

COUNTY OF CHAUTAUQUA

NEW YORK

*Basic Financial Statements, Required
Supplementary Information, Supplementary Information
and Federal Awards Information
for the Year Ended December 31, 2018 and
Independent Auditors' Reports*

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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, 2018, 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 ("CCIDA"), 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 1.2% and 8.0%, 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 reports 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 unit, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2018, 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 the net position of its governmental and business-type activities as of December 31, 2017. 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019 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 solely 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 effectiveness of the County's 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.

Handwritten signature of Duesch & Malach LLP in cursive script.

June 20, 2019

COUNTY OF CHAUTAUQUA, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2018

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, 2018. 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's primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$128,465,100 (net position). This consists of \$166,071,790 net investment in capital assets, \$15,267,981 restricted for specific purposes, and unrestricted net position of \$(52,874,671).
- The County's total primary government net position decreased by \$11,169,414 during the year ended December 31, 2018. Governmental activities decreased the County's net position by \$12,469,129, while net position of the business-type activities increased by \$1,299,715.
- As of the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$34,053,862; a decrease of \$13,453,135 in comparison with the prior year's combined ending fund balance of \$47,506,997.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$9,065,349, or 4.0 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 28.8 percent of the General Fund's total fund balance of \$31,514,052 at December 31, 2018.
- The County's primary government total net bond indebtedness increased by \$22,963 as a result of principal payments of \$3,424,242, a decrease in unamortized premiums of \$86,109 offset by bond issuances of \$2,964,187 and interest accretion of \$569,127.

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 15-16 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 ("CTASC") 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, CTASC, and Capital Projects Fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 17-20 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 21-24 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 25 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 26-66 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 net pension liability, progress in funding its obligation to provide post-employment benefits to its employees, and the County’s budgetary comparison schedules for the General Fund, County Road Fund, and Road Machinery Fund. Required Supplementary Information and related notes 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.

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 \$128,465,100, at the close of the most recent fiscal year, as compared to \$139,634,514 (as restated) at the close of the fiscal year ended December 31, 2017.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)
Assets:						
Current assets	\$ 102,362,980	\$ 105,328,298	\$ 46,996,133	\$ 30,831,694	\$ 149,359,113	\$ 136,159,992
Noncurrent assets	8,284,042	8,095,273	-	-	8,284,042	8,095,273
Capital assets	<u>197,933,022</u>	<u>194,801,669</u>	<u>52,773,777</u>	<u>46,932,755</u>	<u>250,706,799</u>	<u>241,734,424</u>
Total assets	<u>308,580,044</u>	<u>308,225,240</u>	<u>99,769,910</u>	<u>77,764,449</u>	<u>408,349,954</u>	<u>385,989,689</u>
Deferred outflows of resources	<u>26,943,841</u>	<u>20,265,279</u>	<u>1,930,588</u>	<u>1,712,564</u>	<u>28,874,429</u>	<u>21,977,843</u>
Liabilities:						
Current liabilities	47,201,952	38,784,940	19,388,970	2,123,178	66,590,922	40,908,118
Noncurrent liabilities	<u>163,809,601</u>	<u>176,636,066</u>	<u>44,028,511</u>	<u>41,691,435</u>	<u>207,838,112</u>	<u>218,327,501</u>
Total liabilities	<u>211,011,553</u>	<u>215,421,006</u>	<u>63,417,481</u>	<u>43,814,613</u>	<u>274,429,034</u>	<u>259,235,619</u>
Deferred inflows of resources	<u>32,716,744</u>	<u>8,804,796</u>	<u>1,613,505</u>	<u>292,603</u>	<u>34,330,249</u>	<u>9,097,399</u>
Net position:						
Net investment in capital assets	131,333,536	126,729,634	34,738,254	35,650,162	166,071,790	162,379,796
Restricted	14,293,154	16,781,086	974,827	974,827	15,267,981	17,755,913
Unrestricted	<u>(53,831,102)</u>	<u>(39,246,003)</u>	<u>956,431</u>	<u>(1,255,192)</u>	<u>(52,874,671)</u>	<u>(40,501,195)</u>
Total net position	<u>\$ 91,795,588</u>	<u>\$ 104,264,717</u>	<u>\$ 36,669,512</u>	<u>\$ 35,369,797</u>	<u>\$ 128,465,100</u>	<u>\$ 139,634,514</u>

The largest portion of the County's primary government net position, \$166,071,790, 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, \$15,267,981, 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 \$(52,874,671). This demonstrates that future funding will be necessary to liquidate long-term obligations, including the OPEB obligation of \$62,098,161 and net pension liability of \$7,865,831.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2018 and December 31, 2017.

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,	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues	\$ 97,970,188	\$ 100,441,052	\$ 17,980,558	\$ 15,453,900	\$ 115,950,746	\$ 115,894,952
General revenues	139,211,929	136,097,789	564,532	265,058	139,776,461	136,362,847
Total revenues	<u>237,182,117</u>	<u>236,538,841</u>	<u>18,545,090</u>	<u>15,718,958</u>	<u>255,727,207</u>	<u>252,257,799</u>
Total expenses	<u>249,651,246</u>	<u>254,931,688</u>	<u>17,245,375</u>	<u>14,917,080</u>	<u>266,896,621</u>	<u>269,848,768</u>
Transfers	-	264,183	-	(264,183)	-	-
Change in net position	(12,469,129)	(18,128,664)	1,299,715	537,695	(11,169,414)	(17,590,969)
Net position—beginning	104,264,717	157,994,246	35,369,797	37,987,595	139,634,514	195,981,841
Restatement (see Note 2)	-	(35,600,865)	-	(3,155,493)	-	(38,756,358)
Net position—ending	<u>\$ 91,795,588</u>	<u>\$ 104,264,717</u>	<u>\$ 36,669,512</u>	<u>\$ 35,369,797</u>	<u>\$ 128,465,100</u>	<u>\$ 139,634,514</u>

Governmental activities—Governmental activities decreased the County’s primary government net position by \$12,469,129. A summary of revenues for governmental activities for the years ended December 31, 2018 and 2017 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year ended December 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent
Charges for services	\$ 29,432,906	\$ 29,450,582	\$ (17,676)	(0.1)
Operating grants and contributions	57,133,907	58,127,964	(994,057)	(1.7)
Capital grants and contributions	11,403,375	12,862,506	(1,459,131)	(11.3)
Property taxes and tax items	63,081,621	62,234,703	846,918	1.4
Non-property tax items	72,501,810	69,241,648	3,260,162	4.7
Other general revenues	3,628,498	4,621,438	(992,940)	(21.5)
Total revenues	<u>\$ 237,182,117</u>	<u>\$ 236,538,841</u>	<u>\$ 643,276</u>	0.3

At December 31, 2018, the most significant source of revenues for governmental activities is non-property tax items, which account for \$72,501,810, or 30.6 percent of total revenues. The other significant sources of revenue include property taxes and tax items, which comprise \$63,081,621, or 26.6 percent of total revenues and operating grants and contributions, which comprise \$57,133,907, or 24.1 percent of total revenues. Comparatively, for the year ended 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.

During the year ended December 31, 2018, total revenues increased by 0.3 percent, mainly due to increased sales and property tax collections. This increase was partially offset by decreased federal and state aid for capital projects.

A summary of program expenses of governmental activities for the years ended December 31, 2018 and December 31, 2017 is presented below.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
General government support	\$ 53,693,474	\$ 53,709,224	\$ (15,750)	(0.0)
Education	12,336,687	10,752,150	1,584,537	14.7
Public safety	32,589,838	39,322,865	(6,733,027)	(17.1)
Health	21,054,224	19,799,069	1,255,155	6.3
Transportation	31,644,961	30,005,569	1,639,392	5.5
Economic assistance and opportunity	92,813,240	95,034,163	(2,220,923)	(2.3)
Culture and recreation	475,003	1,100,548	(625,545)	(56.8)
Home and community services	1,926,690	2,065,665	(138,975)	(6.7)
Interest and fiscal charges	3,117,129	3,142,435	(25,306)	(0.8)
Total program expenses	<u>\$ 249,651,246</u>	<u>\$ 254,931,688</u>	<u>\$ (5,280,442)</u>	<u>(2.1)</u>

At December 31, 2018, the County's most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$92,813,240, or 37.2 percent of program expenses. The other significant expenses include general government support of \$53,693,474, or 21.5 percent of total expenses, public safety of \$32,589,838, or 13.1 percent of total expenses and transportation of \$31,644,961, or 12.7 percent of total expenses. For the year ended 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.

During the year ended December 31, 2018, total expenses decreased by 2.1 percent. This is primarily the result of an increased capital asset outlay offsetting depreciation and decreased economic assistance and opportunity expenses as a result of decreased state and federal aid compared to the year ended December 31, 2017.

Business type activities—Business-type activities increased the County’s net position by \$1,299,715. For the year ended December 31, 2018, operating revenues increased 13.2 percent, while operating expenses increased 16.3 percent from the year ended December 31, 2017.

A summary of operating revenues and operating expenses for the County’s business-type activities for the years ended December 31, 2018 and 2017 is presented below.

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

	Year Ended December 31,		Increase/(Decrease)	
	2018	2017	Dollars	Percent (%)
Operating revenues:				
Charges for services	\$ 17,489,315	\$ 15,443,645	\$ 2,045,670	13.2
Total operating revenues	<u>\$ 17,489,315</u>	<u>\$ 15,443,645</u>	<u>\$ 2,045,670</u>	13.2
Operating expenses:				
Personal services	\$ 3,330,829	\$ 3,327,627	\$ 3,202	0.1
Contractual services	5,224,394	4,698,892	525,502	11.2
Fringe benefits	2,529,576	2,164,972	364,604	16.8
Depreciation and depletion	4,756,398	3,778,179	978,219	25.9
Cost of real estate sold	1,107,190	608,504	498,686	82.0
Total operating expenses	<u>\$ 16,948,387</u>	<u>\$ 14,578,174</u>	<u>\$ 2,370,213</u>	16.3

As detailed above, the County’s business-type activities’ operating revenues for the year ended December 31, 2018 increased 13.2 percent, primarily as a result of increased collections of waste at the County’s landfill.

Additionally, the most significant operating expense items for the year ended December 31, 2018 were contractual services expense of \$5,224,394, or 30.8 percent of operating expenses, depreciation and depletion expense of \$4,756,398, or 28.1 percent of operating expenses, and personal services expenses of \$3,330,829, or 19.7 percent of operating expenses. Similarly, for the year ended December 31, 2017, the most significant expense items contractual service 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.

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, 2018, the County's governmental funds reported combined ending fund balances of \$34,053,862, a decrease of \$13,453,135 in comparison with the prior year. Approximately 20.1% of this amount, \$6,867,225, 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, \$10,613,723, (2) restricted for particular purposes, \$14,293,154, (3) assigned for particular purposes, \$2,279,760.

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 \$9,976,251, while the total fund balance was \$31,514,052. The General Fund fund balance decreased \$5,657,363 from the prior year primarily as the result of less than anticipated state and 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 4.0 percent of General Fund expenditures and transfers out, while total fund balance represents 14.0 percent of that same amount.

The fund balance in the County Road Fund decreased \$3,195,201 from December 31, 2018. The decrease is primarily the result of higher than originally anticipated transportation expenditures. The Road Machinery Fund fund balance decreased \$678,110 as a result of higher than anticipated transportation expenditures. The Capital Projects Fund fund balance decreased \$3,948,365 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 \$25,904 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 increased operating revenues outpacing increased operating expenses. The Landfill and Land Bank's net position increased \$1,620,479 and \$132,632, respectively, primarily from operating revenues exceeding operating expenses. The Sewer Districts, Water Districts, and Electric Plant's net position decreased by \$323,147, \$22,956, and \$107,293, respectively, during the year. The decrease in the Sewer and Water 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, 2018 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	\$ 226,887,874	\$ 229,629,865	\$ 219,944,530	\$ (9,685,335)
Expenditures and other financing uses	<u>230,183,132</u>	<u>233,320,651</u>	<u>225,601,893</u>	<u>7,718,758</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (3,295,258)</u>	<u>\$ (3,690,786)</u>	<u>\$ (5,657,363)</u>	<u>\$ (1,966,577)</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 variance from the final budgetary appropriations and estimated revenue of \$(1,966,577). The variance is primarily due to the County receiving significantly less revenue for federal aid, state aid, and departmental income than anticipated. This was partially offset by spending less than anticipated on health and economic assistance and opportunity.

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, 2018 amounted to \$250,706,799 (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, 2018 and 2017 are presented in Table 7 below:

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2018	2017	2018	2017	2018	2017
Land	\$ 748,464	\$ 748,464	\$ -	\$ -	\$ 748,464	\$ 748,464
Construction in progress	1,888,291	2,727,549	10,608,710	5,496,232	12,497,001	8,223,781
Infrastructure	132,900,807	128,040,540	19,986,999	20,781,202	152,887,806	148,821,742
Buildings and building improvements	48,644,385	49,847,330	7,064,728	4,959,043	55,709,113	54,806,373
Machinery and equipment	8,757,288	9,161,046	10,806,914	10,451,251	19,564,202	19,612,297
Vehicles	4,993,787	4,276,740	955,831	976,452	5,949,618	5,253,192
Landfill assets	-	-	3,153,605	4,106,782	3,153,605	4,106,782
Water treatment facilities	-	-	196,990	161,793	196,990	161,793
Total assets	<u>\$ 197,933,022</u>	<u>\$ 194,801,669</u>	<u>\$ 52,773,777</u>	<u>\$ 46,932,755</u>	<u>\$ 250,706,799</u>	<u>\$ 241,734,424</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 liabilities—At December 31, 2018 the County's governmental activities had total long-term liabilities outstanding of \$163,809,601, as compared to \$176,636,066 (as restated) 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 \$44,028,511, as compared to \$41,691,435 (as restated) in the prior year.

