453,624	\$ 188,279
2019	3,453,624	188,279
2020	3,361,959	183,282
2021	(2,584,568)	(140,901)

**Actuarial Assumptions**—The total pension liability as of the measurement date was determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the actuarial assumptions presented below:

	<u>ERS</u>
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized on the following page.

	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2017	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	100.0 %	

**Discount Rate**—The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart below presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<b>Governmental activities:</b>			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 66,897,367	\$ 20,948,966	\$ (17,908,337)
<b>Business-type activities:</b>			
Employer's proportionate share of the net pension liability/(asset)—ERS	3,647,008	1,142,064	(976,299)

***Pension Plan Fiduciary Net Position***—The components of the current-year net pension liability of the employers as of the respective valuation dates, were as follows:

	<u>(Dollars in Thousands)</u>
	<u>ERS</u>
Valuation date	April 1, 2016
Employers' total pension liability	\$ 177,400,586
Plan fiduciary net position	<u>168,004,363</u>
Employers' net pension liability	<u>\$ 9,396,223</u>
System fiduciary net position as a percentage of total pension liability	94.70%

## 8. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

***Plan Description***—The County administers a single-employer defined benefit postemployment health care plan (“the Retiree Health Plan”). The Retiree Health Plan provides health care benefits to eligible retirees who retire from the County and are eligible to receive a pension from the New York State and Local Employees’ Retirement System. Eligible retirees may elect to continue health care coverage in the County health plan and convert their sick leave balance at retirement at a rate of five days per month, to a County paid monthly benefit that will partially or fully cover their retiree health premiums. The duration, amount and type of County paid benefits depend on the amount of sick leave at retirement. Upon retirement, a non-management employee may use sick leave accruals up to a maximum of 180 days as a credit for health, vision and dental insurance. In addition, an employee who retires with 15 or more years of employment with the County shall be credited one full month of coverage for every full year of employment. Said employee shall continue to pay premiums equivalent to the active employee payroll deduction for such insurance. Said benefit shall be utilized only after all sick leave accruals are utilized. Management employees receive a benefit 3.25 months of health insurance per year of service upon retirement.

The County contracts with various health plans to provide health coverage to its active and retired members. The retirees may continue coverage in the County health plans at their own expense after their sick leave balances are fully exhausted. The insurers charge the same premium for active and retired members; therefore, an implicit County subsidy of retiree premiums exists. Benefit provisions are established and may be amended through negotiations between the County and the bargaining units during each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements of the Retiree Health Plan members and the County are also established and may be amended through negotiations between the County and the bargaining units. The contribution is based on pay-as-you-go financing requirements. For the year ended December 31, 2017, the County contributed \$2,556,365 to the Retiree Health Plan.

The County’s annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters set forth by GASB. 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 table on the following page shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the County’s net OPEB obligation to the Retiree Health Plan.

**Changes in the OPEB Liability**—The following tables present the changes to total OPEB liability during the last three calendar years.

	December 31, 2017		
	Governmental Activities	Business-type Activities	Agency Fund
Annual required contribution ("ARC")	\$ 4,853,091	\$ 327,169	\$ -
Interest on net OPEB Obligation	816,261	69,281	-
Adjustment to ARC	(1,225,156)	(103,986)	-
Annual OPEB cost (expense)	4,444,196	292,464	-
Contributions made	(2,201,653)	(106,567)	-
Payments made for retiree benefits	-	-	(248,145)
Increase (decrease) in net OPEB obligation	2,242,543	185,897	(248,145)
Net OPEB obligation—beginning	23,321,762	1,979,456	1,287,133
Net OPEB obligation—ending	<u>\$ 25,564,305</u>	<u>\$ 2,165,353</u>	<u>\$ 1,038,988</u>
Percentage of ARC contributed	45.4%	32.6%	

	December 31, 2016		
	Governmental Activities	Business-type Activities	Agency Fund
Annual required contribution ("ARC")	\$ 5,631,959	\$ 344,729	\$ -
Interest on net OPEB Obligation	824,817	70,778	-
Adjustment to ARC	(1,146,616)	(98,390)	-
Annual OPEB cost (expense)	5,310,160	317,117	-
Contributions made	(2,608,822)	(107,088)	-
Payments made for retiree benefits	-	-	(469,663)
Increase (decrease) in net OPEB obligation	2,701,338	210,029	(469,663)
Net OPEB obligation—beginning	20,620,424	1,769,427	1,756,796
Net OPEB obligation—ending	<u>\$ 23,321,762</u>	<u>\$ 1,979,456</u>	<u>\$ 1,287,133</u>
Percentage of ARC contributed	46.3%	31.1%	

	December 31, 2015		
	Governmental Activities	Business-type Activities	Agency Fund
Annual required contribution ("ARC")	\$ 5,398,048	\$ 327,816	\$ -
Interest on net OPEB Obligation	718,400	62,298	-
Adjustment to ARC	(998,683)	(86,604)	-
Annual OPEB cost (expense)	5,117,765	303,510	-
Contributions made	(2,457,348)	(91,527)	-
Payments made for retiree benefits	-	-	(619,666)
Increase (decrease) in net OPEB obligation	2,660,417	211,983	(619,666)
Net OPEB obligation—beginning	17,960,007	1,557,444	2,376,462
Net OPEB obligation—ending	<u>\$ 20,620,424</u>	<u>\$ 1,769,427</u>	<u>\$ 1,756,796</u>
Percentage of ARC contributed	45.5%	27.9%	

As of January 1, 2017, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$45,964,107.

Actuarial valuations of an ongoing plan involve estimates of the fair 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 health care 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 County’s schedule of contributions is shown below:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2017	\$ 4,736,660	\$ 2,308,220	48.7%
2016	5,627,277	3,185,573	56.6%
2015	5,421,275	3,168,541	58.4%

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

In the January 1, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date and measurement date of January 1, 2017. The RPH-2014 Mortality Table is used for mortality rates for actives and retirees. The valuation uses a discount rate of 3.5%. The rates of decrement due to turnover and retirement are based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service’s actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation. The Retiree Health Plan’s unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over thirty years using a level dollar open amortization method.

## 9. RISK MANAGEMENT

**Other**—The County is exposed to various risks of loss related to damage and destruction of assets, vehicle liability, injuries to employees, health insurance, and unemployment insurance. These risks are covered by commercial insurance purchased from independent third parties.

The County assumes the liability for most risk including, but not limited to, dental and vision claims for employees, workers’ compensation, property damage, and personal injury liability. The County has purchased insurance for bodily injury, property damage, employee liability and personal injury liability with a deductible of \$100,000. It has also purchased, on a replacement cost basis, coverage on business and business personal property with a deductible of \$25,000. The County also carries automobile bodily injury and property damage liability coverage with a \$25,000 deductible. Upper limits are extended via an excess umbrella policy to \$30,000,000. The County has purchased a Workers’ Compensation Excess Policy to cover claims in excess of \$1,500,000. During the current year the County obtained an actuarial study of its workers’ compensation claims. The liability totaling

\$17,993,470 in the Workers' Compensation Fund, Enterprise Funds, and in escrow in the Agency Fund reflects the results of this study. The Workers' Compensation Fund has recorded a receivable from other governments totaling \$6,747,637 representing those other governments' respective share of the aforementioned liability. The liability has been allocated between the Enterprise Funds, the Workers' Compensation Fund and is held in escrow in the agency fund on behalf of the County Home. The County has had no claims in excess of its coverage in the last three fiscal years.

Changes in the reported workers' compensation liability since January 1, 2016 are summarized as follows:

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2017	\$ 18,530,000	\$ 4,257,789	\$ 4,794,319	\$ 17,993,470
2016	20,270,000	3,295,006	5,035,006	18,530,000

## 10. LEASE OBLIGATIONS

The County leases certain property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements as a capital lease. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the lease, is also recorded in the government-wide financial statements. The County had no capital leases outstanding at December 31, 2017. Other leased property, not having elements of ownership, is classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable in the fund financial statements. Total expenditures on operating leases for the fiscal year ended December 31, 2017 were approximately \$1,048,693.

The County has future minimum payments under operating leases with a remaining term in excess of one year for its governmental activities as follows:

December 31,	Operating Leases
2018	\$ 1,374,323
2019	1,325,207
2020	1,299,850
2021	1,293,298
2022	698,403
2023 and beyond	<u>3,020,651</u>
Future minimum payments	<u>\$ 9,011,732</u>

## 11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances

are reported as other financing uses. Further, unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The County's outstanding long-term liabilities include serial bonds, CTASC bonds and accreted interest, compensated absences, workers' compensation, other post-employment benefits ("OPEB") obligation, notes payable, landfill closure and post-closure liability, net pension liability, and long-term retirement payable.

