

**COUNTY OF CATTARAUGUS,  
NEW YORK**

*Basic Financial Statements, Required  
Supplementary Information, Supplementary  
Information and Federal Awards Information  
for the Year Ended December 31, 2013 and  
Independent Auditors' Reports*



**COUNTY OF CATTARAUGUS, NEW YORK**  
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**Year Ended December 31, 2013**

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## FINANCIAL SECTION



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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

Honorable County Administrator and County Legislature  
County of Cattaraugus, New York

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cattaraugus, New York (the "County") as of and for the year ended December 31, 2013, 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 Pines Machias Campus or The Pines Olean Campus which collectively represent 92.2 percent and 97.1 percent, respectively of assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for the Pines, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Pines were not audited in accordance with *Government Auditing Standards*.

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, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***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 is presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The Supplemental 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 14, 2014, on our consideration of County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Handwritten signature of Duesch & Malin LLP in black ink.

July 14, 2014



**COUNTY OF CATTARAUGUS, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2013**

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As management of the County of Cattaraugus (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information contained in the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in dollars.

**Financial Highlights**

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at December 31, 2013 by \$70,097,109 (net position) compared to \$60,994,960 at December 31, 2012. Of this amount, \$20,323,478 represents a deficit in unrestricted net position.
- The County's net position increased by \$9,102,149. Governmental Activities increased the County's net position by \$10,357,533, while the net position of Business-type Activities decreased the County's net position by \$1,255,384.
- As of December 31, 2013, the County's governmental funds reported combined fund balances of \$56,734,137, an increase of \$8,983,675 from the prior year. Approximately 53.0%, \$30,077,797 of this fund balances is unassigned.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support the 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 between the two 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. Nonfinancial factors, such as changes in the County's property tax base and the condition of the County's roads, should also be considered to assess the overall health of the County.

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).

In the Statement of Net Position and the Statement of Activities, the County reports two kinds of activities:

**Governmental Activities.** Most of the County's services are reported in this category, including public safety, public health, economic assistance, transportation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

**Business-type Activities.** Activities that the County charges customers to provide. These include two nursing home facilities and a marina

The government-wide financial statements can be found on pages 14-16 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 the fiduciary fund.

**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 eight individual governmental funds. 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 and the Capital Projects Fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund, Debt Service fund, County Road Fund, Road Machinery Fund, Conewango Watershed Fund and Economic Development Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Proprietary funds.** When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in Proprietary Funds.

Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The County's Enterprise Funds, is the same as the Business-type Activities, reported in the Government-wide financial statements but provides more detail and additional information, such as cash flows for Proprietary Funds.

The basic proprietary fund financial statements can be found on pages 21-23 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 the funds are not available to support the County's own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County maintains one fiduciary fund, the Agency Fund.

The basic fiduciary fund financial statement can be found on page 24 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 25-50 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparison schedule for the General Fund and for its other postemployment benefits obligation. Required supplementary information can be found on pages 51-52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the basic financial statements. The additional supplementary information can be found on pages 53-61 of this report.

The Federal Awards Information section presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 62-73 of this report.

### **Government-wide Overall Financial Analysis**

The County's combined net position for fiscal year ended December 31, 2013 increased from \$60,994,960 to \$70,097,109. By far, the largest portion of the County's net position, \$83,209,802, reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, restricted net position of \$7,210,785 represents resources subject to external restrictions on how they may be used and are reported as restricted net position. The County maintains an unrestricted net position deficit of \$20,323,478.

Our analysis below focuses on the net position (Table 1), and changes in net position (Table 2 and Table 5), of the County's Governmental and Business-type Activities.

**Table 1—Condensed Statements of Net Position—December 31, 2013 and December 31, 2012**

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012
Assets:						
Current assets	\$ 99,712,674	\$ 87,762,413	\$ 9,408,322	\$ 8,938,738	\$ 109,120,996	\$ 96,701,151
Noncurrent assets	-	-	1,173,532	1,245,229	1,173,532	1,245,229
Capital assets	<u>105,627,118</u>	<u>98,259,751</u>	<u>14,358,521</u>	<u>15,581,079</u>	<u>119,985,639</u>	<u>113,840,830</u>
Total assets	<u>205,339,792</u>	<u>186,022,164</u>	<u>24,940,375</u>	<u>25,765,046</u>	<u>230,280,167</u>	<u>211,787,210</u>
Deferred outflows						
of resources:						
Deferred loss	<u>-</u>	<u>-</u>	<u>1,033</u>	<u>2,041</u>	<u>1,033</u>	<u>2,041</u>
Liabilities:						
Current liabilities	27,392,458	22,414,547	1,856,034	2,328,424	29,248,492	24,742,971
Noncurrent liabilities	<u>107,403,582</u>	<u>103,298,952</u>	<u>22,947,676</u>	<u>22,045,581</u>	<u>130,351,258</u>	<u>125,344,533</u>
Total liabilities	<u>134,796,040</u>	<u>125,713,499</u>	<u>24,803,710</u>	<u>24,374,005</u>	<u>159,599,750</u>	<u>150,087,504</u>
Deferred inflows						
of resources:						
State aid	<u>584,341</u>	<u>706,787</u>	<u>-</u>	<u>-</u>	<u>584,341</u>	<u>706,787</u>
Net Position:						
Net investment						
in capital assets	79,554,856	65,523,167	3,654,946	4,295,380	83,209,802	69,818,547
Restricted	7,210,785	16,237,024	-	-	7,210,785	16,237,024
Unrestricted	<u>(16,806,230)</u>	<u>(22,158,313)</u>	<u>(3,517,248)</u>	<u>(2,902,298)</u>	<u>(20,323,478)</u>	<u>(25,060,611)</u>
Total net position	<u>\$ 69,959,411</u>	<u>\$ 59,601,878</u>	<u>\$ 137,698</u>	<u>\$ 1,393,082</u>	<u>\$ 70,097,109</u>	<u>\$ 60,994,960</u>

Net position of the County's primary government increased from \$60,994,960 to \$70,097,109. The causes of the overall increase are discussed in the following sections for governmental activities and business-type activities.

**Governmental activities.** Governmental activities increased the County’s net position by \$10,357,533. Table 2, as presented below, shows the changes in net position for the years ending December 31, 2013 and December 31, 2012.

**Table 2—Condensed Statement of Revenues, Expenses and Changes in Net Position—Governmental Activities—Years Ended December 31, 2013 and December 31, 2012**

	Governmental activities		Increase/(decrease)	
	Year Ended December 31,			
	2013	2012	Dollars	Percent
Revenues:				
Program revenues	\$ 62,431,872	\$ 63,545,899	\$ (1,114,027)	(1.8)
General revenues	97,940,660	90,115,538	7,825,122	8.7
Total revenues	<u>160,372,532</u>	<u>153,661,437</u>	<u>6,711,095</u>	4.4
Total expenses	<u>150,014,999</u>	<u>154,811,735</u>	<u>(4,796,736)</u>	(3.1)
Change in net position	10,357,533	(1,150,298)	11,507,831	n/a
Net position—beginning	<u>59,601,878</u>	<u>60,752,176</u>	<u>(1,150,298)</u>	(1.9)
Net position—ending	<u>\$ 69,959,411</u>	<u>\$ 59,601,878</u>	<u>\$ 10,357,533</u>	17.4

Revenues during the year ended December 31, 2013 increased \$6,711,095 from the year ended December 31, 2012 largely due to the fact that miscellaneous revenues and property taxes and tax items increased \$4,667,438 and 2,028,177, respectively.

A summary of sources of revenues for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 3.

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

	Year Ended December 31,		Increase/(decrease)	
	2013		2012	
	2013	2012	Dollars	Percent
Charges for services	\$ 21,888,334	\$ 23,598,856	\$ (1,710,522)	(7.2)
Operating grants and contributions	35,253,388	36,030,052	(776,664)	(2.2)
Capital grants and contributions	5,290,150	3,916,991	1,373,159	35.1
Property taxes and tax items	52,419,065	50,390,888	2,028,177	4.0
Non-property tax items	37,450,673	35,942,987	1,507,686	4.2
Miscellaneous	6,306,345	1,638,907	4,667,438	n/a
Other general revenues	<u>1,764,577</u>	<u>2,142,756</u>	<u>(378,179)</u>	(17.6)
Total revenues	<u>\$ 160,372,532</u>	<u>\$ 153,661,437</u>	<u>\$ 6,711,095</u>	4.4

The most significant source of revenues is property taxes and tax items, which account for \$52,419,065 or 32.7 percent of total government activities revenues. The next largest source of revenue is non-property tax items, which comprise \$37,450,673 or 23.4 percent for the year ended December 31, 2013. Comparatively, for the year ended December 31, 2012, the most significant source of revenue was property taxes and tax items, which accounted for \$50,390,888 or 32.8 percent of total government activities revenues. The next largest source of revenue was operating grants and contributions, which comprised \$36,030,052 or 23.4 percent of total governmental activities revenues.

A summary of program expenses for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 4.

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

	Year Ended December 31,		Increase/(decrease)	
	2013	2012	Dollars	Percent
General government support	\$ 22,826,232	\$ 22,127,411	\$ 698,821	3.2
Education	6,577,067	6,792,998	(215,931)	(3.2)
Public safety	19,760,244	20,595,430	(835,186)	(4.1)
Public health	20,238,508	21,868,915	(1,630,407)	(7.5)
Transportation	20,553,035	21,865,334	(1,312,299)	(6.0)
Economic assistance and opportunity	55,187,043	56,595,804	(1,408,761)	(2.5)
Culture and recreation	903,645	1,000,549	(96,904)	(9.7)
Home and community services	2,207,867	2,588,530	(380,663)	(14.7)
Interest and fiscal charges	1,761,358	1,376,764	384,594	27.9
Total program expenses	<u>\$ 150,014,999</u>	<u>\$ 154,811,735</u>	<u>\$ (4,796,736)</u>	(3.1)

As shown above, total governmental activities program expenses decreased 3.1 percent from the year ended December 31, 2012. The most significant change in the County's expenses from 2012 to 2013 is the cost for public health, which decreased by \$1,630,407 or 7.5%.

**Business-type Activities.** Business-type activities decreased the County’s net position by \$1,255,384. The major activities are for the County’s nursing home facilities and marina. Table 5, as presented below, shows the changes in net position for the years ended December 31, 2013 and December 31, 2012.

**Table 5—Condensed Statement of Revenues, Expenses and Changes in Net Position—Business-type Activities—Years Ended December 31, 2013 and December 31, 2012**

	<u>Business-type activities</u>		Increase/(decrease)	
	Year Ended December 31,			
	<u>2013</u>	<u>2012</u>	<u>Dollars</u>	<u>Percent</u>
Revenues:				
Program revenues:	\$ 25,340,160	\$ 21,748,681	\$ 3,591,479	16.5
General revenues	<u>45,507</u>	<u>104,491</u>	<u>(58,984)</u>	(56.4)
Total revenues	<u>25,385,667</u>	<u>21,853,172</u>	<u>3,532,495</u>	16.2
Total expenses	<u>26,641,051</u>	<u>26,751,963</u>	<u>(110,912)</u>	(0.4)
Change in net position	(1,255,384)	(4,898,791)	3,643,407	(74.4)
Net position—beginning	<u>1,393,082</u>	<u>6,291,873</u>	<u>(4,898,791)</u>	(77.9)
Net position—ending	<u>\$ 137,698</u>	<u>\$ 1,393,082</u>	<u>\$ (1,255,384)</u>	n/a

A summary of sources of revenues and expenses for the County’s business-type activities for the years ended December 31, 2013 and December 31, 2012 is presented in Table 6.

**Table 6—Summary of Sources of Revenues and Expenses—Business-type Activities**

	<u>Year Ended December 31,</u>		Increase/(decrease)	
	<u>2013</u>	<u>2012</u>	<u>Dollars</u>	<u>Percent</u>
Charges for services	\$ 19,608,132	\$ 18,732,323	\$ 875,809	4.7
Operating grants and contributions	5,732,028	3,016,358	2,715,670	90.0
General revenues	<u>45,507</u>	<u>104,491</u>	<u>(58,984)</u>	(56.4)
Total program revenues	<u>\$ 25,385,667</u>	<u>\$ 21,853,172</u>	<u>\$ 3,532,495</u>	16.2
Nursing home expenses	\$ 25,946,776	\$ 26,249,297	\$ (302,521)	(1.2)
Marina expenses	<u>694,275</u>	<u>502,666</u>	<u>191,609</u>	38.1
Total program expenses	<u>\$ 26,641,051</u>	<u>\$ 26,751,963</u>	<u>\$ (110,912)</u>	(0.4)

## Financial Analysis of the County's Major 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 a 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 use for particular purposes by the County's Legislature.

At December 31, 2013, the County's governmental funds reported combined fund balances of \$56,734,137 an increase of \$8,983,675 in comparison with the prior year. Approximately 53.0 percent, \$30,077,797 of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Assigned fund balance of \$5,507,898 represents resources that are assigned for a particular purpose. Committed fund balance of \$868,968 represents resources that can only be used for specific purposes determined by a formal resolution of the Legislature. Restricted fund balance of \$17,995,059 represents resources that are restricted for a special purpose. 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 consists of \$2,284,415 of prepaid items at December 31, 2013.

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 \$30,077,797, while total fund balance increased to \$40,142,886. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total general fund expenditures and transfers out. Unassigned fund balance represents approximately 19.0% of total General Fund expenditures and transfers out, while total fund balance represents approximately 25.3% of the same amount.

The General Fund increased fund balance by \$9,773,130. Contributing factors include increased proceeds in miscellaneous revenues, due to Casino revenues, and an increase in non-property tax items.