A summary of the County's long-term liabilities at December 31, 2018 and 2017 is presented in Table 8 on the following page.

Table 8—Summary of Long-Term Liabilities

	Year Ended December 31,		Increase/(Decrease)	
	2018	2017 (as restated)	Dollars	Percent
Governmental activities:				
Serial bonds	\$ 32,384,730	\$ 34,397,256	\$ (2,012,526)	(5.9)
Premium on serial bonds	322,775	351,047	(28,272)	(8.1)
CTASC bonds and accreted interest, net	38,596,628	38,377,501	219,127	0.6
Compensated absences	6,619,489	5,926,999	692,490	11.7
Workers' compensation	19,324,273	16,269,353	3,054,920	18.8
OPEB obligation	56,879,175	57,743,486	(864,311)	(1.5)
Long-term due to other governments	280,000	360,000	(80,000)	(22.2)
Net pension liability	7,485,709	20,948,966	(13,463,257)	(64.3)
Long-term retirement payable	1,916,822	2,261,458	(344,636)	(15.2)
Total governmental activities	<u>\$ 163,809,601</u>	<u>\$ 176,636,066</u>	<u>\$ (12,826,465)</u>	(7.3)
Business-type activities:				
Serial bonds	\$ 12,405,271	\$ 10,502,800	\$ 1,902,471	18.1
Premium on serial bonds	660,303	718,140	(57,837)	(8.1)
Notes payable	666,403	720,746	(54,343)	(7.5)
Compensated absences	158,826	164,311	(5,485)	(3.3)
Landfill closure and post-closure	23,767,023	22,598,943	1,168,080	5.2
Workers' compensation	771,577	523,585	247,992	47.4
OPEB obligation	5,218,986	5,320,846	(101,860)	(1.9)
Net pension liability	380,122	1,142,064	(761,942)	(66.7)
Total business-type activities	<u>\$ 44,028,511</u>	<u>\$ 41,691,435</u>	<u>\$ 2,337,076</u>	5.6
Agency Fund (held in escrow for County Home):				
Workers' compensation	\$ 654,150	\$ 1,200,532	\$ (546,382)	(45.5)
Total Agency Fund	<u>\$ 654,150</u>	<u>\$ 1,200,532</u>	<u>\$ (546,382)</u>	(45.5)

Additional information on the County's long-term debt can be found in Note 12 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 2019 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.

Appropriations in the 2019 General Fund budget are \$236.2 million compared to \$235.6 million in 2018. 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. 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 \$8.44 per thousand to \$8.37 per thousand for 2019.

The 2020 budget will present many challenges for Chautauqua County. In addition to having to replace 2018's use of fund balance in the 2019 budget, the cost of operations continue to rise and 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 \$744,658 of Road Machinery Fund fund balance to the 2019 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 2019 and 2020. The 2020 budget document takes shape during the summer and fall of 2019.

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.

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BASIC FINANCIAL STATEMENTS

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COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Net Position
December 31, 2018

	Primary Government			Component Unit
	Governmental	Business-type	Total	Industrial Development Agency
	Activities	Activities		
ASSETS				
Cash, cash equivalents and investments	\$ 13,455,643	\$ 43,960,903	\$ 57,416,546	\$ 1,681,476
Restricted cash, cash equivalents and investments	18,642,706	974,827	19,617,533	-
Restricted investments	2,437,961	-	2,437,961	-
Receivables, net of allowance:				
Taxes receivable	18,027,651	-	18,027,651	-
Accounts receivable	3,680,480	2,421,051	6,101,531	-
Other receivables	10,326,766	-	10,326,766	13,194,309
Mortgage receivable	-	-	-	2,357,241
Internal balances	782,376	(782,376)	-	-
Intergovernmental receivables	42,343,300	7,702	42,351,002	-
Inventories	609,459	-	609,459	-
Prepaid items	340,680	-	340,680	-
Security deposit paid	-	-	-	18,109
Real property held for resale	-	414,026	414,026	999,226
Capital assets not being depreciated	2,636,755	10,608,710	13,245,465	-
Capital assets, net of accumulated depreciation	195,296,267	42,165,067	237,461,334	1,714,081
Total assets	<u>308,580,044</u>	<u>99,769,910</u>	<u>408,349,954</u>	<u>19,964,442</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	859,129	606,012	1,465,141	-
Deferred outflows of resources—pensions	26,084,712	1,324,576	27,409,288	-
Total deferred outflows of resources	<u>26,943,841</u>	<u>1,930,588</u>	<u>28,874,429</u>	<u>-</u>
LIABILITIES				
Accounts payable	13,813,094	466,787	14,279,881	27,738
Retainages payable	120,889	497,434	618,323	-
Accrued liabilities	2,785,345	279,765	3,065,110	368,851
Intergovernmental payables	16,295,020	-	16,295,020	-
Due to retirement system	6,400,091	-	6,400,091	-
Performance bond deposits	-	144,650	144,650	-
Unearned revenue	6,787,513	334	6,787,847	879,898
Bond anticipation notes payable	1,000,000	18,000,000	19,000,000	-
Noncurrent liabilities:				
Due within one year	7,083,568	991,336	8,074,904	2,160,044
Due in more than one year	156,726,033	43,037,175	199,763,208	2,350,669
Total liabilities	<u>211,011,553</u>	<u>63,417,481</u>	<u>274,429,034</u>	<u>5,787,200</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on refunding	3,260,482	-	3,260,482	-
Deferred inflows of resources—pensions	25,696,426	1,304,857	27,001,283	-
Deferred inflows of resources—OPEB	3,759,836	308,648	4,068,484	-
Total deferred inflows of resources	<u>32,716,744</u>	<u>1,613,505</u>	<u>34,330,249</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	131,333,536	34,738,254	166,071,790	559,835
Restricted for:				
Insurance	3,256,904	-	3,256,904	-
Capital projects	6,893,427	-	6,893,427	-
Tax stabilization	100,060	-	100,060	-
Occupancy tax	323,363	-	323,363	-
E911/W911	586,497	-	586,497	-
Fire services	461,703	-	461,703	-
Lakes and waterways	357,119	-	357,119	-
Debt service	2,314,081	-	2,314,081	-
Landfill	-	974,827	974,827	-
Industrial Development Agency purposes	-	-	-	11,675,524
Unrestricted	(53,831,102)	956,431	(52,874,671)	1,941,883
Total net position	<u>\$ 91,795,588</u>	<u>\$ 36,669,512</u>	<u>\$ 128,465,100</u>	<u>\$ 14,177,242</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, 2018

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		
Primary government:								
Governmental activities:								
General government support	\$ 53,693,474	\$ 10,889,285	\$ 2,954,753	\$ 74,660	\$ (39,774,776)	\$ -	\$ (39,774,776)	\$ -
Education	12,336,687	433,450	3,537,714	-	(8,365,523)	-	(8,365,523)	-
Public safety	32,589,838	5,175,195	1,943,217	149,876	(25,321,550)	-	(25,321,550)	-
Health	21,054,224	7,641,353	9,216,822	-	(4,196,049)	-	(4,196,049)	-
Transportation	31,644,961	1,692,075	1,887,509	10,733,270	(17,332,107)	-	(17,332,107)	-
Economic assistance and opportunity	92,813,240	3,586,710	36,942,453	-	(52,284,077)	-	(52,284,077)	-
Culture and recreation	475,003	-	200,920	130,561	(143,522)	-	(143,522)	-
Home and community services	1,926,690	14,838	450,519	315,008	(1,146,325)	-	(1,146,325)	-
Interest and fiscal charges	3,117,129	-	-	-	(3,117,129)	-	(3,117,129)	-
Total governmental activities	<u>249,651,246</u>	<u>29,432,906</u>	<u>57,133,907</u>	<u>11,403,375</u>	<u>(151,681,058)</u>	<u>-</u>	<u>(151,681,058)</u>	<u>-</u>
Business-type activities:								
Sewer	5,113,936	4,204,765	487,500	-	-	(421,671)	(421,671)	-
Water	85,131	59,877	-	-	-	(25,254)	(25,254)	-
Landfill	8,313,522	9,466,548	3,743	-	-	1,156,769	1,156,769	-
Electric Plant	2,405,100	2,297,807	-	-	-	(107,293)	(107,293)	-
Chautauqua County Land Bank Corporation	1,327,686	1,460,318	-	-	-	132,632	132,632	-
Total business-type activities	<u>17,245,375</u>	<u>17,489,315</u>	<u>491,243</u>	<u>-</u>	<u>-</u>	<u>735,183</u>	<u>735,183</u>	<u>-</u>
Total primary government	<u>\$ 266,896,621</u>	<u>\$ 46,922,221</u>	<u>\$ 57,625,150</u>	<u>\$ 11,403,375</u>	<u>(151,681,058)</u>	<u>735,183</u>	<u>(150,945,875)</u>	<u>-</u>
Component unit:								
Chautauqua County Industrial Development Agency	\$ 4,350,188	\$ 2,338,423	\$ 1,631,039	\$ -				(380,726)
Total component unit	<u>\$ 4,350,188</u>	<u>\$ 2,338,423</u>	<u>\$ 1,631,039</u>	<u>\$ -</u>				<u>(380,726)</u>
General revenues:								
Property taxes, levied for general purpose					59,915,703	-	59,915,703	-
Property tax items					3,165,918	-	3,165,918	-
Non-property tax items					72,501,810	-	72,501,810	-
Use of money and property					907,224	268,351	1,175,575	454,637
Miscellaneous					2,154,686	296,181	2,450,867	645,508
Sale of property and compensation for loss					566,588	-	566,588	-
Total general revenues					<u>139,211,929</u>	<u>564,532</u>	<u>139,776,461</u>	<u>1,100,145</u>
Change in net position					(12,469,129)	1,299,715	(11,169,414)	719,419
Net position—beginning, as restated					<u>104,264,717</u>	<u>35,369,797</u>	<u>139,634,514</u>	<u>13,457,823</u>
Net position—ending					<u>\$ 91,795,588</u>	<u>\$ 36,669,512</u>	<u>\$ 128,465,100</u>	<u>\$ 14,177,242</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2018

	General	Special Revenue			Capital Projects	Total Governmental Funds
		County Road	Road Machinery	CTASC		
ASSETS						
Cash, cash equivalents and investments	\$ 4,784,250	\$ -	\$ 1,677,473	\$ -	\$ -	\$ 6,461,723
Restricted cash, cash equivalents and investments	18,527,174	25,398	-	90,134	-	18,642,706
Restricted investments	-	-	-	2,437,961	-	2,437,961
Receivables (net of allowances)						
Taxes receivable	18,812,224	-	-	-	-	18,812,224
Accounts receivable	3,519,552	67,999	92,929	-	-	3,680,480
Other receivables	5,217,366	-	-	-	94,400	5,311,766
Intergovernmental receivables	28,691,484	4,881,154	-	-	943,613	34,516,251
Due from other funds	6,249,478	-	-	-	-	6,249,478
Inventories	66,387	147,893	395,179	-	-	609,459
Prepaid items	164,280	-	-	-	-	164,280
Total assets	<u>\$ 86,032,195</u>	<u>\$ 5,122,444</u>	<u>\$ 2,165,581</u>	<u>\$ 2,528,095</u>	<u>\$ 1,038,013</u>	<u>\$ 96,886,328</u>
LIABILITIES						
Accounts payable	\$ 10,859,906	\$ 1,495,528	\$ 173,929	\$ -	\$ 1,048,223	\$ 13,577,586
Accrued liabilities	2,202,197	154,184	24,106	-	-	2,380,487
Intergovernmental payables	16,295,020	-	-	-	-	16,295,020
Due to other funds	-	4,528,218	-	-	864,737	5,392,955
Due to retirement system	6,400,091	-	-	-	-	6,400,091
Unearned revenue	6,762,115	25,398	-	-	-	6,787,513
Bond anticipation notes payable	1,000,000	-	-	-	-	1,000,000
Total liabilities	<u>43,519,329</u>	<u>6,203,328</u>	<u>198,035</u>	<u>-</u>	<u>1,912,960</u>	<u>51,833,652</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	10,998,814	-	-	-	-	10,998,814
Total deferred inflows of resources	<u>10,998,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,998,814</u>
FUND BALANCES (DEFICITS)						
Nonspendable	9,976,251	147,893	395,179	-	94,400	10,613,723
Restricted	11,765,059	-	-	2,528,095	-	14,293,154
Assigned	707,393	-	1,572,367	-	-	2,279,760
Unassigned	9,065,349	(1,228,777)	-	-	(969,347)	6,867,225
Total fund balances (deficits)	<u>31,514,052</u>	<u>(1,080,884)</u>	<u>1,967,546</u>	<u>2,528,095</u>	<u>(874,947)</u>	<u>34,053,862</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 86,032,195</u>	<u>\$ 5,122,444</u>	<u>\$ 2,165,581</u>	<u>\$ 2,528,095</u>	<u>\$ 1,038,013</u>	<u>\$ 96,886,328</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, 2018

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Fund balances (deficits)—total governmental funds (page 17)	\$ 34,053,862
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$400,462,795 and the accumulated depreciation is \$202,529,773.	197,933,022
Uncollected property taxes of \$10,998,814, of which \$784,573 have been reserved, are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.	10,214,241
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.	5,015,000
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.	859,129
Deferred outflows and inflows of resources related to pensions and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to employer contributions	\$ 6,325,729
Deferred outflows of resources related to experience, changes of assumptions and investment earnings	19,758,983
Deferred inflows related to pension plans	(25,696,426)
Deferred inflows related to OPEB	<u>(3,759,836)</u>
	(3,371,550)
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.	(4,664,454)
Deferred gains on refunding are not financial resources and, therefore, are not reported as liabilities in the governmental funds.	(3,260,482)
Retained percentages are not a current liability and, therefore, are not reported in the funds.	(120,889)
Net accrued interest for bond anticipation notes and serial bonds is not reported in the funds.	(376,963)
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	\$ (32,384,730)
Unamortized bond premiums	(322,775)
CTASC bonds and accreted interest, net	(38,596,628)
Compensated absences	(6,619,489)
Other post-employment benefits	(56,879,175)
Long-term due to other governments	(280,000)
Net pension liability	(7,485,709)
Long-term retirement payable	<u>(1,916,822)</u>
	<u>(144,485,328)</u>
Net position of governmental activities	<u>\$ 91,795,588</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 (Deficits)—Governmental Funds
Year Ended December 31, 2018