During the year ended December 31, 2014, the County Home transferred its remaining long-term liabilities and assets used to liquidate these liabilities to the County's Agency Fund. At December 31, 2017, certain items continue to be held in escrow in the Agency Fund.

A summary of the County's long-term debt at December 31, 2017 follows:

	Balance 1/1/2017 (as restated)	Additions	Reductions	Balance 12/31/2017	Due Within One Year
<b>Governmental activities:</b>					
Serial bonds	\$ 36,276,256	\$ -	\$ (1,879,000)	\$ 34,397,256	\$ 2,012,256
Premium on serial bonds	379,319	-	(28,272)	351,047	28,272
CTASC bonds and accreted interest, net	38,190,147	515,384	(328,030)	38,377,501	350,000
Compensated absences	2,526,591	2,505,315	(2,526,591)	2,505,315	2,505,315
Workers' compensation	15,972,792	4,225,112	(3,928,551)	16,269,353	-
OPEB obligation	23,321,762	4,444,196	(2,201,653)	25,564,305	-
Long-term due to other governments	400,000	-	(40,000)	360,000	80,000
Net pension liability*	36,959,440	-	(16,010,474)	20,948,966	-
Long-term retirement payable	-	2,605,194	(343,736)	2,261,458	343,736
Total governmental activities	<u>\$ 154,026,307</u>	<u>\$ 14,295,201</u>	<u>\$ (27,286,307)</u>	<u>\$ 141,035,201</u>	<u>\$ 5,319,579</u>
<b>Business-type activities:</b>					
Serial bonds	\$ 11,535,885	\$ -	\$ (1,033,085)	\$ 10,502,800	\$ 1,061,716
Premium on serial bonds	775,977	-	(57,837)	718,140	57,837
Notes payable	872,377	-	(151,631)	720,746	54,343
Compensated absences	176,980	164,311	(176,980)	164,311	164,311
Landfill closure and post-closure	22,106,636	492,307	-	22,598,943	-
Workers' compensation	617,338	32,677	(126,430)	523,585	-
OPEB obligation	1,979,456	292,464	(106,567)	2,165,353	-
Net pension liability*	2,192,509	-	(1,050,445)	1,142,064	-
Total business-type activities	<u>\$ 40,257,158</u>	<u>\$ 981,759</u>	<u>\$ (2,702,975)</u>	<u>\$ 38,535,942</u>	<u>\$ 1,338,207</u>
<b>Agency fund (held in escrow for County Home)</b>					
Workers' compensation	\$ 1,939,870	\$ -	\$ (739,338)	\$ 1,200,532	\$ -
OPEB obligation	1,287,133	-	(248,145)	1,038,988	-
Total Agency fund	<u>\$ 3,227,003</u>	<u>\$ -</u>	<u>\$ (987,483)</u>	<u>\$ 2,239,520</u>	<u>\$ -</u>

\*Reductions to the net pension liability and compensated absences are shown net of reductions.

**Serial Bonds**—The County issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both governmental and business-type activities.

On October 20, 2012, the County issued \$15,765,000 in serial bonds with interest rates ranging between 2.00% and 4.00%. The County issued the bonds to advance refund \$14,845,000 of outstanding series 2004 and 2006 serial bonds with interest rates ranging from 4.15% to 4.75%. The County used the net proceeds to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service of the refunded portion of the 2004 and 2006 series bonds. As a result, that portion of the 2004 and 2006 serial bonds is considered defeased, and the County has removed the liability from its accounts. The outstanding principal of the defeased bonds was \$12,910,000 at December 31, 2017.

On June 1, 2016, the County issued \$10,660,000 in serial bonds, of which \$1,550,000 is recorded in governmental activities as Helicopter refunding bonds, \$1,950,000 is recorded in governmental activities as JCC Science Building refunding bonds and \$7,160,000 is recorded in business-type activities as Power Plant refunding bonds. The bonds were issued at interest rates ranging between 2.25% and 4.00% and at a premium of \$1,205,526. The net present value benefit of this refunding is \$926,961. The County issued the bonds to partially advance refund outstanding governmental activities Helicopter and JCC Science Building bonds in the amount of \$1,527,000 and \$1,943,000, and business-type activities Power Plant bond in the amount of \$7,140,000. These securities were deposited into an irrevocable trust to provide for all future debt service of the refunded. As a result, that portion of the original Helicopter, JCC Science Building and Power Plant bonds is considered defeased, and the County has removed the liability from its accounts. The outstanding principal of the defeased bonds was \$10,610,000 at December 31, 2017.

A summary of additions and payments of serial bonds for the year ended December 31, 2017 is shown below.

	Year of Maturity	Interest Rate	Balance 1/1/2017	Additions	Decreases	Balance 12/31/2017	Due Within One Year
<b>Governmental activities:</b>							
DPF salt storage shed	2020	2.98/4.32	\$ 80,000	\$ -	\$ (20,000)	\$ 60,000	\$ 20,000
Jail construction refunded bonds	2029	2.00/4.00	9,750,000	-	(610,000)	9,140,000	625,000
Jail & courts construction—refunded	2029	2.00/4.00	4,385,000	-	(370,000)	4,015,000	375,000
Helicopters	2030	0.70/4.50	645,000	-	(207,000)	438,000	214,000
JCC science building	2020	0.70/4.50	409,000	-	(132,000)	277,000	136,000
JCC residence hall	2032	2.50/3.00	5,570,000	-	(275,000)	5,295,000	280,000
Public improvements	2039	2.50/3.75	8,890,000	-	(265,000)	8,625,000	275,000
Helicopters—refunding	2025	4.00	1,550,000	-	-	1,550,000	-
JCC science building—refunding	2030	2.125/4.00	1,950,000	-	-	1,950,000	-
Public improvements	2040	1.25/4.00	3,047,256	-	-	3,047,256	87,256
Total governmental activities			<u>\$ 36,276,256</u>	<u>\$ -</u>	<u>\$ (1,879,000)</u>	<u>\$ 34,397,256</u>	<u>\$ 2,012,256</u>
<b>Business-type activities:</b>							
North County water construction	2017	5.00	\$ 12,000	\$ -	\$ (12,000)	\$ -	\$ -
Landfill cell construction	2018	0.83/2.65	705,000	-	(345,000)	360,000	360,000
Energy fund power plant	2030	3.00/4.50	1,421,000	-	(456,000)	965,000	475,000
Energy fund power plant	2025	4.25/5.25	1,260,000	-	(130,000)	1,130,000	135,000
Qualified energy performance bonds	2026	5.66	977,885	-	(90,085)	887,800	91,716
Energy fund power plant—refunding	2030	2.125/4.00	7,160,000	-	-	7,160,000	-
Total business-type activities			<u>\$ 11,535,885</u>	<u>\$ -</u>	<u>\$ (1,033,085)</u>	<u>\$ 10,502,800</u>	<u>\$ 1,061,716</u>

The annual repayment of principal and interest on serial bonds are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 2,012,256	\$ 1,121,661	\$ 1,061,716	\$ 316,737
2019	2,085,000	1,055,965	718,376	316,323
2020	2,155,000	990,956	755,066	287,646
2021	2,215,000	923,468	776,787	257,726
2022	2,295,000	842,344	803,539	226,873
2023-2027	11,715,000	2,918,044	4,122,316	637,820
2028-2032	7,115,000	1,362,489	2,265,000	75,752
2033-2037	3,170,000	617,369	-	-
2038-2040	1,635,000	84,113	-	-
Total	<u>\$ 34,397,256</u>	<u>\$ 9,916,409</u>	<u>\$ 10,502,800</u>	<u>\$ 2,118,877</u>

Debt service expenditures are recorded in the fund that benefitted from the capital project financed by the debt.

The County issues debt for Jamestown Community College (“JCC”) purposes. Regular debt service related to bonds issued for JCC are funded by JCC and are reported in the General Fund as departmental revenue. Regular payments funded in the current year amounted to \$275,000 in principal and \$161,012 in interest.

**Chautauqua County Asset Securitization Corporation (“CTASC”)**—Changes in CTASC’s long-term debt for the year ended December 31, 2017 is shown below.

