

**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, 2017  
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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pines Machias Campus and Pines Olean Campus (the "Pines"), which represent 94.1% and 97.2% of the assets and revenues, respectively, of the business-type activities or the Cattaraugus County Land Bank Corporation (the "Land Bank"), shown as 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, the Land Bank, and the 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 2 to the financial statements, during the year ended December 31, 2017, the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's 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 Title 2 U.S. Code of Federal Regulations 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 27, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control over financial reporting and compliance.



June 27, 2018



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

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

**Financial Highlights**

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at December 31, 2017 by \$60,979,194 (*net position*) compared to \$66,440,346 (as restated), at December 31, 2016. There is a deficit in unrestricted net position totaling \$62,147,567.
- The County's net position decreased by \$5,461,152. Governmental activities decreased the County's net position by \$7,836,008, while business-type activities increased the County's net position by \$2,374,856.
- At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$61,601,344, an increase of \$5,131,618 in comparison with the prior year's fund balance of \$56,469,726 (as restated). Approximately 56.3 percent, \$34,680,036 of the combined fund balances is unassigned.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$34,680,036, or approximately 20.0 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 81.6 percent of the General Fund's total fund balance of \$42,515,352.

**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 outflows/inflows 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 fiscal charges. The business-type activities of the County are the Pines Machias nursing home, the Pines Olean nursing home, the Onoville Marina, and the Cattaraugus County Land Bank Corporation, a blended component unit.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also 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, marina, and land bank. 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 25-60 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 61-65 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 66-69.

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 70-74 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 75-86 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 \$60,979,194 at the close of the most recent fiscal year, as compared to \$66,440,346 (as restated), at the close of the fiscal year ended December 31, 2016.

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016 (as restated)	2017	2016	2017	2016 (as restated)
<b>Assets:</b>						
Current assets	\$ 94,174,562	\$ 96,388,404	\$ 26,336,383	\$ 20,751,097	\$ 120,510,945	\$ 117,139,501
Noncurrent assets	-	-	1,010,157	1,303,362	1,010,157	1,303,362
Capital assets	<u>139,647,791</u>	<u>126,193,094</u>	<u>11,912,367</u>	<u>12,388,979</u>	<u>151,560,158</u>	<u>138,582,073</u>
Total assets	<u>233,822,353</u>	<u>222,581,498</u>	<u>39,258,907</u>	<u>34,443,438</u>	<u>273,081,260</u>	<u>257,024,936</u>
Deferred outflows of resources	<u>14,396,901</u>	<u>30,944,366</u>	<u>2,803,203</u>	<u>5,867,528</u>	<u>17,200,104</u>	<u>36,811,894</u>
<b>Liabilities:</b>						
Current liabilities	19,846,434	24,753,361	1,579,951	1,767,597	21,426,385	26,520,958
Noncurrent liabilities	<u>168,326,788</u>	<u>160,366,419</u>	<u>33,040,254</u>	<u>33,401,672</u>	<u>201,367,042</u>	<u>193,768,091</u>
Total liabilities	<u>188,173,222</u>	<u>185,119,780</u>	<u>34,620,205</u>	<u>35,169,269</u>	<u>222,793,427</u>	<u>220,289,049</u>
Deferred inflows of resources	<u>5,572,185</u>	<u>6,096,229</u>	<u>936,558</u>	<u>1,011,206</u>	<u>6,508,743</u>	<u>7,107,435</u>
<b>Net Position:</b>						
Net investment in capital assets	105,595,741	100,553,821	3,558,567	3,381,903	109,154,308	103,935,724
Restricted	13,972,453	8,270,386	-	-	13,972,453	8,270,386
Unrestricted	<u>(65,094,347)</u>	<u>(46,514,352)</u>	<u>2,946,780</u>	<u>748,588</u>	<u>(62,147,567)</u>	<u>(45,765,764)</u>
Total net position	<u>\$ 54,473,847</u>	<u>\$ 62,309,855</u>	<u>\$ 6,505,347</u>	<u>\$ 4,130,491</u>	<u>\$ 60,979,194</u>	<u>\$ 66,440,346</u>

The largest portion of the County's net position at December 31, 2017, \$109,154,308, 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, \$13,972,453 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 \$62,147,567. 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, 2017 and December 31, 2016.