	<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>		
REVENUES						
Real property taxes	\$ 58,670,872	\$ -	\$ -	\$ -	\$ -	\$ 58,670,872
Real property tax items	3,165,918	-	-	-	-	3,165,918
Non-property tax items	71,722,518	779,292	-	-	-	72,501,810
Departmental income	18,548,963	54	-	-	-	18,549,017
Intergovernmental charges	4,205,058	86,022	397,797	-	624,785	5,313,662
Licenses and permits	114,326	-	-	-	-	114,326
Fines and forfeitures	319,818	-	-	-	-	319,818
Use of money and property	4,251,317	-	12,015	14,254	-	4,277,586
Sale of property and compensation for loss	281,574	-	74,027	-	210,987	566,588
Miscellaneous	1,514,840	253,015	382,988	-	-	2,150,843
Tobacco settlement revenue	-	-	-	2,002,947	-	2,002,947
State aid	26,116,546	5,606,013	-	-	570,107	32,292,666
Federal aid	<u>31,032,780</u>	<u>2,741,662</u>	<u>-</u>	<u>-</u>	<u>2,516,791</u>	<u>36,291,233</u>
Total revenues	<u>219,944,530</u>	<u>9,466,058</u>	<u>866,827</u>	<u>2,017,201</u>	<u>3,922,670</u>	<u>236,217,286</u>
EXPENDITURES						
Current:						
General government support	50,496,965	-	-	82,022	-	50,578,987
Education	10,646,372	-	-	-	-	10,646,372
Public safety	30,755,207	-	-	-	-	30,755,207
Health	20,598,990	-	-	-	-	20,598,990
Transportation	3,893,159	23,383,363	3,969,452	-	-	31,245,974
Economic assistance and opportunity	89,906,224	-	-	-	-	89,906,224
Culture and recreation	442,366	-	-	-	-	442,366
Home and community services	1,139,611	-	-	-	-	1,139,611
Debt service:						
Principal	2,072,526	-	20,000	350,000	-	2,442,526
Interest and fiscal charges	1,120,955	-	725	1,559,275	-	2,680,955
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,233,209</u>	<u>9,233,209</u>
Total expenditures	<u>211,072,375</u>	<u>23,383,363</u>	<u>3,990,177</u>	<u>1,991,297</u>	<u>9,233,209</u>	<u>249,670,421</u>
Excess (deficiency) of revenues over expenditures	<u>8,872,155</u>	<u>(13,917,305)</u>	<u>(3,123,350)</u>	<u>25,904</u>	<u>(5,310,539)</u>	<u>(13,453,135)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	10,785,684	2,445,240	-	1,362,174	14,593,098
Transfers out	<u>(14,529,518)</u>	<u>(63,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,593,098)</u>
Total other financing sources (uses)	<u>(14,529,518)</u>	<u>10,722,104</u>	<u>2,445,240</u>	<u>-</u>	<u>1,362,174</u>	<u>-</u>
Net change in fund balances (deficits)	(5,657,363)	(3,195,201)	(678,110)	25,904	(3,948,365)	(13,453,135)
Fund balances—beginning	<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>
Fund balances (deficits)—ending	<u>\$ 31,514,052</u>	<u>\$ (1,080,884)</u>	<u>\$ 1,967,546</u>	<u>\$ 2,528,095</u>	<u>\$ (874,947)</u>	<u>\$ 34,053,862</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 (Deficits)—
Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2018

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

Net change in fund balances (deficits)—total governmental funds (page 19) \$(13,453,135)

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 expense in the current period.

Capital asset additions and transfers	\$ 18,365,590	
Loss on disposal of assets	(8,792)	
Depreciation expense	<u>(15,225,445)</u>	3,131,353

Amortization of deferred charge on refunding (82,238)

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	\$ 1,244,831	
Change in long-term receivable	<u>(280,000)</u>	964,831

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

Direct pension contributions	\$ 8,357,972	
Cost of benefits earned net of employee contributions	<u>(8,463,095)</u>	(105,123)

Internal services funds are used by management to charge the costs of health insurance and workers' compensation. The net expense of the internal service funds of \$1,735,345 is reported within governmental activities. (1,735,345)

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. (34,683)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 9,851

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	\$ 2,012,526	
Principal payment on CTASC bonds	350,000	
Amortization of bond premium	28,272	
Amortization of bond discount on CTASC bonds	(21,970)	
Accreted interest on CTASC bonds	(547,157)	
Amortization of deferred gain on CTASC bonds	177,068	
Change in compensated absences	(692,490)	
Change in other post-employment benefits obligation	(2,895,525)	
Change in long-term due to other governments	80,000	
Change in long-term retirement payable	<u>344,636</u>	<u>(1,164,640)</u>

Change in net position of governmental activities \$ (12,469,129)

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, 2018

	Business-type Activities						Governmental
	Enterprise Funds						Activities—
	Sewer Districts	Water Districts	Landfill	Electric Plant	Land Bank Corporation	Total	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 4,427,591	\$ -	\$ 36,439,752	\$ 2,336,207	\$ 757,353	\$ 43,960,903	\$ 6,993,920
Restricted cash and cash equivalents	-	-	974,827	-	-	974,827	-
Receivables (net of allowances)	1,344,718	12,940	890,941	117,851	54,601	2,421,051	-
Intergovernmental receivables	7,702	-	-	-	-	7,702	7,827,049
Prepaid items	-	-	-	-	-	-	176,400
Real property held for resale	-	-	-	-	414,026	414,026	-
Total current assets	<u>5,780,011</u>	<u>12,940</u>	<u>38,305,520</u>	<u>2,454,058</u>	<u>1,225,980</u>	<u>47,778,509</u>	<u>14,997,369</u>
Noncurrent assets:							
Capital assets, not being depreciated	5,491	970,849	9,632,370	-	-	10,608,710	-
Capital assets, being depreciated (net of accumulated amortization/depletion)	24,839,977	196,990	6,348,816	10,779,284	-	42,165,067	-
Total noncurrent assets	<u>24,845,468</u>	<u>1,167,839</u>	<u>15,981,186</u>	<u>10,779,284</u>	<u>-</u>	<u>52,773,777</u>	<u>-</u>
Total assets	<u>30,625,479</u>	<u>1,180,779</u>	<u>54,286,706</u>	<u>13,233,342</u>	<u>1,225,980</u>	<u>100,552,286</u>	<u>14,997,369</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on refunding debt	-	-	-	606,012	-	606,012	-
Deferred outflows of resources—pensions	444,979	-	879,597	-	-	1,324,576	-
Total deferred outflows of resources	<u>444,979</u>	<u>-</u>	<u>879,597</u>	<u>606,012</u>	<u>-</u>	<u>1,930,588</u>	<u>-</u>
LIABILITIES							
Current liabilities:							
Accounts payable	247,087	3,232	216,294	-	174	466,787	235,508
Retainages payable	158,685	-	338,749	-	-	497,434	-
Accrued expenses	67,064	264	70,314	142,123	-	279,765	27,895
Due to other funds	-	782,376	-	-	-	782,376	74,147
Performance bond deposits	-	-	-	-	144,650	144,650	-
Unearned revenue	-	-	-	-	334	334	-
Bond anticipation notes payable	-	-	18,000,000	-	-	18,000,000	-
Total current liabilities	<u>472,836</u>	<u>785,872</u>	<u>18,625,357</u>	<u>142,123</u>	<u>145,158</u>	<u>20,171,346</u>	<u>337,550</u>
Noncurrent liabilities:							
Due within one year:							
Compensated absences	50,211	-	108,615	-	-	158,826	-
Serial bonds and notes payable, net	114,134	-	-	718,376	-	832,510	-
Due in more than one year:							
Serial bonds and notes payable, net	3,516,456	-	-	9,383,011	-	12,899,467	-
Landfill closure and post-closure	-	-	23,767,023	-	-	23,767,023	-
Workers' compensation liability	223,503	1,069	547,005	-	-	771,577	19,324,273
Net OPEB obligation	1,373,271	-	3,845,715	-	-	5,218,986	-
Net pension liability	127,698	-	252,424	-	-	380,122	-
Total noncurrent liabilities	<u>5,405,273</u>	<u>1,069</u>	<u>28,520,782</u>	<u>10,101,387</u>	<u>-</u>	<u>44,028,511</u>	<u>19,324,273</u>
Total liabilities	<u>5,878,109</u>	<u>786,941</u>	<u>47,146,139</u>	<u>10,243,510</u>	<u>145,158</u>	<u>64,199,857</u>	<u>19,661,823</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources—pensions	516,134	-	788,723	-	-	1,304,857	-
Deferred inflows of resources—OPEB	23,707	-	284,941	-	-	308,648	-
Total deferred inflows of resources	<u>539,841</u>	<u>-</u>	<u>1,073,664</u>	<u>-</u>	<u>-</u>	<u>1,613,505</u>	<u>-</u>
NET POSITION							
Net investment in capital assets	21,214,878	1,167,839	11,071,628	1,283,909	-	34,738,254	-
Restricted	-	-	974,827	-	-	974,827	-
Unrestricted	3,437,630	(774,001)	(5,099,955)	2,311,935	1,080,822	956,431	(4,664,454)
Total net position	<u>\$ 24,652,508</u>	<u>\$ 393,838</u>	<u>\$ 6,946,500</u>	<u>\$ 3,595,844</u>	<u>\$ 1,080,822</u>	<u>\$ 36,669,512</u>	<u>\$ (4,664,454)</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, 2018

	Business-type Activities					Total	Governmental Activities— Internal Service Funds
	Enterprise Funds						
	Sewer Districts	Water Districts	Landfill	Electric Plant	Land Bank Corporation		
OPERATING REVENUES							
Charges for services	\$ 4,204,765	\$ 59,877	\$ 9,466,548	\$ 2,297,807	\$ 1,460,318	\$ 17,489,315	\$ 27,424,953
Total operating revenues	<u>4,204,765</u>	<u>59,877</u>	<u>9,466,548</u>	<u>2,297,807</u>	<u>1,460,318</u>	<u>17,489,315</u>	<u>27,424,953</u>
OPERATING EXPENSES							
Personal services	1,087,817	4,541	2,109,904	-	128,567	3,330,829	-
Contractual services	1,815,474	42,707	1,847,314	1,449,520	69,379	5,224,394	29,363,607
Fringe benefits	906,449	1,230	1,599,347	-	22,550	2,529,576	-
Depreciation	1,304,196	36,653	1,588,877	658,592	-	3,588,318	-
Landfill closure expense	-	-	1,168,080	-	-	1,168,080	-
Cost of real estate sold	-	-	-	-	1,107,190	1,107,190	-
Total operating expenses	<u>5,113,936</u>	<u>85,131</u>	<u>8,313,522</u>	<u>2,108,112</u>	<u>1,327,686</u>	<u>16,948,387</u>	<u>29,363,607</u>
Operating income (loss)	<u>(909,171)</u>	<u>(25,254)</u>	<u>1,153,026</u>	<u>189,695</u>	<u>132,632</u>	<u>540,928</u>	<u>(1,938,654)</u>
NONOPERATING REVENUES (EXPENSES)							
State sources	487,500	-	3,743	-	-	491,243	-
Interest income (expense)	37,318	2,298	228,735	(296,988)	-	(28,637)	87,554
Other miscellaneous revenue	61,206	-	234,975	-	-	296,181	115,755
Total nonoperating revenues (expenses)	<u>586,024</u>	<u>2,298</u>	<u>467,453</u>	<u>(296,988)</u>	<u>-</u>	<u>758,787</u>	<u>203,309</u>
Change in net position	(323,147)	(22,956)	1,620,479	(107,293)	132,632	1,299,715	(1,735,345)
Net position—beginning, as restated	<u>24,975,655</u>	<u>416,794</u>	<u>5,326,021</u>	<u>3,703,137</u>	<u>948,190</u>	<u>35,369,797</u>	<u>(2,929,109)</u>
Net position—ending	<u>\$ 24,652,508</u>	<u>\$ 393,838</u>	<u>\$ 6,946,500</u>	<u>\$ 3,595,844</u>	<u>\$ 1,080,822</u>	<u>\$ 36,669,512</u>	<u>\$ (4,664,454)</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, 2018

