

**COUNTY OF CATTARAUGUS,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, Other Information and Federal Awards
Information for the Year Ended December 31, 2016
and Independent Auditors' Reports*

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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, the discretely presented component unit, 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, 2016, 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 (the "Pines") which represent 93.8% and 98.5% of the assets and revenues, respectively, of the business-type activities or the financial statements of the County of Cattaraugus Industrial Development Agency ("CCIDA"), shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pines and CCIDA, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2016, 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 and Other Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of

the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Other Information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 14, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control over financial reporting and compliance.



June 14, 2017

COUNTY OF CATTARAUGUS, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2016

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, 2016. This document should be read in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at December 31, 2016 by \$67,482,418 (*net position*) compared to \$65,226,928, at December 31, 2015. There is a deficit in unrestricted net position totaling \$44,723,692.
- The County's net position increased by \$2,255,490. Governmental activities decreased the County's net position by \$3,609,583, while business-type activities increased the County's net position by \$5,865,073.
- At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$57,511,798, an increase of \$1,187,467 in comparison with the prior year's fund balance of \$56,324,331. Approximately 64.5 percent, \$37,085,752 of the combined fund balances is unassigned.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$37,085,752, or approximately 21.9 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 85.1 percent of the General Fund's total fund balance of \$43,592,605.

Overview of the Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and other fiscal charges. The business-type activities of the County are the Pines Machias nursing home, the Pines Olean nursing home and the Onoville Marina.

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

The government-wide financial statements can be found on pages 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 in the Supplementary Information section of 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 schedule 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—The County maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its nursing homes and marina. 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.

The County's Enterprise Funds represent its 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 maintains one fiduciary fund, the Agency Fund.

The Agency Fund reports resources held by the County in custodial capacity for individual, private organizations and other governments.

The Agency Fund 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 25-57 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's progress in funding its obligation to provide postemployment benefits to its employees, the County's net pension liability, and the County's budgetary comparison for the General Fund. Required supplementary information can be found on pages 58-62 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 63-66.

Other Information is included in these financial statements, specifically, the Schedules of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual for the County's nonmajor funds. The Other Information can be found on pages 67-71 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 72-83 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67,482,692 at the close of the most recent fiscal year, as compared to \$65,226,928, at the close of the fiscal year ended December 31, 2015.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets	\$ 97,430,476	\$ 93,870,197	\$ 20,751,097	\$ 10,945,014	\$ 118,181,573	\$ 104,815,211
Noncurrent assets	-	-	1,303,362	1,360,449	1,303,362	1,360,449
Capital assets	126,193,094	117,474,800	12,388,979	12,906,922	138,582,073	130,381,722
Total assets	<u>223,623,570</u>	<u>211,344,997</u>	<u>34,443,438</u>	<u>25,212,385</u>	<u>258,067,008</u>	<u>236,557,382</u>
Deferred outflows of resources	<u>30,944,366</u>	<u>6,457,388</u>	<u>5,867,528</u>	<u>1,329,050</u>	<u>36,811,894</u>	<u>7,786,438</u>
Liabilities:						
Current liabilities	24,753,361	20,925,811	1,767,597	1,237,550	26,520,958	22,163,361
Noncurrent liabilities	160,366,419	128,171,852	33,401,672	26,814,660	193,768,091	154,986,512
Total liabilities	<u>185,119,780</u>	<u>149,097,663</u>	<u>35,169,269</u>	<u>28,052,210</u>	<u>220,289,049</u>	<u>177,149,873</u>
Deferred inflows of resources	<u>6,096,229</u>	<u>1,743,212</u>	<u>1,011,206</u>	<u>223,807.00</u>	<u>7,107,435</u>	<u>1,967,019</u>
Net Position:						
Net investment in capital assets	100,553,821	93,080,798	3,381,903	3,347,674	103,935,724	96,428,472
Restricted	8,270,386	6,349,627	-	-	8,270,386	6,349,627
Unrestricted	(45,472,280)	(32,468,915)	748,588	(5,082,256)	(44,723,692)	(37,551,171)
Total net position	<u>\$ 63,351,927</u>	<u>\$ 66,961,510</u>	<u>\$ 4,130,491</u>	<u>\$ (1,734,582)</u>	<u>\$ 67,482,418</u>	<u>\$ 65,226,928</u>

The largest portion of the County's net position at December 31, 2016, \$103,935,724, reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure and machinery and equipment), less any debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Accordingly, 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 from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$8,270,386 represents resources that are subject to 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 net position was in a deficit position of \$44,723,692. This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 2, as presented below, shows the changes in net position for the year ended December 31, 2016 and December 31, 2015.

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

	Governmental activities		Business-type activities		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues	\$ 65,502,329	\$ 64,510,283	\$ 34,432,237	\$ 23,824,577	\$ 99,934,566	\$ 88,334,860
General revenues	97,564,873	99,489,054	33,243	41,472	97,598,116	99,530,526
Total revenues	163,067,202	163,999,337	34,465,480	23,866,049	197,532,682	187,865,386
Total expenses	166,676,785	161,649,601	28,600,407	26,915,329	195,277,192	188,564,930
Special item - loss on disposition of capital assets	-	(2,842,418)	-	-	-	(2,842,418)
Transfers	-	(1,611,731)	-	1,611,731	-	-
Change in net position	(3,609,583)	(2,104,413)	5,865,073	(1,437,549)	2,255,490	(3,541,962)
Net position—beginning	66,961,510	69,065,923	(1,734,582)	(297,033)	65,226,928	69,362,956
Net position—ending	\$ 63,351,927	\$ 66,961,510	\$ 4,130,491	\$ (1,734,582)	\$ 67,482,418	\$ 65,226,928

Governmental Activities—Governmental activities decreased the County’s net position by \$3,609,583. A summary of revenues for governmental activities for the years ended December 31, 2016 and 2015 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2016	2015	Dollars	Percent %
Charges for services	\$ 21,365,332	\$ 21,817,455	\$ (452,123)	(2.1)
Operating grants and contributions	36,411,867	36,008,220	403,647	1.1
Capital grants and contributions	7,725,130	6,684,608	1,040,522	15.6
Property taxes and tax items	53,751,685	53,841,747	(90,062)	(0.2)
Non-property tax items	37,417,074	38,559,496	(1,142,422)	(3.0)
Miscellaneous	2,985,607	3,620,122	(634,515)	(17.5)
Other general revenues	3,410,507	3,467,689	(57,182)	(1.6)
Total revenues	\$ 163,067,202	\$ 163,999,337	\$ (932,135)	(0.6)

The most significant source of revenues is property taxes and tax items, which account for \$53,751,685 or 33.0 percent of total government activities revenues. The next largest source of revenue is non-property tax items, which comprise \$37,417,074 or 23.0 percent for the year ended December 31, 2016. Comparatively, for the year ended December 31, 2015, the most significant source of revenue was property taxes and tax items, which accounted for \$53,841,747 or 32.8 percent of total government activities revenues. The next largest source of revenue was non-property tax items, which comprised \$38,559,496 or 23.5 percent of total governmental activities revenues.

During the year ended December 31, 2016, total revenues decreased by 0.6 percent, mainly due to the decrease in non-property tax items and miscellaneous items. These revenues decreased due to less sales tax revenue and less revenue related to refunds of prior year loan payments and health reimbursements compared to the year ended December 31, 2015.

A summary of program expenses of governmental activities for the years ended December 31, 2016 and December 31, 2015 is presented below in Table 4.

Table 4—Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2016	2015	Dollars	Percent %
General government support	\$ 22,336,500	\$ 26,431,776	\$ (4,095,276)	(15.5)
Education	6,847,512	8,143,513	(1,296,001)	(15.9)
Public safety	24,349,526	21,648,839	2,700,687	12.5
Public health	22,975,027	21,358,959	1,616,068	7.6
Transportation	21,811,928	21,657,459	154,469	0.7
Economic assistance and opportunity	63,951,853	56,586,921	7,364,932	13.0
Culture and recreation	832,368	1,376,046	(543,678)	(39.5)
Home and community services	2,583,189	3,424,112	(840,923)	(24.6)
Interest and fiscal charges	988,882	1,021,976	(33,094)	(3.2)
Total program expenses	<u>\$ 166,676,785</u>	<u>\$ 161,649,601</u>	<u>\$ 5,027,184</u>	3.1

As shown above, total governmental activities program expenses increased 3.1 percent from the year ended December 31, 2015. The most significant change in the County’s expenses from 2015 to 2016 are the cost for economic assistance and opportunity, public safety and public health, which increased by \$7,364,932, \$2,700,687 and \$1,616,068, respectively. These costs primarily increased due to the State’s approval of increased intergovernmental transfer (“IGT”) revenues, thereby increasing the County’s local match towards the nursing home contributions.

Business-type Activities—Business-type activities increased the County’s net position by \$5,865,073. The major activities are for the County’s nursing home facilities and marina. Table 5, as presented on the following page, shows the changes in net position for the years ended December 31, 2016 and December 31, 2015.

A summary of revenues and expenses for the County’s business-type activities for the years ended December 31, 2016 and 2015 is presented on the following page.

Table 5—Summary of Revenues and Expenses—Business-type Activities

	Year Ended December 31,		Increase/(decrease)	
	2016	2015	Dollars	Percent %
Revenues:				
Charges for services	\$ 20,668,874	\$ 20,356,044	\$ 312,830	1.5
Operating grants and contributions	13,763,363	3,468,533	10,294,830	296.8
General revenues	33,183	41,472	(8,289)	(20.0)
Transfers and donated services from County	60	1,611,731	(1,611,671)	(100.0)
Total revenues	<u>\$ 34,465,480</u>	<u>\$ 25,477,780</u>	<u>\$ 8,987,700</u>	35.3
Expenses:				
Nursing services	\$ 15,195,454	\$ 14,198,770	\$ 996,684	7.0
Ancillary	2,115,554	1,982,062	133,492	6.7
Dietary services	1,955,400	2,003,652	(48,252)	(2.4)
Administrative and general	7,083,389	6,558,369	525,020	8.0
Fringe benefits	94,891	64,317	30,574	47.5
Depreciation	1,531,818	1,553,342	(21,524)	(1.4)
Bad debt expense	238,204	143,047	95,157	66.5
Interest expense	376,890	395,498	(18,608)	(4.7)
Amortization of bond issuance costs	7,697	7,697	-	0.0
Loss on disposal of capital assets	1,110	8,575	(7,465)	(87.1)
Total expenses	<u>\$ 28,600,407</u>	<u>\$ 26,915,329</u>	<u>\$ 1,685,078</u>	6.3

As detailed above, the County's business-type activities total expenses for the year ended December 31, 2016 increased 6.3 percent from the previous year. The increase is primarily due to increased costs of nursing services and administrative and general costs.

The County's business-type activities most significant expense items for the year ended December 31, 2016 are nursing and medical care, which accounts for \$15,195,454 or 53.1 percent of total expenses and administrative and general expenses which account for \$7,083,389 or 24.8 percent of total expenses. Similarly, for the year ended December 31, 2015, most significant expense items were nursing and medical care, which accounted for \$14,198,700 or 52.8 percent of total expenses and administrative and general expenses which accounted for \$6,558,369 or 24.4 percent of total expenses..

Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds—The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the County Legislature.

At December 31, 2016, the County’s governmental funds reported combined ending fund balances of \$57,511,798, an increase of \$1,187,467 from the prior year. Approximately 64.5 percent of this amount, \$37,085,752, constitutes *unassigned fund balance*, which is available for spending at the County’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form, \$1,663,741, (2) restricted for particular purposes, \$14,823,804, (3) committed for particular purposes, \$85,000, or (4) assigned for particular purposes, \$3,853,501.

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 \$37,085,752, while total fund balance was \$43,592,605. The General Fund balance increased \$60,424 from the prior year. As a measure of the General Fund’s liquidity, it may be useful to compare both the *unassigned fund balance* and total fund balance to the total General Fund expenditures and transfers out. *Unassigned fund balance* represents approximately 21.9 percent of the total General Fund expenditures and transfers out, while total fund balance represents approximately 25.7 percent of that same amount.

The fund balance in the Capital Projects Fund increased \$668,613 from December 31, 2015 due to transfers in from the General Fund and resources received from the issuance of serial bonds. The ending fund balance in the Capital Projects Fund was \$12,065,331.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2016 is presented in Table 6 below.

Table 6 – Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues	\$ 171,150,884	\$ 173,115,905	\$ 169,519,880	\$ (3,596,025)
Expenditures and other financing uses	173,757,816	183,007,591	169,459,456	13,548,135
Deficiency of revenues over expenditures and other financing uses	\$ (2,606,932)	\$ (9,891,686)	\$ 60,424	\$ 9,952,110

Original budget compared to final budget—During the year, the budget is modified, primarily to reflect the acceptance of new state and federal grants. These grants explain some of the increases in appropriations and revenue from the original adopted budget final budget. In the current year the largest increase in budgeted appropriations was the result of increased IGT expenditures related to the nursing homes.

Final budget compared to actual results—The General Fund had a favorable variance from the final budgetary appropriations of \$9,952,110. The positive variances were realized primarily in general government support and public safety due to lower than expected health claims and wage expenditures.

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, 2016 amounts to \$126,193,094 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure assets.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets net of depreciation for the governmental activities and business-type activities at the years ended December 31, 2016 and December 31, 2015 are presented in Table 7 below.