The Capital Projects Fund balance decreased by \$586,650 due to capital outlay exceeding revenues for the current year.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget (the major components of the \$7,046,535 increase in appropriations) can be briefly summarized as follows:

- A \$2,741,330 increase in transfers out to the Capital Projects fund related to additional Casino funds, not originally budgeted for, received within the General Fund and utilized to pay various outstanding Bond Anticipation Notes within the Capital Projects fund.
- A \$1,305,205 increase in public safety and a \$1,209,716 increase in economic assistance and opportunity due to additional funding that was not originally budgeted for.

Differences between the final amended budget and actual results can be briefly summarized as follows:

- General government support final expenditures fell \$2,508,550 below the final amended budget due to conservative spending.
- Economic assistance and opportunity final expenditures were \$4,159,737 below the final amended budget due to lower than anticipated spending on County assistance programs which offset related revenue estimates that were not obtained.

### Capital Assets and Debt Administration

**Capital assets.** The County’s investment in capital assets for its governmental and business-type activities as of December 31, 2013, amounts to \$119,985,639 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure assets.

Major capital asset events during the current fiscal year included the following:

- Addition of construction in progress assets amounted to \$13,973,589.
- Machinery and equipment assets of \$2,388,378 were added during the year.

A summary of the County’s capital assets is shown below.

**Table 8—Capital Assets, net of depreciation**

	Governmental activities		Business-type activities		Total		% Change
	December 31,		December 31,		December 31,		
	2013	2012	2013	2012	2013	2012	
Land	\$ 1,902,934	\$ 1,902,934	\$ 813,215	\$ 813,215	\$ 2,716,149	\$ 2,716,149	0.0
Construction in progress	29,816,775	16,624,885	99,248	99,248	29,916,023	16,724,133	78.9
Infrastructure	52,241,969	57,255,283	-	-	52,241,969	57,255,283	(8.8)
Buildings and improvements	11,201,952	11,735,970	968,027	1,153,860	12,169,979	12,889,830	(5.6)
Machinery and equipment	10,166,335	10,354,145	35,826	39,625	10,202,161	10,393,770	(1.8)
The Pines		-	12,442,205	13,475,131	12,442,205	13,475,131	(7.7)
Books	297,153	386,534	-	-	297,153	386,534	(23.1)
Total	<u>\$ 105,627,118</u>	<u>\$ 98,259,751</u>	<u>\$ 14,358,521</u>	<u>\$ 15,581,079</u>	<u>\$ 119,985,639</u>	<u>\$ 113,840,830</u>	5.4

Additional information on the County’s capital assets can be found in Note 4 to the basic financial statements.

**Long-Term Debt.** At December 31, 2013, the County had long-term debt of \$130,351,258 outstanding which was an increase of \$5,006,725 over the previous year.

**Table 9—Debt and Long-Term Liabilities**

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds payable	\$ 36,805,672	\$ 34,819,163	\$ 10,604,327	\$ 11,186,451	\$ 47,409,999	\$ 46,005,614
Unamortized premiums	606,883	524,841	240,366	263,868	847,249	788,709
Compensated absences	4,696,681	4,641,833	538,504	639,695	5,235,185	5,281,528
Capital leases	50,864	3,225	10,171	-	61,035	3,225
Landfill post closure	1,052,787	1,363,108	-	-	1,052,787	1,363,108
Health Insurance	1,437,973	1,308,108	-	-	1,437,973	1,308,108
Other post-employment benefits	46,232,994	39,353,596	11,554,308	9,955,567	57,787,302	49,309,163
Workers' compensation	16,519,728	20,796,795	-	-	16,519,728	20,796,795
Retirement installments	-	99,783	-	-	-	99,783
Judgments and claims	-	388,500	-	-	-	388,500
<b>Total</b>	<b>\$ 107,403,582</b>	<b>\$ 103,298,952</b>	<b>\$ 22,947,676</b>	<b>\$ 22,045,581</b>	<b>\$ 130,351,258</b>	<b>\$ 125,344,533</b>

Additional information on the County's long-term debt can be found in Note 10 to the basic financial statements.

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

Factors considered in preparing Cattaraugus County's budget for the 2014 year included:

- Full-value assessments decreased 0.17%.
- The countywide full-value tax rate increased 2.76%.
- Total appropriations - all funds increased 2.62%.

### **Contacting the County's Financial Management**

This financial report is designed to provide the County's citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives.

Questions about this report or additional financial information can be obtained from:

Joseph G. Keller  
County Treasurer  
303 Court Street  
Little Valley, New York 14755

# BASIC FINANCIAL STATEMENTS



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**COUNTY OF CATTARAUGUS, NEW YORK**  
**Statement of Net Position**  
**December 31, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 15,290,271	\$ 1,071,379	\$16,361,650
Restricted cash and cash equivalents	18,862,456	-	18,862,456
Cash, resident funds	-	164,617	164,617
Investments	25,673,035	-	25,673,035
Receivables (net of allowances for estimated uncollectible amounts):			
Taxes receivable	13,538,824	-	13,538,824
Accounts receivable	7,661,659	10,353,798	18,015,457
Internal balances	2,240,947	(2,240,947)	-
Intergovernmental receivables	14,161,067	-	14,161,067
Inventories	-	55,409	55,409
Prepaid items	2,284,415	4,066	2,288,481
Total current assets	<u>99,712,674</u>	<u>9,408,322</u>	<u>109,120,996</u>
Noncurrent assets:			
Financing costs, net of accumulated depreciation	-	143,796	143,796
Due from third party payor	-	1,029,736	1,029,736
Capital assets not being depreciated:			
Land	1,902,934	813,215	2,716,149
Construction in progress	29,816,775	99,248	29,916,023
Capital assets, net of accumulated depreciation:			
Buildings and improvements	11,201,952	-	11,201,952
Machinery and equipment	10,166,335	-	10,166,335
Books	297,153	-	297,153
Infrastructure	52,241,969	13,446,058	65,688,027
Total noncurrent assets	<u>105,627,118</u>	<u>15,532,053</u>	<u>121,159,171</u>
Total assets	<u>205,339,792</u>	<u>24,940,375</u>	<u>230,280,167</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	1,033	1,033
Total deferred outflows of resources	<u>-</u>	<u>1,033</u>	<u>1,033</u>

(continued)

(concluded)

**LIABILITIES**

Current liabilities:

Accounts payable	11,258,196	499,308	11,757,504
Retainages payable	258,274	-	258,274
Accrued liabilities	1,846,975	523,759	2,370,734
Accrued interest payable	449,386	122,114	571,500
Intergovernmental payables	8,702,312	1,676	8,703,988
Bond anticipation notes payable	1,634,500	-	1,634,500
Due to third party payors	-	544,560	544,560
Unearned revenue	3,242,815	-	3,242,815
Resident funds held in trust	-	164,617	164,617
Total current liabilities	<u>27,392,458</u>	<u>1,856,034</u>	<u>29,248,492</u>

Noncurrent liabilities:

Due within one year	9,854,976	804,424	10,659,400
Due in more than one year	<u>97,548,606</u>	<u>22,143,252</u>	<u>119,691,858</u>
Total noncurrent liabilities	<u>107,403,582</u>	<u>22,947,676</u>	<u>130,351,258</u>
Total liabilities	<u>134,796,040</u>	<u>24,803,710</u>	<u>159,599,750</u>

**DEFERRED INFLOWS OF RESOURCES**

State aid	<u>584,341</u>	<u>-</u>	<u>584,341</u>
Total deferred inflows of resources	<u>584,341</u>	<u>-</u>	<u>584,341</u>

**NET POSITION**

Net investment in capital assets	79,554,856	3,654,946	83,209,802
Restricted for:			
MDLF loan fund	439,216	-	439,216
Insurance	1,431,224	-	1,431,224
Other	147,642	-	147,642
Capital projects	5,084,769	-	5,084,769
Debt	102,313	-	102,313
Trust accounts	5,621	-	5,621
Unrestricted	<u>(16,806,230)</u>	<u>(3,517,248)</u>	<u>(20,323,478)</u>
Total net position	<u>\$ 69,959,411</u>	<u>\$ 137,698</u>	<u>\$70,097,109</u>

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

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**COUNTY OF CATTARAUGUS, NEW YORK**  
**Statement of Activities**  
**Year Ended December 31, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government support	\$ 22,826,232	\$ 3,369,543	\$ 268,349	\$ -	\$ (19,188,340)	\$ -	\$ (19,188,340)
Education	6,577,067	-	2,458,384	-	(4,118,683)	-	(4,118,683)
Public safety	19,760,244	3,287,712	2,412,484	-	(14,060,048)	-	(14,060,048)
Public health	20,238,508	10,866,756	6,899,809	-	(2,471,943)	-	(2,471,943)
Transportation	20,553,035	560,559	19,129	5,290,150	(14,683,197)	-	(14,683,197)
Economic assistance and opportunity	55,187,043	2,494,478	22,685,095	-	(30,007,470)	-	(30,007,470)
Culture and recreation	903,645	899	401,002	-	(501,744)	-	(501,744)
Home and community services	2,207,867	1,308,387	-	-	(899,480)	-	(899,480)
Interest and fiscal charges	1,761,358	-	109,136	-	(1,652,222)	-	(1,652,222)
Total governmental activities	<u>150,014,999</u>	<u>21,888,334</u>	<u>35,253,388</u>	<u>5,290,150</u>	<u>(87,583,127)</u>	<u>-</u>	<u>(87,583,127)</u>
Business-type activities:							
The Pines Machias Campus	13,930,060	9,691,950	2,633,828	-	-	(1,604,282)	(1,604,282)
The Pines Olean Campus	12,016,716	9,351,688	3,098,194	-	-	433,166	433,166
Onoville Marina	694,275	564,494	6	-	-	(129,775)	(129,775)
Total business-type activities	<u>26,641,051</u>	<u>19,608,132</u>	<u>5,732,028</u>	<u>-</u>	<u>-</u>	<u>(1,300,891)</u>	<u>(1,300,891)</u>
Total primary government	<u>\$ 176,656,050</u>	<u>\$ 41,496,466</u>	<u>\$ 40,985,416</u>	<u>\$ 5,290,150</u>	<u>(87,583,127)</u>	<u>(1,300,891)</u>	<u>(88,884,018)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					49,699,236	-	49,699,236
Property tax items					2,719,829	-	2,719,829
Non-property tax items					37,450,673	-	37,450,673
Unrestricted investment earnings					958,279	5,908	964,187
Miscellaneous					6,306,345	39,995	6,346,340
Sale of property and compensation for loss					1,353,100	-	1,353,100
Loss on sale of capital assets					(546,802)	(396)	(547,198)
Total general revenues					<u>97,940,660</u>	<u>45,507</u>	<u>97,986,167</u>
Change in net position					10,357,533	(1,255,384)	9,102,149
Net position—beginning					<u>59,601,878</u>	<u>1,393,082</u>	<u>60,994,960</u>
Net position—ending					<u>\$ 69,959,411</u>	<u>\$ 137,698</u>	<u>\$ 70,097,109</u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**December 31, 2013**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,705,771	\$ -	\$ 2,584,500	\$ 15,290,271
Restricted cash and cash equivalents	2,018,082	16,755,586	88,788	18,862,456
Investments	25,320,339	-	352,696	25,673,035
Receivables (net of allowances for estimated uncollectible amounts):				
Taxes, Penalties, Interest and Liens	13,538,824	-	-	13,538,824
Accounts receivable	3,570,996	-	78,543	3,649,539
Due from other funds	2,593,643	-	-	2,593,643
Intergovernmental receivables	10,626,967	2,478,176	1,055,924	14,161,067
Prepaid items	2,284,415	-	-	2,284,415
Total assets	<u>\$ 72,659,037</u>	<u>\$ 19,233,762</u>	<u>\$ 4,160,451</u>	<u>\$ 96,053,250</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 10,701,061	\$ 1,464,942	\$ 530,166	\$ 12,696,169
Retainages payable	-	258,274	-	258,274
Accrued liabilities	4,766,542	7,003	273,168	5,046,713
Due to other governments	8,702,312	-	-	8,702,312
Due to other funds	-	-	352,696	352,696
Unearned revenue	960,602	-	2,282,213	3,242,815
Bond anticipation notes payable	-	1,634,500	-	1,634,500
Total liabilities	<u>25,130,517</u>	<u>3,364,719</u>	<u>3,438,243</u>	<u>31,933,479</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes receivable	6,801,293	-	-	6,801,293
State aid	584,341	-	-	584,341
Total deferred inflows of resources	<u>7,385,634</u>	<u>-</u>	<u>-</u>	<u>7,385,634</u>
<b>FUND BALANCES</b>				
Nonspendable	2,284,415	-	-	2,284,415
Restricted	2,018,082	15,869,043	107,934	17,995,059
Committed	868,968	-	-	868,968
Assigned	4,893,624	-	614,274	5,507,898
Unassigned	30,077,797	-	-	30,077,797
Total fund balances	<u>40,142,886</u>	<u>15,869,043</u>	<u>722,208</u>	<u>56,734,137</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 72,659,037</u>	<u>\$ 19,233,762</u>	<u>\$ 4,160,451</u>	<u>\$ 96,053,250</u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2013**