	Business-type Activities					Governmental Activities— Internal Service Funds	
	Enterprise Funds						
	Sewer Districts	Water Districts	Landfill	Electric Plant	Land Bank Corporation		Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from services provided	\$ 4,110,154	\$ 67,219	\$ 9,356,112	\$ 2,495,753	\$ 1,252,973	\$ 17,282,211	\$ 26,345,541
Payments to suppliers and service providers	(1,741,049)	(39,404)	(2,561,421)	(1,460,663)	(1,075,772)	(6,878,309)	(26,197,321)
Payments to employees for salaries and benefits	(1,820,994)	(5,169)	(3,454,623)	-	(163,414)	(5,444,200)	-
Net cash provided by operating activities	<u>548,111</u>	<u>22,646</u>	<u>3,340,068</u>	<u>1,035,090</u>	<u>13,787</u>	<u>4,959,702</u>	<u>148,220</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Advances from other funds	-	602,183	-	-	-	602,183	62,923
Other income	542,017	2,298	238,718	-	-	783,033	115,755
Net cash provided by noncapital financing activities	<u>542,017</u>	<u>604,481</u>	<u>238,718</u>	<u>-</u>	<u>-</u>	<u>1,385,216</u>	<u>178,678</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest expense	(19,036)	-	(2,693)	(334,559)	-	(356,288)	-
Acquisition and reclassifications of capital assets	(3,337,205)	(627,127)	(5,344,300)	-	-	(9,308,632)	-
Notes payable issued	2,964,187	-	18,000,000	-	-	20,964,187	-
Principal payments on serial bonds	-	-	(360,000)	(701,716)	-	(1,061,716)	-
Principal payments on notes payable	(54,343)	-	-	-	-	(54,343)	-
Net cash provided by (used for) capital and related financial activities	<u>(446,397)</u>	<u>(627,127)</u>	<u>12,293,007</u>	<u>(1,036,275)</u>	<u>-</u>	<u>10,183,208</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	63,043	-	231,428	32,815	-	327,286	87,554
Net cash provided by investing activities	<u>63,043</u>	<u>-</u>	<u>231,428</u>	<u>32,815</u>	<u>-</u>	<u>327,286</u>	<u>87,554</u>
Net increase in cash and cash equivalents	706,774	-	16,103,221	31,630	13,787	16,855,412	414,452
Cash and cash equivalents—beginning	<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>
Cash and cash equivalents—ending	<u>\$ 4,427,591</u>	<u>\$ -</u>	<u>\$ 37,414,579</u>	<u>\$ 2,336,207</u>	<u>\$ 757,353</u>	<u>\$ 44,935,730</u>	<u>\$ 6,993,920</u>

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Cash Flows—Proprietary Funds
Year Ended December 31, 2018

(concluded)

	Business-type Activities						Governmental Activities— Internal Service Funds
	Enterprise Funds						
	Sewer Districts	Water Districts	Landfill	Electric Plant	Land Bank Corporation	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	\$ (909,171)	\$ (25,254)	\$ 1,153,026	\$ 189,695	\$ 132,632	\$ 540,928	\$ (1,938,654)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation and depletion	1,304,196	36,653	2,756,957	658,592	-	4,756,398	-
(Increase) decrease in accounts receivable	(86,909)	7,342	(124,182)	197,946	(54,601)	(60,404)	-
(Increase) decrease in intergovernmental receivables	(7,702)	-	13,746	-	-	6,044	(1,079,412)
Decrease in prepaid assets	37,248	-	76,605	-	-	113,853	2,367
Decrease in property held for resale	-	-	-	-	29,297	29,297	-
(Increase) in deferred outflows of resources—pensions	(99,560)	-	(171,545)	-	-	(271,105)	-
Increase (decrease) in accounts payable	(112,259)	3,126	(1,030,348)	-	(12,297)	(1,151,778)	102,024
Increase in retainage payable	146,068	-	230,658	-	-	376,726	-
Increase in performance bond deposits	-	-	-	-	71,500	71,500	-
(Decrease) in unearned revenue	-	-	-	-	(152,744)	(152,744)	-
Increase in accrued workers' compensation	83,724	602	163,666	-	-	247,992	-
Increase (decrease) in compensated absences liability	(8,964)	-	3,479	-	-	(5,485)	-
Increase (decrease) in other post-employment benefits	940	-	(102,800)	-	-	(101,860)	-
Increase (decrease) in other accrued expenses	3,368	177	8,978	(11,143)	-	1,380	3,061,895
Increase in deferred inflows of resources—pensions	420,194	-	592,060	-	-	1,012,254	-
(Decrease) in net pension liability	(246,769)	-	(515,173)	-	-	(761,942)	-
Increase in deferred inflows of resources—pensions	23,707	-	284,941	-	-	308,648	-
Total adjustments	<u>1,457,282</u>	<u>47,900</u>	<u>2,187,042</u>	<u>845,395</u>	<u>(118,845)</u>	<u>4,418,774</u>	<u>2,086,874</u>
Net cash provided by operating activities	<u>\$ 548,111</u>	<u>\$ 22,646</u>	<u>\$ 3,340,068</u>	<u>\$ 1,035,090</u>	<u>\$ 13,787</u>	<u>\$ 4,959,702</u>	<u>\$ 148,220</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Net Position—Fiduciary Fund
December 31, 2018

	<u>Agency Fund</u>
ASSETS	
Restricted cash	\$ 4,129,289
Cash held in escrow for County Home	792,514
Accounts receivable	<u>116,850</u>
Total assets	<u>\$ 5,038,653</u>
LIABILITIES	
Agency liabilities	\$ 4,246,139
Held in escrow for County Home:	
Workers' compensation	654,150
Net employee benefit obligation	<u>138,364</u>
Total liabilities	<u>\$ 5,038,653</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, 2018

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 governmental 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 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, 2018. 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.

Jamestown Community College—Jamestown Community College (the “College”) is a locally sponsored, two-year community college founded in 1950. The College is part of a statewide system of two-year institutions designed to provide technical, para-professional, and university parallel education. The College is one of thirty community colleges within the State University of New York (“SUNY”). SUNY Community Colleges are financed by New York State, student tuition, and sponsor contributions. In 1996, the State of New York amended Article 126 of the Education Law through Chapter 144 of the Laws of 1996. The law changed sponsorship of the College from the City of Jamestown to the Jamestown Community College Region, effective September 1, 1996. This region is made of the City of Jamestown and Chautauqua and Cattaraugus Counties. The College is excluded from the financial reporting entity because the County is unable to appoint a voting majority of the Board of Trustees and the College is not fiscally dependent on the County. Further information can be obtained by writing Jamestown Community College, Administration Office, 525 Falconer Street, Jamestown, New York 14701.

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 fiduciary funds are excluded from 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 and proprietary 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 tax.
- *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 other than those financed by enterprise funds.

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 districts.
- *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—These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Agency Fund*. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The Agency Fund accounts, such as payroll withholdings, are reported as liabilities.

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, cash received for items not meeting revenue recognition criteria, and amounts held on behalf of others.

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 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 expenses/expenditures when consumed rather than when purchased.

Property Held for Resale—The Land Bank Corporation reports property held for resale at cost, which totaled \$414,026 at December 31, 2018.

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

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, 2018, the County had two items that qualified for reporting in this category. The first item is deferred charges on refunding bonds that is recorded in the government-wide financial statements and is 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. At December 31, 2018, the County had four 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 recorded in the government-wide financial statements for items which represent a deferred gain on CTASC refunding bonds that is being amortized over the life of the refunded debt. The third 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. The final item represents the effects of the change in the County’s proportion of the collective net OPEB liability and difference during the measurement period between certain of the employers’ contributions and its proportionate

share of the total of certain contributions from employers included in the collective net OPEB liability 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 Expense/Expenditures

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 1st of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on January 1st 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 1st 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 (\$6,352,618) and the portion that represents taxes re-levied for the cities and villages (\$623,038) are recognized as liabilities that are included in intergovernmental payables. Also, \$10,998,814 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 \$1,343,140 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 2018 is approximately \$7.233 billion. The effective tax rate on this value is approximately \$8.44 per thousand.

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2018, the County reported unearned revenues within the General Fund, County Road Fund, and Land Bank Corporation of \$6,762,115, \$25,398, and \$334, respectively. The majority of which represent grant funds received in advance of eligibility criteria being met.

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 revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements. 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, 2018, the County implemented GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 75 improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB Statement No. 85 addressed practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for

the sole purpose of extinguishing debt. Other than the matter discussed in Note 2, the implementation of GASB Statements No. 75, 85, and 86 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 Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending December 31, 2019, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2020, and No. 91, *Conduit Debt Obligations*, effective for the year ending December 31, 2021. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 87, 88, 89, 90 and 91 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Deficit Fund Balance and Net Position—At December 31, 2018, the County had total fund balance deficits of \$1,080,884 and \$874,947 in the County Road Fund and Capital Projects Fund, respectively. The County anticipates these deficits will be remedied through future transfers from the General Fund.

In addition, at December 31, 2018, the County had a deficit net position of \$4,584,908 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 Workers' Compensation Fund charges the general operations of the County for actual claims paid on a pay-as-you-go basis.

Further, at December 31, 2018, the County had a deficit net position of \$79,546 in the Health Insurance Fund within the Internal Service Funds. The County anticipates this deficit will be remedied through future rate increases.

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 1st 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 1st, 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 15th, 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 25th.

- Public hearings are held. The Legislature must then take action on the budget within six calendar days following the public hearing. If the 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, 2018, the County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of GASB Statement No. 75 requires the County’s net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. As a result of the implementation, the OPEB liability was restated from \$25,564,305 to \$57,743,486 for governmental activities and from \$2,165,353 to \$5,320,846 for business-type activities as of December 31, 2017. Additionally, certain actuarial assumptions changed due to the implementation of GASB 75, resulting in restating the compensated absences liability for governmental activities from \$2,505,315 to \$5,926,999. Net position for governmental activities and business-type activities has been restated by \$(35,600,865) and \$(3,155,493), respectively, at December 31, 2017.

Net position of the County’s governmental activities at December 31, 2017 has been restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position—December 31, 2017, as previously stated	\$ 139,865,582	\$ 38,525,290
GASB Statement No. 75 implementation:		
OPEB liability adjustment	(32,179,181)	(3,155,493)
Compensated absences liability adjustment	<u>(3,421,684)</u>	<u>-</u>
Net position—December 31, 2017, as restated	<u>\$ 104,264,717</u>	<u>\$ 35,369,797</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, 2018 is presented below:

Governmental Funds	\$ 27,542,390
Enterprise Funds	44,935,730
Internal Service Funds	6,993,920
Agency Fund	<u>4,921,803</u>
Total	<u>\$ 84,393,843</u>

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

Petty cash	\$ 1,400
Petty cash held by financial institutions	12,450
Cash held by financial institutions	26,609,226
Cash equivalents held by financial institutions	42,445
Investments	<u>57,728,322</u>
Total	<u>\$ 84,393,843</u>

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

	<u>December 31, 2018</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
FDIC insured	\$ 1,376,198	\$ 1,439,815
Uninsured:		
Collateral held by pledging bank's agent in County's name	<u>25,018,539</u>	<u>25,224,306</u>
Total	<u>\$ 26,394,737</u>	<u>\$ 26,664,121</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, 2018. These cash equivalents are carried at fair value as displayed below:

	<u>December 31, 2018</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
CTASC money market funds	\$ 42,445	\$ 42,445
Total	<u>\$ 42,445</u>	<u>\$ 42,445</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, 2018, 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 \$21,080,667, of which \$2,528,095 represents amounts restricted for CTASC, \$6,787,513 represents unearned revenue, \$11,765,059 supports General Fund restricted fund balance, \$974,827 in business-type activities to support restricted net position and \$3,406,267 in the Agency Fund for amounts held on behalf of others. These deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County.

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, 2018:

- Savings, CDs and time deposits of \$733,685 are valued using quoted market prices for identical assets in active markets (level 1 input).
- U.S. Government agency bonds of \$38,469,256 are valued using quoted market prices for identical assets in active markets (level 1 input).
- Municipal bonds of \$18,525,381 are valued using quoted market prices for identical assets in active markets (level 1 input).

Investments at December 31, 2018 are as follows:

	Fair Value Measurements Using		
	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	\$ 733,685	\$ -	\$ -
U.S. Government agency bonds	38,469,256	-	-
Municipal bonds	18,525,381	-	-
Total	<u>\$ 57,728,322</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.

Chautauqua County Industrial Development Agency Cash and Cash Equivalents—Deposits for the Agency totaled \$1,681,476 and were fully collateralized or insured at December 31, 2018.

4. RECEIVABLES

Major revenues accrued by the County at December 31, 2018 consisted of the following:

Accounts Receivable—Represent amounts due from various sources. The County’s accounts receivable at December 31, 2018 are shown below:

Governmental Funds:	
General Fund	\$ 3,519,552
County Road Fund	67,999
Road Machinery Fund	<u>92,929</u>
Total Governmental Funds	<u>\$ 3,680,480</u>
Enterprise Funds:	
Sewer Fund	\$ 1,344,718
Water Districts Fund	12,940
Landfill Fund	890,941
Electric Fund	117,851
Land Bank Corporation	<u>54,601</u>
Total Enterprise Funds	<u>\$ 2,421,051</u>
Agency Fund	<u>\$ 116,850</u>

Taxes Receivable—Represents amounts due to the County for property taxes, property tax items and non-property tax items of \$19,312,224. These amounts are reported net of an allowance for uncollectible taxes of \$500,000.

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, 2018 is as presented below:

General Fund	\$ 5,217,366
Capital Projects Fund	<u>94,400</u>
Total governmental funds	<u>\$ 5,311,766</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 receivable from other governments at December 31, 2018 are as follows:

Governmental Funds:	
General Fund	\$ 28,691,484
County Road Fund	4,881,154
Capital Projects Fund	<u>943,613</u>
Total Governmental Funds	<u>\$ 34,516,251</u>
Enterprise Funds:	
Sewer	<u>\$ 7,702</u>
Total Enterprise Funds	<u>\$ 7,702</u>
Internal Service Funds:	
Workers' Compensation Fund	<u>\$ 7,827,049</u>
Total Internal Service Funds	<u>\$ 7,827,049</u>

Chautauqua County Industrial Development Agency

Other Receivables—Other receivables represent various notes receivable, in the total amount of \$13,194,309 outstanding at December 31, 2018.

Mortgage Receivable—Represents various mortgages receivable outstanding. At December 31, 2018, the Agency's mortgage receivable balance was \$2,357,241.

5. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government’s governmental activities for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Capital assets not being depreciated:				
Land	\$ 748,464	\$ -	\$ -	\$ 748,464
Construction in progress	<u>2,727,549</u>	<u>9,267,889</u>	<u>(10,107,147)</u>	<u>1,888,291</u>
Total capital assets, not being depreciated	<u>3,476,013</u>	<u>9,267,889</u>	<u>(10,107,147)</u>	<u>2,636,755</u>
Capital assets being depreciated:				
Infrastructure	237,751,235	13,584,316	-	251,335,551
Buildings and building improvements	86,677,006	1,944,228	-	88,621,234
Machinery and equipment	36,898,065	1,399,797	(251,985)	38,045,877
Vehicles	<u>19,284,701</u>	<u>2,276,507</u>	<u>(1,737,830)</u>	<u>19,823,378</u>
Total capital assets, being depreciated	<u>380,611,007</u>	<u>19,204,848</u>	<u>(1,989,815)</u>	<u>397,826,040</u>
Less accumulated depreciation:				
Infrastructure	109,710,695	8,724,049	-	118,434,744
Buildings and building improvements	36,829,676	3,147,173	-	39,976,849
Machinery and equipment	27,737,019	1,803,555	(251,985)	29,288,589
Vehicles	<u>15,007,961</u>	<u>1,550,668</u>	<u>(1,729,038)</u>	<u>14,829,591</u>
Total accumulated depreciation	<u>189,285,351</u>	<u>15,225,445</u>	<u>(1,981,023)</u>	<u>202,529,773</u>
Total capital assets, being depreciated, net	<u>191,325,656</u>	<u>3,979,403</u>	<u>(8,792)</u>	<u>195,296,267</u>
Governmental activities capital assets, net	<u>\$ 194,801,669</u>	<u>\$ 13,247,292</u>	<u>\$ (10,115,939)</u>	<u>\$ 197,933,022</u>

Depreciation expense was charged to the functions and programs of the primary government’s governmental activities as follows:

Governmental activities:	
General government support	\$ 1,880,006
Public safety	2,201,939
Health	69,605
Transportation	10,310,753
Economic assistance and opportunity	742,756
Culture and recreation	15,479
Home and community services	<u>4,907</u>
Total depreciation expense—governmental activities	<u>\$ 15,225,445</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities for the fiscal year ending December 31, 2018 is presented below:

	Balance 1/1/2018	Increases and Reclassifications	Decreases and Reclassifications	Balance 12/31/2018
Capital assets, not being depreciated:				
Construction in progress	\$ 5,496,232	\$ 8,726,526	\$ (3,614,048)	\$ 10,608,710
Total capital assets, not being depreciated	<u>5,496,232</u>	<u>8,726,526</u>	<u>(3,614,048)</u>	<u>10,608,710</u>
Capital assets, being depreciated or depleted				
Infrastructure	49,777,973	-	-	49,777,973
Buildings and building improvements	15,109,596	2,407,512	-	17,517,108
Machinery and equipment	26,930,122	1,623,562	(155,677)	28,398,007
Vehicles	3,261,913	214,842	(43,377)	3,433,378
Landfill	40,552,740	-	-	40,552,740
Water treatment facility	1,432,431	71,850	-	1,504,281
Total capital assets, being depreciated	<u>137,064,775</u>	<u>4,317,766</u>	<u>(199,054)</u>	<u>141,183,487</u>
Less accumulated depreciation or depletion for:				
Infrastructure	28,996,771	794,203	-	29,790,974
Buildings and building improvements	10,150,553	301,827	-	10,452,380
Machinery and equipment	16,478,871	1,266,995	(154,773)	17,591,093
Vehicles	2,285,461	235,463	(43,377)	2,477,547
Landfill	36,445,958	953,177	-	37,399,135
Water treatment facility	1,270,638	36,653	-	1,307,291
Total accumulated depreciation or depletion	<u>95,628,252</u>	<u>3,588,318</u>	<u>(198,150)</u>	<u>99,018,420</u>
Total capital assets, being depreciated, net	<u>41,436,523</u>	<u>729,448</u>	<u>(904)</u>	<u>42,165,067</u>
Business-type activities capital assets, net	<u>\$ 46,932,755</u>	<u>\$ 9,455,974</u>	<u>\$ (3,614,952)</u>	<u>\$ 52,773,777</u>

Depreciation expense was charged to the functions and programs of the primary government’s business type activities as follows:

Business-type activities:	
Sewer	\$ 1,304,196
Water	36,653
Landfill	1,588,877
Electric Plant	<u>658,592</u>
Total depreciation expense—business-type activities	<u>\$ 3,588,318</u>

Chautauqua County Industrial Development Agency

Capital asset activity for the Agency for the fiscal year ended December 31, 2018 was as follows:

	Balance <u>12/31/2018</u>
Buildings and building improvements	\$ 2,187,908
Furniture and equipment	<u>128,691</u>
Total capital assets	2,316,599
Less: accumulated depreciation	<u>(602,518)</u>
Total capital assets, net	<u>\$ 1,714,081</u>

Depreciation for the year ended December 31, 2018 totaled \$88,831.

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2018 were as follows:

	General <u>Fund</u>	County Road <u>Fund</u>	Road Machinery <u>Fund</u>	Total Governmental <u>Funds</u>
Salary and employee benefits	\$ 2,191,883	\$ 154,184	\$ 24,106	\$ 2,370,173
Other	<u>10,314</u>	-	-	<u>10,314</u>
Total accrued liabilities	<u>\$ 2,202,197</u>	<u>\$ 154,184</u>	<u>\$ 24,106</u>	<u>\$ 2,380,487</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 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, 2018, the County reported the following liabilities for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017, 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.

	ERS	
	Governmental Activities	Business-type Activities
Measurement date	March 31, 2018	March 31, 2018
Net pension liability	\$ 7,485,709	\$ 380,122
County's portion of the Plan's total net pension liability	0.2319392%	0.0117778%

For the year ended December 31, 2018, the County recognized pension expenses of \$8,469,627 and \$430,084 for ERS for governmental activities and business-type activities, respectively. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experiences	\$ 2,669,908	\$ 135,579	\$ 2,206,314	\$ 112,035
Changes of assumptions	4,963,644	252,052	-	-
Net difference between projected and actual earnings on pension plan investments	10,872,401	552,096	21,461,026	1,089,784
Changes in proportion and differences between the County's contributions and proportionate share of contributions	1,253,030	63,629	2,029,086	103,038
County contributions subsequent to the measurement date	<u>6,325,729</u>	<u>321,220</u>	<u>-</u>	<u>-</u>
Total	<u>\$26,084,712</u>	<u>\$ 1,324,576</u>	<u>\$25,696,426</u>	<u>\$ 1,304,857</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, 2019. 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>	<u>ERS</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
2019	\$ 1,022,252	\$ 51,910
2020	916,024	46,515
2021	(5,286,437)	(268,443)
2022	(2,589,282)	(131,483)

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, 2018
Actuarial valuation date	April 1, 2017
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.50%
Cost-of-living adjustment	1.30%

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, 2017 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.

Measurement date	ERS	
	Target	Long-Term Expected
	Allocation	Real Rate of Return
	March 31, 2018	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	<u>100.0 %</u>	

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%)
Governmental Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 56,638,895	\$ 7,485,709	\$ (34,095,921)
Business-type Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 2,876,102	\$ 380,122	\$ (1,731,378)

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, 2017
Employers' total pension liability	\$ 183,400,590
Plan fiduciary net position	<u>180,173,145</u>
Employers' net pension liability	<u>\$ 3,227,445</u>
System fiduciary net position as a percentage of total pension liability	98.2%

Payables to the Pension Plan—For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2018 represent the employer contribution for the period of April 1, 2018 through December 31, 2018. Accrued retirement contributions as of December 31, 2018 amounted to \$6,400,091.

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.

Employees Covered by Benefit Terms—At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	182
Active employees	<u>903</u>
Total	<u><u>1,085</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments, which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The County’s total OPEB liability for governmental activities and business-type activities of \$56,879,175 and \$5,218,986, respectively, was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee 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 December 31, 2018 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.31% effective January 1, 2018 to 3.71% effective December 31, 2018. The salary scale remained unchanged at 2.00%. Mortality rates were based on RPH-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2018 mortality improvement scale on a fully generational basis. The annual rate of increase in healthcare costs was developed based on a review of published national trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trends Model v2018_c.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2017 to December 31, 2018.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	<u>Total OPEB Liability</u>	
	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
Balances at December 31, 2017	\$ 57,743,486	\$ 5,320,846
Changes for the year:		
Service cost	3,490,065	210,350
Interest	1,991,293	180,742
Changes of assumptions	(4,198,426)	(351,567)
Benefit payments	<u>(2,147,243)</u>	<u>(141,385)</u>
Net changes	<u>(864,311)</u>	<u>(101,860)</u>
Balances at December 31, 2018	<u>\$ 56,879,175</u>	<u>\$ 5,218,986</u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table on the following page presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability.

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Governmental Activities:			
Total OPEB Liability	\$ 63,311,736	\$ 56,879,175	\$ 51,334,977
Business-type Activities:			
Total OPEB Liability	\$ 5,838,649	\$ 5,218,986	\$ 4,734,144

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the net OPEB liability of a 1% change in the initial (8.5%)/ultimate (3.78%) healthcare cost trend rates.

	1% Decrease (7.50/2.78%)	Healthcare Cost Trend Rates (8.50/3.78%)	1% Increase (9.50/4.78%)
Governmental Activities:			
Total OPEB Liability	\$ 49,723,166	\$ 56,879,175	\$ 65,856,817
Business-type Activities:			
Total OPEB Liability	\$ 4,585,502	\$ 5,218,986	\$ 6,073,358

Funding Policy—Authorization for the County to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the County Legislature. The County recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. County governmental activities and business-type activities contributed \$2,147,243 and \$141,385 for the fiscal year ended December 31, 2018, respectively. The County’s contributions to the OPEB plan are based on negotiated contracts with three bargaining units, as discussed in Note 15. Any amendments to the employer’s contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The County reports deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the County’s deferred inflows of resources at December 31, 2018:

	Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities
Changes of assumptions	\$ 3,759,836	\$ 308,648
Total	<u>\$ 3,759,836</u>	<u>\$ 308,648</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 427,254	\$ 42,919
2020	427,254	42,919
2021	427,254	42,919
2022	427,254	42,919
2023	427,254	42,919
Thereafter	1,623,566	94,053

9. RISK MANAGEMENT

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, public official liability, automobile, network security, business and business personal property with deductibles ranging from \$25,000 to \$100,000 per occurrence. 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 \$20,750,000 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 \$7,827,049 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, 2017 are summarized as follows:

<u>Year Ended December 31,</u>	<u>Liability, Beginning of Year</u>	<u>Claims and Adjustments</u>	<u>Claim Payments</u>	<u>Liability, End of Year</u>
2018	\$ 17,993,469	\$ 7,012,552	\$ 4,256,021	\$ 20,750,000
2017	18,530,000	4,257,788	4,794,319	17,993,469

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, 2018. 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, 2018 were approximately \$1,655,136.

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

Year Ending December 31,	Operating Leases
2019	\$ 1,597,326
2020	1,471,325
2021	1,368,108
2022	782,211
2023	732,958
2024 and beyond	<u>2,580,667</u>
Future minimum payments	<u>\$ 8,532,595</u>

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are accounted for in the General Fund and Landfill Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes must be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of permanent financing, provided that annual reductions of principal are made.

During the year ended December 31, 2018, the County issued bond anticipation notes in the amount of \$19,000,000 at 3.0% interest to mature on December 27, 2019. The purpose of the BAN was for renovations of at Jamestown Community College and construction and expansion of the County’s sanitary landfill.

The following is a summary of the County’s short-term debt for the year ended December 31, 2018:

	Interest Rate	Balance 1/1/2018	Increases	Decreases	Balance 12/31/18
Bond anticipation notes:					
Jamestown Community College renovations	3.00%	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Landfill construction and expansion	3.00%	<u>-</u>	<u>18,000,000</u>	<u>-</u>	<u>18,000,000</u>
Total		<u>\$ -</u>	<u>\$ 19,000,000</u>	<u>\$ -</u>	<u>\$ 19,000,000</u>

12. 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, 2018, certain items continue to be held in escrow in the Agency Fund.

A summary of the County's long-term debt at December 31, 2018 follows:

	Balance 1/1/2018 (as restated)	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Governmental activities:					
Serial bonds	\$ 34,397,256	\$ -	\$ (2,012,526)	\$ 32,384,730	\$ 2,374,730
Premium on serial bonds	351,047	-	(28,272)	322,775	28,272
CTASC bonds and accreted interest, net	38,377,501	569,127	(350,000)	38,596,628	445,000
Compensated absences*	5,926,999	692,490	-	6,619,489	3,808,911
Workers' compensation	16,269,353	6,622,129	(3,567,209)	19,324,273	-
OPEB obligation	57,743,486	5,481,358	(6,345,669)	56,879,175	-
Long-term due to other governments	360,000	-	(80,000)	280,000	80,000
Net pension liability*	20,948,966	-	(13,463,257)	7,485,709	-
Long-term retirement payable	2,261,458	-	(344,636)	1,916,822	346,655
Total governmental activities	<u>\$ 176,636,066</u>	<u>\$ 13,365,104</u>	<u>\$ (26,191,569)</u>	<u>\$ 163,809,601</u>	<u>\$ 7,083,568</u>
Business-type activities:					
Serial bonds and EFC notes payable	\$ 10,502,800	\$ 2,964,187	\$ (1,061,716)	\$ 12,405,271	\$ 718,376
Premium on serial bonds	718,140	-	(57,837)	660,303	57,837
Notes payable	720,746	-	(54,343)	666,403	56,297
Compensated absences*	164,311	-	(5,485)	158,826	158,826
Landfill closure and post-closure	22,598,943	1,168,080	-	23,767,023	-
Workers' compensation	523,585	390,423	(142,431)	771,577	-
OPEB obligation	5,320,846	391,092	(492,952)	5,218,986	-
Net pension liability*	1,142,064	-	(761,942)	380,122	-
Total business-type activities	<u>\$ 41,691,435</u>	<u>\$ 4,913,782</u>	<u>\$ (2,576,706)</u>	<u>\$ 44,028,511</u>	<u>\$ 991,336</u>
Agency Fund (held in escrow for County Home)					
Workers' compensation	<u>\$ 1,200,532</u>	<u>\$ -</u>	<u>\$ (546,382)</u>	<u>\$ 654,150</u>	<u>\$ -</u>
Total Agency Fund	<u>\$ 1,200,532</u>	<u>\$ -</u>	<u>\$ (546,382)</u>	<u>\$ 654,150</u>	<u>\$ -</u>

*Additions and reductions to compensated absences and net pension liability, respectively, are shown net of reductions and additions.