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,918,632	\$ 1,918,632	\$ 813,215	\$ 813,215	\$ 2,731,847	\$ 2,731,847
Construction in progress	35,406,627	32,329,430	99,248	99,248	35,505,875	32,428,678
Infrastructure	69,923,377	63,533,446	-	-	69,923,377	63,533,446
Buildings and improvements	9,585,210	10,129,311	754,560	779,899	10,339,770	10,909,210
Machinery and equipment	9,320,054	9,439,673	34,266	28,542	9,354,320	9,468,215
The Pines	-	-	10,687,690	11,186,018	10,687,690	11,186,018
Books	39,194	124,308	-	-	39,194	124,308
Total	<u>\$ 126,193,094</u>	<u>\$ 117,474,800</u>	<u>\$ 12,388,979</u>	<u>\$ 12,906,922</u>	<u>\$ 138,582,073</u>	<u>\$ 130,381,722</u>

The County’s infrastructure assets are recorded at historical cost in the government-wide financial statements. The County has elected to depreciate its infrastructure assets. Additional information on the County’s capital assets can be found in Note 4 of this report.

Long-term liabilities—The County currently has \$31,480,000 in total bonded debt for governmental activities.

The County’s business-type activities, the Pine Machias, the Pine Olean and the Onoville Marina, also have issued bonded debt and recorded as a long-term liability. The amount outstanding consists of public improvement serial bonds totaling \$8,905,000 as of December 31, 2016.

The County carries an AA rating from Standard & Poor’s.

A summary of the County’s long-term liabilities at December 31, 2016 and December 31, 2015 is presented in Table 8 on the following page.

Table 8—Summary of Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
Bonds payable	\$ 31,480,000	\$ 31,550,000	\$ 8,905,000	\$ 9,460,000	\$ 40,385,000	\$ 41,010,000
Premium on serial bonds	645,424	452,070	195,614	195,325	841,038	647,395
Compensated absences	5,491,980	5,070,276	490,891	431,376	5,982,871	5,501,652
Capital leases	67,267	94,884	2,828	5,457	70,095	100,341
Landfill post closure	606,643	803,866	-	-	606,643	803,866
Health insurance	1,183,523	3,540,914	-	-	1,183,523	3,540,914
Other postemployment benefits	74,856,250	65,280,902	18,069,489	15,462,115	92,925,739	80,743,017
Workers' compensation	15,911,619	15,255,163	-	-	15,911,619	15,255,163
Net pension liability	30,123,713	6,123,777	5,737,950	1,260,387	35,861,663	7,384,164
Total	<u>\$ 160,366,419</u>	<u>\$ 128,171,852</u>	<u>\$ 33,401,772</u>	<u>\$ 26,814,660</u>	<u>\$ 193,768,191</u>	<u>\$ 154,986,512</u>

For additional information on the County’s long-term liabilities, refer to Note 10 of this report.

Economic Factors and Next Year’s Budgets and Rates

Factors considered in preparing Cattaraugus County's budget for the 2017 year included:

- Full-value assessments increased 3.0%.
- Total appropriations—all funds increased 0.1%.

Contacting the County’s Financial Management

This financial report is designed to provide a general overview of the County’s finances for those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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, 2016

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Industrial Development Agency</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 18,400,825	\$ 9,711,906	\$ 28,112,731	\$ 679,093
Restricted cash and cash equivalents	19,683,434	-	19,683,434	-
Cash, resident funds	-	137,641	137,641	-
Investments	26,534,151	-	26,534,151	400,492
Receivables (net of allowances):				
Taxes receivable	12,798,522	-	12,798,522	-
Accounts receivable	7,977,518	1,954,732	9,932,250	170
Intergovernmental receivables	10,372,285	8,662,425	19,034,710	-
Inventory	-	52,350	52,350	-
Prepaid items	<u>1,663,741</u>	<u>232,043</u>	<u>1,895,784</u>	<u>17,700</u>
Total current assets	<u>97,430,476</u>	<u>20,751,097</u>	<u>118,181,573</u>	<u>1,097,455</u>
Noncurrent assets:				
Bond issuance costs, net of amortization	-	125,229	125,229	-
Intergovernmental receivables	-	1,178,133	1,178,133	-
Capital assets not being depreciated	37,325,259	912,463	38,237,722	149,299
Capital assets, net of accumulated depreciation	<u>88,867,835</u>	<u>11,476,516</u>	<u>100,344,351</u>	<u>99,248</u>
Total noncurrent assets	<u>126,193,094</u>	<u>13,692,341</u>	<u>139,885,435</u>	<u>248,547</u>
Total assets	<u>223,623,570</u>	<u>34,443,438</u>	<u>258,067,008</u>	<u>1,346,002</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	30,804,520	5,867,528	36,672,048	102,483
Deferred charge on refunding	<u>139,846</u>	<u>-</u>	<u>139,846</u>	<u>-</u>
Total deferred outflows of resources	<u>30,944,366</u>	<u>5,867,528</u>	<u>36,811,894</u>	<u>102,483</u>

(continued)

COUNTY OF CATTARAUGUS, NEW YORK
Statement of Net Position
December 31, 2016

(concluded)

LIABILITIES

Current liabilities:

Accounts payable	\$ 11,783,024	\$ 1,241,843	\$ 13,024,867	\$ 5,520
Retainages payable	25,105	-	25,105	-
Accrued liabilities	995,898	279,392	1,275,290	5,878
Accrued interest payable	258,601	105,335	363,936	-
Intergovernmental payables	8,304,105	3,386	8,307,491	-
Unearned revenue	3,386,628	-	3,386,628	-
Resident funds held in trust	-	137,641	137,641	-
Total current liabilities	<u>24,753,361</u>	<u>1,767,597</u>	<u>26,520,958</u>	<u>11,398</u>

Noncurrent liabilities:

Due within one year	9,255,929	771,257	10,027,186	-
Due in more than one year	151,110,490	32,630,415	183,740,905	118,480
Total noncurrent liabilities	<u>160,366,419</u>	<u>33,401,672</u>	<u>193,768,091</u>	<u>118,480</u>
Total liabilities	<u>185,119,780</u>	<u>35,169,269</u>	<u>220,289,049</u>	<u>129,878</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows—relating to pensions	5,308,832	1,011,206	6,320,038	24,513
Deferred inflows—State aid	787,397	-	787,397	-
Total deferred inflows of resources	<u>6,096,229</u>	<u>1,011,206</u>	<u>7,107,435</u>	<u>24,513</u>

NET POSITION

Net investment in capital assets	100,553,821	3,381,903	103,935,724	248,547
Restricted for:				
MDLF loan fund	206,223	-	206,223	-
Insurance	1,443,321	-	1,443,321	-
Other	558,706	-	558,706	-
Capital projects	5,511,913	-	5,511,913	-
Debt	544,558	-	544,558	-
Trust accounts	5,665	-	5,665	-
Unrestricted	(45,472,280)	748,588	(44,723,692)	1,045,547
Total net position	<u>\$ 63,351,927</u>	<u>\$ 4,130,491</u>	<u>\$ 67,482,418</u>	<u>\$ 1,294,094</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Statement of Activities
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Agency
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government support	\$ 22,336,500	\$ 4,441,304	\$ 563,475	\$ -	\$ (17,331,721)	\$ -	\$ (17,331,721)	\$ -
Education	6,847,512	-	2,454,331	-	(4,393,181)	-	(4,393,181)	-
Public safety	24,349,526	2,484,322	2,147,704	-	(19,717,500)	-	(19,717,500)	-
Health	22,975,027	10,786,055	6,645,563	-	(5,543,409)	-	(5,543,409)	-
Transportation	21,811,928	351,625	20,789	7,725,130	(13,714,384)	-	(13,714,384)	-
Economic assistance and opportunity	63,951,853	2,118,364	24,173,680	-	(37,659,809)	-	(37,659,809)	-
Culture and recreation	832,368	140	190,732	-	(641,496)	-	(641,496)	-
Home and community services	2,583,189	1,183,522	109,253	-	(1,290,414)	-	(1,290,414)	-
Interest and fiscal charges	988,882	-	106,340	-	(882,542)	-	(882,542)	-
Total governmental activities	<u>166,676,785</u>	<u>21,365,332</u>	<u>36,411,867</u>	<u>7,725,130</u>	<u>(101,174,456)</u>	<u>-</u>	<u>(101,174,456)</u>	<u>-</u>
Business-type activities:								
The Pines Machias Campus	15,149,060	10,360,363	7,138,731	-	-	2,350,034	2,350,034	-
The Pines Olean Campus	12,871,780	9,793,753	6,624,632	-	-	3,546,605	3,546,605	-
Onoville Marina	579,567	514,758	-	-	-	(64,809)	(64,809)	-
Total business-type activities	<u>28,600,407</u>	<u>20,668,874</u>	<u>13,763,363</u>	<u>-</u>	<u>-</u>	<u>5,831,830</u>	<u>5,831,830</u>	<u>-</u>
Total primary government	<u>\$ 195,277,192</u>	<u>\$ 42,034,206</u>	<u>\$ 50,175,230</u>	<u>\$ 7,725,130</u>	<u>(101,174,456)</u>	<u>5,831,830</u>	<u>(95,342,626)</u>	<u>-</u>
Component unit:								
Cattaraugus County Industrial Development Agency	<u>\$ 310,030</u>	<u>\$ 118,820</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(191,210)</u>
General revenues:								
					51,057,586	-	51,057,586	-
					2,694,099	-	2,694,099	-
					37,417,074	-	37,417,074	-
					788,249	-	788,249	-
					2,985,607	33,183	3,018,790	14723
					2,622,258	-	2,622,258	2545
					-	60	60	-
					<u>97,564,873</u>	<u>33,243</u>	<u>97,598,116</u>	<u>17,268</u>
					(3,609,583)	5,865,073	2,255,490	(173,942)
					<u>66,961,510</u>	<u>(1,734,582)</u>	<u>65,226,928</u>	<u>1,468,036</u>
					<u>\$ 63,351,927</u>	<u>\$ 4,130,491</u>	<u>\$ 67,482,418</u>	<u>\$ 1,294,094</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 16,709,910	\$ -	\$ 1,690,915	\$ 18,400,825
Restricted cash and cash equivalents	4,688,427	12,782,619	2,212,388	19,683,434
Investments	26,534,151	-	-	26,534,151
Receivables (net of allowances):				
Taxes, Penalties, Interest and Liens	12,798,522	-	-	12,798,522
Accounts receivable	3,174,563	-	109,225	3,283,788
Due from other funds	278,044	-	-	278,044
Intergovernmental receivables	9,442,304	72,088	857,893	10,372,285
Prepaid items	1,663,741	-	-	1,663,741
Total assets	<u>75,289,662</u>	<u>12,854,707</u>	<u>4,870,421</u>	<u>93,014,790</u>
LIABILITIES				
Accounts payable	\$ 11,290,441	\$ 787,149	\$ 888,957	\$ 12,966,547
Accrued liabilities	3,237,961	2,227	155,710	3,395,898
Intergovernmental payables	8,304,105	-	-	8,304,105
Due to other funds	-	-	278,044	278,044
Unearned revenue	1,692,780	-	1,693,848	3,386,628
Total liabilities	<u>24,525,287</u>	<u>789,376</u>	<u>3,016,559</u>	<u>28,331,222</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources—Taxes	6,384,373	-	-	6,384,373
Deferred inflows of resources—State aid	787,397	-	-	787,397
Total deferred inflows of resources	<u>7,171,770</u>	<u>-</u>	<u>-</u>	<u>7,171,770</u>
FUND BALANCES				
Nonspendable	1,663,741	-	-	1,663,741
Restricted	2,208,250	12,065,331	550,223	14,823,804
Committed	85,000	-	-	85,000
Assigned	2,549,862	-	1,303,639	3,853,501
Unassigned	37,085,752	-	-	37,085,752
Total fund balances	<u>43,592,605</u>	<u>12,065,331</u>	<u>1,853,862</u>	<u>57,511,798</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 75,289,662</u>	<u>\$ 12,854,707</u>	<u>\$ 4,870,421</u>	<u>\$ 93,014,790</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2016