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

Fund balances—total governmental funds (page 17)		\$ 56,734,137
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$217,423,803 and the accumulated depreciation is \$111,796,685.		105,627,118
To recognize interest accrual on long term debt. Accrued interest for general long-term obligation bonds is \$449,386.		(449,386)
Deferred inflows of resources related to taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.		6,801,293
Certain accrued revenues reported in the Statement of Net Position are received after the availability period for recognition of revenue in the Governmental Funds.		4,012,120
Reclassification of accounts payable and accrued liabilities to long-term liabilities.		4,637,711
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. The effect of these items are:		
Bonds payable	(36,805,672)	
Premium on serial bonds	(606,883)	
Compensated absences	(4,696,681)	
Capital leases	(50,864)	
Landfill post closure	(1,052,787)	
Health insurance	(1,437,973)	
Other post-employment benefits	(46,232,994)	
Workers' compensation	(16,519,728)	(107,403,582)
Net position of governmental activities		<u>\$ 69,959,411</u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds**  
**Year Ended December 31, 2013**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 49,883,573	\$ -	\$ -	\$ 49,883,573
Real property tax items	2,719,829	-	-	2,719,829
Non property tax items	27,052,483	-	10,398,190	37,450,673
Departmental income	16,800,247	-	19,205	16,819,452
Intergovernmental charges	5,993,334	-	562,959	6,556,293
Use of money and property	1,033,747	-	8,838	1,042,585
Sale of property and compensation for loss	1,317,502	-	35,598	1,353,100
Miscellaneous	6,072,930	39,677	28,076	6,140,683
Interfund revenues	22,311,116	-	3,282,775	25,593,891
State aid	16,161,667	3,339,923	11,965	19,513,555
Federal aid	18,847,352	1,411,319	636,079	20,894,750
Total revenues	<u>168,193,780</u>	<u>4,790,919</u>	<u>14,983,685</u>	<u>187,968,384</u>
<b>EXPENDITURES</b>				
Current:				
General government support	41,458,391	-	1,800	41,460,191
Education	6,569,625	-	-	6,569,625
Public safety	18,615,714	-	578,035	19,193,749
Health	19,351,280	-	-	19,351,280
Transportation	-	-	16,744,477	16,744,477
Economic assistance and opportunity	53,926,758	-	28,152	53,954,910
Culture and recreation	1,009,016	-	-	1,009,016
Home and community services	2,062,773	-	13,505	2,076,278
Employee benefits	4,448,813	-	-	4,448,813
Debt service:				
Principal	11,957	-	4,808,491	4,820,448
Interest and fiscal charges	-	-	1,182,739	1,182,739
Capital outlay	-	14,693,985	-	14,693,985
Total expenditures	<u>147,454,327</u>	<u>14,693,985</u>	<u>23,357,199</u>	<u>185,505,511</u>
Excess (deficiency) of revenues over expenditures	<u>20,739,453</u>	<u>(9,903,066)</u>	<u>(8,373,514)</u>	<u>2,462,873</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	6,162	2,856,416	12,734,545	15,597,123
Transfers out	(11,032,081)	-	(4,565,042)	(15,597,123)
Refunding bonds issued	-	-	7,210,000	7,210,000
Proceeds of serial bonds	-	6,460,000	-	6,460,000
Premium on bonds issued	-	-	182,853	182,853
Payment to escrow agent	-	-	(7,391,647)	(7,391,647)
Capital lease	59,596	-	-	59,596
Total other financing sources (uses)	<u>(10,966,323)</u>	<u>9,316,416</u>	<u>8,170,709</u>	<u>6,520,802</u>
Net change in fund balances	9,773,130	(586,650)	(202,805)	8,983,675
Fund balances—beginning	30,369,756	16,455,693	925,013	47,750,462
Fund balances—ending	<u>\$ 40,142,886</u>	<u>\$ 15,869,043</u>	<u>\$ 722,208</u>	<u>\$ 56,734,137</u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended December 31, 2013**

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

Net change in fund balances—total governmental funds (page 19) \$ 8,983,675

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 exceeded depreciation in the current period.

Capital asset additions	\$16,855,602	
Loss on disposition of capital assets	(546,802)	
Depreciation expense	<u>(8,941,433)</u>	7,367,367

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 deferred tax revenue	\$ (220,249)	
Change in other receivables	<u>(1,539,261)</u>	(1,759,510)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds, installment purchase debt and related items is as follows:

Issuance of serial bonds	\$ (6,460,000)	
Principal payments on serial bonds	4,808,491	
Issuance of refunding bonds	(7,210,000)	
Principal payments on refunding bonds	6,875,000	
Bond issuance premiums	(82,042)	
Issuance of capital lease	(59,596)	
Principal payments on capital lease	11,957	
Change in accrued interest	<u>(61,972)</u>	(2,178,162)

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 is as follows:

Compensated absences	\$ (54,848)	
Landfill post closure	310,321	
Other postemployment benefits	(6,879,398)	
Workers' compensation	4,079,805	
Retirement installments	99,783	
Judgements and claims	388,500	<u>(2,055,837)</u>

Change in net position of governmental activities \$10,357,533

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

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**COUNTY OF CATTARAUGUS, NEW YORK**  
**Statement of Net Position—Proprietary Funds**  
**December 31, 2013**

	<b>Business-type Activities</b>			<b>Total Enterprise Funds</b>
	<b>The Pines Machias Campus</b>	<b>The Pines Olean Campus</b>	<b>Onoville Marina</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 950	\$ 883,795	\$ 186,634	\$ 1,071,379
Cash, resident funds	81,851	82,766	-	164,617
Receivable, resident (net of allowance for uncollectible amounts)	1,092,454	965,322	-	2,057,776
Internal balances	-	5,494	-	5,494
Intergovernmental receivables	3,947,828	4,348,194	-	8,296,022
Inventory	25,982	14,704	14,723	55,409
Prepaid items	1,482	2,584	-	4,066
Total current assets	<u>5,150,547</u>	<u>6,302,859</u>	<u>201,357</u>	<u>11,654,763</u>
Noncurrent assets:				
Bond issuance costs, net of amortization	143,796	-	-	143,796
Due from third party payors	1,029,736	-	-	1,029,736
Capital assets not being depreciated:				
Land	-	-	813,215	813,215
Construction in progress	-	-	99,248	99,248
Capital assets net, of accumulated depreciation:				
Buildings, machinery and equipment	9,286,075	3,156,130	1,003,853	13,446,058
Total noncurrent assets	<u>10,459,607</u>	<u>3,156,130</u>	<u>1,916,316</u>	<u>15,532,053</u>
Total assets	<u>15,610,154</u>	<u>9,458,989</u>	<u>2,117,673</u>	<u>27,186,816</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on refunding	-	-	1,033	1,033
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>1,033</u>	<u>1,033</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	243,169	255,566	573	499,308
Accrued liabilities	265,450	254,356	3,953	523,759
Accrued interest payable	114,578	6,933	603	122,114
Due to other governments	-	-	1,676	1,676
Due to other funds	2,246,441	-	-	2,246,441
Due to third party payors	276,087	268,473	-	544,560
Resident funds held in trust	81,851	82,766	-	164,617
Total current liabilities	<u>3,227,576</u>	<u>868,094</u>	<u>6,805</u>	<u>4,102,475</u>
Noncurrent liabilities:				
Due within one year	613,598	166,804	24,022	804,424
Due in more than one year	15,804,718	6,169,913	168,621	22,143,252
Total noncurrent liabilities	<u>16,418,316</u>	<u>6,336,717</u>	<u>192,643</u>	<u>22,947,676</u>
Total liabilities	<u>19,645,892</u>	<u>7,204,811</u>	<u>199,448</u>	<u>27,050,151</u>
<b>NET POSITION</b>				
Net investment in capital assets	(708,925)	2,596,130	1,767,741	3,654,946
Unrestricted	<u>(3,326,813)</u>	<u>(341,952)</u>	<u>151,517</u>	<u>(3,517,248)</u>
Total net position	<u><u>\$(4,035,738)</u></u>	<u><u>\$ 2,254,178</u></u>	<u><u>\$ 1,919,258</u></u>	<u><u>\$ 137,698</u></u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended December 31, 2013**

	<b>Business-type Activities</b>			<b>Total Enterprise Funds</b>
	<b>The Pines Machias Campus</b>	<b>The Pines Olean Campus</b>	<b>Onoville Marina</b>	
Operating revenues:				
Net service revenue	\$ 9,676,147	\$ 9,341,614	\$ 564,494	\$ 19,582,255
Other operating revenue	15,803	10,074	-	25,877
Total operating revenues	<u>9,691,950</u>	<u>9,351,688</u>	<u>564,494</u>	<u>19,608,132</u>
Operating expenses:				
Nursing services	7,218,640	6,904,107	-	14,122,747
Ancillary services	863,586	1,084,776	-	1,948,362
Dietary services	1,247,541	775,462	-	2,023,003
Personnel services	-	-	419,256	419,256
Housekeeping	555,846	402,546	-	958,392
Laundry service	170,211	138,384	-	308,595
Maintenance and utilities	812,921	561,062	-	1,373,983
Fiscal services	506,339	497,023	-	1,003,362
Fringe benefits	-	-	67,999	67,999
Administrative services	673,458	574,423	-	1,247,881
Assessments	566,268	513,816	-	1,080,084
Depreciation, including indirect charges	889,181	519,000	203,513	1,611,694
Provision for bad debt	18,560	22,439	-	40,999
Total operating expenses	<u>13,522,551</u>	<u>11,993,038</u>	<u>690,768</u>	<u>26,206,357</u>
Operating loss	<u>(3,830,601)</u>	<u>(2,641,350)</u>	<u>(126,274)</u>	<u>(6,598,225)</u>
Nonoperating revenues (expenses):				
Investment income	3,324	2,584	-	5,908
Interest expense	(399,812)	(23,678)	(3,507)	(426,997)
Intergovernmental transfers	2,633,828	3,098,194	-	5,732,022
Amortization of bond premium	23,502	-	-	23,502
Amortization of bond issuance costs	(7,697)	-	-	(7,697)
Transfers and donated services from County	-	-	6	6
Loss on disposal of capital assets	(376)	(20)	-	(396)
Other	14,126	2,367	-	16,493
Total nonoperating revenues (expenses)	<u>2,266,895</u>	<u>3,079,447</u>	<u>(3,501)</u>	<u>5,342,841</u>
Change in net position	(1,563,706)	438,097	(129,775)	(1,255,384)
Total net position—beginning	<u>(2,472,032)</u>	<u>1,816,081</u>	<u>2,049,033</u>	<u>1,393,082</u>
Total net position—ending	<u>\$ (4,035,738)</u>	<u>\$ 2,254,178</u>	<u>\$ 1,919,258</u>	<u>\$ 137,698</u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Statement of Cash Flows—Proprietary Funds**  
**Year Ended December 31, 2013**

	<b>Business-type Activities</b>			<b>Total Enterprise Funds</b>
	<b>The Pines Machias Campus</b>	<b>The Pines Olean Campus</b>	<b>Onoville Marina</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from services provided	\$ 9,116,823	\$ 8,499,806	\$ 565,216	\$18,181,845
Payments to suppliers and service providers	(1,975,969)	(3,020,050)	(254,103)	(5,250,122)
Payments to employees for salaries and benefits	(8,687,311)	(7,718,949)	(266,447)	(16,672,707)
Other receipts	15,803	10,074	-	25,877
Net cash provided by (used for) operating activities	<u>(1,530,654)</u>	<u>(2,229,119)</u>	<u>44,666</u>	<u>(3,715,107)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental transfers	2,633,828	3,098,194	-	5,732,022
Net cash provided by noncapital financing activities	<u>2,633,828</u>	<u>3,098,194</u>	<u>-</u>	<u>5,732,022</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal payments on serial bonds	(475,000)	(55,000)	(52,124)	(582,124)
Principal payments on capital lease	(2,924)	-	-	(2,924)
Proceeds from capital lease	13,095	-	-	13,095
Deferred loss	-	-	1,008	1,008
Interest paid on capital debt	(403,291)	(23,678)	(4,143)	(431,112)
Acquisition and construction of capital assets	(242,097)	(90,838)	(13,881)	(346,816)
Net cash used for capital and related financing activities	<u>(1,110,217)</u>	<u>(169,516)</u>	<u>(69,140)</u>	<u>(1,348,873)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	3,324	2,584	-	5,908
Other	3,719	2,367	-	6,086
Net cash provided by investing activities	<u>7,043</u>	<u>4,951</u>	<u>-</u>	<u>11,994</u>
Net increase (decrease) in cash and cash equivalents	-	704,510	(24,474)	680,036
Cash and cash equivalents—beginning	950	179,285	211,108	391,343
Cash and cash equivalents—ending	<u>\$ 950</u>	<u>\$ 883,795</u>	<u>\$ 186,634</u>	<u>\$ 1,071,379</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating loss	\$(3,830,601)	\$(2,641,350)	\$ (126,274)	\$ (6,598,225)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation expense	865,131	497,691	203,513	1,566,335
Bad debt expense	18,560	22,439	-	40,999
Donated devices from County	-	-	6	6
Decrease in accounts receivable	429,789	122,313	-	552,102
(Increase) decrease in inventories	24,278	11,045	(13,601)	21,722
(Increase) decrease in prepaid items	-	(936)	-	(936)
Decrease in due from other governments	-	11,610	-	11,610
(Increase) in due/to from third party payors	(989,113)	(964,121)	-	(1,953,234)
(Decrease) increase in accounts payable	(1,552)	(76,524)	211	(77,865)
Increase in due to other governments	1,225,205	-	716	1,225,921
Increase in other post employment benefits	805,301	772,829	20,611	1,598,741
(Decrease) increase in accrued items	(77,652)	15,885	(40,516)	(102,283)
Total adjustments	<u>2,299,947</u>	<u>412,231</u>	<u>170,940</u>	<u>2,883,118</u>
Net cash provided by (used for) operating activities	<u>\$ (1,530,654)</u>	<u>\$ (2,229,119)</u>	<u>\$ 44,666</u>	<u>\$ (3,715,107)</u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Statement of Net Position—Agency Fund**  
**December 31, 2013**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	<u>\$1,660,715</u>
Total assets	<u><u>\$1,660,715</u></u>
<b>LIABILITIES</b>	
Agency liabilities	<u>\$1,660,715</u>
Total liabilities	<u><u>\$1,660,715</u></u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2013**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of County of Cattaraugus, New York (the “County”) have been prepared in conformity with the accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

***Description of government-wide financial statements***

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and 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. The County reports no component units.