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

	Governmental activities		Business-type activities		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2017	2016 (as restated)	2017	2016	2017	2016 (as restated)
Revenues:						
Program revenues	\$ 64,897,076	\$ 65,502,329	\$ 31,157,535	\$ 34,432,237	\$ 96,054,611	\$ 99,934,566
General revenues	98,199,087	97,564,873	38,906	33,243	98,237,993	97,598,116
Total revenues	163,096,163	163,067,202	31,196,441	34,465,480	194,292,604	197,532,682
Total expenses	170,932,171	166,676,785	28,821,585	28,600,407	199,753,756	195,277,192
Change in net position	(7,836,008)	(3,609,583)	2,374,856	5,865,073	(5,461,152)	2,255,490
Net position—beginning	62,309,855	66,961,510	4,130,491	(1,734,582)	66,440,346	65,226,928
Restatement	-	(1,042,072)	-	-	-	(1,042,072)
Net position—ending	<u>\$ 54,473,847</u>	<u>\$ 62,309,855</u>	<u>\$ 6,505,347</u>	<u>\$ 4,130,491</u>	<u>\$ 60,979,194</u>	<u>\$ 66,440,346</u>

**Governmental Activities**—Governmental activities decreased the County’s net position by \$7,836,008. A summary of revenues for governmental activities for the years ended December 31, 2017 and 2016 is presented below in Table 3.

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

	Year Ended December 31,		Increase/(decrease)	
	2017	2016	Dollars	Percent %
Charges for services	\$ 21,982,575	\$ 21,365,332	\$ 617,243	2.9
Operating grants and contributions	37,572,291	36,411,867	1,160,424	3.2
Capital grants and contributions	5,342,210	7,725,130	(2,382,920)	(30.8)
Property taxes and tax items	55,406,866	53,751,685	1,655,181	3.1
Non-property tax items	39,071,485	37,417,074	1,654,411	4.4
Miscellaneous	742,176	2,985,607	(2,243,431)	(75.1)
Other general revenues	2,978,560	3,410,507	(431,947)	(12.7)
Total revenues	<u>\$ 163,096,163</u>	<u>\$ 163,067,202</u>	<u>\$ 28,961</u>	0.0

The most significant source of revenues is property taxes and tax items, which account for \$55,406,866 or 34.0 percent of total government activities revenues. The next largest source of revenue is non-property tax items, which comprise \$39,071,485 or 24.0 percent for the year ended December 31, 2017. Comparatively, for the year ended December 31, 2016, the most significant source of revenue was property taxes and tax items, which accounted for \$53,751,685 or 33.0 percent of total government activities revenues. The next largest source of revenue was non-property tax items, which comprised \$37,417,074 or 23.0 percent of total governmental activities revenues.

During the year ended December 31, 2017, total governmental activities revenues increased by 0.0 percent, mainly due to an increase in property taxes and tax items, non-property tax items, and operating grants and contributions offset by decreases in capital grants and contributions and miscellaneous revenue. The increases in property taxes and tax items is due to improved property tax collections as a result of changing from a three year to a two year tax foreclosure period. The increase in non-property tax items is the result of improved sales tax collections compared to the year ended December 31, 2016. Operating grants and contributions increased due to additional funding provided by state and federal sources for various operating grants. Decreases in capital grants and contributions is due a decrease in State aid for public safety capital projects and the decrease in miscellaneous revenue is due to decreases in tribal compact proceeds.

A summary of program expenses of governmental activities for the years ended December 31, 2017 and December 31, 2016 is presented below in Table 4.