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

Total fund balances—governmental funds (page 17)	\$	57,511,798	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$255,104,799 and the accumulated depreciation is \$128,911,705.			126,193,094
Retained percentages are not a current liability and, therefore, are not reported in the funds.			(25,105)
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.			139,846
Uncollected property taxes of \$6,384,373 are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			6,384,373
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:			
Deferred outflows related to employer contributions	\$	4,660,667	
Deferred outflows related to experience and investment earnings		26,143,853	
Deferred inflows related to pension plans		<u>(5,308,832)</u>	25,495,688
Certain accrued revenues reported in the Statement of Net Position are received after the availability period for recognition of revenue in the Governmental Funds.			4,693,730
Reclassification of accounts payable and accrued liabilities to long-term liabilities.			3,583,523
To recognize interest accrual on long term debt. Accrued interest for general long-term obligation bonds is \$258,601.			(258,601)
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	\$	(31,480,000)	
Premium on serial bonds		(645,424)	
Compensated absences		(5,491,980)	
Capital leases		(67,267)	
Landfill post closure		(606,643)	
Health insurance		(1,183,523)	
Other postemployment benefits		(74,856,250)	
Workers' compensation		(15,911,619)	
Net pension liability		<u>(30,123,713)</u>	(160,366,419)
Total net position of governmental activities	\$		<u>63,351,927</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, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 51,846,046	\$ -	\$ -	\$ 51,846,046
Real property tax items	2,694,099	-	-	2,694,099
Non property tax items	27,006,018	-	10,411,056	37,417,074
Departmental income	15,907,227	-	25,720	15,932,947
Intergovernmental charges	4,906,686	-	338,193	5,244,879
Use of money and property	853,622	-	27,312	880,934
Licenses and permits	88,591	-	-	88,591
Fines and forfeitures	195,836	-	-	195,836
Sale of property and compensation for loss	2,615,727	-	30,163	2,645,890
Miscellaneous	1,910,695	-	314,545	2,225,240
Interfund revenues	25,368,168	-	3,415,980	28,784,148
State aid	17,413,620	6,791,700	13,427	24,218,747
Federal aid	<u>18,713,545</u>	<u>207,573</u>	<u>818,770</u>	<u>19,739,888</u>
Total revenues	<u>169,519,880</u>	<u>6,999,273</u>	<u>15,395,166</u>	<u>191,914,319</u>
EXPENDITURES				
Current:				
General government support	42,784,315	-	800	42,785,115
Education	6,847,973	-	-	6,847,973
Public safety	20,001,118	-	670,109	20,671,227
Health	19,657,735	-	-	19,657,735
Transportation	17,000	-	16,364,672	16,381,672
Economic assistance and opportunity	58,932,227	-	233,692	59,165,919
Culture and recreation	822,027	-	-	822,027
Home and community services	2,224,727	-	11,980	2,236,707
Employee benefits	5,237,582	-	-	5,237,582
Debt service:				
Principal	27,617	-	4,528,900	4,556,517
Interest and fiscal charges	-	-	1,019,140	1,019,140
Capital outlay	<u>-</u>	<u>15,986,418</u>	<u>-</u>	<u>15,986,418</u>
Total expenditures	<u>156,552,321</u>	<u>15,986,418</u>	<u>22,829,293</u>	<u>195,368,032</u>
Excess (deficiency) of revenues over expenditures	<u>12,967,559</u>	<u>(8,987,145)</u>	<u>(7,434,127)</u>	<u>(3,453,713)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,155,758	12,198,012	17,353,770
Transfers out	(12,907,135)	-	(4,446,635)	(17,353,770)
Refunding bonds issued	-	-	3,373,900	3,373,900
Serial bonds issued	-	4,500,000	-	4,500,000
Premium on bonds issued	-	-	338,635	338,635
Payment to escrow agent	<u>-</u>	<u>-</u>	<u>(3,571,355)</u>	<u>(3,571,355)</u>
Total other financing sources (uses)	<u>(12,907,135)</u>	<u>9,655,758</u>	<u>7,892,557</u>	<u>4,641,180</u>
Net change in fund balances	60,424	668,613	458,430	1,187,467
Fund balances—beginning	<u>43,532,181</u>	<u>11,396,718</u>	<u>1,395,432</u>	<u>56,324,331</u>
Fund balances—ending	<u>\$ 43,592,605</u>	<u>\$ 12,065,331</u>	<u>\$ 1,853,862</u>	<u>\$ 57,511,798</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, 2016

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) \$ 1,187,467

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	\$ 17,699,281	
Loss on disposition of capital assets	(331,262)	
Depreciation expense	<u>(8,649,725)</u>	8,718,294

Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. (25,105)

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 inflows - taxes	\$ (488,154)	
Change in other receivables	<u>1,739,136</u>	1,250,982

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

Direct pension contributions	\$ 4,660,667	
Cost of benefits earned net of employee contributions	<u>(8,534,900)</u>	(3,874,233)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 30,258

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 position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Serial bonds and refunding bonds issued	\$ (7,873,900)	
Refunded bonds - advance refunding	3,571,355	
Principal payments on serial bonds and refunding bonds	4,528,900	
Premiums on serial bonds and refunding bonds	(338,635)	
Amortization of bond premiums	143,702	
Principal payments on capital lease	27,617	
Change in compensated absences	(421,704)	
Change in landfill post closure	197,223	
Change in other postemployment benefits	(9,575,348)	
Change in workers' compensation	<u>(1,156,456)</u>	(10,897,246)

Change in net position of governmental activities \$ (3,609,583)

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

COUNTY OF CATTARAUGUS, NEW YORK
Statement of Net Position—Proprietary Funds
December 31, 2016

	Business-type Activities			Total Enterprise Funds
	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,354,881	\$ 5,939,982	\$ 417,043	\$ 9,711,906
Cash, resident funds	73,852	63,789	-	137,641
Receivable, resident (net of allowance)	1,012,108	942,624	-	1,954,732
Intergovernmental receivables	4,698,936	3,963,489	-	8,662,425
Inventory	25,816	17,851	8,683	52,350
Prepaid items	122,540	109,503	-	232,043
Total current assets	<u>9,288,133</u>	<u>11,037,238</u>	<u>425,726</u>	<u>20,751,097</u>
Noncurrent assets:				
Bond issuance costs, net of amortization	120,706	4,523	-	125,229
Intergovernmental receivables	1,007,978	170,155	-	1,178,133
Capital assets not being depreciated	-	-	912,463	912,463
Capital assets, net of accumulated depreciation	<u>7,102,495</u>	<u>3,585,195</u>	<u>788,826</u>	<u>11,476,516</u>
Total noncurrent assets	<u>8,231,179</u>	<u>3,759,873</u>	<u>1,701,289</u>	<u>13,692,341</u>
Total assets	<u>17,519,312</u>	<u>14,797,111</u>	<u>2,127,015</u>	<u>34,443,438</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	<u>3,102,444</u>	<u>2,677,071</u>	<u>88,013</u>	<u>5,867,528</u>
Total deferred outflows of resources	<u>3,102,444</u>	<u>2,677,071</u>	<u>88,013</u>	<u>5,867,528</u>
LIABILITIES				
Current liabilities:				
Accounts payable	235,177	993,145	13,521	1,241,843
Accrued liabilities	153,204	124,150	2,038	279,392
Accrued interest payable	100,318	5,017	-	105,335
Intergovernmental payables	-	-	3,386	3,386
Resident funds held in trust	<u>73,852</u>	<u>63,789</u>	<u>-</u>	<u>137,641</u>
Total current liabilities	<u>562,551</u>	<u>1,186,101</u>	<u>18,945</u>	<u>1,767,597</u>
Noncurrent liabilities:				
Due within one year	590,053	173,558	7,646	771,257
Due in more than one year	<u>20,944,467</u>	<u>11,404,394</u>	<u>281,554</u>	<u>32,630,415</u>
Total noncurrent liabilities	<u>21,534,520</u>	<u>11,577,952</u>	<u>289,200</u>	<u>33,401,672</u>
Total liabilities	<u>22,097,071</u>	<u>12,764,053</u>	<u>308,145</u>	<u>35,169,269</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows—relating to pensions	<u>534,673</u>	<u>461,365</u>	<u>15,168</u>	<u>1,011,206</u>
Total deferred inflows of resources	<u>534,673</u>	<u>461,365</u>	<u>15,168</u>	<u>1,011,206</u>
NET POSITION				
Net investment in capital assets	(1,430,333)	3,210,195	1,602,041	3,381,903
Unrestricted	<u>(579,655)</u>	<u>1,038,569</u>	<u>289,674</u>	<u>748,588</u>
Total net position	<u>\$ (2,009,988)</u>	<u>\$ 4,248,764</u>	<u>\$ 1,891,715</u>	<u>\$ 4,130,491</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, 2016

	Business-type Activities			Total Enterprise Funds
	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	
Operating revenues:				
Net service revenue	\$10,343,558	\$ 9,783,428	\$ 514,758	\$20,641,744
Other operating revenue	<u>16,805</u>	<u>10,325</u>	<u>-</u>	<u>27,130</u>
Total operating revenues	<u>10,360,363</u>	<u>9,793,753</u>	<u>514,758</u>	<u>20,668,874</u>
Operating expenses:				
Nursing services	8,169,807	7,025,647	-	15,195,454
Ancillary services	1,036,275	1,079,279	-	2,115,554
Dietary services	1,120,296	835,104	-	1,955,400
Personnel services	-	-	384,162	384,162
Housekeeping	583,511	431,911	-	1,015,422
Laundry service	181,938	158,286	-	340,224
Maintenance and utilities	731,260	552,752	-	1,284,012
Fiscal services	551,033	546,378	-	1,097,411
Fringe benefits	-	-	94,891	94,891
Administrative services	915,234	848,858	-	1,764,092
Assessments	624,275	573,791	-	1,198,066
Depreciation, including indirect charges	861,048	570,256	100,514	1,531,818
Provision for bad debt	<u>9,909</u>	<u>228,295</u>	<u>-</u>	<u>238,204</u>
Total operating expenses	<u>14,784,586</u>	<u>12,850,557</u>	<u>579,567</u>	<u>28,214,710</u>
Operating loss	<u>(4,424,223)</u>	<u>(3,056,804)</u>	<u>(64,809)</u>	<u>(7,545,836)</u>
Nonoperating revenues (expenses):				
Interest expense	(356,728)	(20,162)	-	(376,890)
Intergovernmental transfers	7,138,731	6,624,632	-	13,763,363
Amortization of bond premium	21,101	-	-	21,101
Amortization of bond issuance costs	(7,697)	-	-	(7,697)
Transfers and donated services from County	-	-	60	60
Loss on disposal of capital assets	(49)	(1,061)	-	(1,110)
Other	<u>9,593</u>	<u>2,489</u>	<u>-</u>	<u>12,082</u>
Total nonoperating revenues (expenses)	<u>6,804,951</u>	<u>6,605,898</u>	<u>60</u>	<u>13,410,909</u>
Change in net position	2,380,728	3,549,094	(64,749)	5,865,073
Total net position—beginning	<u>(4,390,716)</u>	<u>699,670</u>	<u>1,956,464</u>	<u>(1,734,582)</u>
Total net position—ending	<u>\$ (2,009,988)</u>	<u>\$ 4,248,764</u>	<u>\$ 1,891,715</u>	<u>\$ 4,130,491</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, 2016

	Business-type Activities			
	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from services provided	\$ 7,594,091	\$ 7,400,031	\$ 516,151	\$ 15,510,273
Payments to suppliers and service providers	(3,638,838)	(2,716,308)	(182,874)	(6,538,020)
Payments to employees for salaries and benefits	(8,749,696)	(7,710,184)	(245,256)	(16,705,136)
Other receipts	16,805	10,325	-	27,130
Net cash used for operating activities	<u>(4,777,638)</u>	<u>(3,016,136)</u>	<u>88,021</u>	<u>(7,705,753)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental transfers	7,138,731	6,624,632	-	13,763,363
Net cash provided by noncapital financing activities	<u>7,138,731</u>	<u>6,624,632</u>	<u>-</u>	<u>13,763,363</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on serial bonds	(485,000)	(446,100)	-	(931,100)
Proceeds from issuance of serial bonds	-	376,100	-	376,100
Bond premium	-	23,906	-	23,906
Bond issuance costs	-	(5,055)	-	(5,055)
Principal payments on capital lease	(2,629)	-	-	(2,629)
Increase in net pension liability	2,373,493	2,035,734	-	4,409,227
Net change in deferred inflows/outflows related to pensions	(1,988,676)	(1,705,195)	-	(3,693,871)
Interest paid on capital debt	(362,409)	(22,678)	-	(385,087)
Acquisition and construction of capital assets	(111,399)	(776,231)	(80,899)	(968,529)
Net cash used for capital and related financing activities	<u>(576,620)</u>	<u>(519,519)</u>	<u>(80,899)</u>	<u>(1,177,038)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Other	9,544	2,489	-	12,033
Net cash provided by investing activities	<u>9,544</u>	<u>2,489</u>	<u>-</u>	<u>12,033</u>
Net increase in cash and cash equivalents	1,794,017	3,091,466	7,122	4,892,605
Cash and cash equivalents—beginning	1,560,864	2,848,516	409,921	4,819,301
Cash and cash equivalents—ending	<u>\$ 3,354,881</u>	<u>\$ 5,939,982</u>	<u>\$ 417,043</u>	<u>\$ 9,711,906</u>
Reconciliation of operating loss to net cash used for operating activities:				
Operating loss	\$ (4,424,223)	\$ (3,056,804)	\$ (64,809)	\$ (7,545,836)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	837,714	547,715	100,514	1,485,943
Bad debt expense	9,909	228,295	-	238,204
(Increase) decrease in accounts receivable	(118,972)	(217,032)	429	(335,575)
(Increase) decrease in inventories	(6,470)	(5,032)	1,593	(9,909)
(Increase) in prepaid items	(31,757)	(19,318)	-	(51,075)
(Increase) in intergovernmental receivables	(2,630,495)	(2,166,365)	-	(4,796,860)
(Increase) in deferred outflows	-	-	(69,210)	(69,210)
Increase in accounts payable	72,316	490,233	4,497	567,046
Increase in intergovernmental payables	-	-	904	904
Increase in other post employment benefits	1,454,525	1,125,952	26,897	2,607,374
Increase in accrued items	59,815	56,220	6,908	122,943
Increase in net pension liability	-	-	68,236	68,236
Increase in deferred inflows	-	-	12,002	12,002
Total adjustments	<u>(353,415)</u>	<u>40,668</u>	<u>152,830</u>	<u>(159,917)</u>
Net cash used for operating activities	<u>\$ (4,777,638)</u>	<u>\$ (3,016,136)</u>	<u>\$ 88,021</u>	<u>\$ (7,705,753)</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, 2016

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 1,283,342
Total assets	<u>\$ 1,283,342</u>
LIABILITIES	
Agency liabilities	<u>\$ 1,283,342</u>
Total liabilities	<u>\$ 1,283,342</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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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 17 members elected from 8 legislative districts for four-year terms. The County Legislature 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.