***Reporting entity***

The County was established in 1808 and is governed by the County Law and other laws of the State of New York. Independently elected officials of the county include the County Legislature, County Treasurer, County Clerk, Sheriff, and District Attorney. The Legislature is the governing body of the County. It consists of 21 members elected from 10 legislative districts for four-year terms. The County Legislator appoints a County Administrator to coordinate fiscal and operational functions.

Units of local government, which operate within the boundaries of the County, include the cities of Olean and Salamanca, as well as 32 towns and 9 villages. Public education is provided by the various city and other school districts.

The scope of activities included within the accompanying financial statements are those transactions which comprise County operations, and are governed by, or significantly influenced by, the County Legislature. The County provides mandated social service programs such as Medicaid, food stamps and other public assistance. Additionally, the County provides services and facilities in the areas of culture, recreation, police, youth, health, senior services and roads. The County also operates the Pines Healthcare and Rehabilitation Centers (Machias and Olean Campuses) and the Onoville Marina.

The County does not have any component units, thus there are no component unit financial statements included in the government-wide financial statements.

***Basis of presentation—Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service

funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide 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 transit 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 fund. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- *General Fund*—This fund is the principal operating fund of the County and is used to account for all financial resources except those required to be accounted for in other funds
- *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 the enterprise fund.

The government reports the following major enterprise funds:

- *The Pines Healthcare and Rehabilitation Center Fund—Machias Campus*—Nursing facility delivering long-term care and short-term rehabilitation services to the citizens of Cattaugus County and neighboring communities.
- *The Pines Healthcare and Rehabilitation Center Fund—Olean Campus*—Nursing facility delivering long-term care and short-term rehabilitation services to the citizens of Cattaugus County and neighboring communities.
- *Onoville Marina*—Marina maintained and operated by the Cattaugus County Department of Public Works.

Additionally, the government reports the following fund types:

- *Special Revenue Funds*—The special revenue funds are used to group operating funds for which the use of revenues is restricted. These funds include County Road, Road and Machinery (which is funded primarily through interfund revenues), Watershed and Economic Development.
- *Debt Service Fund*—The County maintains a debt service fund for recording payment of its general long-term debt principal, interest and related costs.

- *Permanent Funds*—The permanent fund is classified as a governmental fund type and is used to account for all trust assets, liabilities, fund balances, revenues and distributions to beneficiaries on the full accrual basis of accounting. The permanent fund represents the historic dollar value of the permanent fund assets, along with certain additions, and must be maintained in perpetuity.
- *Agency Fund*—Accounts for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

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

### ***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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers 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 services expenditures, as well as expenditures related to compensated absences, and claims and judgments, 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 sources (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 sources (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and 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.

### ***Budgetary information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, County Road Fund, Road Machinery Fund, Conewango Watershed Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. The Administrator's Office is authorized by the County Legislature to transfer up to a total of \$10,000 per year into any budgetary account, with the following exceptions: (1) Departments of Social Services and Public Works, transfers can be made in excess of \$10,000 with the approval of the 28 Chairman of the Finance Committee and the County Administrator, (2) transfers without limitation for the purpose of budgeting or amending appropriations and revenues for the Workforce Investment Board, upon notification from the federal government of the grant amount, and (3) transfers within the budget in connection with settlements of collective bargaining agreements. After November 1 of each budget year, the Administrator's Office is authorized to transfer without limitations for the purpose of closure of the County's financial books for the fiscal year, with the approval of the Chairman of the Finance Committee and the County Administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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

### ***Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance***

***Cash and cash equivalents***—The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***Investments***—Investments for the County are classified as held-to-maturity and valued at amortized cost.

**Inventories and prepaid items**—Inventories of the County's enterprise funds are valued at the lower of cost or market on the first in, first out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Capital assets**—Capital assets, which include property, plant, 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. Capital assets are defined by the County as assets with an initial, individual cost as defined on the following page and an estimated useful life in excess of one year.

As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenances and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Major outlays for capital assets and improvements are capitalized as projects are incurred. Expenditures reported in the Capital Project Fund are classified as capital outlays. Routine capital expenditures in other funds are included in the appropriate functional category (i.e. purchase of new highway equipment as part of current expenditures—transportation). Additionally, the amount reported as capital outlays in the Capital Projects Fund includes certain non-capitalized costs (i.e. furnishings below the capitalization threshold). Capital outlay as reported in the capital Project Fund is classified in the following functional categories:

<u>Functional Category</u>	
General Government Support	\$ 923,247
Public Safety	1,067,844
Transportation	12,604,448
Culture and recreation	1,269
Home and community services	<u>97,177</u>
Total	<u>\$ 14,693,985</u>

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the County are depreciated using a straight line method over the estimated useful lives presented below:

<u>Class of Assets</u>	<u>Governmental Activities (years)</u>	<u>Business-type Activities (years)</u>	<u>Capitalization Threshold</u>
Land & land improvements	None	None	\$ 5,000
Buildings & building improvements	40	40	50,000
Facilities & other improvements	30-40	30-40	50,000
Infrastructure	10-40	10-40	50,000
Computers	5	5	Capitalize All
Software	3	3	5,000
Equipment & vehicles	3-20	2-20	1,000
Construction in progress	None	None	50,000
Library books & materials	5	5	Capitalize All

***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.

The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary fund's statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

The County has two types of items which qualify for reporting in this category. The first arises only under a modified accrual basis of accounting. Accordingly, the item, taxes receivable, is reported only in the governmental funds balance sheet. Additionally, the statement of net position reports deferred inflows related to State aid. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***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 assumption***—Sometimes the government 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 government'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 government 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 resolution of the Legislature. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Legislature

may 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 resolution is essential to either remove or revise a commitment.

### ***Revenues and expenditures/expenses***

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

***Property taxes***—The Countywide property tax is levied by the County upon the taxable real property, in the towns and cities in the County. Town taxes are levied along with the County tax except in the cities. The levy is effective January 1st, the lien date, on the assessed valuation of property located in the County as of the preceding March 1st. The respective collection officers in each town and city collect such taxes.

County taxes are payable through January 31st without interest. After that, penalties are imposed on unpaid taxes by charging 1% interest in February, and an additional 1% interest in March. Unpaid taxes are returned to the County for collection April 1st. At that time, a return penalty of 5% is added to the original tax amount with 3% interest for the month of April. An additional 1% interest is added each month that the tax remains unpaid. County taxes within the City of Salamanca do not get returned to the County for collection. The City of Salamanca guarantees collection of all County taxes. Town taxes, levied along with the County tax, include special district, fire district and highway taxes. All towns first retain their share of taxes from collection and then remit the balance to the County. The City of Olean levies a city tax May 1st. Unpaid City of Olean taxes are returned to the County for collection on November 1st. The City of Salamanca taxes are levied and collected only by the city. Cattaraugus County does not collect City of Salamanca taxes. The County levies taxes for school districts throughout the County and is responsible for uncollected school district taxes. Additionally, at the option of the villages within the County, the County is responsible for uncollected village taxes. Therefore, if there are any unpaid and returned school, City of Olean, or village taxes, they will be relieved onto the County tax.

A petition and notice of foreclosure is filed in the Cattaraugus County Clerk's office in October for any property that has an unpaid tax lien at least thirty-three (33) months old. A judgment of Foreclosure is obtained if the property is not redeemed by a date in January, a date that is fixed and identified in the petition and notice of foreclosure. A property tax auction is held, usually in May, following that judgment of foreclosure. All actions, along with necessary notices and advertisements are carried out according to Article 11 of the Real Property Tax Law.

***Compensated absences***—The County's union contracts and agreements permit employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

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***Proprietary funds operating and nonoperating revenues and expenses***—Proprietary funds distinguish *operating* revenues and expense 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 for the Pines and Onoville Marina are elderly assistance and healthcare related services and dock and marina charges, respectively. Operating expenses for the Pines are nursing, dietary, ancillary, housekeeping, laundry, maintenance, fiscal, assessments and administrative services. Operating expenses for the Onoville Marina include contractual services and fringe benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Pensions***—The majority of the County employees are members of the New York State Employees' Retirement System. The County is invoiced annually by the state system for its share of the costs.

#### ***Other***

***Estimates***—The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions. This can affect the reported amounts of revenues, expenditures, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

***Adoption of New Accounting Pronouncement***—During the year ended December 31, 2013, the County implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and 66 did not have a material impact on the County's financial position or results from operations.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The County deposits cash into a number of bank accounts. Various statutes require some of these accounts and borrowing restrictions for specific funds, while the remainder is used for a combination of pooled County operating cash and investment purposes. Cash and cash equivalents represent demand deposits with banks and certificates of deposit held by financial institutions all having original maturities of less than one year. The Pines Machias and Olean campus hold patient funds in trust. Those amounts totaled \$81,851 and \$82,766 at December 31, 2013, respectively. Management is responsible for accounting and safeguarding the patient trust funds, however the funds are not accessible by the County.

State statutes govern the County's investment policies. 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 treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligation of the U.S. Treasury and U.S. agencies and obligations of New York State.

Cash and cash equivalents at year-end consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 55,937	\$ -	\$ -	\$ 55,937
Cash and cash equivalents	34,096,790	1,071,379	1,660,715	36,828,884
Total	<u>\$ 34,152,727</u>	<u>\$ 1,071,379</u>	<u>\$ 1,660,715</u>	<u>\$ 36,884,821</u>

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

	December 31, 2013	
	Carrying Amount	Bank Balance
FDIC Insured	\$ 3,250,000	\$ 3,250,000
Uninsured:		
Collateral held by bank's agent in County's name	<u>33,578,884</u>	<u>37,922,077</u>
Total Deposits	<u>\$ 36,828,884</u>	<u>\$ 41,172,077</u>

***Investments***—Investments are valued at amortized cost. As of December 31, 2013, the County had the following investments: Government National Mortgage Association investments amounting to \$25,673,035 with average maturities of 7 years.

***Custodial credit risk***—For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its deposits and investments (or related collateral securities that are held by an outside party). The County had no custodial credit risk for its deposits and investments at December 31, 2013.

***Interest rate risk***—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of deposits and investments. The County's investment policy minimizes the risk by

structuring the investment portfolio so that the deposits and investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell deposits and investments on the open market prior to maturity. Deposits are primarily invested in short-term securities or similar investment pools with maturities less than one year. Investments are invested in long-term securities or similar investment pools with maturities greater than one year.

**Credit risk**—Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The County's investment policy minimizes credit risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the County does business, and diversifying the investment portfolio so that potential losses on individual securities are minimized. The U.S. Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

**Concentration of credit risk**—concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy places limits on the amount the County may invest in any one issuer of \$20 million. As of December 31, 2013, the County's investments in any single issuer do not exceed the limit established by its policy. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement.

**Restricted cash and cash equivalents**—The County reports amounts to support restricted fund balance and unspent proceeds of bonds as restricted cash and cash equivalents. At December 31, 2013, the County reported \$18,862,456 of restricted cash and cash equivalents within its governmental activities.