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017	Due Within One Year
CTASC bonds:					
Series 2014	\$ 32,065,000	\$ -	\$ (350,000)	\$ 31,715,000	\$ 350,000
Series 2005 and accreted interest, net	6,576,945	515,384	-	7,092,329	-
Less bond discount	(451,798)	-	21,970	(429,828)	-
Total CTASC bonds and accreted interest, net	<u>\$ 40,168,807</u>	<u>\$ 515,384</u>	<u>\$ (328,030)</u>	<u>\$ 38,377,501</u>	<u>\$ 350,000</u>

**Series 2014**—On November 6, 2014 CTASC refunded the Series 2000 Bonds and reissued Series 2014 Bonds in the amount of \$34,765,000. The sale of the bonds provided for the complete refunding of the Series 2000 bonds, provided \$600,000 of excess proceeds to Chautauqua County for the capital expansion of the Sherman Department of Public Facilities maintenance facility, and created a \$120,000 operating reserve.

The Series 2014 Bonds are issued in fully registered form in the name of Cede & CO. as a nominee of the Depository Trust Company, New York, New York (“DTC”) who acts as Securities Depository for the Series 2014 Bonds. Individual purchases are in book-entry form only, in the principal amount of \$5,000, or integral multiples thereof. Purchasers do not receive certificates representing their ownership interest in the 2014 Bonds.

Interest on the Series 2014 Bonds is payable semi-annually on June 1 and December 1 each year until maturity or prior redemption. Principal of and interest on the Series 2014 Bonds will be paid by the Indenture Trustee to DTC which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Series 2014 Bonds.

Pursuant to a Purchase and Sale Agreement, dated September 1, 2000 (the “TSR Purchase Agreement”), the County sold to CTASC all of its rights, title and interest under the MSA and the Decree, including the County’s right to be paid its portion of the State of New York’s (the “State”) allocable shares of future initial Payments and Annual Payments under the MSA (the “Tobacco Settlement Revenues”).

Under the Indenture, the Indenture Trustee has established and holds a Debt Service Reserve Account which is funded from Series 2014 Bond proceeds. Except after an Event of Default, CTASC is required to maintain a balance in the Debt Service Reserve Account to the extent of available funds equal to the maximum annual debt service on the Series 2014 Bonds in the current year or any future year. The amount in this account at December 31, 2016 was \$2,289,887.

As a result of the refunding, CTASC has recorded a deferred gain on refunding in the amount of \$3,437,550. The gain is classified as a deferred inflow of resources and will be amortized over the life of the refunded bond.

**Series 2005**—The New York Counties Tobacco Trust V issued \$202,792,505 aggregate principal amount of Tobacco Settlement Pass-Through Bonds in four series. These Series 2005 NYCTT Bonds represent direct, pass-through interest in corresponding bonds of certain series of tobacco settlement asset-backed bonds issued by one or more of the 24 tobacco asset securitization corporations (“TASC”) of which CTASC is one. These bonds are subordinate to the Series 2014 bonds discussed above.

There are no scheduled payments of principal or interest on the Series 2005 NYCTT Bonds other than on their respective maturity dates because the bonds are Capital Appreciation Bonds. All interest accretes until both principal and accreted interest is paid. Turbo (accelerated) amortization payments are required to be made against the outstanding principal providing that CTASC receives sufficient Tobacco Settlement Revenues (“TSR”) to make the Turbo payments. Since there is no certainty that CTASC will receive sufficient TSRs to make these Turbo payments, the outstanding amount of the bonds and the related discount have not been reduced on the statement of net deficits.

In order to secure payment of its Prior Bonds and Series 2005 TASC Bonds, each TASC has pledged to the TASC Trustee all of the TASC’s rights, title, and interest whether now owned or hereafter acquired, in (i) the TSR Purchase Agreement and the TSRs (ii) the Pledged Series 2005 Accounts, and all investment earnings on amounts on deposit in or credited to the Pledged Series 2005 Accounts; and (iii) all present and future claims, demands, and causes in action in respect to the foregoing.

A Series 2005 Bond Fund will be established with the Trustee and money will be deposited therein as provided in the Series 2005 Supplemental Indenture. The money in the Bond Fund will be held in trust and, except as otherwise provided in the Series 2005 Supplemental Indenture, will be applied solely to the payment of Debt Service. The Series 2005 Bond Fund includes a Series 2005 Turbo Redemption Account, a Series 2005 Lump Sum Redemption Account and a Series 2005 Extraordinary Payment Account.

CTASC debt service requirements based upon planned principal payments for Tobacco Settlement Bonds, Series 2014, are shown below.

Year	Principal	Interest	Total
2018	\$ 350,000	\$ 1,559,275	\$ 1,909,275
2019	445,000	1,541,150	1,986,150
2020	1,035,000	1,504,150	2,539,150
2021	1,080,000	1,451,275	2,531,275
2022	1,125,000	1,396,150	2,521,150
2023-2027	6,555,000	6,055,500	12,610,500
2028-2032	8,580,000	4,215,688	12,795,688
2033-2037	12,545,000	1,762,875	14,307,875
	<u>\$ 31,715,000</u>	<u>\$ 19,486,063</u>	<u>\$ 51,201,063</u>

**Subordinate Turbo CABs**—The total bonds issued and their maturity terms are summarized as follows:

Series	Issuance Amount	Maturity Amount	Interest Rate	Maturity
Series S2	\$ 2,400,150	\$ 3,481,000	6.10%	June 1, 2050
Series S3	1,820,337	51,090,000	6.85%	June 1, 2055

**Notes Payable**—In 2010, the County and the North Chautauqua Lake Sewer District entered into an agreement by which the County’s General Fund issued a note to the District in the amount of \$1,402,234. The note carries an annual interest rate of 4.0% and will mature in 2030.

On April 22, 2013, the County and the Portland, Pomfret, Dunkirk Sewer District entered into an agreement by which the County’s General Fund issued a note to the District in the amount of \$250,000. The note carries an interest rate of 2.5% and will mature in 2024.

The following table summarizes the future payment schedule on the notes payable as of December 31, 2017:

Year	Principal	Interest	Total
2018	\$ 54,343	\$ 26,692	\$ 81,035
2019	56,297	24,740	81,037
2020	58,324	22,712	81,036
2021	60,427	20,610	81,037
2022	62,607	18,430	81,037
2023-2027	281,413	58,952	340,365
2028-2030	147,336	8,957	156,293
Total	<u>\$ 720,747</u>	<u>\$ 181,093</u>	<u>\$ 901,840</u>

**Compensated Absences**—As explained in Note 1, compensated absences are recorded in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and benefits. The payment of compensated absences is dependent on many factors and, therefore, cannot

be reasonably estimated as to future timing of payment. The annual budgets of operating funds provide for such as amounts become payable.

**Workers' Compensation**—As discussed in Note 9, the County reports the workers' compensation liability within the Internal Service fund, business-type activities and held in escrow in the Agency Fund. The total of the liability in the Internal Service fund, net of the offsetting amount due from other governments is \$9,521,716, while the total liability in the business-type activities is \$523,585 and the total held in escrow for the County Home is \$1,200,532.

**Landfill Closure and Post-Closure Care Cost**—The County maintains certain landfill sites. Estimated long-term costs associated with the future closure, post-closure and future maintenance and testing total \$22,598,943. Further discussion of the obligation can be found in Note 20.

**OPEB Obligation**—As discussed in Note 8, the County's net OPEB obligation at December 31, 2017 is \$25,564,305, \$2,165,353 and \$1,038,988 for governmental activities, business-type activities and held in escrow in the Agency Fund, respectively.

**Long-term Due to Other Governments**—The County reports an amount owed to New York State for the repayment of certain unspent grant funds for which the State has not invoiced the County for repayment. At December 31, 2017, the County reports a long-term liability of \$360,000.

**Net Pension Liability**—The County reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The net pension liability is estimated to be \$20,948,966 and \$1,142,064 in the governmental activities and business-type activities, respectively. Refer to Note 7 for additional information related to the County's net pension liability.

**Long-term Retirement Payable**—The County reports a liability for past service costs owed to the Employees' Retirement System as a result of a contract settlement. The County has elected to amortize this payment over 10 years. At December 31, 2017, the County reported a liability of \$2,261,458.

### **Chautauqua County Industrial Development Agency**

The IDA has the following outstanding long-term debt:

A bond payable to the County which enabled the IDA to acquire land. It is non-interest bearing and payable upon disposition of the acquired land. The outstanding balance is \$20,700.

A bond payable to the County with an interest rate of 3%. Proceeds from this bond are to be used to acquire property. It is payable upon disposition of the acquired property. The outstanding balance is \$2,000,000.