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

County of Cattaraugus Industrial Development Agency—The County of Cattaraugus Industrial Development Agency was created in 1971 by the Cattaraugus County Legislature under the provisions of Chapter 536 of the laws of New York State for the purpose of encouraging economic growth in Cattaraugus County. The Agency is exempt from federal and state income taxes. The Agency’s annual financial report can be obtained by writing the County of Cattaraugus Industrial Development Agency, 9 East Washington Street, P.O. Box 1749, Ellicottville, New York 14731.

Excluded from the Financial Reporting Entity—Although the following are related to the County, they are not included in the County reporting entity.

Cattaraugus County Land Bank Corporation—The Cattaraugus County Land Bank Corporation (the “Land Bank”) was created in June of 2016 by the Cattaraugus County Legislature under the provisions of Section 402 of the Not-for-Profit Corporation Law of New York. The Land Bank is a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The mission of the Land Bank is to restore and build value in the community by returning underutilized properties to dynamic and productive use, preserving and creating quality housing, enhancing the quality of life within neighborhoods, and encouraging private sector investment in cooperation with stakeholders who value responsible land ownership. The Land Bank is excluded from the financial reporting entity due to a lack of activity for the year ended December 31, 2016. The Land Bank will be reported as discretely presented component unit in subsequent years because the Land Bank’s board members are appointed by the County. Further information can be obtained by writing the Cattaraugus County Land Bank Corporation, 303 Court Street, Little Valley, New York 14755.

Cattaraugus County Economic Sustainability and Growth Corporation—The Cattaraugus County Economic Sustainability and Growth Corporation (the “Corporation”) was created in April of 2015 by the Cattaraugus County Legislature under the provisions of Section 201 of the Not-for-Profit Corporation Law of New York. The Corporation is a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The general purposes of the Corporation are the planning and implementation of programs, projects, and activities designed to create or stimulate economic and community development in the County of Cattaraugus. The Corporation is excluded from the financial reporting entity due to a lack of activity for the year ended December 31, 2016. The Corporation will be reported as a discretely presented component unit in subsequent years because the Corporation’s board members are appointed by the County. Further information can be obtained by writing the Cattaraugus County Economic Sustainability and Growth Corporation, 303 Court Street, Little Valley, New York 14755.

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 discussed earlier, the County has one discretely presented component unit. While the County of Cattaraugus Industrial Development Agency is not considered to be a major component unit, they are nevertheless shown in a separate column in 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*—The General Fund constitutes the primary operating fund of the County and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The principal sources of revenue for the General Fund are property taxes and sales tax.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by enterprise funds.

The County 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 Cattaraugus 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 Cattaraugus County and neighboring communities.
- *Onoville Marina*—Marina maintained and operated by the Cattaraugus County Department of Public Works.

These entities are financed and operated in a manner similar to a private business enterprise. The intent of the County is that the operating expenses (including depreciation and amortization expense) of providing goods or services to the general public on a continuous basis are to be financed or recovered primarily through user charges. The County may provide administrative, legal and operational assistance to the proprietary funds, which are not charged. Additionally, the General Fund periodically provides advances to the proprietary funds for operational needs.

Additionally, the County 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), Conewango 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*—The Agency Fund is a fiduciary fund used to account 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 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 (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities (i.e., the governmental and internal service funds) 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 service 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 funds are 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.

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

Cash and Cash Equivalents and Investments—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have maturities of three months or less from the date of acquisition. Investments for the County are classified as held-to-maturity and valued at amortized cost.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent amounts to support fund balance restrictions, unspent proceeds of debt, and resources received in advance relating to unearned revenue and deferred inflows of resources.

Inventory—Inventory, which is comprised of gasoline, is valued at the lower of cost using the first in, first out (FIFO) method or market value.

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

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, as well as within the individual proprietary fund. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are incurred.

The County depreciates capital assets using the straight-line method over the following estimated useful lives:

Class of Assets	Governmental Activities (years)	Business-type Activities (years)	Capitalization Threshold
Land & land improvements	None	None	\$ 5,000
Construction in progress	None	None	50,000
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
Library books & materials	5	5	Capitalize All

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

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2016, the County reported unearned revenues within the General Fund of \$1,692,780 and within other governmental funds of \$1,693,848.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2016, the County has two items that qualified for reporting in this category. One is related to pensions reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the County’s proportion of the collective net pension liability, the difference during the measurement period between the County’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date. The second item is related to a deferred charge on refunding, which the County reports within its governmental activities.

In addition to liabilities, the statement of financial position and the balance sheet 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 three types of items which qualify for reporting in this category. The first item, taxes

receivable, arises only under a modified accrual basis of accounting. Accordingly, a deferred inflow of resources for taxes receivable is reported only on the governmental funds balance sheet. The second item reports deferred inflows related to State aid on both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The final item represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement periods between the County's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements.

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

Fund Balance Flow 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 County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The 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 action of the County's highest level of decision-making authority. The County Legislature is the highest level of decision-making authority for the County that can, by adoption of a formal resolution prior to the end of the fiscal year, commit fund balance. 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 County 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.

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.

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.

Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payment becomes due.

Pensions—The County is mandated by New York State law to participate in the New York State Local Employees’ Retirement System (“ERS”). For purposes of measuring the net pension (asset)/liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plan, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the County provides payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 7.

Other

Estimates—The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that 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 and during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements— During the year ended December 31, 2016, the County implemented GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes, as well as guidance on applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 77 requires the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. GASB Statement No. 78 addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statements No. 73, 76, 77, 78 and 79 did not have a material impact on the County’s financial position or results from operations.

Additionally, the County did not implement GASB Statement No. 72, *Fair Value Measurement and Application*, effective for the year ended December 31, 2016. It was determined by management that Statement did not have a material effect on the financial statements.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017; No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the fiscal year ending December 31, 2018; No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*, effective for the fiscal year ending December 31, 2019; and No. 87, *Leases*, effective for the fiscal year ending December 31, 2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 74, 75, 80, 81, 82, 83, 84, 85, 86 and 87 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

Budgets and Budgetary Accounting—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.

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 \$73,852 and \$63,789 at December 31, 2016, respectively. Management

is responsible for accounting and safeguarding the patient trust funds, however the funds are not accessible by the County.

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

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

Cash and cash equivalents at December 31, 2016, are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 55,937	\$ -	\$ -	\$ 55,937
Cash and cash equivalents	<u>38,028,322</u>	<u>9,711,906</u>	<u>1,283,342</u>	<u>49,023,570</u>
Total	<u>\$ 38,084,259</u>	<u>\$ 9,711,906</u>	<u>\$ 1,283,342</u>	<u>\$ 49,079,507</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2016 as follows:

	December 31, 2016	
	Bank Balance	Carrying Amount
FDIC Insured	\$ 11,003,013	\$ 11,003,013
Uninsured:		
Collateral held by bank's agent in the County's name	<u>39,432,577</u>	<u>38,020,557</u>
Total	<u>\$ 50,435,590</u>	<u>\$ 49,023,570</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2016, the County's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the County's name.

Restricted cash and cash equivalents—The County reports fund balance restrictions, unspent proceeds of debt and resources received in advance relating to unearned revenue and deferred inflows of resources as restricted cash and cash equivalents. At December 31, 2016, the County reported \$19,683,434 of restricted cash and cash equivalents within its governmental activities.

Investments—All investments are valued at amortized cost. As of December 31, 2016, the County had the following investments: Government National Mortgage Association investments amounting to \$26,534,151 with average maturities of 7 years.

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.

Custodial Credit Risk—Investments—Credit risk is defined as the risk that an issuer or other counterpart 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 \$30 million. As of December 31, 2016, 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.

County of Cattaraugus Industrial Development Agency (“CCIDA”)

The carrying amount and bank balance of cash and investments held by the CCIDA at December 31, 2016 was \$1,079,585. The CCIDA deposits were fully covered by FDIC insurance or collateral held by a third-party custodian in CCIDA’s name at December 31, 2016.

3. RECEIVABLES

Major revenues accrued by the County at December 31, 2016:

Taxes Receivable—Represents unpaid county, school, and village taxes. At December 31, 2016, the General Fund reported taxes receivable of \$12,798,522.

Accounts Receivable—Represents amounts due from various sources. The County’s accounts receivable at December 31, 2016 are shown on the following page.

General Fund:		
Various fees and charges		\$ 3,174,563
Nonmajor Governmental Funds:		
County road	2,100	
Road machinery	13,926	
Economic development	61,516	
Debt service	<u>31,683</u>	<u>109,225</u>
Total governmental funds		<u>\$ 3,283,788</u>
Enterprise Funds:		
Resident accounts receivable, net		<u>\$ 1,954,732</u>
Total enterprise funds		<u>\$ 1,954,732</u>

At December 31, 2016, the Statement of Net Position presents an additional \$4,693,730 of accounts receivable that are received after the availability period for recognition of revenue in the Governmental Funds. \$4,015,423 represents amounts due from other members of the workers' compensation pool that will be used to pay future claims included within the long-term workers' compensation liability.

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, or other local municipalities. Intergovernmental receivables at December 31, 2016 are as follows:

Governmental Funds:		
General Fund:		
Due From New York State and Federal government	\$ 9,398,790	
Due from local governments	<u>43,514</u>	\$ 9,442,304
Capital Projects Fund:		
Due From New York State and Federal government		72,088
Nonmajor Governmental Funds:		
County road	846,867	
Road machinery	<u>11,026</u>	<u>857,893</u>
Total governmental funds		<u>\$ 10,372,285</u>
Enterprise Funds:		
Due From New York State and Federal government		<u>\$ 8,662,425</u>
Total enterprise funds		<u>\$ 8,662,425</u>

4. CAPITAL ASSETS

Governmental activities—Capital asset activity for governmental activities for fiscal year ending December 31, 2016 was as follows:

	Primary Government - Governmental Activities			
	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Capital assets, not being depreciated:				
Land	\$ 1,918,632	\$ -	\$ -	\$ 1,918,632
Construction in progress	<u>32,329,430</u>	<u>10,662,570</u>	<u>(7,585,373)</u>	<u>35,406,627</u>
Total capital assets not being depreciated	<u>34,248,062</u>	<u>10,662,570</u>	<u>(7,585,373)</u>	<u>37,325,259</u>
Capital assets, being depreciated:				
Infrastructure	154,401,368	12,680,853	-	167,082,221
Buildings and improvements	27,161,909	-	-	27,161,909
Machinery and equipment	22,325,896	1,941,231	(1,237,375)	23,029,752
Books	<u>505,658</u>	<u>-</u>	<u>-</u>	<u>505,658</u>
Total capital assets being depreciated	<u>204,394,831</u>	<u>14,622,084</u>	<u>(1,237,375)</u>	<u>217,779,540</u>
Less accumulated depreciation for:				
Infrastructure	90,867,922	6,290,922	-	97,158,844
Buildings and improvements	17,032,598	544,101	-	17,576,699
Machinery and equipment	12,886,223	1,729,588	(906,113)	13,709,698
Books	<u>381,350</u>	<u>85,114</u>	<u>-</u>	<u>466,464</u>
Total accumulated depreciation	<u>121,168,093</u>	<u>8,649,725</u>	<u>(906,113)</u>	<u>128,911,705</u>
Total capital assets, being depreciated, net	<u>83,226,738</u>	<u>5,972,359</u>	<u>(331,262)</u>	<u>88,867,835</u>
Governmental activities capital assets, net	<u>\$ 117,474,800</u>	<u>\$ 16,634,929</u>	<u>\$ (7,916,635)</u>	<u>\$ 126,193,094</u>

Construction in progress at December 31, 2016 is comprised primarily of County roads, bridges and culverts in which the project was not complete at year end.