### 3. RECEIVABLES

The County has the following receivable balances net of any allowance for doubtful accounts as of December 31, 2013:

Governmental Activities:		
General Fund:		
Various fees and charges	\$	2,052,497
Home health fees		968,243
Clinic		60,559
Clinic self pay		678,415
Other		458,492
Less allowance for doubtful accounts		<u>(647,210)</u>
Total General Fund		<u>\$ 3,570,996</u>
Other Governmental Funds:		
County road		1,054
Road machinery		58,343
Debt service		<u>19,146</u>
Total Other Governmental Funds		<u>78,543</u>
Total governmental activities		<u>\$ 3,649,539</u>
Business-type Activities:		
Resident accounts receivable, net		<u>2,057,776</u>
Total business-type activities		<u>\$ 2,057,776</u>

#### 4. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for the primary government's governmental activities, for fiscal year ending December 31, 2013, was as follows:

	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
Capital assets, not being depreciated:				
Land	\$ 1,902,934	\$ -	\$ -	\$ 1,902,934
Construction in progress	16,624,885	13,973,589	(781,699)	29,816,775
Total capital assets not being depreciated	<u>18,527,819</u>	<u>13,973,589</u>	<u>(781,699)</u>	<u>31,719,709</u>
Capital assets, being depreciated:				
Infrastructure	130,874,189	1,264,297	-	132,138,486
Buildings and improvements	27,128,541	11,037	-	27,139,578
Machinery and equipment	24,606,403	2,388,378	(1,088,161)	25,906,620
Books	519,410	-	-	519,410
Total capital assets being depreciated	<u>183,128,543</u>	<u>3,663,712</u>	<u>(1,088,161)</u>	<u>185,704,094</u>
Less accumulated depreciation for:				
Infrastructure	73,618,906	6,277,611	-	79,896,517
Buildings and improvements	15,392,571	545,055	-	15,937,626
Machinery and equipment	14,252,258	2,029,386	(541,359)	15,740,285
Books	132,876	89,381	-	222,257
Total accumulated depreciation	<u>103,396,611</u>	<u>8,941,433</u>	<u>(541,359)</u>	<u>111,796,685</u>
Total capital assets, being depreciated, net	<u>79,731,932</u>	<u>(5,277,721)</u>	<u>(546,802)</u>	<u>73,907,409</u>
Governmental activities capital assets, net	<u>\$ 98,259,751</u>	<u>\$ 8,695,868</u>	<u>\$ (1,328,501)</u>	<u>\$ 105,627,118</u>

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

Governmental activities:	
General government support	\$ 808,220
Education	219
Public safety	600,961
Health	80,167
Transportation	7,129,719
Economic assistance and opportunity	62,340
Culture and recreation	667
Home and community services	259,140
Total depreciation expense—governmental activities	<u>\$ 8,941,433</u>

**Business-type activities**—Capital assets for the primary government’s business-type activities for fiscal year ending December 31, 2013, was as follows:

	Business-type Activities–Onoville Marina			
	Balance January 1, 2013	Increases	Decreases	Balance December 31, 2013
Capital assets, not being depreciated:				
Land	\$ 813,215	\$ -	\$ -	\$ 813,215
Construction in progress	99,248	-	-	99,248
Total capital assets not being depreciated	912,463	-	-	912,463
Capital assets, being depreciated:				
Buildings and improvements	2,384,359	-	-	2,384,359
Machinery and equipment	207,663	18,987	(8,753)	217,897
Total capital assets being depreciated	2,592,022	18,987	(8,753)	2,602,256
Less accumulated depreciation for:				
Buildings and improvements	1,230,499	185,833	-	1,416,332
Machinery and equipment	168,038	17,680	(3,647)	182,071
Total accumulated depreciation	1,398,537	203,513	(3,647)	1,598,403
Total capital assets, being depreciated, net	1,193,485	(184,526)	(5,106)	1,003,853
Onoville Marina capital assets, net	\$ 2,105,948	\$ (184,526)	(5,106)	\$ 1,916,316

Business-type Activities The Pines Machias Campus		Business-type Activities The Pines Olean Campus	
	Balance 12/31/2013		Balance 12/31/2013
Capital assets		Capital assets	
Land, building and improvements	\$ 15,924,927	Land, building and improvements	\$ 8,528,889
Fixed and movable equipment	2,023,166	Fixed and movable equipment	3,317,642
Total capital assets being depreciated	17,948,093	Total capital assets being depreciated	11,846,531
Less accumulated depreciation for:	(8,662,018)	Less accumulated depreciation for:	(8,690,401)
Total capital assets, net	\$ 9,286,075	Total capital assets, net	\$ 3,156,130

## 5. ACCRUED LIABILITIES

Accrued liabilities reported by the governmental funds at December 31, 2013, were as follows:

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 1,563,969	\$ 7,003	\$ 273,168	\$ 1,844,140
Workers' compensation	3,199,981	-	-	3,199,981
Other	2,592	-	-	2,592
Total accrued liabilities	<u>\$ 4,766,542</u>	<u>\$ 7,003</u>	<u>\$ 273,168</u>	<u>\$ 5,046,713</u>

## 6. RETIREMENT PLANS

**Plan description**—The County of Cattaraugus participates in the New York State and Local Employee's Retirement System (“ERS”). This is a cost-sharing multiple-employer retirement system. The system provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (“NYSRSSL”) govern obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the comptroller of the State of New York serves as sole trustee and administrative head of the system. The comptroller shall adopt and may amend rules and regulations for the administration of the business of the system and for custody and control for their funds. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12236.

**Funding policy**—The System is noncontributory except for employees who joined the New York State and Local Employees’ Retirement System 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 10, 2010 who generally contribute three percent (3%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute three percent (3%) of their annual salary until March 31, 2013, after which the contribution percentage will be based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the New York State Local Retirement System’s fiscal year ending March 31.

In 2003, the County elected for additional coverage for the Sheriff's department under Article 14-B of the Retirement and Social Security Law. The additional coverage was based on the: a) roster of eligible employees in the Sheriff's department provided by the County to the State, and b) employees past service. This additional past service cost is effectively a long-term liability to the County. The County's obligation to pay these costs are regardless of whether the employees indicated on their initial request to work until they reach 20 years of service, leave early, die before retirement, or etc. The County has no remaining liability as of December 31, 2013. See Note 10.

The County of Cattaraugus is required to contribute at an actuarially determined rate. The required contribution for the current year and two preceding years were:

	ERS
2013-2014	\$ 9,221,894
2012-2013	9,426,798
2011-2012	7,323,616

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

## 7. OTHER POSTEMPLOYMENT BENEFITS

**Plan description**—Cattaraugus County administers the Cattaraugus County Retiree Health Insurance Plan (the "Plan") as a single-employer defined benefit other postemployment benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the County subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of December 31, 2013, follows. There have been no significant changes in the number covered or the type of coverage since that date.

Active employees	819
Retired employees	485

**Funding policy**—The obligations of the plan members, employers and other entities are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The County currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the County.

**Accounting policy**—The accrual basis of accounting is used. The fair market value of assets is determined by the market value of assets paid by a willing buyer to a willing seller.

The County's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The table on the following page shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County's net OPEB obligation.

	2013	2012
Annual required contribution	\$ 14,789,326	\$ 12,566,129
Interest on net OPEB obligation	1,972,367	1,639,855
Adjustment to annual required contribution	<u>(2,851,554)</u>	<u>(1,909,197)</u>
Annual OPEB costs (expense)	13,910,139	12,296,787
Contributions made	<u>(5,432,000)</u>	<u>(3,984,000)</u>
Increase in net OPEB obligation	8,478,139	8,312,787
Net OPEB obligation - beginning of year	<u>49,309,163</u>	<u>40,996,376</u>
Net OPEB obligation - end of year	<u>\$ 57,787,302</u>	<u>\$ 49,309,163</u>

**Funding status and funding progress**—As of January 1, 2013, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$157,834,473.

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

As of December 31, 2013, the County's most recent valuation date is January 1, 2013. Accordingly, information from the study is presented in the County's Schedule of Funding Progress, within the required supplementary information. The Schedule of the County's Contributions is show below.

Year Ended December 31,	Annual Required Contribution	Annual OPEB Cost	Contributions Made	Percentage Contributed
2013	\$ 14,789,326	\$ 13,910,139	\$ 5,432,000	39.1%
2012	12,566,129	12,296,787	3,984,000	32.4%
2011	12,427,177	11,838,534	3,856,000	32.6%

**Actuarial methods and assumptions**—The actuarial cost method used to calculate the costs of the Plan for age, disability, and vested and surviving spouse's benefits is known as the Projected Unit Credit Actuarial Cost Method. Under this method, each Participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, the Actuarial Accrued Liability is determined by pro-rating the projected benefit base upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The Normal Cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility. Contributions are made on a pay-as-you-go basis sufficient to fund current benefit payments only. There are no accumulated assets legally segregated for the sole purposes of paying the OPEB benefits valued in this Report, nor are there any assets earmarked for this purpose. In general, the Unfunded Actuarial Liability is amortized as a level dollar amount over a 30-year period. A single amortization base is re-amortized each year (open basis, as defined under GASB 45). All employees who are eligible for participation in the plan as of the valuation date are included in the calculations. Former employees, or their beneficiaries or contingent annuitants, where applicable, are also included if the employee data indicates that they are entitled to an immediate or deferred benefit under the provisions of the plan. No liability is held for

non-vested, inactive employees who have a break-in-service, or for employees who have quit or been terminated even if a break-in- service had not occurred as of the valuation date. The plan is open to new entrants. The plan is subject to good faith collective bargaining between the County and covered employees.

**Measurement date**—January 1, 2013

Discount Rate as of January 1, 2013—Four percent (4%) per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars.

**Mortality table**—The RP 2000 mortality tables for Male and Female Healthy Employees and Male and Female Healthy Retirees, projected to 2013 using Scale AA and no further improvements beyond 2013, are used. In the prior valuation, no mortality improvement was assumed for the RP 2000 tables.

**Withdrawal from service**—Employees are assumed to withdraw from service in accordance with the 2010 New York State pension valuation rates.

**Opt-out rates**—It is assumed that all active employees will elect medical coverage in retirements regardless of their participation while actively employed. Actual elections for retirees are used.

**Salary scale**—No salary increases were assumed since benefits are not based on compensation.

**Health care trend factors**—Health care costs are assumed to increase in accordance with the separate trends for pre 65 and post 65 retirees.

**Retiree contribution rates**—The employee contribution rate is assumed to increase.

**Medicare**—Medicare is expected to continue to cover the same portion of costs as it currently does. Although we understand that the County has filed to receive the 28% Retiree Drug Subsidy for Medicare-eligible retirees, these requirements are not valued under GASB 45 in accordance with GASB Technical Bulletin 2006-1.

**Marriage rates**—75% of employees were assumed to be electing spousal coverage at retirement and females are assumed to be three years younger than males. Actual data is used for retirees.

**Retirement rates**—Employees other than Sheriff Supervisors and Sheriff Deputies are assumed to retire in accordance with the 2010 New York State Retirement System valuation based on attained age. Sheriff Supervisors and Sheriff Deputies are assumed to retire in accordance with the 2010 New York State Police and Fire Retirement valuation based on years of service.

**Net annual medical and prescription claim costs**—Net Annual Experience-Rated Claims Cost for medical and prescription coverage were based on January 1, 2013 premiums and participant data. As retiree claim cost information for the Cattaraugus County medical plan was not sufficiently credible, experience from other medical studies with similar plan designs was used to develop reasonable assumptions for estimating current retirees costs.

**Change in assumptions**—Mortality probabilities were updated to project improvements in mortality from the base year of the RP 200 tables to the valuation year (200 to 2013). The medical trend rates were updated to reflect future increases in medical costs. The estimated increases in the bi-weekly employee contribution were similarly updated.

*Change in plan provisions*—No changes

*Allocation of postemployment benefits*—The County's allocation of their OPEB liability to the County's functions is as follows:

<b>Governmental Activities:</b>	
General government	\$ 7,918,718
Education	78,800
Public Safety	8,598,781
Public Health	7,591,423
Transportation	8,323,530
Economic Assistance and Opportunity	12,515,746
Culture and Recreation	183,327
Home and Community Services	<u>1,022,669</u>
Total Government Activities	<u>\$ 46,232,994</u>
<b>Business-Type Activities:</b>	
The Pines Machias Campus	\$ 5,915,209
The Pines Olean Campus	5,539,862
Onoville Marina	<u>99,237</u>
Total Business-Type Activities	<u>\$ 11,554,308</u>
Total	<u>\$ 57,787,302</u>

## 8. RISK FINANCING

The County records its risk management activities in the general fund. The County assumes the liability for most risk including, but not limited to workers' compensation, property damage, and personal injury liability. The insurance policies obtained at this time include: property; boiler and machinery; faithful performance bonds; and auto liability on specific vehicles of the sheriff's department. For these insurance policies, no amount of settlements exceeded the insurance coverage during the past three years. In order to control losses due to risk exposure, the risk management department has developed a program to identify, evaluate, control and fund various municipal exposures.

*Cattaraugus County health plan*—As of April 1, 1998, the County established a self-insured health plan for its eligible employees and retirees. The County's departments pay a "premium" to the plan based on the estimated costs, which is used to fund claims as they are incurred. The plan claims incurred but not reported is \$1,437,973 as of December 31, 2013, which is recorded as a liability.

*Litigation/claims payable*—The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently able to be determined, in the opinion of the County's attorney and outside legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the County.

*Worker's compensation plan*—The County established a self-insured plan for worker's compensation by a local law on January 1, 1990. The plan is administered by the risk manager. The County is a participant in the plan and the Cities of Olean and Salamanca, the towns and villages located within the County and other eligible public entities may elect to become a participant. The annual estimate of

expense is apportioned among the participant's based on the total value of the participant's taxable real property bears to the aggregate full valuation of all participants. Since the County is the predominant participant in the plan, this is not considered a public entity risk pool per GASB. The worker's compensation activities of the County are recorded in the general fund.

All employees of the County participate in this program based on estimates of the amounts needed to pay prior and current year claims. During the year 2013, an actuarial study determined the plan's liability to be \$16,519,728, discounted at 1.5 percent. The amount estimated to be paid for workers' compensation insurance greater than one year was \$13,319,990. This amount is recorded as a long-term obligation. Changes in the claims liability in fiscal 2011, 2012, and 2013 were as follows:

	Beginning of Year	Changes in		End of Year
		Estimates	Claims Payments	
2013	\$ 20,796,795	\$ (880,067)	\$ 3,397,000	\$ 16,519,728
2012	18,450,110	4,586,445	2,239,760	\$ 20,796,795
2011	12,853,323	7,502,696	1,905,909	18,450,110

Non-County participating employers (Cities, Towns, and Villages) accounts receivables of \$4,094,565 are due to the County for their share of this liability.