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 January 4, 2018, the County entered into an agreement with the Environmental Facilities Corporation to issue bond anticipation notes at an amount not to exceed \$2,997,700. The long-term bond anticipation notes mature on January 4, 2021 at an initial interest rate of 0.0%. As of December 31, 2018, the County has drawn down \$2,964,187, which has been recorded as a long-term liability within 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 \$11,970,000 at December 31, 2018.

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 \$11,465,000 at December 31, 2018.

A summary of additions and payments of serial bonds for the year ended December 31, 2018 is shown on the following page.

	Year of Maturity	Interest Rate	Balance 1/1/2018	Additions	Decreases	Balance 12/31/2018	Due Within One Year
Governmental activities							
DPF salt storage shed	2020	2.98/4.32	\$ 60,000	\$ -	\$ (20,000)	\$ 40,000	\$ 20,000
Jail construction refunded bonds	2029	2.00/4.00	9,140,000	-	(625,000)	8,515,000	645,000
Jail & courts construction—refunded	2029	2.00/4.00	4,015,000	-	(375,000)	3,640,000	395,000
Helicopters	2030	0.70/4.50	438,000	-	(214,000)	224,000	224,000
JCC science building	2020	0.70/4.50	277,000	-	(136,000)	141,000	-
JCC residence hall	2032	2.50/3.75	5,295,000	-	(280,000)	5,015,000	141,000
Public improvements	2039	2.50/3.75	8,625,000	-	(275,000)	8,350,000	-
Helicopters—refunding	2025	4.00	1,550,000	-	-	1,550,000	290,000
JCC science building—refunding	2030	2.13/4.00	1,950,000	-	-	1,950,000	280,000
Public improvements	2040	1.25/4.00	3,047,256	-	(87,526)	2,959,730	89,730
Total governmental activities			<u>\$ 34,397,256</u>	<u>\$ -</u>	<u>\$ (2,012,526)</u>	<u>\$ 32,384,730</u>	<u>\$ 2,084,730</u>
Business-type activities							
Landfill cell construction	2018	0.83/2.65	\$ 360,000	\$ -	\$ (360,000)	\$ -	\$ -
Energy fund power plant	2030	3.00/4.50	965,000	-	(475,000)	490,000	490,000
Energy fund power plant	2025	4.25/5.25	1,130,000	-	(135,000)	995,000	135,000
Qualified energy performance bonds	2026	5.66	887,800	-	(91,716)	796,084	93,376
Energy fund power plant—refunding	2030	2.13/4.00	7,160,000	-	-	7,160,000	-
EFC Notes 2018	2021	0.00	-	2,964,187	-	2,964,187	-
Total business-type activities			<u>\$ 10,502,800</u>	<u>\$ 2,964,187</u>	<u>\$ (1,061,716)</u>	<u>\$ 12,405,271</u>	<u>\$ 718,376</u>

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

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 2,084,730	\$ 1,055,965	\$ 718,376	\$ 316,323
2020	2,155,000	990,956	3,719,253	287,646
2021	2,215,000	923,468	776,787	257,726
2022	2,295,000	842,344	803,539	226,873
2023	2,385,000	757,331	845,322	194,574
2024-2028	11,290,000	2,527,185	4,011,994	484,725
2029-2033	5,745,000	1,161,617	1,530,000	34,273
2034-2038	3,290,000	503,525	-	-
2039-2040	925,000	32,356	-	-
Total	<u>\$32,384,730</u>	<u>\$ 8,794,747</u>	<u>\$12,405,271</u>	<u>\$ 1,802,140</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 \$280,000 in principal and \$153,450 in interest.

Chautauqua County Tobacco Asset Securitization Corporation (“CTASC”)—Changes in CTASC’s long-term debt for the year ended December 31, 2018 is shown on the following page.

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018	Due Within One Year
CTASC bonds:					
Series 2014	\$ 31,715,000	\$ -	\$ (350,000)	\$ 31,365,000	\$ 445,000
Series 2005 and accreted interest, net	7,092,329	547,157	-	7,639,486	-
Less bond discount	(429,828)	-	21,970	(407,858)	-
Total CTASC bonds and accreted interest, net	<u>\$ 38,377,501</u>	<u>\$ 547,157</u>	<u>\$ (328,030)</u>	<u>\$ 38,596,628</u>	<u>\$ 445,000</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, 2018 was \$2,306,346.

As a result of the refunding, CTASC has recorded a deferred gain on refunding in the amount of \$3,260,482. The gain is classified as a deferred inflow of resources within governmental activities 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 on the following page.

Year Ending December 31,	Principal	Interest	Total
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	1,180,000	1,338,525	2,518,525
2024-2028	6,505,000	5,719,763	12,224,763
2029-2033	9,455,000	3,790,025	13,245,025
2034-2037	10,540,000	1,185,750	11,725,750
Total	<u>\$ 31,365,000</u>	<u>\$ 17,926,788</u>	<u>\$ 49,291,788</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, 2018:

Year Ending December 31,	Principal	Interest	Total
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	64,870	16,167	81,037
2024-2028	273,734	48,112	321,846
2029-2030	90,144	3,630	93,774
Total	<u>\$666,403</u>	<u>\$154,401</u>	<u>\$ 820,804</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 \$11,497,224, while the total liability in the business-type activities is \$771,577, and the total held in escrow for the County Home is \$654,150.

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 \$23,767,023. 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, 2018 is \$56,879,175 and \$5,218,986 for governmental activities and business-type activities, 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, 2018, the County reports a long-term liability of \$280,000.

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 \$7,485,709 and \$380,122 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, 2018, the County reported a liability of \$1,916,822.

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 \$999,226.

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 \$94,400.

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 \$1,396,387.

The following table summarizes the future payment schedule on the bonds payable as of December 31, 2018:

Year Ending December 31,	Principal	Interest	Total
2019	\$2,160,044	\$311,098	\$ 2,471,142
2020	164,707	56,419	221,126
2021	191,062	52,660	243,722
2022	183,590	48,802	232,392
2023	155,725	44,840	200,565
2024-2028	841,839	160,991	1,002,830
2029-2033	<u>813,746</u>	<u>46,310</u>	<u>860,056</u>
Total	<u>\$4,510,713</u>	<u>\$721,120</u>	<u>\$ 5,231,833</u>

13. 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. A reconciliation of the County’s governmental and business-type activities net investment in capital assets is presented on the following page.

Governmental activities:	
Capital assets, net of accumulated depreciation	\$ 197,933,022
Related debt:	
Serial bonds issued	(32,384,730)
Unamortized bond premium	(322,775)
CTASC net bonds issued	(38,596,628)
Debt issued on behalf of JCC	7,106,000
Deferred gain on CTASC refunding	(3,260,482)
Deferred charge on refunding	859,129
Net investment in capital assets—governmental activities	<u>\$ 131,333,536</u>
Business-type activities:	
Capital assets, net of accumulated depreciation	\$ 52,773,777
Related debt:	
Bond anticipation notes payable	(18,000,000)
Serial bonds issued	(12,405,271)
Unamortized bond premium	(660,303)
Notes payable issued	(666,403)
Unspent proceeds of debt	13,090,442
Deferred charge on refunding debt	606,012
Net investment in capital assets—business-type activities	<u>\$ 34,738,254</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, 2018 includes:

- **Prepaid Items**—Represents amounts of \$164,280 prepaid to vendors and employees that are applicable to future accounting periods.
- **Inventories**—Represents the portion of fund balance, \$609,459, composed of inventory and is nonspendable because inventory is not an available spendable resource.
- **Loans Receivable**—Represents the portion of fund balance, \$5,311,766, composed of loans receivable through the year ended December 31, 2033 and are nonspendable because they are not an available resource of the next fiscal year.
- **Long-term Due from Other Funds**—Represents the long-term portion of funds, \$4,528,218, reported within the County’s General Fund as receivable from the County Road Fund.

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, 2018, the County had the following restricted amounts within its governmental funds:

	General Fund	CTASC	Total
Insurance	\$ 3,256,904	\$ -	\$ 3,256,904
Capital projects	6,679,413	214,014	6,893,427
Tax stabilization	100,060	-	100,060
Occupancy tax	323,363	-	323,363
E911 and W911	586,497	-	586,497
DWI program	-	-	-
Fire services	461,703	-	461,703
Lakes and waterways	357,119	-	357,119
Debt service	-	2,314,081	2,314,081
Total restricted fund balance	<u>\$ 11,765,059</u>	<u>\$ 2,528,095</u>	<u>\$ 14,293,154</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 \$4,352,938 of this restriction during its 2019 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, 2018 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, 2018, the following balances were considered to be assigned:

	General Fund	Road Machinery Fund	Total
Subsequent year's appropriations	\$ -	\$ 744,658	\$ 744,658
Encumbrances	707,393	19,797	727,190
Specific use	-	807,912	807,912
Total assigned fund balance	<u>\$ 707,393</u>	<u>\$ 1,572,367</u>	<u>\$ 2,279,760</u>

- **Assigned to Subsequent Year's Appropriations**—Represents available fund balance being appropriated to meet expenditure requirements in the 2019 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.

14. INTERFUND BALANCES AND ACTIVITY

Interfund loans are short-term in nature and exist because of temporary advances made on behalf of other funds. 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, 2018 are shown below:

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 6,249,478	\$ -
County Road Fund	-	4,528,218
Capital Projects Fund	-	864,737
Total governmental funds	<u>6,249,478</u>	<u>5,392,955</u>
Water Districts Fund	-	782,376
Internal Service Funds	-	74,147
Total	<u>\$ 6,249,478</u>	<u>\$ 6,249,478</u>

Transfers out:	County Road Fund	Road Machinery Fund	Capital Projects Fund	Total
General Fund	\$10,785,684	\$2,445,240	\$ 1,298,594	\$14,529,518
County Road Fund	-	-	63,580	63,580
Total	<u>\$10,785,684</u>	<u>\$2,445,240</u>	<u>\$ 1,362,174</u>	<u>\$14,593,098</u>

15. AGENCY FUNDS

An agency fund exists for employee withholding and temporary deposit funds. Additionally, it contains funds held in escrow on behalf of the County Home. The following is a summary of changes in assets and liabilities for the fiscal year ended December 31, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Restricted cash	\$ 3,267,442	\$ 6,392,514	\$ 5,530,667	\$ 4,129,289
Cash held in escrow for County Home	2,239,520	-	1,447,006	792,514
Accounts receivable	130,405	417,893	431,448	116,850
Total assets	<u>\$ 5,637,367</u>	<u>\$ 6,810,407</u>	<u>\$ 7,409,121</u>	<u>\$ 5,038,653</u>
LIABILITIES				
Agency liabilities	\$ 3,397,847	\$ 6,819,146	\$ 5,970,854	\$ 4,246,139
Held in escrow for County Home:				
Workers' compensation	1,200,532	-	546,382	654,150
Net employee benefit obligation	1,038,988	-	900,624	138,364
Total liabilities	<u>\$ 5,637,367</u>	<u>\$ 6,819,146</u>	<u>\$ 7,417,860</u>	<u>\$ 5,038,653</u>

16. LABOR CONTRACTS

Five bargaining units represent the unionized County employees. The Civil Service Employees Association Unit 6322 has a contract settled through December 31, 2018, the Chautauqua County Sheriff's Supervisors' Association and the Deputy Sheriffs' Association of Chautauqua County are settled through December 31, 2021. Civil Service Employees Association Unit 6300 and Civil Service Employees Association Unit 6323 have expired contracts which are under negotiation as of December 31, 2018.

17. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrances accounting is utilized to the extent necessary to assure budgetary control and accountability and to facilitate effective cash planning and control. While appropriations and encumbrances lapse at year-end, valid encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The County considers encumbrances to be significant for amounts that are encumbered in excess of \$250,000. As of December 31, 2018, the County had one encumbrance in the General Fund considered to be significant. This encumbrance is included within the General Fund assigned fund balance:

Communication equipment \$ 295,550

18. 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, 2018 follows:

	Sewer	Water	Landfill	Electric Plant	Land Bank Corporation	Total Enterprise Funds
Operating revenues	\$ 4,204,765	\$ 59,877	\$ 9,466,548	\$ 2,297,807	\$ 1,460,318	\$ 17,489,315
Operating expenses:						
Services provided	3,809,740	48,478	5,556,565	1,449,520	1,327,686	12,191,989
Depreciation & depletion	1,304,196	36,653	2,756,957	658,592	-	4,756,398
Operating income (loss)	(909,171)	(25,254)	1,153,026	189,695	132,632	540,928
Nonoperating revenues (expenses)	586,024	2,298	467,453	(296,988)	-	758,787
Change in net position	<u>\$ (323,147)</u>	<u>\$ (22,956)</u>	<u>\$ 1,620,479</u>	<u>\$ (107,293)</u>	<u>\$ 132,632</u>	<u>\$ 1,299,715</u>
Current assets	\$ 5,780,011	\$ 12,940	\$ 38,305,520	\$ 2,454,058	\$ 1,225,980	\$ 47,778,509
Current liabilities	472,836	785,872	18,625,357	142,123	145,158	20,171,346
Net working capital	<u>\$ 5,307,175</u>	<u>\$ (772,932)</u>	<u>\$ 19,680,163</u>	<u>\$ 2,311,935</u>	<u>\$ 1,080,822</u>	<u>\$ 27,607,163</u>
Total assets and deferred outflows	\$ 31,070,458	\$ 1,180,779	\$ 55,166,303	\$ 13,839,354	\$ 1,225,980	\$ 102,482,874
Total liabilities and deferred inflows	6,417,950	786,941	48,219,803	10,243,510	145,158	65,813,362
Net position	<u>\$ 24,652,508</u>	<u>\$ 393,838</u>	<u>\$ 6,946,500</u>	<u>\$ 3,595,844</u>	<u>\$ 1,080,822</u>	<u>\$ 36,669,512</u>
Capital asset additions	\$ 3,811,174	\$ 71,850	\$ 434,742	\$ -	\$ -	\$ 4,317,766
Serial bonds payable - noncurrent	\$ 2,964,187	\$ -	\$ -	\$ 8,722,708	\$ -	\$ 11,686,895

19. 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 \$293,144 during 2018 in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$2,786,725 in property taxes.