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

Governmental activities:	
General government support	\$ 924,109
Public safety	413,787
Health	805,708
Transportation	6,327,065
Economic assistance and opportunity	36,422
Culture and recreation	682
Home and community services	<u>141,952</u>
Total depreciation expense—governmental activities	<u>\$ 8,649,725</u>

Business-type activities—Onoville Marina—Capital assets for the primary government’s business-type activities—Onoville Marina—for the year ended December 31, 2016 as presented below:

	Business-type Activities—Onoville Marina			
	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Capital assets, not being depreciated:				
Land	\$ 813,215	\$ -	\$ -	\$ 813,215
Construction in progress	99,248	-	-	99,248
Total capital assets not being depreciated	<u>912,463</u>	<u>-</u>	<u>-</u>	<u>912,463</u>
Capital assets, being depreciated:				
Buildings and improvements	2,384,359	67,152	-	2,451,511
Machinery and equipment	224,208	13,747	-	237,955
Total capital assets being depreciated	<u>2,608,567</u>	<u>80,899</u>	<u>-</u>	<u>2,689,466</u>
Less accumulated depreciation for:				
Buildings and improvements	1,604,460	92,490	-	1,696,950
Machinery and equipment	195,666	8,024	-	203,690
Total accumulated depreciation	<u>1,800,126</u>	<u>100,514</u>	<u>-</u>	<u>1,900,640</u>
Total capital assets, being depreciated, net	<u>808,441</u>	<u>(19,615)</u>	<u>-</u>	<u>788,826</u>
Onoville Marina capital assets, net	<u>\$ 1,720,904</u>	<u>\$ (19,615)</u>	<u>\$ -</u>	<u>\$ 1,701,289</u>

Business-type activities—The Pines Funds—Capital assets for the primary government’s business-type activities—The Pines Funds—at December 31, 2016, was as follows:

Business-type Activities The Pines Machias Campus		Business-type Activities The Pines Olean Campus	
	Balance 12/31/2016		Balance 12/31/2016
Capital assets		Capital assets	
Land, building and improvements	\$ 15,994,337	Land, building and improvements	\$ 10,287,800
Fixed and movable equipment	2,239,081	Fixed and movable equipment	3,313,872
Total capital assets being depreciated	<u>18,233,418</u>	Total capital assets being depreciated	<u>13,601,672</u>
Less accumulated depreciation for:	<u>(11,130,923)</u>	Less accumulated depreciation for:	<u>(10,016,477)</u>
Total capital assets, net	<u>\$ 7,102,495</u>	Total capital assets, net	<u>\$ 3,585,195</u>

County of Cattaraugus Industrial Development Agency (“CCIDA”)

Capital asset activity for the CCIDA for the year ended December 31, 2016 was as follows:

	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Capital assets, not being depreciated:				
Land	\$ 149,299	\$ -	\$ -	\$ 149,299
Total capital assets not being depreciated	<u>149,299</u>	<u>-</u>	<u>-</u>	<u>149,299</u>
Capital assets, being depreciated:				
Improvements	929,373	-	-	929,373
Furniture and equipment	35,275	-	-	35,275
Total capital assets being depreciated	<u>964,648</u>	<u>-</u>	<u>-</u>	<u>964,648</u>
Less accumulated depreciation	864,475	925	-	865,400
CCIDA capital assets, net	<u>\$ 249,472</u>	<u>(925)</u>	<u>-</u>	<u>\$ 248,547</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by the governmental funds at December 31, 2016, were as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 837,961	\$ 2,227	\$ 155,710	\$ 995,898
Workers' compensation	2,400,000	-	-	2,400,000
Total accrued liabilities	<u>\$ 3,237,961</u>	<u>\$ 2,227</u>	<u>\$ 155,710</u>	<u>\$ 3,395,898</u>

County of Cattaraugus Industrial Development Agency (“CCIDA”)

Accrued liabilities for the CCIDA consisted of \$2,691 in payroll and \$3,187 in payroll related liabilities requiring accrual at December 31, 2016.

6. PENSION OBLIGATIONS

Plan Descriptions and Benefits Provided

Employees’ Retirement System (“ERS”)—The County participates in the ERS (the “System”). The system provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State’s

financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12236.

The system is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2016, the County reported the following liabilities for its proportionate share of the net pension liabilities for ERS. The net pension liabilities were measured as of March 31, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2015, with update procedures used to roll forward the total net pension liabilities to the measurement date. The County's proportion of the net pension liabilities were based on projections of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the County.

	ERS	
	Governmental Activities	Business-type Activities
Measurement date	March 31, 2016	March 31, 2016
Net pension liability	\$ 30,123,714	\$ 5,737,850
County's portion of the Plan's total net pension liability	0.1876835%	0.0357492%

For the year ended December 31, 2016, the County recognized pension expense of \$10,280,092 and \$1,958,113 for governmental activities and business-type activities, respectively. The deferred outflows of resources and deferred inflows of resources related to pensions reported at December 31, 2016 are presented on the following page.

	ERS			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experiences	\$ 152,222	\$ 28,995	\$ 3,570,665	\$ 680,126
Changes in assumption	8,033,087	1,530,111		
Net difference between projected and actual earnings on pension plan investments	17,871,039	3,404,008	-	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	87,505	16,668	1,738,167	331,080
County contributions subsequent to the measurement date	4,660,667	887,746	-	-
Total	\$ 30,804,520	\$ 5,867,528	\$ 5,308,832	\$ 1,011,206

The County's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ended December 31, 2017. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	ERS	
	Governmental Activities	Business-type Activities
2017	\$ 5,221,430	\$ 994,558
2018	5,221,430	994,558
2019	5,221,430	994,558
2020	5,170,731	984,902

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

	ERS
Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.50%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014. The actuarial

assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

ERS		
March 31, 2016		
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date		
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	<u>100.0 %</u>	

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 67,926,786	\$ 30,123,714	\$ (1,818,267)
Business-type Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 12,938,435	\$ 5,737,850	\$ (346,337)

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

	<u>(Dollars in Thousands)</u>	
	<u>ERS</u>	
Valuation date	March 31, 2016	
Employers' total pension liability	\$	172,303,544
Plan fiduciary net position		<u>156,253,265</u>
Employers' net pension liability	\$	<u>16,050,279</u>
 System fiduciary net position as a percentage of total pension liability		 90.68%

County of Cattaraugus Industrial Development Agency (“CCIDA”)

Pension obligations for the CCIDA for the year ended December 31, 2016 are as follows:

At December 31, 2016, the CCIDA reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The CCIDA’s long-term share of contributions to the System relative to the projection of the CCIDA’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSLRS in a report provided to the CCIDA.

	<u>ERS</u>
Actuarial Valuation Date	April 1, 2015
Net pension liability	\$ 118,480
County's portion of the Plan's total net pension liability	0.0007382%

For the year ended December 31, 2016 the CCIDA recognized pension expense of \$34,765 for NYSLRS. The CCIDA’s deferred outflows of resources and deferred inflows of resources related to pensions reported at December 31, 2016 are presented on the following page.

	ERS
	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 599
Changes of Assumptions	31,595
Net difference between projected and actual earnings on pension investments	70,289
Changes in proportion and differences between the CCIDA's contributions and proportionate share of contributions	-
Total	<u>\$ 102,483</u>

The CCIDA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending March 31,	ERS
2017	\$ 19,417
2018	19,417
2019	19,417
2020	19,719

7. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATIONS

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, 2016, follows. There have been no significant changes in the number covered or the type of coverage since that date.

Active employees	864
Retired employees	526

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.

Annual OPEB cost and net OPEB obligation—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. 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 below 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.

	<u>Year Ended December 31, 2016</u>		<u>Year Ended December 31, 2015</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Annual required contribution	\$ 14,721,449	\$ 3,609,318	\$ 17,279,549	\$ 3,651,228
Interest on net OPEB obligation	2,603,801	638,623	2,145,215	520,607
Adjustment to annual required contribution	<u>(3,106,656)</u>	<u>(822,443)</u>	<u>(3,101,450)</u>	<u>(752,670)</u>
Annual OPEB costs (expense)	14,218,594	3,425,498	16,323,314	3,419,165
Contributions made	<u>(4,643,246)</u>	<u>(818,124)</u>	<u>(4,672,785)</u>	<u>(972,236)</u>
Increase in net OPEB obligation	9,575,348	2,607,374	11,650,529	2,446,929
Net OPEB obligation - beginning of year	<u>65,280,902</u>	<u>15,462,115</u>	<u>53,630,373</u>	<u>13,015,186</u>
Net OPEB obligation - end of year	<u>\$ 74,856,250</u>	<u>\$ 18,069,489</u>	<u>\$ 65,280,902</u>	<u>\$ 15,462,115</u>
Percentage of ARC contributed	29.86%	22.67%	27.01%	26.76%

As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$221,513,537.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multiyear information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

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.

The County’s schedule of contributions for the primary government is shown below:

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost</u>	<u>Annual Contributions Made</u>	<u>Percentage Contributed</u>
2016	\$ 18,330,767	\$ 17,644,092	\$ 5,461,370	31.0%
2015	20,930,777	19,742,479	5,645,021	28.6%
2014	14,789,319	14,249,257	5,391,000	37.8%

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, 2015

Discount Rate as of January 1, 2015—Four percent (4%) per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars.

Mortality table—The mortality assumption has been revised as of January 1, 2015 to the sex-distinct RP-2014 mortality tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014 and then adjusted with projected mortality improvements using scale MP-2015 scale on a fully generational basis. The revised assumption resulted in an increase in liabilities.

Withdrawal from service—Rates of turnover and retirement are based on the experience under the ERS and PFRS rates. The rates are based on the April 1, 2010 to March 31, 2015 experience study releases by the Systems actuary published in their August 2015 report. Revised assumptions resulted in an increase in liabilities.

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.

Health care trend factors—Health care costs are assumed to increase in accordance with the separate trends for pre 65 and post 65 retirees. The annual rate of increase was revised as of January 1, 2015. The assumption resulted in an increase of liabilities.

Retiree contribution rates—The annual increase in employee contributions, upon which retiree contributions are determined was removed. This resulted in an increase in liabilities.

Marriage rates—Spousal coverage percentage was revised to assume 60% of future eligible retirees will also cover a spouse. Previously, 75% were assumed.

Change in other assumptions—The valuation of Excise tax of the Affordable Care Act on high cost employer-sponsored health plans resulted in an increase in liabilities.

Change in plan provisions—Plan provisions have remained the same as the previous valuation.

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

Governmental Activities:	
General government	\$ 12,738,242
Education	94,417
Public Safety	14,225,678
Public Health	11,674,936
Transportation	13,569,661
Economic Assistance and Opportunity	20,484,413
Culture and Recreation	338,496
Home and Community Services	<u>1,730,407</u>
Total Government Activities	<u>\$ 74,856,250</u>
 Business-Type Activities:	
The Pines Machias Campus	\$ 9,537,719
The Pines Olean Campus	8,377,093
Onoville Marina	<u>154,677</u>
Total Business-Type Activities	<u>\$ 18,069,489</u>
Total	<u>\$ 92,925,739</u>

8. RISK MANAGEMENT

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, employee health insurance, 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. The County assumes the risk for its nursing homes, the Pines, workers' compensation liabilities. The Pines pay an annual premium to the County.

Risk Management—The County carries commercial excess liability insurance of \$10,000,000 per occurrence with a \$10,000,000 aggregate annual limit for its government operations. The County carries commercial property coverage insurance subject to a maximum limit of any one occurrence of \$10,000,000. The County is self-insured for workers' compensation and employers' liability with a specific excess maximum limit of indemnity per occurrence of \$1,000,000 and an aggregate maximum limit of liability with respect to all occurrences taking place within the liability period of \$1,000,000. The County also carried employee dishonest coverage and commercial crime coverage insurance at varying limits dependent on the type of claim.

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.

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 paid is \$1,183,523 as of December 31, 2016, which is recorded as a liability.

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 2016, an actuarial study estimated the plan's liability to be \$15,911,619, discounted at 1.5 percent. Changes in the claims liability in fiscal years 2014, 2015, and 2016 were as follows:

	Beginning of Year	Changes in Estimates	Claims Payments	End of Year
2016	\$ 15,255,163	\$ 3,129,846	\$ 2,473,390	\$ 15,911,619
2015	16,072,780	896,668	1,714,285	15,255,163
2014	16,519,728	1,274,955	1,721,903	16,072,780

An accounts receivable of \$4,015,423 is due to the County for the non-County participating employers' (Cities, Towns, and Villages) share of this liability.

9. LEASE OBLIGATIONS

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 not considered significant. Of the \$67,267 in remaining payments, \$37,758 is due during the year ending December 31, 2017.

Operating leases—The County has entered into a number of operating leases. Lease expenditures for the year ended December 31, 2016, amounted to \$246,970. Future minimum payments under operating leases at December 31, 2016 were as follows:

Year Ending December 31,	Governmental Activities
2017	160,475
2018	140,683
2019	54,727
2020	6,600
2021	125,667
	<u>\$ 488,152</u>

10. LONG-TERM LIABILITIES

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

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The following is a summary of changes in the County's long-term liabilities for the year ended December 31, 2016:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Governmental activities:					
Bonds payable	\$ 31,550,000	\$ 7,873,900	\$ (7,943,900)	\$ 31,480,000	\$ 4,644,000
Premium on serial bonds	452,070	338,635	(145,281)	645,424	124,013
Compensated absences	5,070,276	454,896	(33,192)	5,491,980	866,635
Capital leases	94,884	-	(27,617)	67,267	37,758
Landfill post closure	803,866	5,132	(202,355)	606,643	-
Health insurance	3,540,914	7,917,060	(10,274,451)	1,183,523	1,183,523
Other postemployment benefits	65,280,902	14,218,594	(4,643,246)	74,856,250	-
Workers' compensation	15,255,163	3,129,846	(2,473,390)	15,911,619	2,400,000
Net pension liability*	6,123,777	23,999,936	-	30,123,713	-
Total governmental activities	<u>\$ 128,171,852</u>	<u>\$ 57,937,999</u>	<u>\$ (25,743,432)</u>	<u>\$ 160,366,419</u>	<u>\$ 9,255,929</u>
Business type activities:					
Bonds payable	\$ 9,460,000	\$ 376,100	\$ (931,100)	\$ 8,905,000	\$ 541,000
Premium on serial bonds	195,325	21,390	(21,101)	195,614	-
Compensated absences	431,376	59,515	-	490,891	227,429
Capital leases	5,457	-	(2,629)	2,828	2,828
Other postemployment benefits	15,462,115	3,425,498	(818,124)	18,069,489	-
Net pension liability*	1,260,387	4,477,463	-	5,737,850	-
Total business-type activities	<u>\$ 26,814,660</u>	<u>\$ 8,359,966</u>	<u>\$ (1,772,954)</u>	<u>\$ 33,401,672</u>	<u>\$ 771,257</u>

*Additions to the net pension liability are shown net of reductions

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.

In the current year, the County issued \$4,500,000 in public improvement Serial Bonds for various purposes. The premium on these bonds is \$95,834, the interest rate is 1.5% to 2.0% and the bonds will mature on April 1, 2026.