## 9. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BAN's") are generally accounted for in the capital projects funds. Principal payments on BAN's must be made annually. State law requires that BAN's issued for capital purposes, be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The following is a summary of changes in the County's short-term debt during the year ended December 31, 2013 for governmental activities:

	Issue/ Maturity Date	Interest Rate	Balance 1/31/2013	Issues	Redemptions	Balance 12/31/2013
Capital Projects Fund:						
Various Capital Projects	2013/2014	0.53%	\$ -	\$ 1,634,500	\$ -	\$ 1,634,500

## 10. LONG-TERM LIABILITIES

*Summary of changes in long-term debt*—The following is a summary of changes in long-term debt for the year ended December 31, 2013:

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 34,819,163	\$ 13,670,000	\$ (11,683,491)	\$ 36,805,672	\$ 4,550,978
Premium on serial bonds	524,841	182,853	(100,811)	606,883	100,370
Compensated absences	4,641,833	159,925	(105,077)	4,696,681	557,185
Capital leases	3,225	59,596	(11,957)	50,864	8,732
Landfill post closure	1,363,108	-	(310,321)	1,052,787	-
Health insurance	1,308,108	13,121,502	(12,991,637)	1,437,973	1,437,973
Other post-employment benefits	39,353,596	11,287,074	(4,407,676)	46,232,994	-
Workers' compensation	20,796,795	-	(4,277,067)	16,519,728	3,199,738
Retirement installments	99,783	-	(99,783)	-	-
Judgments and claims	388,500	-	(388,500)	-	-
Total governmental activities	<u>\$ 103,298,952</u>	<u>\$ 38,480,950</u>	<u>\$ (34,376,320)</u>	<u>\$ 107,403,582</u>	<u>\$ 9,854,976</u>
<b>Business type activities:</b>					
Bonds payable	11,186,451	-	(582,124)	10,604,327	574,022
Premium on serial bonds	263,868	-	(23,502)	240,366	-
Compensated absences	639,695	-	(101,191)	538,504	228,132
Capital leases	-	10,171	-	10,171	2,270
Other post-employment benefits	<u>9,955,567</u>	<u>2,623,065</u>	<u>(1,024,324)</u>	<u>11,554,308</u>	<u>-</u>
Total business-type activities	<u>\$ 22,045,581</u>	<u>\$ 2,633,236</u>	<u>\$ (1,731,141)</u>	<u>\$ 22,947,676</u>	<u>\$ 804,424</u>

*Advance and current refunding*—On January 15, 2003, the County issued \$5,770,000 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,610,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$160,000. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was under taken to reduce total debt service payments over the next 12 years by \$347,512 and resulted in an economic gain of \$300,735. The final payment on the \$5,770,000 of general obligation refunding bonds has been made during the fiscal year ending December 31, 2013.

On November 12, 2004, the County issued \$8,860,000 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt payments of \$8,670,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government activities column of the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$90,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than

the life of the new debt issued. This advance refunding was undertaken to reduce total service payments over the next 12 years by \$187,920 and resulted in an economic gain of \$241,501.

On October 10, 2006, the County issued \$4,450,000 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt payments of \$4,159,290 of general obligation bonds. As a result, the refunded portions of the bonds are considered to be defeased and the liability for that portion has been removed from the government activities column of the Statement of Net Position. The reacquisition of price exceeded the net carrying amount of the refunded portion of the old debt by \$290,710. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The advanced refunding was undertaken to reduce total service payments over the next 11 years by \$129,489 and resulted in an economic gain of \$73,509.

On September 1, 2011, the County issued \$14,155,000 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purposes of generating resources for future debt payments of \$14,075,000 of general obligation bonds. As a result, the refunding portions of the bonds are considered to be defeased and the liability for that portion has been removed from the government activities column of the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the refunded portion of the old debt by \$80,000. This amount is being netted against the new debt and amortized over the remaining life of the new debt issued. The advanced refunding was undertaken to reduce total service payments over the next 19 years by \$1.2 million and resulted in an economic gain of \$877,322.

On January 23, 2013, the County issued \$7,210,000 of general obligation refunding bonds to provide resources to purchase U.S. Governmental Securities that were placed in an irrevocable trust for the purposes of generating resources for future debt payments of \$6,875,000 of general obligation bonds. As a result, the refunding portions of the bonds are considered to be defeased and the liability for that portion has been removed from the government activities column of the Statement of Net Position. The reacquisition of price exceeded the net carrying amount of the refunded portion of the old debt by \$335,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The advanced refunding was undertaken to reduce total service payments over the next 8 years by \$251,610 and resulted in an economic gain of \$217,659.

***In-substance defeasance-prior years***—In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements.

***Bonds payable***—The County borrows money in order to acquire land or equipment or construction of buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government.

During the year ended December 31, 2013, the County issued \$6,460,000 in public improvement bonds with an interest rate of 2.25-3.00%.

A listing of bonded indebtedness transactions for the year ended December 31, 2013 follows:

Purpose	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2013	Issued	Redeemed	Principal Outstanding 12/31/2013
<b>Governmental activities</b>						
Public Improvement	1999/2014	4.30-4.50%	\$ 550,000	\$ -	\$ 275,000	\$ 275,000
Public Improvement	2001/2014	3.50-4.40%	750,000	-	750,000	-
Public Improvement	2003/2013	2.50-4.00%	145,881	-	145,881	-
Public Improvement	2003/2017	3.00-3.75%	2,200,000	-	2,200,000	-
Public Improvement	2004/2019	3.30-4.00%	1,350,000	-	1,350,000	-
Public Improvement	2004/2017	2.50-5.00%	1,370,000	-	275,000	1,095,000
Public Improvement	2005/2020	3.80-3.90%	2,275,000	-	2,000,000	275,000
Public Improvement	2006/2021	4.00%	2,400,000	-	1,900,000	500,000
Public Improvement	2006/2018	4.00-4.20%	2,627,667	-	571,995	2,055,672
Public Improvement	2007/2022	3.85%	2,285,000	-	220,000	2,065,000
Public Improvement	2008/2023	3.25-4.30%	3,725,000	-	325,000	3,400,000
Public Improvement	2010/2024	2.11-6.75%	7,190,000	-	470,000	6,720,000
Public Improvement	2011/2017	2.00-4.13%	1,790,000	-	365,000	1,425,000
Public Improvement	2012/2027	2.00-2.50%	6,160,615	-	345,615	5,815,000
Public Improvement	2013/2021	1.50-4.00%	-	7,210,000	490,000	6,720,000
Public Improvement	2013/2028	2.25-3.00%	-	6,460,000	-	6,460,000
<b>Total governmental activities</b>			<b><u>\$34,819,163</u></b>	<b><u>\$13,670,000</u></b>	<b><u>\$11,683,491</u></b>	<b><u>\$36,805,672</u></b>
<b>Business-type activities</b>						
Public Improvement - Marina	2003/2013	2.50-4.00%	\$ 14,118	\$ -	\$ 14,118	\$ -
Public Improvement - Marina	2007/2015	4.00-4.20%	87,333	-	38,006	49,327
Public Improvement - Pines	2007/2022	3.85%	615,000	-	55,000	560,000
Public Improvement - Pines	2011/2032	2.00-4.125%	10,470,000	-	475,000	9,995,000
<b>Total business-type activities</b>			<b><u>\$11,186,451</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 582,124</u></b>	<b><u>\$10,604,327</u></b>

Annual debt service requirements to maturity are as follows:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 4,550,978	\$ 1,164,120	\$ 5,715,098	\$ 574,022	\$ 414,402	\$ 988,424
2015	4,454,694	999,546	5,454,240	570,305	401,358	971,663
2016	4,215,000	845,616	5,060,616	545,000	379,126	924,126
2017	3,920,000	704,974	4,624,974	540,000	357,416	897,416
2018	2,925,000	579,726	3,504,726	570,000	335,906	905,906
2019 - 2023	11,775,000	1,505,777	13,280,777	2,850,000	1,336,193	4,186,193
2024 - 2028	4,965,000	112,694	5,077,694	2,730,000	780,769	3,510,769
2029 - 2033	-	-	-	2,225,000	227,875	2,452,875
<b>Total</b>	<b><u>\$ 36,805,672</u></b>	<b><u>\$ 5,912,453</u></b>	<b><u>\$ 42,718,125</u></b>	<b><u>\$ 10,604,327</u></b>	<b><u>\$ 4,233,046</u></b>	<b><u>\$ 14,837,373</u></b>

**Compensated absences**— The County records the value of compensated absences (primarily accrued vacation and sick time benefits) in long-term liabilities in the governmental and proprietary fund types. The annual budget of the operating funds provides funding for the current portion of these benefits. The value recorded at December 31, 2013 for governmental funds is \$4,696,681.

The value of compensated absences for the Pines Healthcare and Rehabilitation Centers (Machias and Olean Campus) and Onoville Marina is recorded as accrued liabilities in the proprietary funds. The amount recorded at December 31, 2013 is \$538,504.

In the governmental fund financial statements, none of the liability is reported, as it is not expected to be paid using expendable available resources. In proprietary funds, the entire amount of compensated absences related to employees of those funds is reported as a fund liability.

**Capital leases**—The County has recorded capital leases for various equipment in long-term liabilities in the Governmental and proprietary funds. The County's imputed interest for its capitalized lease obligations are deemed immaterial. Of the \$50,864 in remaining payments, \$8,732 are due during the year ending December 31, 2014.

**Operating leases**—The County has entered into a number of operating leases. Lease expenditures for the year ended December 31, 2013, amounted to \$481,333. Future minimum payments under operating leases at December 31, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
2014	290,287
2015	213,765
2016	142,148
2017	139,580
2018 and beyond	<u>139,885</u>
	<u>\$ 925,665</u>

**Landfill post closure**—The County tests and maintains certain landfill sites. Estimated long-term costs associated with future maintenance and testing total \$1,052,787. Further discussion of the County's post closure obligation can be found in Note 16.

**Health, worker's compensation insurance and judgments and claims**—The County's liability related to its health insurance plan totaled \$1,437,973 at December 31, 2013. The liability of the County's workers' compensation totaled \$16,519,728 at December 31, 2013. There was no liability related to the County's judgments and claims at December 31, 2013. Further discussion of the County's risk management programs can be found in Note 8.

**OPEB obligation**—As explained in Note 7, the County provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee's total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The County's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The estimated OPEB

liability for governmental and business-type activities is estimated to be \$46,232,994 and \$11,554,308, respectively, at December 31, 2013.

**Retirement installments** —The County’s retirement liability is payable in annual installments of \$99,783 through December 31, 2013. See Note 6.

## 11. NET POSITION AND FUND BALANCE

**Net position**—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.

Capital assets, net of accumulated depreciation		\$ 105,627,118
Related debt:		
Serial bonds issued	(36,805,672)	
Capital leases	(50,864)	
Unspent proceeds reported within Capital Projects Fund	<u>10,784,274</u>	
Debt issued for capital assets		<u>(26,072,262)</u>
Net investment in capital assets		<u>\$ 79,554,856</u>

- **Restricted amounts**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted amounts**—This category represents net position of the County not restricted for any project or other purpose.

**Fund balance**—GASB defines the different types of fund balances that a governmental entity must use for financial reporting purposes as the fund balance categories listed below:

- **Nonspendable**—Amount of assets that cannot be spent in the current period because of their form or because they must be maintained intact. As of December 31, 2013, the County had 2,284,415 of prepaid expenditures that were classified as nonspendable funds.
- **Restricted**—Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restrictions of the County at December 31, 2013 are shown on the next page.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
MDLF loan fund	\$ 439,216	\$ -	\$ -	\$ 439,216
Insurance	1,431,224	-	-	1,431,224
Other	147,642	-	-	147,642
Capital projects	-	15,869,043	-	15,869,043
Debt	-	-	102,313	102,313
Trust accounts	-	-	5,621	5,621
Total restricted fund balance	<u>\$ 2,018,082</u>	<u>\$ 15,869,043</u>	<u>\$ 107,934</u>	<u>\$ 17,995,059</u>

**Committed**—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 their designated body or official. As of December 31, 2013, Cattaraugus County had committed fund balance of \$868,968, which represents funds accumulated to be used for economic development, planning and tourism.

**Assigned**—Amounts that are subject to a purpose constraint that represents an intended use established by the County Legislator. 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, 2013, the balances presented below were considered to be assigned.

	General Fund	Nonmajor Governmental Funds	Total
Subsequent years' expenditures	\$ 3,387,527	\$ 29,800	\$ 3,417,327
Encumbrances	1,506,097	574,330	2,080,427
Home and community services	-	10,144	10,144
Total assigned fund balance	<u>\$ 4,893,624</u>	<u>\$ 614,274</u>	<u>\$ 5,507,898</u>

**Unassigned**—Represents the residual classification of the government’s General Fund, and could report a surplus or deficit. As of December 31, 2013, the unassigned fund balance was \$30,077,797.

The County will spend the most restricted dollars before less restricted where such spending is appropriate and the legal restriction does not limit the use of such restricted amount for the particular purpose in question in the following order: 1) Nonspendable (if funds become spendable), 2) Restricted, 3) Committed, 4) Assigned, and 5) Unassigned.

## 12. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the fund making payments when due, and (3) move residual cash from closed projects.

Interfund receivables, payables, and transfers of the County as of, and for the year ended December 31, 2013 are presented on the next page.

Fund	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
Governmental Funds:				
General Fund	\$ 2,593,643	\$ -	\$ 6,162	\$ 11,032,081
Capital Projects Fund	-	-	2,856,416	-
Other governmental funds	-	352,696	12,734,545	4,565,042
Business-type Activities:				
The Pines Olean Campus	-	2,240,947	-	-
Total	<u>\$ 2,593,643</u>	<u>\$ 2,593,643</u>	<u>\$ 15,597,123</u>	<u>\$ 15,597,123</u>

### 13. DEFERRED COMPENSATION PLAN

The County offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All assets at December 31, 2013 were held by a third-party in trust for the exclusive benefit of participants.

### 14. LABOR RELATIONS

Seven independent bargaining units represent the majority of County employees. The Civil Service Employees Association, Inc. Employee Unit and Supervisory Unit contracts are negotiated through December 31, 2013. The remaining five bargaining unit contracts remained unsettled at December 31, 2013.