20. 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 \$3,256,904, 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.

21. 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 \$7,719,176 as of December 31, 2018, and post closure care liability, projected at \$16,047,847 as of December 31, 2018 (totaling \$23,767,023), represent the cumulative amount reported to date based on the use of 93.59% of the estimated permitted space less areas where the final cover has been placed.

Total remaining closure cost is projected at \$9,556,900 and total post-closure care cost is projected at \$16,950,000, totaling \$26,506,900. The County will recognize the remaining projected closure cost of \$902,153 and the remaining projected post-closure care cost of \$1,837,724 (totaling \$2,739,877) 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 2018. 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 \$23,767,023 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.

22. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2019, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Measurement date	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	98.2%	94.7%	90.7%	97.9%	97.2%
Governmental Activities:					
County's proportion of the net pension liability	0.2319392%	0.2224483%	0.2302752%	0.2404218%	0.2404218%
County's proportionate share of the net pension liability	<u>\$ 7,485,709</u>	<u>\$ 20,901,744</u>	<u>\$ 36,959,440</u>	<u>\$ 8,122,268</u>	<u>\$ 10,864,634</u>
County's covered payroll	\$ 53,166,641	\$ 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 payroll	14.1%	40.4%	72.6%	15.2%	19.9%
Business-type Activities:					
County's proportion of the net pension liability	0.0117778%	0.0126571%	0.0136579%	0.0147489%	0.0147489%
County's proportionate share of the net pension liability	<u>\$ 380,122</u>	<u>\$ 1,189,287</u>	<u>\$ 2,192,508</u>	<u>\$ 498,024</u>	<u>\$ 666,174</u>
County's covered payroll	\$ 2,698,275	\$ 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 payroll	14.1%	40.5%	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 Five Fiscal Years*

	Year Ended December 31,				
	2018	2017	2016	2015	2014
<i>Governmental Activities:</i>					
Contractually required contributions	\$ 8,357,972	\$ 10,265,152	\$ 8,094,457	\$ 9,051,328	\$ 9,335,708
Contributions in relation to the contractually required contribution	<u>(8,357,972)</u>	<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>	<u>\$ -</u>
County's covered payroll	\$ 53,804,423	\$ 52,485,956	\$ 51,255,048	\$ 49,947,906	\$ 55,388,381
Contributions as a percentage of covered payroll	15.5%	19.6%	15.8%	18.1%	16.9%
<i>Business-type Activities:</i>					
Contractually required contributions	\$ 424,415	\$ 583,666	\$ 488,622	\$ 1,874,945	\$ 2,048,181
Contributions in relation to the contractually required contribution	<u>(424,415)</u>	<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>	<u>\$ -</u>
County's covered payroll	\$ 2,730,644	\$ 2,984,300	\$ 3,040,553	\$ 2,963,011	\$ 3,285,751
Contributions as a percentage of covered payroll	15.5%	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 Changes in the County's Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2018*

Governmental activities:

Total OPEB Liability	
Service cost	\$ 3,490,065
Interest	1,991,293
Changes of assumptions	(4,198,426)
Benefit payments	<u>(2,147,243)</u>
Net change in total OPEB liability	<u>(864,311)</u>
Total OPEB liability—beginning, as restated	<u>57,743,486</u>
Total OPEB liability—ending	<u>\$ 56,879,175</u>
Covered employee payroll	\$ 43,175,990
County's net OPEB liability as a percentage of covered employee payroll	131.7%

Business-type activities:

Total OPEB Liability	
Service cost	\$ 210,350
Interest	180,742
Changes of assumptions	(351,567)
Benefit payments	<u>(141,385)</u>
Net change in total OPEB liability	<u>(101,860)</u>
Total OPEB liability—beginning, as restated	<u>5,320,846</u>
Total OPEB liability—ending	<u>\$ 5,218,986</u>
Covered employee payroll	\$ 2,859,160
County's net OPEB liability as a percentage of covered employee payroll	182.5%

*Information prior to the year ended December 31, 2018 is not available.

The notes to the required supplementary information are an integral part of this schedule.

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 60,199,010	\$ 60,199,010	\$ 58,670,872	\$ (1,528,138)
Real property tax items	3,477,771	3,477,771	3,165,918	(311,853)
Non-property tax items	70,013,263	70,762,348	71,722,518	960,170
Departmental income	20,693,812	20,930,651	18,548,963	(2,381,688)
Intergovernmental charges	4,560,684	4,244,660	4,205,058	(39,602)
Licenses and permits	131,000	148,728	114,326	(34,402)
Fines and forfeitures	434,472	438,739	319,818	(118,921)
Use of money and property	3,891,683	4,184,205	4,251,317	67,112
Sale of property and compensation for loss	120,663	202,455	281,574	79,119
Miscellaneous	571,971	701,097	1,514,840	813,743
State aid	28,306,965	29,435,736	26,116,546	(3,319,190)
Federal aid	<u>34,218,058</u>	<u>34,635,943</u>	<u>31,032,780</u>	<u>(3,603,163)</u>
Total revenues	<u>226,619,352</u>	<u>229,361,343</u>	<u>219,944,530</u>	<u>(9,416,813)</u>
EXPENDITURES				
Current:				
General government support	50,078,872	51,531,754	50,496,965	1,034,789
Education	10,545,340	10,800,519	10,646,372	154,147
Public safety	30,821,150	31,171,375	30,755,207	416,168
Health	24,059,806	24,232,561	20,598,990	3,633,571
Transportation	4,002,262	4,015,403	3,893,159	122,244
Economic assistance and opportunity	91,483,447	91,961,321	89,906,224	2,055,097
Culture and recreation	477,964	476,099	442,366	33,733
Home and community services	1,207,481	1,220,636	1,139,611	81,025
Debt service:				
Principal	2,072,256	2,072,526	2,072,526	-
Interest	<u>1,120,935</u>	<u>1,120,955</u>	<u>1,120,955</u>	<u>-</u>
Total expenditures	<u>215,869,513</u>	<u>218,603,149</u>	<u>211,072,375</u>	<u>7,530,774</u>
Excess of revenues over expenditures	<u>10,749,839</u>	<u>10,758,194</u>	<u>8,872,155</u>	<u>(1,886,039)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	268,522	268,522	-	(268,522)
Transfers out	<u>(14,313,619)</u>	<u>(14,717,502)</u>	<u>(14,529,518)</u>	<u>187,984</u>
Total other financing sources (uses)	<u>(14,045,097)</u>	<u>(14,448,980)</u>	<u>(14,529,518)</u>	<u>(80,538)</u>
Net change in fund balances*	(3,295,258)	(3,690,786)	(5,657,363)	(1,966,577)
Fund balances—beginning	<u>37,171,415</u>	<u>37,171,415</u>	<u>37,171,415</u>	<u>-</u>
Fund balances—ending	<u>\$ 33,876,157</u>	<u>\$ 33,480,629</u>	<u>\$ 31,514,052</u>	<u>\$ (1,966,577)</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 notes to the required supplementary information are an integral part of this schedule.

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—
Budget and Actual—County Road Fund
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Non-property tax items	\$ 750,000	\$ 750,000	\$ 779,292	\$ 29,292
Departmental income	100	100	54	(46)
Intergovernmental charges	79,643	85,637	86,022	385
Use of money and property	118,200	118,200	-	(118,200)
Miscellaneous	175,000	257,864	253,015	(4,849)
State aid	4,591,287	5,354,766	5,606,013	251,247
Federal aid	385,000	1,284,105	2,741,662	1,457,557
Total revenues	<u>6,099,230</u>	<u>7,850,672</u>	<u>9,466,058</u>	<u>1,615,386</u>
EXPENDITURES				
Current:				
Transportation	<u>17,485,107</u>	<u>24,737,987</u>	<u>23,383,363</u>	<u>1,354,624</u>
Total expenditures	<u>17,485,107</u>	<u>24,737,987</u>	<u>23,383,363</u>	<u>1,354,624</u>
(Deficiency) of revenues over expenditures	<u>(11,385,877)</u>	<u>(16,887,315)</u>	<u>(13,917,305)</u>	<u>2,970,010</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,785,684	10,785,684	10,785,684	-
Transfers out	-	(63,580)	(63,580)	-
Total other financing sources (uses)	<u>10,785,684</u>	<u>10,722,104</u>	<u>10,722,104</u>	<u>-</u>
Net change in fund balances (deficits)*	(600,193)	(6,165,211)	(3,195,201)	2,970,010
Fund balances—beginning	<u>2,114,317</u>	<u>2,114,317</u>	<u>2,114,317</u>	<u>-</u>
Fund balances (deficit)—ending	<u>\$ 1,514,124</u>	<u>\$ (4,050,894)</u>	<u>\$ (1,080,884)</u>	<u>\$ 2,970,010</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 notes to the required supplementary information are 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 313,800	\$ 397,797	\$ 397,797	\$ -
Use of money and property	56,208	56,289	12,015	(44,274)
Sale of property and compensation for loss	35,000	70,525	74,027	3,502
Miscellaneous	<u>297,050</u>	<u>386,489</u>	<u>382,988</u>	<u>(3,501)</u>
Total revenues	<u>702,058</u>	<u>911,100</u>	<u>866,827</u>	<u>(44,273)</u>
EXPENDITURES				
Current:				
Transportation	3,441,144	3,969,455	3,969,452	3
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	<u>725</u>	<u>725</u>	<u>725</u>	<u>-</u>
Total expenditures	<u>3,461,869</u>	<u>3,990,180</u>	<u>3,990,177</u>	<u>3</u>
(Deficiency) of revenues over expenditures	<u>(2,759,811)</u>	<u>(3,079,080)</u>	<u>(3,123,350)</u>	<u>(44,270)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>2,445,240</u>	<u>2,445,240</u>	<u>2,445,240</u>	<u>-</u>
Total other financing sources	<u>2,445,240</u>	<u>2,445,240</u>	<u>2,445,240</u>	<u>-</u>
Net change in fund balances*	(314,571)	(633,840)	(678,110)	(44,270)
Fund balances—beginning	<u>2,645,656</u>	<u>2,645,656</u>	<u>2,645,656</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,331,085</u>	<u>\$ 2,011,816</u>	<u>\$ 1,967,546</u>	<u>\$ (44,270)</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 notes to the required supplementary information are an integral part of this schedule.

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COUNTY OF CHAUTAUQUA, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2018

1. OPEB LIABILITY

Changes in Assumptions—Changes in assumptions reflect the effects of changes in the long-term discount rate, the mortality rate, and the healthcare trend rate. The discount rate changed from 3.31% effective January 1, 2018 to 3.71% effective December 31, 2018, mortality rates were adjusted for improvements with scale MP-2018, and the healthcare trend rate is 3.78% at December 31, 2018.

2. 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, 2018 include encumbrances from the prior year of \$220,077, \$193 and \$14,571, respectively.

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SUPPLEMENTARY INFORMATION

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Net Position—Internal Service Funds
December 31, 2018

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total Internal</u> <u>Service Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,993,920	\$ -	\$ 6,993,920
Intergovernmental receivables	7,827,049	-	7,827,049
Prepaid items	-	176,400	176,400
Total assets	<u>14,820,969</u>	<u>176,400</u>	<u>14,997,369</u>
LIABILITIES			
Current liabilities:			
Accounts payable	81,604	153,904	235,508
Accrued expenses	-	27,895	27,895
Due to other funds	-	74,147	74,147
Total current liabilities	<u>81,604</u>	<u>255,946</u>	<u>337,550</u>
Noncurrent liabilities:			
Workers' compensation liability	<u>19,324,273</u>	-	<u>19,324,273</u>
Total noncurrent liabilities	<u>19,324,273</u>	-	<u>19,324,273</u>
Total liabilities	<u>19,405,877</u>	<u>255,946</u>	<u>19,661,823</u>
NET POSITION			
Unrestricted	<u>(4,584,908)</u>	<u>(79,546)</u>	<u>(4,664,454)</u>
Total net position	<u>\$ (4,584,908)</u>	<u>\$ (79,546)</u>	<u>\$ (4,664,454)</u>

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Revenues, Expenses, and
Changes in Net Position—Internal Service Funds
Year Ended December 31, 2018

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total Internal</u> <u>Service Funds</u>
OPERATING REVENUES			
Charges for services	\$ 5,744,918	\$ 21,680,035	\$ 27,424,953
Total operating revenues	<u>5,744,918</u>	<u>21,680,035</u>	<u>27,424,953</u>
OPERATING EXPENSES			
Insurance claims and expenses	<u>7,484,414</u>	<u>21,879,193</u>	<u>29,363,607</u>
Total operating expenses	<u>7,484,414</u>	<u>21,879,193</u>	<u>29,363,607</u>
Operating loss	(1,739,496)	(199,158)	(1,938,654)
NONOPERATING REVENUES (EXPENSES)			
Interest income	87,554	-	87,554
Other miscellaneous revenue	<u>115,755</u>	<u>-</u>	<u>115,755</u>
Total nonoperating revenues (expenses)	<u>203,309</u>	<u>-</u>	<u>203,309</u>
Change in net position	(1,536,187)	(199,158)	(1,735,345)
Net position—beginning	<u>(3,048,721)</u>	<u>119,612</u>	<u>(2,929,109)</u>
Net position—ending	<u>\$ (4,584,908)</u>	<u>\$ (79,546)</u>	<u>\$ (4,664,454)</u>