A bond payable to the County. Proceeds were used for the construction of a building. It was payable semi-annually beginning February 20, 2002, including interest at 3%-5% accruing as of August 20, 2001, compounded semi-annually. The IDA made interest only payments during 2002-2004. The IDA made interest only payments during 2011. The bond matures on August 20, 2021 and has an outstanding balance of \$1,029,719.

A bond payable to the County with an annual interest rate of 5%. Proceeds were used for the construction of an aircraft storage hangar. The bond is payable in March 2022 or upon disposition of the property and has an outstanding balance of \$104,991.

A bond payable to the County with an interest rate of 2.274%. Proceeds were used for the construction of a building. The IDA made interest only payments from March 22, 2012 through June 25, 2013. Monthly principal and interest payments totaling \$9,428 began July 25, 2013. The bond matures July 25, 2033 and has an outstanding balance of \$1,476,776.

During the year ending December 31, 2017, the Agency paid off the remaining balance of the mortgage related to a building. The amount owed at the time of payment was \$241,868.

The following table summarizes the future payment schedule on the bonds payable as of December 31, 2017:

Year	Principal	Interest	Total
2018	\$ 2,257,583	\$ 120,068	\$ 2,377,651
2019	265,707	53,340	319,047
2020	273,552	46,422	319,974
2021	303,186	39,308	342,494
2022	291,592	31,993	323,585
2023-2027	656,126	95,604	751,730
2028-2032	528,198	37,492	565,690
2033	56,242	374	56,616
Total	<u>\$ 4,632,186</u>	<u>\$ 424,601</u>	<u>\$ 5,056,787</u>

## 12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. The following is a reconciliation of the County’s governmental and business-type activities net investment in capital assets:

Governmental activities:	
Capital assets, net of accumulated depreciation	\$ 194,801,669
Related debt:	
Serial bonds issued	(34,397,256)
Premium on serial bonds	(351,047)
CTASC net bonds issued	(38,377,501)
Debt issued on behalf of JCC	7,522,000
Unspent proceeds reported within Capital Projects Fund	27,952
Deferred gain on CTASC refunding	(3,437,550)
Deferred charge on refunding	941,367
Net investment in capital assets—governmental activities	<u>\$ 126,729,634</u>

Business-type activities:	
Capital assets, net of accumulated depreciation	\$ 46,932,755
Related debt:	
Serial bonds issued	(10,502,800)
Premium on serial bonds issued	(718,140)
Notes payable issued	(720,746)
Deferred charge on refunding debt	<u>659,093</u>
Net investment in capital assets—business-type activities	<u>\$ 35,650,162</u>

- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grants, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net investment in assets of the County not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2017 includes:

- **Prepaid Items**—Represents amounts of \$2,419,851 prepaid to vendors and employees that are applicable to future accounting periods.
- **Inventories**—Represents the portion of fund balance, \$765,164, composed of inventory and is nonspendable because inventory is not an available spendable resource.
- **Loans Receivable**—Represents the portion of fund balance, \$5,553,748, composed of loans receivable and is nonspendable because loans receivable are not an available spendable resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grants, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. As of December 31, 2017, the County had the following restricted funds.

	General Fund	Capital Projects Fund	CTASC	Total
Insurance	\$ 3,226,744	\$ -	\$ -	\$ 3,226,744
Capital projects	7,224,836	2,054,672	212,031	9,491,539
Tax stabilization	100,060	-	-	100,060
Occupancy tax	305,331	-	-	305,331
E911 and W911	689,700	-	-	689,700
Fire services	366,945	-	-	366,945
Lakes and waterways	310,607	-	-	310,607
Debt service	-	-	2,290,160	2,290,160
Total restricted fund balance	<u>\$ 12,224,223</u>	<u>\$ 2,054,672</u>	<u>\$ 2,502,191</u>	<u>\$ 16,781,086</u>

- **Restricted for Insurance**—Represents resources that have been legally restricted for payments under the County’s self-insurance program.
- **Restricted for Capital Projects**—Represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items. The County has budgeted to use \$438,010 of this restriction during its 2018 fiscal year.
- **Restricted for Tax Stabilization**—Represents resources appropriated by the Legislature to maintain future tax increases at a maximum of 2.5% in any fiscal year.
- **Restricted for Occupancy Tax**—Effective January 1, 2004, the County established this reserve funded by the occupancy tax which is restricted to fund tourism.
- **Restricted for E911 and W911**—Represents resources that are restricted for the County’s Emergency 911 and Wireless 911 communication systems.
- **Restricted for Fire Services**—Represents resources that are restricted to ensure the viability and vitality of the County’s fire services.
- **Restricted for Lakes and Waterways**—Represents resources that are dedicated for the County’s lakes and waterways.
- **Restricted for Debt Service**—Restricted for debt payments of the Chautauqua County Tobacco Asset Securitization Corporation.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority, or by its designated body or official. As of December 31, 2017 the County had no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the County’s Legislature, or by its 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.

As of December 31, 2017, the following balances were considered to be assigned:

	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	Total
Assigned to parks	\$ 21,999	\$ -	\$ -	\$ -	\$ 21,999
Subsequent year's appropriations	1,407,386	600,000	300,000	-	2,307,386
Encumbrances	220,077	193	14,571	913,755	1,148,596
Specific use	-	1,349,583	1,651,371	-	3,000,954
Total assigned fund balance	<u>\$ 1,649,462</u>	<u>\$ 1,949,776</u>	<u>\$ 1,965,942</u>	<u>\$ 913,755</u>	<u>\$ 6,478,935</u>

- **Assigned to Parks**—Represents funds set aside to finance all or part of the cost of improvements to parks. The County has budgeted to use this assignment during its 2018 fiscal year.
- **Assigned to Subsequent Year’s Appropriations**—Represents available fund balance being appropriated to meet expenditure requirements in the 2018 fiscal year.

- **Assigned to Encumbrances**—Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures of monies are recorded, is employed as part of the County’s budgetary control mechanism for all funds. Unencumbered appropriations lapse at fiscal year-end.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment’s purpose relates to each fund’s operations and represents amounts within funds that are not restricted or committed.

It is the County’s policy to expend fund balances in the following order: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

### 13. INTERFUND BALANCES AND ACTIVITY

Interfund loans are short-term in nature and exist because of temporary advances made on behalf of other funds. All interfund loans are expected to be collected/paid in the subsequent year. Interfund transfers are routine annual events for both the budget and the accounting process and are necessary to present funds in their proper fund classification. Interfund loans and transfers of the County for the year ended December 31, 2017 are shown below:

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 3,478,296	\$ -
County Road Fund	-	3,286,879
Water District Fund	-	180,193
Internal Service Funds	-	11,224
Total	<u>\$ 3,478,296</u>	<u>\$ 3,478,296</u>

Transfers out:	Transfers in:				Total
	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	
General Fund	\$ -	\$ 11,644,705	\$ 2,393,449	\$ 1,778,024	\$ 15,816,178
County Road Fund	-	-	-	446,172	446,172
Road Machinery Fund	-	-	-	500,000	500,000
Landfill Fund	264,183	-	-	-	264,183
Total	<u>\$ 264,183</u>	<u>\$ 11,644,705</u>	<u>\$ 2,393,449</u>	<u>\$ 2,724,196</u>	<u>\$ 17,026,533</u>



## 17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The enterprise funds include the Sewer (which includes three districts), the Water (which includes two districts), the Landfill, the Electric Plant and the Land Bank. Segment information as of and for the year ended December 31, 2017 follows:

	Sewer	Water	Landfill	Electric Plant	Land Bank Corporation	Total Enterprise Funds
Operating revenues	\$ 3,972,774	\$ 58,915	\$ 8,121,183	\$ 2,170,545	\$ 1,120,228	\$ 15,443,645
Operating expenses:						
Services provided	3,568,410	15,952	5,065,099	1,312,856	837,677	10,799,994
Depreciation & depletion	<u>1,274,268</u>	<u>34,651</u>	<u>1,811,374</u>	<u>657,886</u>	<u>-</u>	<u>3,778,179</u>
Operating income (loss)	(869,904)	8,312	1,244,710	199,803	282,551	865,472
Nonoperating revenues (expenses)	<u>126,638</u>	<u>1,777</u>	<u>146,898</u>	<u>(338,907)</u>	<u>-</u>	<u>(63,594)</u>
Transfers out	<u>-</u>	<u>-</u>	<u>(264,183)</u>	<u>-</u>	<u>-</u>	<u>(264,183)</u>
Change in net position	<u>\$ (743,266)</u>	<u>\$ 10,089</u>	<u>\$ 1,127,425</u>	<u>\$ (139,104)</u>	<u>\$ 282,551</u>	<u>\$ 537,695</u>
Current assets	\$ 5,015,874	\$ 20,282	\$ 22,168,468	\$ 2,620,374	\$ 1,186,889	\$ 31,011,887
Current liabilities	<u>423,042</u>	<u>180,386</u>	<u>1,307,978</u>	<u>153,266</u>	<u>238,699</u>	<u>2,303,371</u>
Net working capital	<u>\$ 4,592,832</u>	<u>\$ (160,104)</u>	<u>\$ 20,860,490</u>	<u>\$ 2,467,108</u>	<u>\$ 948,190</u>	<u>\$ 28,708,516</u>
Total assets and deferred outflows	\$ 28,161,135	\$ 597,647	\$ 34,994,192	\$ 14,717,343	\$ 1,186,889	\$ 79,657,206
Total liabilities and deferred inflows	<u>2,337,819</u>	<u>180,853</u>	<u>27,360,339</u>	<u>11,014,206</u>	<u>238,699</u>	<u>41,131,916</u>
Net position	<u>\$ 25,823,316</u>	<u>\$ 416,794</u>	<u>\$ 7,633,853</u>	<u>\$ 3,703,137</u>	<u>\$ 948,190</u>	<u>\$ 38,525,290</u>
Capital asset additions	<u>\$ 335,805</u>	<u>\$ -</u>	<u>\$ 991,616</u>	<u>\$ 38,311</u>	<u>\$ -</u>	<u>\$ 1,365,732</u>
Serial bonds payable - noncurrent	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,441,084</u>	<u>\$ -</u>	<u>\$ 9,441,084</u>

## 18. TAX ABATEMENTS

The County is subject to tax abatements granted by the Chautauqua County Industrial Development Agency (“CCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the County, the abatements have resulted in reductions of property taxes, which the County administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by CCIDA, the County collected \$324,085 during 2017 in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$2,736,960 in property taxes.

## 19. CONTINGENCIES

**Grants**—In the normal course of operations, the County receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. The amount of disallowance, if any, cannot be determined at this time, although the County expects any such amounts to be immaterial.

**Pending litigation**—The County is involved in litigation arising in the ordinary course of its operations. Claims incurred prior to July 15, 1986 are covered through general liability insurance. It is the opinion of management and legal counsel that such claims prior to July 15, 1986 will be settled within insured limits. Effective July 15, 1986 the County's general liability insurance was terminated and the County became self-insured for all such risks. While claims currently at various stages of litigation substantially exceed the restricted for self-insurance balance of \$3,226,744, the ultimate amount of the outcome is dependent on many factors, and County management believes such restriction for self-insurance to be adequate to cover such losses. The County elected to purchase general liability insurance with a self-insured reserve of \$250,000.

## 20. LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the County to place a final cover on a section of the landfill site when it reaches final elevation and to perform certain maintenance and monitoring functions at the site for a minimum of thirty years after closure. Although both closure and post-closure care costs will be paid in the future, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Remaining cell closure liability, projected at \$6,979,615 as of December 31, 2017, and post closure care liability, projected at \$15,619,328 as of December 31, 2017 (totaling \$22,598,943), represent the cumulative amount reported to date based on the use of 91.75% of the estimated permitted space less areas where the final cover has been placed.

Total remaining closure cost is projected at \$7,920,000 and total post-closure care cost is projected at \$16,950,000, totaling \$24,870,000. The County will recognize the remaining projected closure cost of \$940,385 and the remaining projected post-closure care cost of \$1,330,672 (totaling \$2,271,057) 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 2017. The County currently projects a landfill life of 3 years for permitted areas, which includes permitted air space over the existing landfills with closure in 2021; however, ongoing research regarding the construction of additional cells could significantly extend landfill life. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The landfill is reported as an enterprise fund and the \$22,598,943 liability is reported in that fund as well as a \$974,827 reserve of net position for post-closure costs pertaining to the methane gas collection system.

## 21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 16, 2018, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

\* \* \* \* \*

## REQUIRED SUPPLEMENTARY INFORMATION



**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Funding Progress—Other Post-Employment Benefits Plan**  
**Year Ended December 31, 2017**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Accrued Liability ("AAL")</b>	<b>Unfunded AAL ("UAAL")</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
As of 12/31/2017	\$ -	\$ 45,964,107	\$ 45,964,107	0.0%	\$ 51,133,279	89.9%
As of 12/31/2016	-	52,936,691	52,936,691	0.0%	50,929,759	103.9%
As of 12/31/2015	-	51,042,499	51,042,499	0.0%	50,070,336	101.9%

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of the Local Government's Proportionate Share of the**  
**Net Pension Liability—Employees' Retirement System**  
**Last Four Fiscal Years\***

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%
<b><i>Governmental Activities:</i></b>				
County's proportion of the net pension liability	0.2229509%	0.2302752%	0.2404218%	0.2404218%
County's proportionate share of the net pension liability	<u>\$ 20,948,966</u>	<u>\$ 36,959,440</u>	<u>\$ 8,122,268</u>	<u>\$ 10,864,634</u>
County's covered-employee payroll	\$ 51,678,654	\$ 50,929,759	\$ 53,329,523	\$ 54,635,873
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.5%	72.6%	15.2%	19.9%
<b><i>Business-type Activities:</i></b>				
County's proportion of the net pension liability	0.0121545%	0.0136579%	0.0147489%	0.0147489%
County's proportionate share of the net pension liability	<u>\$ 1,142,064</u>	<u>\$ 2,192,508</u>	<u>\$ 498,024</u>	<u>\$ 666,174</u>
County's covered-employee payroll	\$ 2,938,397	\$ 3,021,257	\$ 3,271,542	\$ 3,351,681
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.9%	72.6%	15.2%	19.9%

\*Information prior to the year ended December 31, 2014 is not available.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of the Local Government's Contributions—**  
**Employees' Retirement System**  
**Last Four Fiscal Years\***

	Year Ended December 31,			
	2017	2016	2015	2014
<b><i>Governmental Activities:</i></b>				
Contractually required contributions	\$ 10,265,152	\$ 8,094,457	\$ 9,051,328	\$ 9,335,708
Contributions in relation to the contractually required contribution	<u>(10,265,152)</u>	<u>(8,094,457)</u>	<u>(9,051,328)</u>	<u>(9,335,708)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 52,485,956	\$ 51,255,048	\$ 49,947,906	\$ 55,388,381
Contributions as a percentage of covered-employee payroll	19.6%	15.8%	18.1%	16.9%
<b><i>Business-type Activities:</i></b>				
Contractually required contributions	\$ 583,666	\$ 488,622	\$ 1,874,945	\$ 2,048,181
Contributions in relation to the contractually required contribution	<u>(583,666)</u>	<u>(488,622)</u>	<u>(1,874,945)</u>	<u>(2,048,181)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 2,984,300	\$ 3,040,553	\$ 2,963,011	\$ 3,285,751
Contributions as a percentage of covered-employee payroll	19.6%	16.1%	63.3%	62.3%

\*Information prior to the year ended December 31, 2014 is not available.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 60,009,739	\$ 60,009,739	\$ 59,511,960	\$ (497,779)
Real property tax items	3,345,110	3,345,110	2,594,890	(750,220)
Non property tax items	66,940,675	67,662,442	68,451,148	788,706
Departmental income	19,358,686	20,244,478	17,732,103	(2,512,375)
Intergovernmental charges	4,669,010	4,704,010	4,214,236	(489,774)
Licenses and permits	225,020	227,952	239,165	11,213
Fines and forfeitures	424,014	443,439	327,427	(116,012)
Use of money and property	3,893,022	3,893,071	3,842,421	(50,650)
Sale of property and compensation for loss	105,264	311,934	1,984,036	1,672,102
Miscellaneous	357,741	535,959	835,310	299,351
State aid	27,938,355	29,337,686	26,611,592	(2,726,094)
Federal aid	33,852,744	35,446,878	31,439,557	(4,007,321)
Total revenues	<u>221,119,380</u>	<u>226,162,698</u>	<u>217,783,845</u>	<u>(8,378,853)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	48,251,055	49,283,063	48,252,670	1,030,393
Education	10,142,362	10,669,062	10,596,814	72,248
Public safety	30,576,354	31,411,259	30,504,878	906,381
Health	21,117,866	23,298,680	19,638,851	3,659,829
Transportation	3,910,097	3,958,955	3,814,056	144,899
Economic assistance and opportunity	90,508,555	94,443,445	91,168,717	3,274,728
Culture and recreation	509,240	470,356	441,006	29,350
Home and community services	1,237,357	1,337,969	1,155,568	182,401
Debt service:				
Principal	1,859,000	1,899,000	1,899,000	-
Interest	1,138,018	1,169,198	1,169,198	-
Total expenditures	<u>209,249,904</u>	<u>217,940,987</u>	<u>208,640,758</u>	<u>9,300,229</u>
Excess of revenues over expenditures	<u>11,869,476</u>	<u>8,221,711</u>	<u>9,143,087</u>	<u>921,376</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,014,183	1,014,183	264,183	(750,000)
Transfers out	<u>(15,398,505)</u>	<u>(16,225,525)</u>	<u>(15,816,178)</u>	<u>409,347</u>
Total other financing sources (uses)	<u>(14,384,322)</u>	<u>(15,211,342)</u>	<u>(15,551,995)</u>	<u>(340,653)</u>
Net change in fund balances*	(2,514,846)	(6,989,631)	(6,408,908)	580,723
Fund balances—beginning	43,580,323	43,580,323	43,580,323	-
Fund balances—ending	<u>\$ 41,065,477</u>	<u>\$ 36,590,692</u>	<u>\$ 37,171,415</u>	<u>\$ 580,723</u>

\* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance, appropriated reserves and reappropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—County Road Fund**  
**For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>REVENUES</b>				
Non property tax items	\$ 750,000	\$ 750,000	\$ 790,500	\$ 40,500
Departmental income	100	100	645	545
Intergovernmental charges	79,584	79,584	78,737	(847)
Use of money and property	118,200	118,200	1,018,520	900,320
Miscellaneous	145,000	172,500	242,867	70,367
State aid	4,588,198	5,283,574	6,123,636	840,062
Federal aid	-	1,625,060	2,509,595	884,535
Total revenues	<u>5,681,082</u>	<u>8,029,018</u>	<u>10,764,500</u>	<u>2,735,482</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	17,655,616	26,736,872	22,019,353	4,717,519
Total expenditures	<u>17,655,616</u>	<u>26,736,872</u>	<u>22,019,353</u>	<u>4,717,519</u>
Deficiency of revenues over expenditures	<u>(11,974,534)</u>	<u>(18,707,854)</u>	<u>(11,254,853)</u>	<u>7,453,001</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	11,644,705	11,644,705	11,644,705	-
Transfers out	(53,000)	(53,000)	(446,172)	(393,172)
Total other financing sources	<u>11,591,705</u>	<u>11,591,705</u>	<u>11,198,533</u>	<u>(393,172)</u>
Net change in fund balances*	(382,829)	(7,116,149)	(56,320)	7,059,829
Fund balances—beginning	<u>2,170,637</u>	<u>2,170,637</u>	<u>2,170,637</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,787,808</u>	<u>\$ (4,945,512)</u>	<u>\$ 2,114,317</u>	<u>\$ 7,059,829</u>

\* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance and reappropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Road Machinery Fund**  
**For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Departmental income	\$ 400	\$ 400	\$ 540	\$ 140
Intergovernmental charges	305,163	344,806	344,808	2
Use of money and property	56,100	56,100	36,032	(20,068)
Sale of property and compensation for loss	35,000	77,064	75,328	(1,736)
Miscellaneous	235,538	291,094	312,758	21,664
Total revenues	<u>632,201</u>	<u>769,464</u>	<u>769,466</u>	<u>2</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	3,326,249	3,465,346	3,465,343	3
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	1,157	205	205	-
Total expenditures	<u>3,347,406</u>	<u>3,485,551</u>	<u>3,485,548</u>	<u>3</u>
Deficiency of revenues over expenditures	<u>(2,715,205)</u>	<u>(2,716,087)</u>	<u>(2,716,082)</u>	<u>5</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,393,449	2,393,449	2,393,449	-
Transfers out	(500,000)	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>1,893,449</u>	<u>1,893,449</u>	<u>1,893,449</u>	<u>-</u>
Net change in fund balances*	(821,756)	(822,638)	(822,633)	5
Fund balances—beginning	<u>3,468,289</u>	<u>3,468,289</u>	<u>3,468,289</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,646,533</u>	<u>\$ 2,645,651</u>	<u>\$ 2,645,656</u>	<u>\$ 5</u>

\* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance and reappropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Note to the Required Supplementary Information**  
**For the Year Ended December 31, 2016**

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**1. BUDGETARY INFORMATION**

***Budgetary Basis of Accounting***—Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Capital Projects Fund and the Chautauqua Tobacco Asset Securitization Corporation. The Capital Projects Fund is appropriated on a project length basis; appropriations are approved through a County Legislature resolution at the project’s inception and lapse upon termination of the project. The Chautauqua Tobacco Asset Securitization Corporation adopts its own budget for internal purposes.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the County Legislature. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional classification.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

Actual results of operations presented in accordance with GAAP and the County’s accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed, or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements. The General Fund, County Road Fund and Road Machinery Fund original budgets for the year ended December 31, 2017 include encumbrances from the prior year of \$365,786, \$29,829 and \$21,756, respectively.

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## SUPPLEMENTARY INFORMATION



**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Combining Statement of Net Position—Internal Service Funds**  
**For the Year Ended December 31, 2017**

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	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,579,468	\$ -	\$ 6,579,468
Intergovernmental receivables	6,747,637	-	6,747,637
Prepaid items	<u>10,667</u>	<u>168,100</u>	<u>178,767</u>
Total assets	<u>13,337,772</u>	<u>168,100</u>	<u>13,505,872</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	117,140	16,344	133,484
Accrued expenses	-	20,920	20,920
Due to other funds	<u>-</u>	<u>11,224</u>	<u>11,224</u>
Total current liabilities	<u>117,140</u>	<u>48,488</u>	<u>165,628</u>
Noncurrent liabilities:			
Workers' compensation liability	<u>16,269,353</u>	<u>-</u>	<u>16,269,353</u>
Total noncurrent liabilities	<u>16,269,353</u>	<u>-</u>	<u>16,269,353</u>
Total liabilities	<u>16,386,493</u>	<u>48,488</u>	<u>16,434,981</u>
<b>NET POSITION</b>			
Unrestricted	<u>(3,048,721)</u>	<u>119,612</u>	<u>(2,929,109)</u>
Total net position	<u>\$ (3,048,721)</u>	<u>\$ 119,612</u>	<u>\$ (2,929,109)</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Net Position—Internal Service Funds**  
**For the Year Ended December 31, 2017**

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 3,681,596	\$ 20,471,230	\$ 24,152,826
Total operating revenues	<u>3,681,596</u>	<u>20,471,230</u>	<u>24,152,826</u>
<b>OPERATING EXPENSES</b>			
Insurance claims and expenses	<u>4,730,893</u>	<u>20,274,211</u>	<u>25,005,104</u>
Total operating expenses	<u>4,730,893</u>	<u>20,274,211</u>	<u>25,005,104</u>
Operating gain (loss)	(1,049,297)	197,019	(852,278)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	52,714	-	52,714
Other miscellaneous revenue	<u>452,312</u>	<u>-</u>	<u>452,312</u>
Total nonoperating revenues (expenses)	<u>505,026</u>	<u>-</u>	<u>505,026</u>
Change in net position	(544,271)	197,019	(347,252)
Total net position—beginning	<u>(2,504,450)</u>	<u>(77,407)</u>	<u>(2,581,857)</u>
Total net position—ending	<u>\$ (3,048,721)</u>	<u>\$ 119,612</u>	<u>\$ (2,929,109)</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Combining Statement of Cash Flows—Internal Service Funds**  
**For the Year Ended December 31, 2017**

	<b>Workers'</b>	<b>Health</b>	<b>Total</b>
	<b>Compensation</b>	<b>Insurance</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from services provided	\$ 4,364,838	\$ 20,477,199	\$ 24,842,037
Payments to suppliers and service providers	(4,727,985)	(20,285,661)	(25,013,646)
Net cash provided by (used for) operating activities	(363,147)	191,538	(171,609)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advances to other funds	-	(191,538)	(191,538)
Other income	452,312	-	452,312
Net cash provided by (used for) noncapital financing activities	452,312	(191,538)	260,774
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	52,714	-	52,714
Net cash provided by investing activities	52,714	-	52,714
Net increase in cash and cash equivalents	141,879	-	141,879
Cash and cash equivalents—beginning	6,437,589	-	6,437,589
Cash and cash equivalents—ending	\$ 6,579,468	\$ -	\$ 6,579,468
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Operating loss	\$ (1,049,297)	\$ 197,019	\$ (852,278)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:			
Decrease in accounts receivable	-	5,969	5,969
Decrease in intergovernmental receivables	683,242	-	683,242
(Increase) in prepaid items	-	(10,700)	(10,700)
(Decrease) increase in accounts payable	(293,653)	13,865	(279,788)
Increase (decrease) in other accrued expenses	296,561	(14,615)	281,946
Total adjustments	686,150	(5,481)	680,669
Net cash provided by (used for) operating activities	\$ (363,147)	\$ 191,538	\$ (171,609)