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

	Year Ended December 31,		Increase/(decrease)	
	2017	2016	Dollars	Percent %
General government support	\$ 23,862,677	\$ 22,336,500	\$ 1,526,177	6.8
Education	7,992,020	6,847,512	1,144,508	16.7
Public safety	24,404,403	24,349,526	54,877	0.2
Public health	22,288,254	22,975,027	(686,773)	(3.0)
Transportation	23,986,027	21,811,928	2,174,099	10.0
Economic assistance and opportunity	63,317,518	63,951,853	(634,335)	(1.0)
Culture and recreation	1,187,147	832,368	354,779	42.6
Home and community services	2,896,143	2,583,189	312,954	12.1
Interest and fiscal charges	997,982	988,882	9,100	0.9
Total program expenses	<u>\$ 170,932,171</u>	<u>\$ 166,676,785</u>	<u>\$ 5,027,184</u>	3.0

As shown above, total governmental activities program expenses increased 3.0 percent from the year ended December 31, 2016. The most significant change in the County’s expenses from 2016 to 2017 are the cost for transportation, general government support, and education, which increased by \$2,174,099, \$1,526,177, and \$1,144,508, respectively. The increases were primarily due to increased employee benefits allocated to transportation and general government support as well as increased educational assistance, respectively.

**Business-type Activities**—Business-type activities increased the County’s net position by \$2,374,856. The major activities are for the County’s nursing home facilities, marina, and land bank.

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

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

	Year Ended December 31,		Increase/(decrease)	
	2017	2016	Dollars	Percent %
<b>Revenues:</b>				
Charges for services	\$ 21,079,091	\$ 20,668,874	\$ 410,217	2.0
Operating grants and contributions	10,078,444	13,763,363	(3,684,919)	(26.8)
General revenues	38,906	33,183	5,723	17.2
Transfers and donated services from County	-	60	(60)	(100.0)
Total revenues	<u>\$ 31,196,441</u>	<u>\$ 34,465,480</u>	<u>\$ (3,269,039)</u>	<u>(9.5)</u>
<b>Expenses:</b>				
Nursing services	\$ 15,351,953	\$ 15,195,454	\$ 156,499	1.0
Ancillary	2,262,788	2,115,554	147,234	7.0
Dietary services	2,005,273	1,955,400	49,873	2.6
Administrative and general	7,160,410	7,083,389	77,021	1.1
Fringe benefits	78,301	94,891	(16,590)	(17.5)
Depreciation	1,439,835	1,531,818	(91,983)	(6.0)
Bad debt expense	170,394	238,204	(67,810)	(28.5)
Interest expense	341,704	376,890	(35,186)	(9.3)
Amortization of bond issuance costs	7,697	7,697	-	0.0
Loss on disposal of capital assets	3,230	1,110	2,120	191.0
Total expenses	<u>\$ 28,821,585</u>	<u>\$ 28,600,407</u>	<u>\$ 221,178</u>	<u>0.8</u>

During the year ended December 31, 2017, total business-type activities revenues decreased by 9.5 percent, mainly due to a decrease in operating grants and contributions. The reduction was primarily due to a decrease in the intergovernmental transfer provided by New York State.

As detailed above, the County's business-type activities total expenses for the year ended December 31, 2017 increased 0.8 percent from the previous year. The increase is primarily due to increased costs of nursing services and ancillary costs.

The County's business-type activities most significant expense items for the year ended December 31, 2017 are nursing and medical care, which accounts for \$15,351,953 or 53.3 percent of total expenses and administrative and general expenses which account for \$7,160,410 or 24.8 percent of total expenses. Similarly, for the year ended December 31, 2016, most significant expense items were nursing and medical care, which accounted for \$15,195,454 or 53.1 percent of total expenses and administrative and general expenses which accounted for \$7,083,389 or 24.8 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, 2017, the County's governmental funds reported combined ending fund balances of \$61,601,344, an increase of \$5,131,618 from the prior year. Approximately 56.3 percent of this amount, \$34,680,036, 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, \$1,579,937, (2) restricted for particular purposes, \$20,222,862, or (3) assigned for particular purposes, \$5,118,509.