### 15. CONTINGENCIES

**Litigation**—Various legal actions are pending against the County. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or result of operation of the County.

**Grant programs**—The County receives significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit. Any disallowed expenditure resulting from such audits could become a liability of the governmental funds. The amount, if any, of expenditures, which may be disallowed, cannot be determined at this time although the County expects such amounts to be immaterial.

**Sales tax**—The State of New York periodically audits its distribution of sales tax revenues to counties throughout the state. Thus, revenues recorded as the fiscal year end are subject to revision should such an audit take place.

### 16. LANDFILL POST CLOSURE COSTS

State and Federal laws required the County to cap and close the Farwell and Five Points Landfills and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. The capping and closing of the Five Points Landfill was completed in 1988. The Farewell Landfill

capping and closure was completed in 1989. Environmental and facility monitoring continues at both landfills including routine monitoring of groundwater, surface water and leachate samples.

The costs for testing and maintenance are estimated annually based on historical data and are included in the current year's budget. The estimates are subject to change due to inflation or deflation, technology, or changes in applicable laws and regulations. The liability for the long-term portion of the liability is recorded in the long-term liabilities of the governmental fund types. The balance as of December 31, 2013, is \$1,052,787.

## **17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 14, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

REQUIRED SUPPLEMENTARY  
INFORMATION



**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance—Budget and Actual—General Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$49,301,193	\$49,301,193	\$49,883,573	\$ 582,380
Real property tax items	2,563,000	2,563,000	2,719,829	156,829
Non property tax items	25,467,839	26,306,320	27,052,483	746,163
Departmental income	16,810,326	16,834,341	16,800,247	(34,094)
Intergovernmental charges	6,213,228	6,360,628	5,993,334	(367,294)
Use of money and property	1,108,254	1,108,254	1,033,747	(74,507)
Sale of property and compensation for loss	1,285,350	1,285,350	1,317,502	32,152
Miscellaneous	876,466	4,902,556	6,072,930	1,170,374
Interfund revenues	22,526,495	22,689,195	22,311,116	(378,079)
State aid	16,680,975	17,467,280	16,161,667	(1,305,613)
Federal aid	19,588,425	20,583,675	18,847,352	(1,736,323)
Total revenues	<u>162,421,551</u>	<u>169,401,792</u>	<u>168,193,780</u>	<u>(1,208,012)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	43,055,603	43,955,294	41,458,391	2,496,903
Education	7,129,216	7,638,159	6,569,625	1,068,534
Public safety	18,479,663	19,645,938	18,615,714	1,030,224
Health	20,936,528	21,155,646	19,351,280	1,804,366
Transportation	-	-	-	-
Economic assistance and opportunity	56,864,825	58,073,227	53,926,758	4,146,469
Culture and recreation	934,292	1,390,797	1,009,016	381,781
Home and community services	2,305,421	2,291,545	2,062,773	228,772
Employee benefits	5,875,850	5,741,946	4,448,813	1,293,133
Debt service	16,258	16,471	11,957	4,514
Total expenditures	<u>155,597,656</u>	<u>159,909,023</u>	<u>147,454,327</u>	<u>12,454,696</u>
Excess of revenues over expenditures	<u>6,823,895</u>	<u>9,492,769</u>	<u>20,739,453</u>	<u>11,246,684</u>
<b>OTHER FINANCING USES</b>				
Transfers in	-	6,162	6,162	-
Transfers out	(9,852,729)	(12,594,059)	(11,032,081)	1,561,978
Capital lease	-	-	59,596	-
Total other financing uses	<u>(9,852,729)</u>	<u>(12,587,897)</u>	<u>(10,966,323)</u>	<u>1,561,978</u>
Net change in fund balances*	(3,028,834)	(3,095,128)	9,773,130	12,808,662
Fund balances—beginning	<u>30,369,756</u>	<u>30,369,756</u>	<u>30,369,756</u>	-
Fund balances—ending	<u>\$27,340,922</u>	<u>\$27,274,628</u>	<u>\$40,142,886</u>	<u>\$ 12,808,662</u>

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Funding Progress—Other Postemployment Benefits**  
**Year Ended December 31, 2013**

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Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
December 31, 2013	\$ -	\$ 157,834,473	\$ 157,834,473	0.0%	N/A	N/A
December 31, 2012	-	132,361,582	132,361,582	0.0%	49,812,322	265.7%
December 31, 2011	-	132,361,582	132,361,582	0.0%	49,812,322	265.7%

## SUPPLEMENTARY INFORMATION



# COMBINING STATEMENTS AND SCHEDULES OF NONMAJOR GOVERNMENTAL FUNDS

## **Special Revenue Funds**

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

**County Road Fund**—required by Highway Law Section 114 and accounts for salaries and expenses of the county highway office, maintenance of county roads and bridges, snow removal and construction and reconstruction of county roads.

**Road Machinery Fund**—required by Highway Law Section 133 and accounts for purchases, repairs and maintenance of highway machinery, tools and equipment; for construction, purchase and maintenance of buildings for the storage and repair of highway machinery and equipment; and for the purchase of materials and supplies to provide an adequate central stockpile for highway, snow removal and bridge purposes.

**Conewango Watershed Fund**—provides for the maintenance of the Conewango Creek Watershed.

**Economic Development Fund**—provides for economic development opportunities, job expansion programs and support services of treatment programs for persons suffering from gaming addictions.

## **Debt Service Fund**

To account for the accumulation of resources for the payment of principal and interest on the County's general obligation bonds.

## **Permanent Funds**

Trust funds are used to account for assets held by the County in a trustee capacity.



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**COUNTY OF CATTARAUGUS, NEW YORK**  
**Combining Balance Sheet— Nonmajor Governmental Funds**  
**December 31, 2013**

	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Permanent</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,584,500	\$ -	\$ -	\$ 2,584,500
Restricted cash and cash equivalents	-	83,167	5,621	88,788
Investments	268,613	84,083	-	352,696
Accounts receivable	59,397	19,146	-	78,543
Intergovernmental receivables	<u>1,055,924</u>	<u>-</u>	<u>-</u>	<u>1,055,924</u>
Total assets	<u>\$ 3,968,434</u>	<u>\$ 186,396</u>	<u>\$ 5,621</u>	<u>\$ 4,160,451</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 530,166	\$ -	\$ -	\$ 530,166
Accrued liabilities	273,168	-	-	273,168
Due to other funds	268,613	84,083	-	352,696
Unearned revenue	<u>2,282,213</u>	<u>-</u>	<u>-</u>	<u>2,282,213</u>
Total liabilities	<u>3,354,160</u>	<u>84,083</u>	<u>-</u>	<u>3,438,243</u>
<b>FUND BALANCES</b>				
Restricted:				
Debt	-	102,313	-	102,313
Trust accounts	-	-	5,621	5,621
Assigned:				
Subsequent years appropriations	29,800	-	-	29,800
Encumbrances	574,330	-	-	574,330
Home and community services	<u>10,144</u>	<u>-</u>	<u>-</u>	<u>10,144</u>
Total fund balances	<u>614,274</u>	<u>102,313</u>	<u>5,621</u>	<u>722,208</u>
Total liabilities and fund balances	<u>\$ 3,968,434</u>	<u>\$ 186,396</u>	<u>\$ 5,621</u>	<u>\$ 4,160,451</u>

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2013**

	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Permanent</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Non property tax items	\$ 10,052,388	\$ 345,802	\$ -	\$ 10,398,190
Departmental income	19,205	-	-	19,205
Intergovernmental charges	562,959	-	-	562,959
Use of money and property	239	8,576	23	8,838
Sale of property and compensation for loss	35,598	-	-	35,598
Miscellaneous	28,076	-	-	28,076
Interfund revenues	3,282,775	-	-	3,282,775
State aid	11,965	-	-	11,965
Federal aid	526,943	109,136	-	636,079
Total revenues	<u>14,520,148</u>	<u>463,514</u>	<u>23</u>	<u>14,983,685</u>
<b>EXPENDITURES</b>				
Current:				
General government support	-	1,800	-	1,800
Public safety	578,035	-	-	578,035
Transportation	16,744,477	-	-	16,744,477
Economic assistance and opportunity	28,152	-	-	28,152
Home and community services	13,505	-	-	13,505
Debt service:				
Principal	-	4,808,491	-	4,808,491
Interest and fiscal charges	-	1,182,739	-	1,182,739
Total expenditures	<u>17,364,169</u>	<u>5,993,030</u>	<u>-</u>	<u>23,357,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,844,021)</u>	<u>(5,529,516)</u>	<u>23</u>	<u>(8,373,514)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,160,432	5,574,113	-	12,734,545
Transfers out	(4,565,042)	-	-	(4,565,042)
Proceeds of bond refunding	-	7,210,000	-	7,210,000
Premium on bonds issued	-	182,853	-	182,853
Payment to escrow agent	-	(7,391,647)	-	(7,391,647)
Total other financing sources (uses)	<u>2,595,390</u>	<u>5,575,319</u>	<u>-</u>	<u>8,170,709</u>
Net change in fund balances	(248,631)	45,803	23	(202,805)
Fund balances - beginning	<u>862,905</u>	<u>56,510</u>	<u>5,598</u>	<u>925,013</u>
Fund balances - ending	<u>\$ 614,274</u>	<u>\$ 102,313</u>	<u>\$ 5,621</u>	<u>\$ 722,208</u>

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**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Debt Service Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Non property tax items	\$ 300,000	\$ 300,000	\$ 345,802	\$ 45,802
Use of money and property	1,000	1,000	8,576	7,576
Federal aid	<u>114,098</u>	<u>114,098</u>	<u>109,136</u>	<u>(4,962)</u>
Total revenues	<u>415,098</u>	<u>415,098</u>	<u>463,514</u>	<u>48,416</u>
<b>EXPENDITURES</b>				
Current:				
General government support	3,500	3,500	1,800	1,700
Debt service:				
Principal	4,693,491	4,808,491	4,808,491	-
Interest	<u>1,346,644</u>	<u>1,231,644</u>	<u>1,182,739</u>	<u>48,905</u>
Total expenditures	<u>6,043,635</u>	<u>6,043,635</u>	<u>5,993,030</u>	<u>50,605</u>
Deficiency of revenues (under) expenditures	<u>(5,628,537)</u>	<u>(5,628,537)</u>	<u>(5,529,516)</u>	<u>99,021</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	5,628,537	5,628,537	5,574,113	(54,424)
Proceeds of debt issuance	-	7,210,000	7,210,000	-
Premium on bonds issued	-	181,647	182,853	1,206
Payment to escrow agent	<u>-</u>	<u>(7,391,647)</u>	<u>(7,391,647)</u>	<u>-</u>
Total other financing sources	<u>5,628,537</u>	<u>5,628,537</u>	<u>5,575,319</u>	<u>(53,218)</u>
Net change in fund balances	-	-	45,803	45,803
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>56,510</u>	<u>56,510</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,313</u>	<u>\$ 102,313</u>

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Combining Balance Sheet—Nonmajor Special Revenue Funds**  
**December 31, 2013**

	<u>County Road</u>	<u>Road Machinery</u>	<u>Conewango Watershed</u>	<u>Economic Development</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ (254,096)	\$ 516,439	\$ 39,944	\$ 2,282,213	\$ 2,584,500
Investments	268,613	-	-	-	268,613
Accounts receivable	1,054	58,343	-	-	59,397
Intergovernmental receivables	1,042,733	13,191	-	-	1,055,924
Total assets	<u>\$ 1,058,304</u>	<u>\$ 587,973</u>	<u>\$ 39,944</u>	<u>\$ 2,282,213</u>	<u>\$ 3,968,434</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 411,791	\$ 118,375	\$ -	\$ -	\$ 530,166
Accrued liabilities	243,777	29,391	-	-	273,168
Due to other funds	268,613	-	-	-	268,613
Unearned revenue	-	-	-	2,282,213	2,282,213
Total liabilities	<u>924,181</u>	<u>147,766</u>	<u>-</u>	<u>2,282,213</u>	<u>3,354,160</u>
<b>FUND BALANCES</b>					
Assigned:					
Subsequent years appropriations	-	-	29,800	-	29,800
Encumbrances	134,123	440,207	-	-	574,330
Home and community services	-	-	10,144	-	10,144
Total fund balances	<u>134,123</u>	<u>440,207</u>	<u>39,944</u>	<u>-</u>	<u>614,274</u>
Total liabilities and fund balances	<u>\$ 1,058,304</u>	<u>\$ 587,973</u>	<u>\$ 39,944</u>	<u>\$ 2,282,213</u>	<u>\$ 3,968,434</u>

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Nonmajor Special Revenue Funds**  
**Year Ended December 31, 2013**