In addition, on April 27, 2016, the County issued \$3,750,000 in Public Improvement Refunding Serial Bonds to refund \$3,800,000 of outstanding principal of previously issued debt. The bonds are allocated between the governmental activities and the business-type activities. The refunding bonds were issued to advance refund \$1,800,000 of the outstanding principal of the County's \$4,155,000 Public Improvement Serial Bonds, 2007, which were scheduled to mature in the years 2017 to 2022. The refunding bonds also were issued to partially advance refund \$2,000,000 of the outstanding principal of the County's \$4,912,750 Public Improvement Serial Bonds, 2008, which were scheduled to mature in the years 2018 to 2023. The County used the proceeds to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service of the refunded 2007 and 2008 series bonds. As a result, these bonds are considered defeased, and the County has removed the liability from the financial statements. The outstanding principal of the defeased 2007 and 2008 bonds at December 31, 2016 is \$1,800,000 and \$2,000,000, respectively, and is not included in the financial statements. The refunding bonds provide a net present value benefit to the County of \$271,203.

A listing of bonded indebtedness transactions for the year ended December 31, 2016 follows:

<u>Purpose</u>	<u>Issue/ Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Outstanding 1/1/2016</u>	<u>Issues</u>	<u>Redemptions</u>	<u>Principal Outstanding 12/31/2016</u>
Governmental activities:						
Public Improvement	2004/2017	2.50-5.00%	\$ 545,000	\$ -	\$ 275,000	\$ 270,000
Public Improvement	2006/2018	4.00-4.20%	780,000	-	530,000	250,000
Public Improvement	2007/2022	3.85%	1,630,000	-	1,630,000	-
Public Improvement	2008/2023	3.25-4.30%	2,725,000	-	2,350,000	375,000
Public Improvement	2010/2024	2.11-6.75%	5,725,000	-	535,000	5,190,000
Public Improvement	2011/2017	2.00-4.13%	710,000	-	355,000	355,000
Public Improvement	2012/2027	2.00-2.50%	5,075,000	-	380,000	4,695,000
Public Improvement	2013/2021	1.50-4.00%	4,825,000	-	1,185,000	3,640,000
Public Improvement	2013/2028	2.25-3.00%	5,785,000	-	390,000	5,395,000
Public Improvement	2015/2025	2.00%	3,750,000	-	300,000	3,450,000
Public Improvement	2016/2023	2.00%	-	3,373,900	13,900	3,360,000
Public Improvement	2016/2026	1.50%	-	4,500,000	-	4,500,000
Total governmental activities			<u>\$ 31,550,000</u>	<u>\$ 7,873,900</u>	<u>\$ 7,943,900</u>	<u>\$ 31,480,000</u>
Business-type activities:						
Public Improvement - Pines	2007/2022	3.85%	445,000	-	445,000	-
Public Improvement - Pines	2011/2032	2.00-4.125%	9,015,000	-	485,000	8,530,000
Public Improvement - Pines	2016/2023	2.00%	-	376,100	1,100	375,000
Total business-type activities			<u>\$ 9,460,000</u>	<u>\$ 376,100</u>	<u>\$ 931,100</u>	<u>\$ 8,905,000</u>

Annual debt service requirements to maturity are as follows:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 4,644,000	\$ 905,851	\$ 5,549,851	\$ 541,000	\$ 352,594	\$ 893,594
2018	3,711,000	736,915	4,447,915	569,000	332,174	901,174
2019	3,557,000	642,814	4,199,814	568,000	310,694	878,694
2020	3,412,000	543,623	3,955,623	568,000	288,604	856,604
2021	3,163,000	444,159	3,607,159	592,000	266,514	858,514
2022 - 2026	11,518,000	864,818	12,382,818	2,732,000	997,629	3,729,629
2027 - 2031	1,475,000	13,475	1,488,475	2,780,000	452,169	3,232,169
2032	-	-	-	555,000	22,894	577,894
Total	<u>\$ 31,480,000</u>	<u>\$ 4,151,655</u>	<u>\$ 35,631,655</u>	<u>\$ 8,905,000</u>	<u>\$ 3,023,272</u>	<u>\$ 11,928,272</u>

Compensated absences—As explained in Note 1, 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, 2016 for governmental activities is \$5,491,980.

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, 2016 is \$490,891.

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.

Landfill post closure—The County tests and maintains certain landfill sites. Estimated long-term costs associated with future maintenance and testing total \$606,643. Further discussion of the County's post closure obligation can be found in Note 18.

Health insurance, workers' compensation and judgments and claims—The County's liability related to its health insurance plan totaled \$1,183,523 at December 31, 2016. The liability of the County's workers' compensation totaled \$15,911,619 at December 31, 2016. There was no liability related to the County's judgments and claims at December 31, 2016. 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. The estimated OPEB liability for governmental and business-type activities is estimated to be \$74,856,250 and \$18,069,489, respectively, at December 31, 2016.

Net Pension Liability—The County reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System. The net pension liability for governmental and business-type activities is \$30,123,713 and \$5,737,850, respectively, at December 31, 2016. Refer to Note 6 for additional information related to the County’s net pension liability.

County of Cattaraugus Industrial Development Agency (“CCIDA”)

Long-term liabilities for the CCIDA for the year ended December 31, 2016 consisted of a net pension liability of \$118,400. Refer to Note 6 for additional information.

12. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation		\$ 126,193,094
Related debt:		
Serial bonds issued	\$ (31,480,000)	
Unamortized bond premium	(645,424)	
Capital leases	(67,267)	
Unspent proceeds reported within Capital Projects Fund	<u>6,553,418</u>	
Debt issued for capital assets		<u>(25,639,273)</u>
Net investment in capital assets		<u>\$ 100,553,821</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.
- **Deficit net position**—At December 31, 2016, the Pines Machias reported a net position deficit of \$(2,009,988).

In the fund financial statements the County maintains nonspendable, restricted, committed, assigned and unassigned categories.

- **Nonspendable**—Amounts represent net current financial resources that cannot be spent because they are either not in spendable for or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2016 includes the portion of fund balance composed of prepaid assets. \$1,663,741 is nonspendable as the asset does not represent an available resource.

- **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, 2016 are presented on the following page.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
MDLF loan fund	\$ 206,223	\$ -	\$ -	\$ 206,223
Insurance	1,443,321	-	-	1,443,321
Other	558,706	-	-	558,706
Capital projects	-	12,065,331	-	12,065,331
Debt	-	-	544,558	544,558
Trust accounts	-	-	5,665	5,665
Total restricted fund balance	<u>\$ 2,208,250</u>	<u>\$ 12,065,331</u>	<u>\$ 550,223</u>	<u>\$ 14,823,804</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, 2016, Cattaraugus County had committed fund balance of \$85,000, 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 Legislature. 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, 2016, the balances presented below were considered to be assigned:

	General Fund	Nonmajor Governmental Funds	Total
Subsequent years' expenditures	\$ 2,000,000	\$ 14,800	\$ 2,014,800
Encumbrances	549,862	666,513	1,216,375
Home and community services	-	31,908	31,908
Economic assistance and opportunity	-	590,418	590,418
Total assigned fund balance	<u>\$ 2,549,862</u>	<u>\$ 1,303,639</u>	<u>\$ 3,853,501</u>

- **Unassigned**—Represents the residual classification of the County’s General Fund, and could report a surplus or deficit. As of December 31, 2016, the unassigned fund balance was \$37,085,752.

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: Nonspendable (if funds become spendable), Restricted, Committed, Assigned, and Unassigned.

13. 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.

The composition of interfund balances as of December 31, 2016 is show below:

<u>Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Fund	\$ 278,044	\$ -
County Road Fund	-	278,044
Total	<u>\$ 278,044</u>	<u>\$ 278,044</u>

Interfund transfers of the County for the year ended December 31, 2016 are presented as follows:

<u>Transfers out:</u>	<u>Transfers in:</u>		<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ 5,155,758	\$ 7,751,377	\$ 12,907,135
Nonmajor governmental funds	-	4,446,635	4,446,635
Total	<u>\$ 5,155,758</u>	<u>\$ 12,198,012</u>	<u>\$ 17,353,770</u>

14. 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, 2016 were held by a third-party in trust for the exclusive benefit of participants.

15. LABOR RELATIONS

The County's employees operate under seven collective bargaining units, the Civil Service Employees Association, the Civil Service Employees Association Part-Time Employee Unit, the Civil Service Employees Association Supervisory Unit, Civil Service Employees Association Sheriff's Department Employees Unit, the Deputy Sheriff's Supervisory Unit, Deputies Association, and the Corrections Supervisory Unit. All contracts are settled through December 31, 2017.

16. CONTINGENCIES

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.

County of Cattaraugus Industrial Development Agency (“CCIDA”)

The Agency is exposed to various risks of loss such as torts, theft, injuries, errors, omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Any settled claims from these risks have not exceeded commercial insurance coverage for the past four years. In management’s opinion, there are no material contingencies required to be accrued or disclosed.

17. COMMITMENTS

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. Open encumbrances are reported as an assignment of fund balance since such commitments will be honored through budget appropriations in the subsequent year. The County considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. Significant encumbrances as of December 31, 2016, are as listed below:

Fund	Purpose	Amount
		Encumbered
General	Two tri-axel ejector trailers	\$ 254,492
County Road	Pipe order stock	240,178
Road Machinery	Volvo paver and paving system	346,664

18. 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, 2016, is \$606,643.

19. TAX ABATEMENTS

The County is subject to tax abatements granted by the County of Cattaraugus Industrial Development Agency (“CCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the County, the abatements have resulted in reductions of property taxes, which the County administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by CCIDA, the County collected \$168,045 during 2016 in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$215,168 in property taxes.

20. SUBSEQUENT EVENTS

On May 10, 2017, the County issued \$12,911,145 in public improvement serial bonds with an interest rate ranging from 2.00-3.00 percent for improvements at various County sites. These bonds mature on May 1, 2032.

Management has evaluated subsequent events through June 14, 2017, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefit Plan
Year Ended December 31, 2016

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, 2016	\$ -	\$ 221,513,537	\$ 221,513,537	0.0%	N/A	N/A
December 31, 2015	-	221,513,537	221,513,537	0.0%	N/A	N/A
December 31, 2014	-	157,834,473	157,834,473	0.0%	N/A	N/A

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of the Local Governments' Proportionate Share of the
Net Pension Liability—Employees' Retirement System
Last Three Fiscal Years*

	Year Ended December 31,		
	2016	2015	2014
Measurement date	March 31, 2016	March 31, 2015	March 31, 2014
County's proportion of the net pension liability	0.2234327%	0.2185799%	0.2185799%
County's proportionate share of the net pension liability	<u>\$ 35,861,564</u>	<u>\$ 7,384,164</u>	<u>\$ 9,877,320</u>
County's covered-employee payroll	\$ 46,629,066	\$ 46,540,732	\$ 45,462,491
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.9%	15.9%	21.7%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%	97.2%

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

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of the Local Governments' Contributions—
Employees' Retirement System
Last Three Fiscal Years*

	Year Ended December 31,		
	2016	2015	2014
Contractually required contributions	\$ 8,356,702	\$ 9,055,794	\$ 9,221,894
Contributions in relation to the contractually required contribution	<u>(8,356,702)</u>	<u>(9,055,794)</u>	<u>(9,221,894)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 46,847,246	\$ 48,100,849	\$ 46,092,077
Contributions as a percentage of covered-employee payroll	17.8%	18.0%	19.9%

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

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balance—Budget and Actual—General Fund
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 51,250,242	\$ 51,250,242	\$ 51,846,046	\$ 595,804
Real property tax items	2,593,502	2,593,502	2,694,099	100,597
Non property tax items	27,493,000	27,532,831	27,006,018	(526,813)
Departmental income	16,067,805	16,140,623	15,907,227	(233,396)
Intergovernmental charges	7,144,870	7,177,882	4,906,686	(2,271,196)
Use of money and property	1,000,294	1,000,294	853,622	(146,672)
Licenses and permits	50,200	50,200	88,591	38,391
Fines and forfeitures	234,900	244,622	195,836	(48,786)
Sale of property and compensation for loss	1,241,315	1,241,315	2,615,727	1,374,412
Miscellaneous	2,123,932	2,145,344	1,910,695	(234,649)
Interfund revenues	26,494,115	26,504,960	25,368,168	(1,136,792)
State aid	16,609,952	17,713,377	17,413,620	(299,757)
Federal aid	18,846,757	19,520,713	18,713,545	(807,168)
Total revenues	<u>171,150,884</u>	<u>173,115,905</u>	<u>169,519,880</u>	<u>(3,596,025)</u>
EXPENDITURES				
Current:				
General government support	48,436,503	48,404,209	42,784,315	5,619,894
Education	7,382,893	7,194,968	6,847,973	346,995
Public safety	20,946,825	22,477,399	20,001,118	2,476,281
Health	20,813,796	21,137,044	19,657,735	1,479,309
Transportation	17,000	17,000	17,000	-
Economic assistance and opportunity	55,833,921	61,367,253	58,932,227	2,435,026
Culture and recreation	710,808	886,385	822,027	64,358
Home and community services	2,456,318	2,771,265	2,224,727	546,538
Employee benefits	7,248,960	5,667,949	5,237,582	430,367
Debt service:				
Principal	21,834	21,455	27,617	(6,162)
Total expenditures	<u>163,868,858</u>	<u>169,944,927</u>	<u>156,552,321</u>	<u>13,392,606</u>
Excess of revenues over expenditures	<u>7,282,026</u>	<u>3,170,978</u>	<u>12,967,559</u>	<u>9,796,581</u>
OTHER FINANCING USES				
Transfers out	(9,888,958)	(13,062,664)	(12,907,135)	155,529
Total other financing uses	<u>(9,888,958)</u>	<u>(13,062,664)</u>	<u>(12,907,135)</u>	<u>155,529</u>
Net change in fund balances*	(2,606,932)	(9,891,686)	60,424	9,952,110
Fund balances—beginning	43,532,181	43,532,181	43,532,181	-
Fund balances—ending	<u>\$ 40,925,249</u>	<u>\$ 33,640,495</u>	<u>\$ 43,592,605</u>	<u>\$ 9,952,110</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.