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 \$34,680,036, while total fund balance was \$42,515,352. The General Fund balance decreased \$35,181 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 20.0 percent of the total General Fund expenditures and transfers out, while total fund balance represents approximately 24.5 percent of that same amount.

The fund balance in the Capital Projects Fund increased \$4,799,705 from December 31, 2016 due to resources received from the issuance of serial bonds and transfers in from the General Fund. The ending fund balance in the Capital Projects Fund was \$16,865,036.

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

Overall net position of the proprietary funds increased \$2,374,856. This was primarily a result of an increase in service revenue at the Pines. The Pines Machias' and the Pines Olean's net position increased \$236,708 and \$2,171,317, respectively. The Onoville Marina's and Land Bank's net position decreased by \$27,333 and \$5,836, respectively, during the year. The decreases in the Onoville Marina and Land Bank are primarily the result of operating expenses exceeding operating revenue.

### **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, 2017 is presented in Table 6 on the following page.

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues	\$ 172,022,887	\$ 176,383,475	\$ 173,361,356	\$ (3,022,119)
Expenditures and other financing uses	174,572,749	183,134,365	173,396,537	9,737,828
Deficiency of revenues over expenditures and other financing uses	\$ (2,549,862)	\$ (6,750,890)	\$ (35,181)	\$ (6,715,709)

**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 \$6,715,709. The positive variances were realized primarily in economic assistance and opportunity and general government support due to lower than expected social service and employee health costs, respectively.

### 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, 2017 amounts to \$151,560,158 (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, 2017 and December 31, 2016 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,	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,918,632	\$ 1,918,632	\$ 813,215	\$ 813,215	\$ 2,731,847	\$ 2,731,847
Construction in progress	35,724,319	35,406,627	-	99,248	35,724,319	35,505,875
Infrastructure	82,595,354	69,923,377	-	-	82,595,354	69,923,377
Buildings and improvements	9,165,700	9,585,210	773,822	754,560	9,939,522	10,339,770
Machinery and equipment	10,243,786	9,320,054	51,534	34,266	10,295,320	9,354,320
The Pines	-	-	10,273,796	10,687,690	10,273,796	10,687,690
Books	-	39,194	-	-	-	39,194
Total	\$ 139,647,791	\$ 126,193,094	\$ 11,912,367	\$ 12,388,979	\$ 151,560,158	\$ 138,582,073

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 5 of this report.

**Long-term liabilities**—The County currently has \$39,747,145 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 \$8,364,000 as of December 31, 2017.

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

A summary of the County's long-term liabilities at December 31, 2017 and December 31, 2016 are presented in Table 8 below:

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
Bonds payable	\$ 39,747,145	\$ 31,480,000	\$ 8,364,000	\$ 8,905,000	\$ 39,844,000	\$ 48,652,145
Premium on serial bonds	526,966	645,424	171,868	195,614	817,292	722,580
Compensated absences	5,479,090	5,491,980	464,916	490,891	5,956,896	5,969,981
Capital leases	28,348	67,267	-	2,828	67,267	31,176
Landfill post closure	402,922	606,643	-	-	606,643	402,922
Health insurance	1,576,574	1,183,523	-	-	1,183,523	1,576,574
Other postemployment benefits	87,825,945	74,856,250	20,701,466	18,069,489	95,557,716	105,895,434
Workers' compensation	15,736,521	15,911,619	-	-	15,911,619	15,736,521
Net pension liability	17,003,277	30,123,713	3,338,004	5,737,850	33,461,717	22,741,127
Total	<u>\$ 168,326,788</u>	<u>\$ 160,366,419</u>	<u>\$ 33,040,254</u>	<u>\$ 33,401,672</u>	<u>\$ 193,406,673</u>	<u>\$ 201,728,460</u>

For additional information on the County's long-term liabilities, refer to Note 11 of this report.