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# FEDERAL AWARDS INFORMATION



**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>				
Direct Programs:				
Schools and Roads - Grants to Counties	10.666	N/A	\$ -	\$ 109
Passed through NYS Department of Education:				
<i>Child Nutrition Cluster</i>				
Special Milk Program for Children	10.556	15-06-01	-	1,644
<i>Total Child Nutrition Cluster</i>			-	1,644
Passed Through NYS Department of Health:				
Child and Adult Care Food Program	10.558	CACFP	32,086	32,086
Passed Through NYS Office of Temporary and Disability Assistance:				
<i>SNAP Cluster</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	-	1,872,376
<i>Total SNAP Cluster</i>			-	1,872,376
<b>Total U.S. Department of Agriculture</b>			<u>32,086</u>	<u>1,906,215</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Direct Programs:				
Lead-Based Paint Hazard Control in Privately-Owned Housing Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.900	NYLHB-0602-15	553,541	553,541
and Non-Entitlement Grants in Hawaii	14.228	222WS338-14	112,276	112,276
Passed through NYS Housing Agencies:				
Multifamily Housing Service Coordinators	14.191	RES ADV	-	31,508
<b>Total U.S. Department of Housing and Urban Development</b>			<u>665,817</u>	<u>697,325</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed through NYS Office of Victim Services:				
Crime Victim Assistance/Discretionary Grants	16.582	C-100074	-	127,060
Passed through NYS Division of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	C-652051	-	70,365
<i>JAG Program Cluster</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	T-637293	-	74,587
<i>Total JAG Program Cluster</i>			-	74,587
<b>Total U.S. Department of Justice</b>			<u>-</u>	<u>272,012</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
Passed through Senior Services America Inc.:				
Senior Community Service Employment Program	17.235	SSAI	-	229,001
Passed through NYS Office for the Aging:				
Senior Community Service Employment Program	17.235	V-SOFA	-	33,735
<b>Total U.S. Department of Labor</b>			<u>-</u>	<u>262,736</u>

(continued)

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through NYS Department of Transportation:				
Formula Grants for Rural Areas	20.509	C-005585 / FY 2017	-	439,786
Formula Grants for Rural Areas	20.509	PIN 5795.28.302	-	70,120
Formula Grants for Rural Areas	20.509	PIN 5796.27.302	-	709,014
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction Projects	20.205	D-024752	-	520,746
Highway Planning and Construction Projects	20.205	D-033857	-	9,669
Highway Planning and Construction Projects	20.205	D-034696	-	508,969
Highway Planning and Construction Projects	20.205	D-034779	-	340,920
Highway Planning and Construction Projects	20.205	D-034833	-	1,066,340
Highway Planning and Construction Projects	20.205	D-034886	-	542,061
Highway Planning and Construction Projects	20.205	D-035000	-	41,357
Highway Planning and Construction Projects	20.205	D-035329	-	32,330
Highway Planning and Construction Projects	20.205	D-035359	-	89,600
Highway Planning and Construction Projects	20.205	D-035449	-	58,339
Highway Planning and Construction Projects	20.205	D-035610	-	80,168
Highway Planning and Construction Projects	20.205	D-035636	-	8,824
Highway Planning and Construction Projects	20.205	D-035684	-	344,347
Highway Planning and Construction Projects	20.205	D-035751	-	236,560
Highway Planning and Construction Projects	20.205	D-035753	-	518
<i>Total Highway Planning and Construction Cluster</i>			-	3,880,748
Direct Programs:				
Airport Improvement Program	20.106	3-36-0022-48-14	-	13,340
Airport Improvement Program	20.106	3-36-0022-51-15	-	268,711
Airport Improvement Program	20.106	3-36-0022-52-16	-	73,280
Airport Improvement Program	20.106	3-36-0022-53-17	-	6,378
Airport Improvement Program	20.106	3-36-0022-54-17	-	430,400
Airport Improvement Program	20.106	3-36-0048-42-15	-	60,363
Airport Improvement Program	20.106	3-36-0048-43-16	-	79,813
Airport Improvement Program	20.106	3-36-0048-44-1	-	294,679
Airport Improvement Program	21.106	3-36-0048-45-17	-	33,365
Airport Improvement Program	20.106	3-36-0048-47-17	-	17,317
<i>Total Airport Improvement Program</i>			-	1,277,646
<b>Total U.S. Department of Transportation</b>			-	6,377,314
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Passed through NYS Department of Health:				
Beach Monitoring and Notification Program				
Implementation Grants	66.472	C-029637	-	9,305
<b>Total U.S. Environmental Protection Agency</b>			-	9,305
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed through NYS Department of Health:				
Special Education - Grants for Infants and Families	84.181	C-027469	-	39,080
<b>Total U.S. Department of Education</b>			-	39,080

(continued)

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)</u>	<u>Federal CFDA Number (1b)</u>	<u>Pass-Through Entity Identifying Number (1c)</u>	<u>Passed Through to Sub- recipients</u>	<u>Total Federal Expenditures (1d)</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through Health Research Inc.:				
Public Health Emergency Preparedness	93.069	HRI 1587-10	-	48,737
Public Health Emergency Preparedness	93.069	HRI 1587-11	-	41,355
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	HRI 4693-04	-	6,829
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	HRI 4693-05	-	7,723
Passed through NYS Department of Health:				
Family Planning - Services	93.217	C-027015 (2/3)	-	76,934
Immunization Cooperative Agreements	93.268	C-028281	-	10,668
Medical Assistance Program	93.778	C-028959	-	129,150
Medical Assistance Program	93.778	N/A	-	2,214,713
Maternal and Child Health Services Block Grant to the States	93.994	C-027015 (1/3)	-	34,565
Maternal and Child Health Services Block Grant to the States	93.994	C-029706	-	24,641
Maternal and Child Health Services Block Grant to the States	93.994	C-030882	-	19,754
Passed through NYS Department of Mental Health:				
Passed through NYS Office of Temporary and Disability Assistance:				
Temporary Assistance for Needy Families	93.558	N/A	-	12,291,419
Child Support Enforcement	93.563	N/A	-	1,198,268
Low-Income Home Energy Assistance	93.568	N/A	-	6,073,125
Passed through NYS Office of Children and Family Services:				
Promoting Safe and Stable Families	93.556	N/A	-	2,779
Child Care and Development Block Grant	93.575	N/A	-	3,760,102
Family Violence Prevention and Services/Battered Women's Foster Care, Title IV-E	93.658	N/A	-	1,559,037
Adoption Assistance	93.659	N/A	-	848,309
Social Services Block Grant	93.667	N/A	-	687,609
Chafee Foster Care Independence Program	93.674	N/A	-	38,764
Passed through NYS Office for the Aging:				
<i>Aging Cluster</i>				
Special Programs for the Aging, Title III Part B	93.044	III-B	-	178,277
Special Programs for the Aging, Title III Part C	93.045	III-C	384,766	384,766
Nutrition Services Incentive Program	93.053	NSIP	164,219	164,219
<i>Total Aging Cluster</i>			<u>548,985</u>	<u>727,262</u>
Special Programs for the Aging, Title III, Part D - Disease Prevention and Health Promotion Services	93.043	III-D	-	9,518
National Family Caregiver Support, Title III, Part E	93.052	III-E	84,257	84,257
Medical Assistance Enrollment Assistance Program	93.071	MIPPA / ADRC	-	16,014
Medical Assistance Program	93.778	BIP	-	365,831
Demonstrations and Evaluations	93.779	HIICAP	-	32,814
Passed through NYS Office of Mental Hygiene:				
Medical Assistance Program	93.778	N/A	-	131,455
Passed through NYS Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	500,421	500,421
Direct Programs:				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	N/A	-	1,190,391
<b>Total U.S. Department of Health and Human Services</b>			<u>1,133,663</u>	<u>32,132,444</u>

(continued)