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

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

1. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, with the exception of the Capital Projects Fund. The Capital Projects Fund is appropriated on a project-length basis; appropriations are approved through a County Legislative resolution at the project's inception and lapse upon termination of the project.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the County Legislature. Expenditures may not legally exceed appropriations at the functional classification.

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

Actual results of operations presented in accordance with GAAP and the County's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements. The General Fund original budget for the year ended December 31, 2016 includes encumbrances from the prior year of \$318,666.

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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, 2016

	Special Revenue	Debt Service	Permanent	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,690,915	\$ -	\$ -	\$ 1,690,915
Restricted cash and cash equivalents	1,693,848	512,875	5,665	2,212,388
Accounts receivable	77,542	31,683	-	109,225
Intergovernmental receivables	857,893	-	-	857,893
Total assets	\$ 4,320,198	\$ 544,558	\$ 5,665	\$ 4,870,421
LIABILITIES				
Accounts payable	\$ 888,957	\$ -	\$ -	\$ 888,957
Accrued liabilities	155,710	-	-	155,710
Due to other funds	278,044	-	-	278,044
Unearned revenue	1,693,848	-	-	1,693,848
Total liabilities	3,016,559	-	-	3,016,559
FUND BALANCES				
Restricted	-	544,558	5,665	550,223
Assigned	1,303,639	-	-	1,303,639
Total fund balances	1,303,639	544,558	5,665	1,853,862
Total liabilities and fund balances	\$ 4,320,198	\$ 544,558	\$ 5,665	\$ 4,870,421

COUNTY OF CATTARAUGUS, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2016

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Non property tax items	\$ 10,036,091	\$ 374,965	\$ -	\$ 10,411,056
Departmental income	25,720	-	-	25,720
Intergovernmental charges	338,193	-	-	338,193
Use of money and property	24,889	2,411	12	27,312
Sale of property and compensation for loss	30,163	-	-	30,163
Miscellaneous	314,545	-	-	314,545
Interfund revenues	3,415,980	-	-	3,415,980
State aid	13,427	-	-	13,427
Federal aid	712,430	106,340	-	818,770
Total revenues	<u>14,911,438</u>	<u>483,716</u>	<u>12</u>	<u>15,395,166</u>
EXPENDITURES				
Current:				
General government support	-	800	-	800
Public safety	670,109	-	-	670,109
Transportation	16,364,672	-	-	16,364,672
Economic assistance and opportunity	233,692	-	-	233,692
Home and community services	11,980	-	-	11,980
Debt service:				
Principal	-	4,528,900	-	4,528,900
Interest and fiscal charges	-	1,019,140	-	1,019,140
Total expenditures	<u>17,280,453</u>	<u>5,548,840</u>	<u>-</u>	<u>22,829,293</u>
Excess (deficiency) of revenues over expenditures	<u>(2,369,015)</u>	<u>(5,065,124)</u>	<u>12</u>	<u>(7,434,127)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,182,265	5,015,747	-	12,198,012
Transfers out	(4,446,635)	-	-	(4,446,635)
Refunding bonds issued	-	3,373,900	-	3,373,900
Premium on bonds issued	-	338,635	-	338,635
Payment to escrow agent	-	(3,571,355)	-	(3,571,355)
Total other financing sources (uses)	<u>2,735,630</u>	<u>5,156,927</u>	<u>-</u>	<u>7,892,557</u>
Net change in fund balances	366,615	91,803	12	458,430
Fund balances—beginning	937,024	452,755	5,653	1,395,432
Fund balances—ending	<u>\$ 1,303,639</u>	<u>\$ 544,558</u>	<u>\$ 5,665</u>	<u>\$ 1,853,862</u>

COUNTY OF CATTARAUGUS, NEW YORK
Combining Balance Sheet—Nonmajor Special Revenue Funds
December 31, 2016

	<u>County Road</u>	<u>Road Machinery</u>	<u>Conewango Watershed</u>	<u>Economic Development</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 1,115,136	\$ 46,877	\$ 528,902	\$ 1,690,915
Restricted cash and cash equivalents	-	-	-	1,693,848	1,693,848
Accounts receivable	2,100	13,926	-	61,516	77,542
Intergovernmental receivables	<u>846,867</u>	<u>11,026</u>	<u>-</u>	<u>-</u>	<u>857,893</u>
Total assets	<u>\$ 848,967</u>	<u>\$ 1,140,088</u>	<u>\$ 46,877</u>	<u>\$ 2,284,266</u>	<u>\$ 4,320,198</u>
LIABILITIES					
Accounts payable	\$ 112,957	\$ 775,831	\$ 169	\$ -	\$ 888,957
Accrued liabilities	138,118	17,592	-	-	155,710
Due to other funds	278,044	-	-	-	278,044
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,693,848</u>	<u>1,693,848</u>
Total liabilities	<u>529,119</u>	<u>793,423</u>	<u>169.00</u>	<u>1,693,848</u>	<u>3,016,559</u>
FUND BALANCES					
Assigned	<u>319,848</u>	<u>346,665</u>	<u>46,708</u>	<u>590,418</u>	<u>1,303,639</u>
Total fund balances	<u>319,848</u>	<u>346,665</u>	<u>46,708</u>	<u>590,418</u>	<u>1,303,639</u>
Total liabilities and fund balances	<u>\$ 848,967</u>	<u>\$ 1,140,088</u>	<u>\$ 46,877</u>	<u>\$ 2,284,266</u>	<u>\$ 4,320,198</u>

COUNTY OF CATTARAUGUS, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Special Revenue Funds
Year Ended December 31, 2016

	<u>County Road</u>	<u>Road Machinery</u>	<u>Conewango Watershed</u>	<u>Economic Development</u>	<u>Total Nonmajor Special Revenue Funds</u>
REVENUES					
Non property tax items	\$ 9,583,579	\$ 452,512	\$ -	\$ -	\$ 10,036,091
Departmental income	20,789	-	-	4,931	25,720
Intergovernmental charges	194,139	133,854	10,200	-	338,193
Use of money and property	-	-	68	24,821	24,889
Sale of property and compensation for loss	2,642	27,521	-	-	30,163
Miscellaneous	-	-	-	314,545	314,545
Interfund revenues	-	3,415,980	-	-	3,415,980
State aid	13,427	-	-	-	13,427
Federal aid	712,430	-	-	-	712,430
Total revenues	<u>10,527,006</u>	<u>4,029,867</u>	<u>10,268</u>	<u>344,297</u>	<u>14,911,438</u>
EXPENDITURES					
Current:					
Public safety	670,109	-	-	-	670,109
Transportation	12,735,503	3,629,169	-	-	16,364,672
Economic assistance and opportunity	-	-	-	233,692	233,692
Home and community services	205	-	11,775	-	11,980
Total expenditures	<u>13,405,817</u>	<u>3,629,169</u>	<u>11,775</u>	<u>233,692</u>	<u>17,280,453</u>
Excess (deficiency) of revenues over expenditures	<u>(2,878,811)</u>	<u>400,698</u>	<u>(1,507)</u>	<u>110,605</u>	<u>(2,369,015)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	6,923,235	251,530	7,500	-	7,182,265
Transfers out	<u>(4,120,674)</u>	<u>(325,961)</u>	<u>-</u>	<u>-</u>	<u>(4,446,635)</u>
Total other financing sources (uses)	<u>2,802,561</u>	<u>(74,431)</u>	<u>7,500</u>	<u>-</u>	<u>2,735,630</u>
Net change in fund balances	(76,250)	326,267	5,993	110,605	366,615
Fund balances—beginning	<u>396,098</u>	<u>20,398</u>	<u>40,715</u>	<u>479,813</u>	<u>937,024</u>
Fund balances—ending	<u>\$ 319,848</u>	<u>\$ 346,665</u>	<u>\$ 46,708</u>	<u>\$ 590,418</u>	<u>\$ 1,303,639</u>

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OTHER INFORMATION

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Debt Service Fund
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Non property tax items	\$ 240,000	\$ 240,000	\$ 374,965	\$ 134,965
Use of money and property	1,000	1,000	2,411	1,411
Federal aid	106,339	106,339	106,340	1
Total revenues	<u>347,339</u>	<u>347,339</u>	<u>483,716</u>	<u>136,377</u>
EXPENDITURES				
Current:				
General government support	2,500	3,630,781	800	3,629,981
Debt service:				
Principal	4,515,000	4,528,900	4,528,900	-
Interest and fiscal charges	1,014,422	1,000,522	1,019,140	(18,618)
Total expenditures	<u>5,531,922</u>	<u>9,160,203</u>	<u>5,548,840</u>	<u>3,611,363</u>
Deficiency of revenues over expenditures	<u>(5,184,583)</u>	<u>(8,812,864)</u>	<u>(5,065,124)</u>	<u>3,747,740</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,045,585	5,045,585	5,015,747	(29,838)
Refunding bonds issued	-	3,385,000	3,373,900	(11,100)
Premium on bonds issued	-	243,281	338,635	95,354
Payment to escrow agent	-	(3,628,281)	(3,571,355)	-
Total other financing sources (uses)	<u>5,045,585</u>	<u>5,045,585</u>	<u>5,156,927</u>	<u>54,416</u>
Net change in fund balances*	(138,998)	(3,767,279)	91,803	3,802,156
Fund balances—beginning	452,755	452,755	452,755	-
Fund balances—ending	<u>\$ 313,757</u>	<u>\$ (3,314,524)</u>	<u>\$ 544,558</u>	<u>\$ 3,802,156</u>

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of restricted fund balance.

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—County Road Fund
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Non property tax items	\$ 9,773,000	\$ 9,773,000	\$ 9,583,579	\$ (189,421)
Departmental income	17,500	17,500	20,789	3,289
Intergovernmental charges	145,000	145,000	194,139	49,139.00
Sale of property and compensation for loss	-	-	2,642	2,642
State aid	95,317	95,317	13,427	(81,890)
Federal aid	744,000	756,800	712,430	(44,370)
Total revenues	<u>10,774,817</u>	<u>10,787,617</u>	<u>10,527,006</u>	<u>(260,611)</u>
EXPENDITURES				
Current:				
Public safety	621,900	696,650	670,109	26,541
Transportation	14,473,389	13,289,421	12,735,503	553,918
Home and community services	-	205	205	-
Total expenditures	<u>15,095,289</u>	<u>13,986,276</u>	<u>13,405,817</u>	<u>580,459</u>
Deficiency of revenues over expenditures	(4,320,472)	(3,198,659)	(2,878,811)	319,848
OTHER FINANCING SOURCES (USES)				
Transfers in	8,072,634	6,953,765	6,923,235	(30,530)
Transfers out	(4,148,260)	(4,148,260)	(4,120,674)	27,586
Total other financing sources (uses)	<u>3,924,374</u>	<u>2,805,505</u>	<u>2,802,561</u>	<u>(2,944)</u>
Net change in fund balances*	(396,098)	(393,154)	(76,250)	316,904
Fund balances—beginning	<u>396,098</u>	<u>396,098</u>	<u>396,098</u>	<u>-</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ 2,944</u>	<u>\$ 319,848</u>	<u>\$ 316,904</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Non property tax items	\$ 475,000	\$ 475,000	\$ 452,512	\$ (22,488)
Intergovernmental charges	110,000	110,000	133,854	23,854
Sale of property and compensation for loss	-	8,765	27,521	18,756
Interfund revenues	3,283,789	3,423,638	3,415,980	(7,658)
Total revenues	<u>3,868,789</u>	<u>4,017,403</u>	<u>4,029,867</u>	<u>12,464</u>
EXPENDITURES				
Current:				
Transportation	<u>3,911,418</u>	<u>4,086,117</u>	<u>3,629,169</u>	<u>456,948</u>
Total expenditures	<u>3,911,418</u>	<u>4,086,117</u>	<u>3,629,169</u>	<u>456,948</u>
Excess (deficiency) of revenues over expenditures	<u>(42,629)</u>	<u>(68,714)</u>	<u>400,698</u>	<u>469,412</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	349,414	375,499	251,530	(123,969)
Transfers out	<u>(327,183)</u>	<u>(327,183)</u>	<u>(325,961)</u>	<u>1,222</u>
Total other financing sources (uses)	<u>22,231</u>	<u>48,316</u>	<u>(74,431)</u>	<u>(122,747)</u>
Net change in fund balances*	(20,398)	(20,398)	326,267	346,665
Fund balances—beginning	<u>20,398</u>	<u>20,398</u>	<u>20,398</u>	<u>-</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,665</u>	<u>\$ 346,665</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 10,200	\$ 10,200	\$ 10,200	\$ -
Use of money and property	-	-	68	68
Total revenues	<u>10,200</u>	<u>10,200</u>	<u>10,268</u>	<u>68</u>
EXPENDITURES				
Current:				
Home and community services	<u>32,500</u>	<u>32,500</u>	<u>11,775</u>	<u>20,725</u>
Total expenditures	<u>32,500</u>	<u>32,500</u>	<u>11,775</u>	<u>20,725</u>
Deficiency of revenues over expenditures	(22,300)	(22,300)	(1,507)	20,793
OTHER FINANCING SOURCES				
Transfers in	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	-
Total other financing sources	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	-
Net change in fund balances*	(14,800)	(14,800)	5,993	20,793
Fund balances—beginning	<u>40,715</u>	<u>40,715</u>	<u>40,715</u>	-
Fund balances—ending	<u>\$ 25,915</u>	<u>\$ 25,915</u>	<u>\$ 46,708</u>	<u>\$ 20,793</u>