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Cash Flows—Internal Service Funds
Year Ended December 31, 2018

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total Internal</u> <u>Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided	\$ 4,665,506	\$ 21,680,035	\$ 26,345,541
Payments to suppliers and service providers	<u>(4,454,363)</u>	<u>(21,742,958)</u>	<u>(26,197,321)</u>
Net cash provided by (used for) operating activities	<u>211,143</u>	<u>(62,923)</u>	<u>148,220</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	-	62,923	62,923
Other income	<u>115,755</u>	<u>-</u>	<u>115,755</u>
Net cash provided by noncapital financing activities	<u>115,755</u>	<u>62,923</u>	<u>178,678</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>87,554</u>	<u>-</u>	<u>87,554</u>
Net cash provided by investing activities	<u>87,554</u>	<u>-</u>	<u>87,554</u>
Net increase in cash and cash equivalents	414,452	-	414,452
Cash and cash equivalents—beginning	<u>6,579,468</u>	<u>-</u>	<u>6,579,468</u>
Cash and cash equivalents—ending	<u>\$ 6,993,920</u>	<u>\$ -</u>	<u>\$ 6,993,920</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating loss	\$ (1,739,496)	\$ (199,158)	\$ (1,938,654)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) in intergovernmental receivables	(1,079,412)	-	(1,079,412)
Decrease (increase) in prepaid items	10,667	(8,300)	2,367
(Decrease) increase in accounts payable	(35,536)	137,560	102,024
Increase in other accrued expenses	<u>3,054,920</u>	<u>6,975</u>	<u>3,061,895</u>
Total adjustments	<u>1,950,639</u>	<u>136,235</u>	<u>2,086,874</u>
Net cash provided by (used for) operating activities	<u>\$ 211,143</u>	<u>\$ (62,923)</u>	<u>\$ 148,220</u>

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FEDERAL AWARDS INFORMATION

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

<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>
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Programs:				
Schools and Roads - Grants to Counties	10.666	N/A	\$ -	\$ 129
Passed through NYS Department of Education:				
<i>Child Nutrition Cluster</i>				
Special Milk Program for Children	10.556	15-06-01	-	1,040
<i>Total Child Nutrition Cluster</i>			-	1,040
Passed Through NYS Department of Health:				
Child and Adult Care Food Program	10.558	CACFP	24,539	24,539
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	-	1,836,137
<i>Total SNAP Cluster</i>			-	1,836,137
Total U.S. Department of Agriculture			<u>24,539</u>	<u>1,861,845</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Direct Programs:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NYLHB-0602-15	1,083,704	1,083,704
Passed through NYS Housing Agencies:				
Multifamily Housing Service Coordinators	14.191	RES ADV	-	14,730
Total U.S. Department of Housing and Urban Development			<u>1,083,704</u>	<u>1,098,434</u>
U.S. DEPARTMENT OF JUSTICE:				
Passed through NYS Office of Victim Services:				
Crime Victim Assistance/Discretionary Grants	16.582	C-100074	-	138,474
Passed through NYS Division of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	C-652051	-	69,634
Total U.S. Department of Justice			<u>-</u>	<u>208,108</u>
U.S. DEPARTMENT OF LABOR:				
Passed through Senior Services America Inc.:				
Senior Community Service Employment Program	17.235	SSAI	-	247,256
Passed through NYS Office for the Aging:				
Senior Community Service Employment Program	17.235	V-SOFA	-	22,874
Total U.S. Department of Labor			<u>-</u>	<u>270,130</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
Direct Programs:				
Airport Improvement Program	20.106	3-36-0022-48-14	-	11,129
Airport Improvement Program	20.106	3-36-0022-53-17	-	58,533
Airport Improvement Program	20.106	3-36-0022-54-17	-	26,257
Airport Improvement Program	20.106	3-36-0022-55-17	-	1,132,332
Airport Improvement Program	20.106	3-36-0048-45-17	-	867,705
Airport Improvement Program	20.106	3-36-0048-46-17	-	88,545
Airport Improvement Program	20.106	3-36-0048-47-17	-	76,086
Airport Improvement Program	20.106	3-36-0048-48-18	-	44,865
Airport Improvement Program	20.106	3-36-0048-49-18	-	201
Total Airport Improvement Program			<u>-</u>	<u>2,305,653</u>

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

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)
Passed through NYS Department of Transportation:				
Formula Grants for Rural Areas	20.509	C-005585 / FY 2017	-	(248)
Formula Grants for Rural Areas	20.509	C-005585 / FY 2018	-	381,500
Formula Grants for Rural Areas	20.509	C-005585 / FY 2018	-	35,000
Formula Grants for Rural Areas	20.509	C-004107 / FY 2018	-	43,978
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction Projects	20.205	D-033857	-	9,794
Highway Planning and Construction Projects	20.205	D-034833	-	4,896
Highway Planning and Construction Projects	20.205	D-034886	-	2,277,480
Highway Planning and Construction Projects	20.205	D-035684	-	8,890
Highway Planning and Construction Projects	20.205	D-035979	-	161,871
Highway Planning and Construction Projects	20.205	D-035610	-	114,320
Highway Planning and Construction Projects	20.205	D-035751	-	52,257
Highway Planning and Construction Projects	20.205	D-035636	-	25,078
Highway Planning and Construction Projects	20.205	D-035000	-	87,077
Highway Planning and Construction Projects	20.205	D-035753	-	74,660
Highway Planning and Construction Projects	20.205	D-034696	-	5,917
Highway Planning and Construction Projects	20.205	D-034779	-	130,561
Total Highway Planning and Construction Cluster			-	2,952,801
Passed through NYS Governor's Traffic Safety Committee:				
National Priority Safety Programs (Child Passenger Safety)	20.616	C-652051	-	3,500
Passed through NYS Division of Homeland Security:				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	T-192476	-	15,400
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	T-969576	-	15,516
Total U.S. Department of Transportation			-	5,753,100
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Passed through NYS Department of Health:				
Beach Monitoring and Notification Program Implementation Grants	66.472	C-029637	-	9,305
Total U.S. Environmental Protection Agency			-	9,305
U.S. DEPARTMENT OF EDUCATION:				
Passed through NYS Department of Health:				
Special Education - Grants for Infants and Families with Disabilities	84.181	C-027469	-	33,008
Total U.S. Department of Education			-	33,008

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

<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>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Direct Programs:				
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	N/A	-	947,321
Passed through Health Research Inc.:				
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	HRI 1587-11	-	44,207
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	HRI 1587-12	-	42,860
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	HRI 4693-05	-	5,611
Passed through NYS Department of Health:				
Family Planning - Services	93.217	C-027015 (78.70%)	-	137,219
Immunization Cooperative Agreements	93.268	C-028281	-	3,459
Medical Assistance Program	93.778	C-028959	-	112,571
Medical Assistance Program	93.778	N/A	-	2,094,005
Maternal and Child Health Services Block Grant to the States	93.994	C-027015 (21.30%)	-	37,138
Maternal and Child Health Services Block Grant to the States	93.994	C-029706	-	23,218
Maternal and Child Health Services Block Grant to the States	93.994	C-030882	-	19,914
Passed through NYS Office of Temporary and Disability Assistance:				
Temporary Assistance for Needy Families	93.558	N/A	-	11,924,773
Child Support Enforcement	93.563	N/A	-	1,146,154
Low-Income Home Energy Assistance	93.568	N/A	-	7,084,011
Passed through NYS Office of Children and Family Services:				
Promoting Safe and Stable Families	93.556	N/A	-	18,411
<i>Child Care and Development Fund Cluster</i>				
Child Care and Development Block Grant	93.575	N/A	-	<u>3,107,725</u>
<i>Total Child Care and Development Fund Cluster</i>				
			-	<u>3,107,725</u>
Child Welfare Services Program	93.645	N/A	-	75,050
Foster Care, Title IV-E	93.658	N/A	-	1,849,914
Adoption Assistance	93.659	N/A	-	837,570
Social Services Block Grant	93.667	N/A	-	485,847
Chafee Foster Care Independence Program	93.674	N/A	-	46,729
Passed through NYS Office for the Aging:				
<i>Aging Cluster</i>				
Special Programs for the Aging, Title III Part B	93.044	III-B	-	184,786
Special Programs for the Aging, Title III Part C	93.045	III-C	390,925	390,925
Nutrition Services Incentive Program	93.053	NSIP	<u>175,695</u>	<u>175,695</u>
<i>Total Aging Cluster</i>				
			<u>566,620</u>	<u>751,406</u>
Special Programs for the Aging, Title III, Part D - Disease				
Prevention and Health Promotion Services	93.043	III-D	-	9,650
National Family Caregiver Support, Title III, Part E	93.052	III-E	63,406	63,406
Medical Assistance Enrollment Assistance Program	93.071	MIPPA / ADRC	-	14,761
Medical Assistance Program	93.778	BIP	-	83,916
Demonstrations and Evaluations	93.779	HIICAP	-	33,791
Passed through NYS Office of Mental Hygiene:				
Medical Assistance Program	93.778	N/A	-	217,050
Passed through NYS Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>497,894</u>	<u>497,894</u>
Total U.S. Department of Health and Human Services			<u>1,127,920</u>	<u>31,715,581</u>

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

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)
(concluded)				
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Direct Programs:				
Port Security Grant Program	97.056	N/A	-	9,014
Passed through NYS Division of Homeland Security and Emergency Services:				
Emergency Management Performance Grants	97.042	C-969575	-	23,508
Emergency Management Performance Grants	97.042	C-969585	-	16,605
Homeland Security Grant Program	97.067	C-969550	-	34,262
Homeland Security Grant Program	97.067	C-969560	-	44,353
Homeland Security Grant Program	97.067	C-969570	-	1,600
Homeland Security Grant Program	97.067	C-182459	-	3,383
Homeland Security Grant Program	97.067	C-182469	-	9,428
Homeland Security Grant Program	97.067	C-835679	-	72,375
Passed through NYS Office of Homeland Security:				
Homeland Security Grant Program	97.067	C-198630	-	381,945
Homeland Security Grant Program	97.067	C-198791	-	94,095
Homeland Security Grant Program	97.067	T-969562	-	11,983
Homeland Security Grant Program	97.067	T-969572	-	9,952
Homeland Security Grant Program	97.067	C-174751	-	21,297
Homeland Security Grant Program	97.067	C-174761	-	65,727
Homeland Security Grant Program	97.067	C-182470	-	14,491
Homeland Security Grant Program	97.067	T-174759	-	14,293
Homeland Security Grant Program	97.067	T-835669	-	12,237
Homeland Security Grant Program	97.067	T-182479	-	3,225
Homeland Security Grant Program	97.067	C-192459	-	680
Homeland Security Grant Program	97.067	C-192469	-	6,582
Homeland Security Grant Program	97.067	C-192479	-	54,002
Total U.S. Department of Homeland Security			-	905,037
TOTAL FEDERAL FINANCIAL ASSISTANCE (1e)			<u>\$ 2,236,163</u>	<u>\$ 41,854,548</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, 2018

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, 2018. 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:

- 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 are 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.

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, 2018, \$203,910,275 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, 2018, the County distributed \$36,141,372 of food vouchers to eligible persons participating in the Supplemental Nutrition Assistance Program (CFDA number 10.561). 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). \$6,465,146 in direct payments was received by participants, which is included in the amounts presented on the schedule of expenditures of federal awards.

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 20, 2019 (which includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75). Our report 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 by 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 any 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 or other matters 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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Duesch & Malach LLP in black ink.

June 20, 2019

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, 2018. The County's major federal programs are identified in the summary of auditors' 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 \$13,064,023, \$-0- and \$-0- in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2018. 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, as applicable.

Management's Responsibility

The County's management is responsible for compliance with 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, 2018.

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 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding 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.

 Duesch & Malin LLP

June 20, 2019

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*
 *(which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75 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	_____ <input type="checkbox"/> No	
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Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	Supplemental Nutrition Assistance Program Cluster
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
93.563	Child Support Enforcement
93.575, 93.596	Child Care and Development Block Grant Cluster
93.658	Foster Care
93.659	Adoption Assistance

Dollar threshold used to distinguish between Type A and Type B programs?	_____	\$ <u>1,255,636</u>
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ <input type="checkbox"/> No	
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Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2018-001—Record Retention of Adoption Assistance CFDA #93.659

Criteria—Title 2 Part 200 of the *Code of Federal Regulations* § 200.333 requires that “financial records, supporting documents, statistical records, and all other non-federal entity records pertinent to a federal award must be retained for a period of three years...”

Condition and Context—During single audit testing, we noted that the County’s Adoption Assistance case files did not include information to support the eligibility of individuals to participate in this program.

Cause—The lack of documentation appears to be due to a fire that occurred in a Department of Health and Human Services (“DHHS”) building and staff has not gone through the required procedures to obtain the information that was destroyed.

Effect—The County is not in compliance with the record retention requirements of the Uniform Guidance.

Recommendation—We recommend that the County work with the necessary agencies to obtain replacement documentation for the incomplete files.

View of Responsible Officials and Planned Corrective Action Plan—DHHS staff is currently in process of obtaining the missing records. In addition, DHHS has inquired of the New York State Office of Children and Family Services to determine if keeping additional electronic backups would be allowed so that this situation could be avoided in the future.

COUNTY OF CHAUTAUQUA, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended December 31, 2018
(Follow-up of December 31, 2017 findings)

We considered the 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.

Status: During the year ended December 31, 2018, no such items were noted.

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