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)</b>	<b>Federal CFDA Number (1b)</b>	<b>Pass-Through Entity Identifying Number (1c)</b>	<b>Passed Through to Sub- recipients</b>	<b>Total Federal Expenditures (1d)</b>
(concluded)				
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Direct Programs:				
Port Security Grant Program	97.056	N/A	-	18,342
Passed through NYS Division of Homeland Security:				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	T-192476	-	2,470
Passed through NYS Emergency Management Office:				
Pre-Disaster Mitigation	97.047	T-000549	-	938
Passed through NYS Division of Homeland Security and Emergency Services:				
Emergency Management Performance Grants	97.042	C-182465	-	18,108
Emergency Management Performance Grants	97.042	C-969575	-	31,695
Passed through NYS Office of Homeland Security:				
Homeland Security Grant Program	97.067	C-174751, C-174761	-	33,850
Homeland Security Grant Program	97.067	C-182459	-	6,493
Homeland Security Grant Program	97.067	C-182469	-	85,586
Homeland Security Grant Program	97.067	C-192459, C-192469	-	85,368
Homeland Security Grant Program	97.067	C-198830	-	269,382
Homeland Security Grant Program	97.067	C-969550	-	53,314
Homeland Security Grant Program	97.067	C-969560	-	13,825
Homeland Security Grant Program	97.067	T-174759, T-835669	-	2,057
Homeland Security Grant Program	97.067	T-969552, T-969562, T-969572	-	39,645
<b>Total U.S. Department of Homeland Security</b>			-	661,073
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE (1e)</b>			<u>\$ 1,831,566</u>	<u>\$ 42,357,504</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the County of Chautauqua, New York (the “County”) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- a) Includes all federal award programs of the County of Chautauqua, New York. The federal expenditures of the Chautauqua County Industrial Development Agency and the Chautauqua County Land Bank Corporation have not been included.
- b) Source: Catalog of Federal Domestic Assistance
- c) Pass-through entity identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) A reconciliation to the financial statements is available.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass through entity identifying numbers are presented where available.

**3. MATCHING COSTS**

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

#### **4. NON-MONETARY FEDERAL PROGRAM**

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." During the year ended December 31, 2017, \$188,935,457 of medical services and goods were received by participants in the Medical Assistance Program (CFDA number 93.778), which are excluded from the amounts presented in the schedule of expenditures of federal awards.

For the year ended December 31, 2017, the County distributed \$37,047,688 of food vouchers to eligible persons participating in the Supplemental Nutrition Assistance Program (CFDA number 10.551). However, this amount is not reflected in the schedule of expenditures of federal awards.

New York State makes payments of benefits directly to vendors, primarily utility companies, on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA number 93.568). \$5,582,734 in direct payments was received by participants, which is included in the amounts presented on the schedule of expenditures of federal awards.

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Certified Public Accountants

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

Honorable County Executive and Members of the County Legislature  
County of Chautauqua, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Chautauqua, New York (the "County"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 16, 2018. Our report includes an emphasis of matter paragraph regarding restatements and includes a reference to other auditors who audited the financial statements of the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation, and the Chautauqua Tobacco Asset Securitization Corporation, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Duescher & Malinski LLP".

July 16, 2018

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*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH  
THE UNIFORM GUIDANCE**

Honorable County Executive and Members of the County Legislature  
County of Chautauqua, New York

**Report on Compliance for Each Major Federal Program**

We have audited the County of Chautauqua, New York's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation and the Chautauqua Tobacco Asset Securitization Corporation, which received \$553,498, \$-0- and \$-0- in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2017. Our compliance audit, described below, did not include the operations of the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation, and the Chautauqua Tobacco Asset Securitization Corporation, because other auditors were engaged to perform such audits in accordance with the Uniform Guidance.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the

County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Drescher & Malinski LLP*

July 16, 2018



**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2017**

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**Section I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditors' report issued: Unmodified\*  
 \*(which report includes an emphasis of matter paragraph regarding restatements  
 and a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

**Federal Awards:**

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ <input checked="" type="checkbox"/> Yes	_____ No	
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Identification of major federal programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing
20.205	Highway Planning and Construction
93.568	Low-income Home Energy Assistance
93.778	Medical Assistance Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs?	_____ \$	<u>1,270,725</u>
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ No	
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## **Section II. FINANCIAL STATEMENT FINDINGS**

No findings noted.

## **Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

*We consider the following finding presented below to be a reportable instance of noncompliance.*

### **Finding 2017-001—Subrecipient Monitoring Lead-Based Paint Hazard Control CFDA #14.900**

*Criteria*—The U.S. Office of Management and Budget (“OMB”) published final guidance in the Federal Register entitled *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). The Uniform Guidance is located in Title 2, Part 200 of the *Code of Federal Regulations*. Uniform Guidance § 200.331 requires that pass-through entities, which the County is for Lead-Based Paint Hazard Control Program CFDA #14.900, must, among other criteria related to subrecipients:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and programmatic reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to Federal award provided to the subrecipient from the pas-through entity detected through audits, on-site reviews, and other means.
- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as a required by § 200.521.

*Condition and Context*—During single audit testing, we noted that the County has a subrecipient that receives pass-through federal funding for CFDA #14.900. It was determined that the County could not provide adequate documentation supporting that the required monitoring activities relating to this subrecipient were performed.

*Cause*—The County did not provide adequate documentation to support its claim that a subrecipient was monitored in accordance with the Uniform Guidance.

*Effect or Potential Effect*—Noncompliance with the rules and regulations of the Uniform Guidance.

*Recommendation*— We recommend that all County departments annually review the definition of subrecipient to help determine if federal funds are being passed from the County to a subrecipient. Further, we recommend the County formalize a subrecipient monitoring plan. The plan should, at a minimum, include a timeline of monitoring activities as well as a checklist of items to be reviewed, including financial and programmatic reports and reviewing and following-up on any findings.

*View of Responsible Officials and Planned Corrective Action Plan*—Per discussion with the County, the Lead-Based Hazard Control Program grant will be completed in 2018. Going forward, the County will formalize a subrecipient monitoring plan.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**Summary Schedule of Prior Audit Findings and Corrective Action Plan**  
**Year Ended December 31, 2017**  
**(Follow-up of December 31, 2016 findings)**

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*We consider the deficiency presented below to be a material weakness in internal control:*

**Finding 2017-001—Capital Project and Fixed Asset Recordkeeping**

*Criteria*—Internal controls should be followed to ensure that accurate financial records over capital projects and fixed assets are maintained. Adhering to procedures will help to ensure open capital projects that include depreciable fixed assets are tracked within the construction in progress account classification (“CIP”); and, that capital projects placed in service are appropriately closed and moved to a depreciable fixed asset category. A mechanism should be in place to inform the applicable department when an asset is purchased to make sure that it is properly recorded in the financial records.

*Condition and Context*—We noted that certain capital projects have been inappropriately accounted for as an open project since these projects were not appropriately monitored in previous years. For example, projects that were completed and the resulting asset was placed in service continued to be accounted for as CIP and were not added to the depreciable fixed asset listing; projects whereby the assets were property of a non-County entity continued to be accounted for as CIP; in one instance a capital project exceeded its initial budget and the excess expenditures were paid out of the General Fund, rather than passing a resolution to amend the project’s budget to allow for the proper recordkeeping of the additional project expenditures within the Capital Projects Fund.

As a result, a material restatement of beginning General Fund and Capital Projects Fund fund balance occurred.

*Cause*—Insufficient personnel were assigned to monitor and account for capital projects and fixed assets.

*Effect or Potential Effect*—Material prior period adjustments relating to ongoing construction in progress projects and fixed assets.

*Recommendation*—The County has made significant improvements to the recordkeeping surrounding capital projects. We recommend the County compliment these efforts by amending its Fixed Asset Policy to include a description of the types of expenses which should be considered CIP. The amendment should also outline procedures for reviewing expenses each year to determine if they should be included as additions, as well as determining what the criteria is for a CIP project to be considered to be a substantially complete, depreciable fixed asset. The policy should be distributed to all departments so that they are aware of the procedures regarding CIP.

*View of Responsible Officials and Planned Corrective Action Plan*—The County’s current financial systems now allow for assets to be identified when a Purchase Order is issued and current procedure to review all monthly equipment purchases ensure that asserts are properly recorded in a timely manner.

The County agrees with the recommendations and will initiate amendments to its Fixed Asset policy.

Fixed Asset and purchasing training is provided to all employees involved in these functions. Going forward the training will include more emphasis on the importance of properly identifying and recording fixed assets and capital project expenses.

*Status:* During the year ended December 31, 2017, no such items were noted.

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