*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Economic Development Fund
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ -	\$ 4,931	\$ 4,931	\$ -
Use of money and property	-	24,821	24,821	-
Miscellaneous	-	1,926,455	314,545	(1,611,910)
Total revenues	<u>-</u>	<u>1,956,207</u>	<u>344,297</u>	<u>(1,611,910)</u>
EXPENDITURES				
Current:				
Economic assistance and opportunity	<u>-</u>	<u>2,436,018</u>	<u>233,692</u>	<u>2,202,326</u>
Total expenditures	<u>-</u>	<u>2,436,018</u>	<u>233,692</u>	<u>2,202,326</u>
Net change in fund balances	<u>-</u>	<u>(479,811)</u>	<u>110,605</u>	<u>590,416</u>
Fund balances—beginning	<u>479,813</u>	<u>479,813</u>	<u>479,813</u>	<u>-</u>
Fund balances—ending	<u>\$ 479,813</u>	<u>\$ 2.00</u>	<u>\$ 590,418</u>	<u>\$ 590,416</u>

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FEDERAL AWARDS INFORMATION

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)</u>	<u>Federal CFDA Number (1b)</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Sub- recipients</u>	<u>Total Federal Expenditures (1c)</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through NYS Department of Agriculture and Markets				
Commodity Loans and Loan Deficiency Payments	10.051	N/A	\$ -	\$ 93,823
Passed Through NYS Department of Health				
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	63405	137,143	2,753,537
Child and Adult Care Food Program	10.558	N/A	-	39,302
Passed Through NYS Office of Temporary and Disability Assistance:				
State Administrative Matching Grants for the Supplemental <i>Snap Cluster</i>				
Nutrition Assistance Program	10.561	N/A	-	1,282,723
<i>Total Snap Cluster</i>			-	1,282,723
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>137,143</u>	<u>4,169,385</u>
U.S. DEPARTMENT OF DEFENSE				
Direct Programs				
Procurement Technical Assistance for Business Firms	12.002	N/A	-	121,025
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>-</u>	<u>121,025</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through NYS Office of Community Renewal:				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	199HR36-13	70,442	75,000
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>70,442</u>	<u>75,000</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through NYS Office of Victim Services:				
Violence Against Women Formula Grants	16.588	N/A	-	20,726
Passed through NYS Division of Criminal Justice:				
Bullet Proof Vest Partnership Program	16.607	N/A	-	8,888
State and Local Anti-Terrorism Training	16.614	N/A	-	118,597
Passed through Council on Addiction Recovery Services, Inc.				
Enforcing Underage Drinking Laws Program	16.727	N/A	-	9,963
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>158,174</u>
U.S. DEPARTMENT OF LABOR				
Passed through Cattaraugus-Allegany Workforce Investment Board Inc. Board Inc.				
<i>WIA/WIOA Cluster:</i>				
WIA/WIOA Adult Program	17.258	N/A	-	119,762
WIAWIOA Youth Activities	17.259	N/A	-	157,190
WIA Dislocated Workers	17.278	N/A	-	163,272
<i>Total WIA/WIOA Cluster</i>			-	440,224
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	N/A	-	53,255
TOTAL U.S. DEPARTMENT OF LABOR			<u>-</u>	<u>493,479</u>

(continued)

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number	Passed Through to Sub- recipients	Total Federal Expenditures (1c)
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through NYS Department of Transportation				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	N/A	-	973,301
<i>Total Highway Planning and Construction Cluster:</i>			-	973,301
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	69970	-	9,561
Child Safety and Child Booster Seat Incentive Grants	20.613	N/A	-	13,584
<i>Total Highway Safety Cluster</i>			-	23,145
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	996,446
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed through NYS Department of Health				
Water Quality Management Planning	66.454	N/A	-	2,974
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			-	2,974
U.S. DEPARTMENT OF EDUCATION				
Passed through NYS Department of Health:				
Special Education-Grants for Infants and Families with Disabilities	84.181	N/A	-	63,180
TOTAL U.S. DEPARTMENT OF EDUCATION			-	63,180
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through NYS Office of the Aging:				
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	93.043	N/A	-	5,060
<i>Aging Cluster:</i>				
Special Programs for the Aging Title III, Part B - Grants for Supportive Service and Senior centers	93.044	N/A	-	83,395
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	N/A	-	158,033
Nutrition Services Incentive Program	93.053	N/A	-	93,855
<i>Total Aging Cluster:</i>			-	335,283
National Family Caregiver Support, Title III, Part E	93.052	N/A	-	36,647
Medicare Enrollment Assistance Program	93.071	N/A	-	12,773
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	-	41,942
Passed through NYS Department of Health				
Family Planning - Services	93.217	63402	81,903	127,067
Immunization Cooperative Agreements	93.268	N/A	-	38,039
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	-	93,322
<i>Medicaid Cluster</i>				
Medical Assistance Program	93.778	62101	54,136	2,173,681
<i>Total Medicaid Cluster</i>			54,136	2,173,681
Maternal and Child Health Services Block Grant to the States	93.994	63491	1,796	22,694

(continued)

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number	Passed Through to Sub- recipients	Total Federal Expenditures (1c)
(concluded)				
Passed through NYS Office of Temporary and Disability Assistance:				
<i>TANF Cluster</i>				
Temporary Assistance For Needy Families	93.558	N/A	-	6,764,333
<i>Total TANF Cluster</i>			-	6,764,333
Child Support Enforcement	93.563	62501	-	760,841
Low-Income Home Energy Assistance	93.568	62210	-	4,121,767
Passed through NYS Office of Children and Family Services:				
<i>CCDF Cluster</i>				
Child Care and Development Block Grant	93.575	62702	-	2,408,771
<i>Total CCDF Cluster</i>			-	2,408,771
Voting Access for Individuals with Disabilities Grants to States	93.617	N/A	-	3,252
Foster Care - Title IV-E	93.658	62401	-	2,197,632
Adoption Assistance	93.659	62402	-	13,948
Independent Living Services	93.674	N/A	-	152,983
Passed through Millennium Collaborative Care				
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	N/A	-	235,035
Passed through NYS Office of Alcoholism and Substance Abuse Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	64805	584,693	584,693
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>722,528</u>	<u>20,129,763</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Programs:				
Retired and Senior Volunteer Program	94.002	N/A	-	42,563
TOAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			-	42,563
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through NYS Department of Homeland Security and Emergency Services				
Emergency Management Performance Grants	97.042	N/A	-	40,464
Homeland Security Grant Program	97.067	N/A	-	12,375
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	52,839
TOTAL EXPENDITURES OF FEDERAL AWARDS (1d)			<u>\$ 930,113</u>	<u>\$ 26,304,828</u>

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

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COUNTY OF CATTARAUGUS, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (a) Includes all federal award programs of the County of Cattaraugus, New York. The federal expenditures of the Pines and the CCIDA have not been included.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (d) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. MATCHING COSTS

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

4. NON-MONETARY FEDERAL PROGRAM

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." New York State makes payments of benefits directly to vendors, primarily utility companies on behalf of eligible persons participating in Low-Income Home Energy Assistance Program (CFDA Number 93.568). \$3,954,315 in direct payments were received by participants, which is included in the amount presented on the schedule of expenditures of federal awards.

5. AMOUNTS PROVIDED TO SUBRECIPIENTS

Certain program funds are passed through the County to subrecipient organizations. The County identifies, to the extent practical, the total amount provided to subrecipients from each federal program, however, the schedule does not contain separate schedules disclosing how the subrecipients outside of the County's control utilize the funds. The County requires subrecipients receiving funds to submit separate audit reports disclosing the use of the program funds.

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 the 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, the discretely presented component unit, 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 14, 2017. Our report includes a reference to other auditors who audited the financial statements of the Pines Machias Campus, the Pines Olean Campus (the "Pines"), and the County of Cattaraugus Industrial Development Agency, 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 the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 of Duesch & Malin LLP

June 14, 2017

Certified Public Accountants

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

Honorable County 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") 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, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the County of Cattaraugus Industrial Development Agency ("CCIDA") and the Pines, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2016. Our compliance audit, described below, did not include the operations of the CCIDA or the Pines.

Management's Responsibility

The County's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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



June 14, 2017

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Part I. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified*
 * (which report includes a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	✓	No
Significant deficiency(ies) identified?	_____	Yes	_____	✓	None reported
Noncompliance material to financial statements noted?	_____	Yes	_____	✓	No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____	Yes	_____	✓	No
Significant deficiency(ies) identified?	_____	Yes	_____	✓	None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	_____	✓	No
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Identification of major federal programs

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Highway Planning and Construction	20.205
Aging Cluster	93.044, 93.045, 93.053
Temporary Assistance for Needy Families	93.558
ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624
Foster Care – Title IV-E	93.658

Dollar threshold used to distinguish between Type A and Type B programs? \$789,145

Auditee qualified as low-risk auditee?	_____	✓	Yes	_____	No
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COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Part II. Financial statement findings section

No findings noted.

Part III. Federal award findings and questioned costs section

No findings noted.

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Prior Year Audit Findings
and Corrective Action Plan
Year Ended December 31, 2016
(Follow Up on December 31, 2015 Findings)

Finding 2015-001—Subrecipient Monitoring

Criteria—The requirements of pass-through entities are identified in the Uniform Guidance 2CFR Section 200.331. Among other requirements, a pass-through entity must:

- a. Clearly identify the federal award to the subrecipient as a subaward and include;
 - The total amount of funds obligated to the subrecipient,
 - The subaward period of performance,
 - The name of the awarding agency,
 - The CFDA number and name of the award
- b. Evaluate the subrecipient’s risk of noncompliance
- c. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes
- d. Perform onsite reviews of the subrecipient’s program as deemed necessary; and
- e. Verify that every subrecipient is audited as required under the Uniform Guidance or OMB Circular A-133 (for those funds obligated prior to December 26, 2014)

Section 200.305 of the Uniform Guidance stipulates when funds are advanced to the subrecipient, advance payments should be limited to the minimum amounts needed and be timed to be in accordance with the actual immediate cash requirements of the subrecipient in carrying out the purpose of the approved program or project.

Condition—The County contracts with a subrecipient to operate the programs of the Block Grant for Prevention and Treatment of Substance Abuse (“SABG”). The federal award name and the CFDA number are not clearly specified in the contract, nor is the Federal awarding agency identified. The County, as a pass through entity, has not documented their evaluation of their subrecipient’s risk of noncompliance. Although the County’s Department of Community Services does receive a copy of the subrecipient’s audited financial report, they have not reconciled the discrepancy of the amounts reported by the County on their SEFA and the amount reported by the subrecipient.

The County is not monitoring the time between their drawdowns from OASAS and the time of the disbursements are made to their subrecipient to ensure the time is minimized.

Context—We found that the contract with the subrecipient lacked the federal award name, the CFDA number and the name of the Federal awarding agency. The County has not documented their evaluation of the subrecipient’s risk of noncompliance or the subrecipient’s proper reporting on their SEFA of the passed through award.

When funds are advanced to the subrecipient the County does not ensure that the funds are expended in a timely manner, they only monitor that the funds were expended within the calendar year.

Effect—The County is not in compliance with the requirements of a pass-through entity contained in 2 CFR Sections 200.305 and 200.331.

Cause—The County has not standardized and documented procedures to ensure they are in compliance with the requirements of a pass-through of federal awards.

Recommendation—We recommend that the County review their policies and procedures when preparing contracts with subrecipients of federal awards to ensure the County is in compliance with 2 CFR 200.331. We also recommend that the County formalize and document subrecipient monitoring procedures. These procedures should include evaluating the risk of the subrecipient's noncompliance with the requirements of the award, ensuring subrecipients are audited, if required, and the review of financial and performance reports.

Additionally, funds advanced to subrecipients should be monitored to ensure the time elapsing between the transfer of Federal funds and their disbursement is minimized as required by the cash management requirements of the Uniform Guidance.

Views of Responsible Officials and Planned Corrective Action Plan—Although not specifically stated in the formal contract document, the subrecipient is provided with the NYS OASAS State Aid Funding Authorization (“SAFA”) document as part of the Budgeting and Contract process which clearly denotes the programs which receive federal funding.

For 2016 contracts, and subsequent years, this detailed information, as well as the CFDA number, will be included in the Contract between the County and the subrecipient. Additionally, the Federal and State amounts will be noted separately.

The County contract with the subrecipient discusses the single audit requirements. The County Department of Community Services has verified that the subrecipient has the appropriate audits performed and provides a copy of that Audit report to the County Department of Community Services.

It has been the practice of the County Department of Community Services to pass through 100% of all advanced funds received from NYS OASAS to the subrecipient. In 2015, based upon quarterly reports received from the subrecipient, the advances for the federally funded programs were utilized within that quarter plus or minus two percent.

Since Federal Funds are typically advanced on a monthly basis, the Department of Community Services will revise its protocol for federal advances to request monthly confirmation from the subrecipient that the federal funds advanced from NYS OASAS to the County are necessary for the subrecipient to meet the actual, immediate cash requirements of the subrecipient.

The County Department of Community Services POLICY & PROCEDURE Manual will be updated to include the procedures noted above.

Current Status—For the year ended December 31, 2016, the County included CFDA numbers on contracts with subrecipients and revised its protocol for federal advances by requiring that monthly financial information is provided by subrecipients prior to passing through funds.