	<u>County Road</u>	<u>Road Machinery</u>	<u>Conewango Watershed</u>	<u>Economic Development</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>REVENUES</b>					
Non property tax items	\$ 9,568,244	\$ 484,144	\$ -	\$ -	\$ 10,052,388
Departmental income	19,129	-	-	76	19,205
Intergovernmental charges	134,766	425,793	2,400	-	562,959
Use of money and property	-	-	239	-	239
Sale of property and compensation for loss	12,726	22,872	-	-	35,598
Miscellaneous	-	-	-	28,076	28,076
Interfund revenues	-	3,282,775	-	-	3,282,775
State aid	11,965	-	-	-	11,965
Federal aid	526,943	-	-	-	526,943
Total revenues	<u>10,273,773</u>	<u>4,215,584</u>	<u>2,639</u>	<u>28,152</u>	<u>14,520,148</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	578,035	-	-	-	578,035
Transportation	12,799,157	3,945,320	-	-	16,744,477
Economic assistance and opportunity	-	-	-	28,152	28,152
Home and community services	-	-	13,505	-	13,505
Total expenditures	<u>13,377,192</u>	<u>3,945,320</u>	<u>13,505</u>	<u>28,152</u>	<u>17,364,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,103,419)</u>	<u>270,264</u>	<u>(10,866)</u>	<u>-</u>	<u>(2,844,021)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	7,160,432	-	-	-	7,160,432
Transfers out	<u>(4,246,100)</u>	<u>(318,942)</u>	<u>-</u>	<u>-</u>	<u>(4,565,042)</u>
Total other financing sources (uses)	<u>2,914,332</u>	<u>(318,942)</u>	<u>-</u>	<u>-</u>	<u>2,595,390</u>
Net change in fund balances	(189,087)	(48,678)	(10,866)	-	(248,631)
Fund balances—beginning	<u>323,210</u>	<u>488,885</u>	<u>50,810</u>	<u>-</u>	<u>862,905</u>
Fund balances—ending	<u>\$ 134,123</u>	<u>\$ 440,207</u>	<u>\$ 39,944</u>	<u>\$ -</u>	<u>\$ 614,274</u>

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—County Road Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Non property tax items	\$ 8,960,000	\$ 8,960,000	\$ 9,568,244	\$ 608,244
Departmental income	5,000	15,504	19,129	3,625
Intergovernmental charges	50,000	83,269	134,766	51,497
Sale of property and compensation for loss	-	12,726	12,726	-
State aid	-	11,965	11,965	-
Federal aid	506,400	570,270	526,943	(43,327)
Total revenues	<u>9,521,400</u>	<u>9,653,734</u>	<u>10,273,773</u>	<u>620,039</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	575,935	649,644	578,035	71,609
Transportation	13,004,595	13,514,554	12,799,157	715,397
Total expenditures	<u>13,580,530</u>	<u>14,164,198</u>	<u>13,377,192</u>	<u>787,006</u>
Deficiency of revenues (under) expenditures	<u>(4,059,130)</u>	<u>(4,510,464)</u>	<u>(3,103,419)</u>	<u>1,407,045</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,982,020	8,448,795	7,160,432	(1,288,363)
Transfers out	<u>(4,246,100)</u>	<u>(4,246,100)</u>	<u>(4,246,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,735,920</u>	<u>4,202,695</u>	<u>2,914,332</u>	<u>(1,288,363)</u>
Net change in fund balances*	(323,210)	(307,769)	(189,087)	118,682
Fund balances - beginning	<u>453,426</u>	<u>126,820</u>	<u>323,210</u>	<u>-</u>
Fund balances - ending	<u>\$ 130,216</u>	<u>\$ (180,949)</u>	<u>\$ 134,123</u>	<u>\$ 118,682</u>

\*The net change in fund balances was included in the budget as a re-appropriation of prior year encumbrances

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Road Machinery Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Non property tax items	\$ 475,000	\$ 475,000	\$ 484,144	\$ 9,144
Intergovernmental charges	243,000	331,602	425,793	94,191
Sale of property and compensation for loss	-	15,000	22,872	7,872
Interfund revenues	<u>2,583,480</u>	<u>3,255,053</u>	<u>3,282,775</u>	<u>27,722</u>
Total revenues	<u>3,301,480</u>	<u>4,076,655</u>	<u>4,215,584</u>	<u>138,929</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	<u>4,278,637</u>	<u>4,469,149</u>	<u>3,945,320</u>	<u>523,829</u>
Total expenditures	<u>4,278,637</u>	<u>4,469,149</u>	<u>3,945,320</u>	<u>523,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(977,157)</u>	<u>(392,494)</u>	<u>270,264</u>	<u>662,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	801,052	219,191	-	(219,191)
Transfers out	<u>(312,780)</u>	<u>(318,942)</u>	<u>(318,942)</u>	<u>-</u>
Total other financing sources (uses)	<u>488,272</u>	<u>(99,751)</u>	<u>(318,942)</u>	<u>(219,191)</u>
Net change in fund balances*	(488,885)	(492,245)	(48,678)	443,567
Fund balances - beginning	<u>430,259</u>	<u>109,014</u>	<u>488,885</u>	<u>-</u>
Fund balances - ending	<u><u>\$ (58,626)</u></u>	<u><u>\$ (383,231)</u></u>	<u><u>\$ 440,207</u></u>	<u><u>\$ 443,567</u></u>

\*The net change in fund balances was included in the budget as a re-appropriation of prior year encumbrances

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Conewango Watershed Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Intergovernmental charges	\$ 2,700	\$ 2,700	\$ 2,400	\$ (300)
Use of money and property	<u>300</u>	<u>300</u>	<u>239</u>	<u>(61)</u>
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>2,639</u>	<u>(361)</u>
<b>EXPENDITURES</b>				
Current:				
Home and community services	<u>34,000</u>	<u>34,000</u>	<u>13,505</u>	<u>20,495</u>
Total expenditures	<u>34,000</u>	<u>34,000</u>	<u>13,505</u>	<u>20,495</u>
Net change in fund balances*	(31,000)	(31,000)	(10,866)	20,134
Fund balances - beginning	<u>25,164</u>	<u>25,164</u>	<u>50,810</u>	<u>55,964</u>
Fund balances - ending	<u><u>\$ (5,836)</u></u>	<u><u>\$ (5,836)</u></u>	<u><u>\$ 39,944</u></u>	<u><u>\$ 76,098</u></u>

\*The net change in fund balances was included in the budget as a re-appropriation of prior year encumbrances

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Economic Development Fund**  
**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Departmental income	\$ -	\$ -	\$ 76	\$ 76
Miscellaneous	-	2,297,455	28,076	(2,269,379)
Total revenues	-	2,297,455	28,152	(2,269,303)
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	-	2,297,455	28,152	2,269,303
Total expenditures	-	2,297,455	28,152	2,269,303
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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FEDERAL AWARDS  
INFORMATION



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**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program Title (1)</b>	<b>Federal CFDA Number (2)</b>	<b>Federal Grantor/ Pass-Through Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through New York State:			
Commodity Loans and Loan Deficiency Payments	10.051	N/A	\$ 98,956
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	61501	3,383
National School Lunch Program	10.555	61501	<u>5,235</u>
Total Child Nutrition Cluster			<u>8,618</u>
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	63405	2,393,238
Child and Adult Care Food Program	10.558	N/A	48,653
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>1,686,626</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>4,236,091</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Direct Programs:			
Procurement Technical Assistance for Business Firms	12.002	N/A	<u>121,025</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>121,025</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Passed through New York State:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	N/A	<u>223,205</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>223,205</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through New York State:			
Violence Against Women Formula Grants	16.588	N/A	25,300
Bullet Proof Vest Partnership Program	16.607	N/A	9,461
State and Local Anti-Terrorism Training	16.614	N/A	531,866
ARRA—Edward Byrne Memorial Justice Assistance Grant Program	16.803	N/A	13,971
Passed through Council on Addiction Recovery Services, Inc.:			
Enforcing Underage Drinking Laws Program	16.727	N/A	<u>45,715</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>626,313</u>

(continued)

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program Title (1)</b>	<b>Federal CFDA Number (2)</b>	<b>Federal Grantor/ Pass-Through Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through New York State:			
<i>WIA Cluster:</i>			
WIA Adult Program	17.258	N/A	96,350
WIA Youth Activities	17.259	N/A	141,498
ARRA - WIA Youth Activities	17.259	N/A	14,591
WIA Dislocated Workers	17.278	N/A	<u>160,899</u>
Total WIA Cluster			<u>413,338</u>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<u>413,338</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through New York State:			
Highway Planning and Construction	20.205	N/A	1,803,348
State and Community Highway Safety	20.600	69970	9,996
Child Safety and Child Booster Seat Incentive Grants	20.613	N/A	18,982
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	69920	<u>49,992</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>1,882,318</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through New York State:			
State - Water Quality Management Planning	66.454	N/A	<u>2,964</u>
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			<u>2,964</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through New York State:			
Grants for Infants and Families	84.181	N/A	<u>38,681</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>38,681</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through New York State:			
Medical Reserve Corps Small Grant Program	93.008	N/A	13,580
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	93.043	69434	5,136
<i>Aging Cluster:</i>			
Title III, Part B - Grants for Supportive Service and Senior centers	93.044	69404	86,754
Title III, Part C - Nutrition Services	93.045	69423	<u>158,893</u>
Total Aging Cluster			<u>245,647</u>

(continued)

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

<b>Federal Grantor/Pass-Through Grantor/Program Title (1)</b>	<b>Federal CFDA Number (2)</b>	<b>Federal Grantor/ Pass-Through Number</b>	<b>Federal Expenditures</b>
Special Programs for the Aging - Title IV and Title II - Discretionary Grants	93.048	N/A	25,760
National Family Caregiver Support, Title III, Part E	93.052	N/A	38,086
Medicare Enrollment Assistance Program	93.071	N/A	-
Family Planning - Services	93.217	63402	159,186
Immunization Grants	93.268	N/A	43,908
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	62,529
Temporary Assistance For Needy Families	93.558	N/A	5,350,984
Child Support Enforcement	93.563	62501	739,893
Low-Income Home Energy Assistance	93.568	62210	4,236,129
Child Care and Development Block Grant	93.575	62702	2,085,447
Voting Access for Individuals with Disabilities - Grants to States	93.617	N/A	
Foster Care - Title IV-E	93.658	62401	1,723,211
Adoption Assistance	93.659	62402	12,082
Social Services Block Grant	93.667	62302	355,222
Chafee Foster Care Independence Program	93.674	N/A	112,278
Medical Assistance Program	93.778	62101	3,314,127
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	40,544
Grant to States for Operation of Qualified High Risk Pools	93.780		5,588
Assistance Programs for Chronic Disease Prevention and Control	93.945		150,100
Block Grants for Prevention and Treatment of Substance Abuse	93.959	64805	658,755
Maternal and Child Health Services Block Grant to the States	93.994	63491	37,516
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>19,415,708</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Direct Programs:			
Retired and Senior Volunteer Program	94.002	N/A	36,750
AmeriCorps	94.006	N/A	181,257
<b>TOAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<u>218,007</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through New York State:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		118,663
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>118,663</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>27,296,313</u></u>

(concluded)

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

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Expenditures of Federal Awards - Subrecipients**  
**Year Ended December 31, 2013**

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<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Commodity Loans and Loan Deficiency Payments	10.551	\$ 119,675
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	170,731
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	132,500
Centers for Disease Control and Prevention - Investigations and Technical Assitance	93.283	68,785
Temporary Assitance For Needy Families	93.558	1,021,849
Low-Income Home Energy Assitance	93.568	20,347
Social Services Block Grant	93.667	483,798
Community Transformation Grants - Small Communities	93.737	109,582
Medical Assitance Program	93.778	468,481
Block Grants for Prevention and Treatment of Substance Abuse	93.959	680,075
Maternal and Child Health Services Block Grant to the States	93.994	6,000
Various	Various	<u>60,944</u>
Total		<u>\$ 3,342,767</u>

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2013**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of County of Cattaraugus, New York (the "County") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**2. INDIRECT COSTS**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

**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, 2013, \$71,045,752 of medical services and goods were received by participants in the Medical Assistance Program (CFDA Number 93.778), which are excluded in the amounts presented in the schedule of expenditures of federal awards.

For the year ended December 31, 2013, the County distributed \$16,311,390 of food vouchers to eligible persons participating in the Supplemental Nutrition Assistance Program (CFDA number 10.551). However, this amount is not reflected in the schedule of expenditures of federal awards.

**5. RECONCILIATION**

A reconciliation to the basic financial statements is available.

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Certified Public Accountants

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

Honorable County Administrator and County Legislature  
County of Cattaraugus, New York

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Cattaraugus, New York (the "County") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 14, 2014. Our report includes a reference to other auditors who audited the financial statements of the Pines Machias Campus and the Pines Olean Campus, 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 on separately by those auditors. The financial statements of the Pines were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Duesch & Malhotra LLP". The signature is written in a cursive style.

July 14, 2014

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable County Administrator and County Legislature  
County of Cattaraugus, New York

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

We have audited the County of Cattaraugus, New York's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *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, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

## 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 as a basis for designing 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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



July 14, 2014

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2013**

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**Part I. Summary of Auditors' Results**

**Financial Statements:**

Type of auditors' report issued: Unmodified\*  
 \* (which report refers to other auditors)

Internal control over financial reporting:

- 1. Material weakness(es) identified? \_\_\_\_\_ Yes   ✓   No
- 2. Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   ✓   None reported
- 3. Is any noncompliance material to financial statements noted? \_\_\_\_\_ Yes   ✓   No

**Federal Awards:**

Internal control over major programs:

Type of auditors' report issued on compliance for major programs: Unmodified

- 4. Material weakness(es) identified? \_\_\_\_\_ Yes   ✓   No
- 5. Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   ✓   None reported
- 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 section .510(a)? \_\_\_\_\_ Yes   ✓   No

7. The County's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
ARRA—Edward Byrne Memorial Justice Assistance Grant Program	16.803
Temporary Assistance for Needy Families	93.558
Foster Care - Title IV-E	93.658
Medical Assistance Program	93.778

8. Dollar threshold used to distinguish between Type A and Type B programs? \$818,889

9. Auditee qualified as low-risk auditee?   ✓   Yes \_\_\_\_\_ No

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2013**

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**Part II. Financial statement findings section**

No findings.

**Part III. Federal award findings and questioned costs section**

No findings.

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Prior Year Audit Findings**  
**Year Ended December 31, 2013**  
**(Follow Up on December 31, 2012 Findings)**

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No matters were reported.

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