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

Factors considered in preparing Cattaraugus County's budget for the 2018 year included:

- Full-value assessments increased 2.9%.
- Total appropriations—all funds increased 0.7%.

### **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, 2017**

	<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>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,207,451	\$ 23,153,816	\$ 24,361,267	\$ 227,855
Restricted cash and cash equivalents	20,017,007	-	20,017,007	-
Cash, resident funds	-	152,938	152,938	-
Investments	37,773,522	-	37,773,522	733,205
Restricted investments	2,931,764	-	2,931,764	-
Receivables (net of allowances):				
Taxes receivable	11,773,766	-	11,773,766	-
Accounts receivable	6,728,202	2,528,381	9,256,583	170
Intergovernmental receivables	12,162,913	413,419	12,576,332	-
Inventory	-	42,253	42,253	-
Prepaid items	<u>1,579,937</u>	<u>45,576</u>	<u>1,625,513</u>	<u>14,700</u>
Total current assets	<u>94,174,562</u>	<u>26,336,383</u>	<u>120,510,945</u>	<u>975,930</u>
Noncurrent assets:				
Bond issuance costs, net of amortization	-	116,734	116,734	-
Intergovernmental receivables	-	893,423	893,423	-
Capital assets not being depreciated	37,642,951	813,215	38,456,166	149,299
Capital assets, net of accumulated depreciation	<u>102,004,840</u>	<u>11,099,152</u>	<u>113,103,992</u>	<u>98,323</u>
Total noncurrent assets	<u>139,647,791</u>	<u>12,922,524</u>	<u>152,570,315</u>	<u>247,622</u>
Total assets	<u>233,822,353</u>	<u>39,258,907</u>	<u>273,081,260</u>	<u>1,223,552</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows—relating to pensions	14,279,084	2,803,203	17,082,287	59,546
Deferred charge on refunding	<u>117,817</u>	<u>-</u>	<u>117,817</u>	<u>-</u>
Total deferred outflows of resources	<u>14,396,901</u>	<u>2,803,203</u>	<u>17,200,104</u>	<u>59,546</u>

(continued)

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

(concluded)

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 6,444,474	\$ 688,650	\$ 7,133,124	\$ -
Retainages payable	23,825	-	23,825	-
Accrued liabilities	1,228,786	303,069	1,531,855	6,034
Accrued interest payable	319,701	98,005	417,706	-
Intergovernmental payables	8,783,641	3,976	8,787,617	-
Due to third party payors	-	170,530	170,530	-
Unearned revenue	3,046,007	162,783	3,208,790	-
Resident funds held in trust	-	152,938	152,938	-
Total current liabilities	<u>19,846,434</u>	<u>1,579,951</u>	<u>21,426,385</u>	<u>6,034</u>

Noncurrent liabilities:

Due within one year	8,967,779	813,049	9,780,828	-
Due in more than one year	159,359,009	32,227,205	191,586,214	67,000
Total noncurrent liabilities	<u>168,326,788</u>	<u>33,040,254</u>	<u>201,367,042</u>	<u>67,000</u>
Total liabilities	<u>188,173,222</u>	<u>34,620,205</u>	<u>222,793,427</u>	<u>73,034</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows—relating to pensions	4,770,679	936,558	5,707,237	24,202
Deferred inflows—State aid	801,506	-	801,506	-
Total deferred inflows of resources	<u>5,572,185</u>	<u>936,558</u>	<u>6,508,743</u>	<u>24,202</u>

**NET POSITION**

Net investment in capital assets	105,595,741	3,558,567	109,154,308	247,622
Restricted for:				
MDLF loan fund	278,749	-	278,749	-
Insurance	1,443,321	-	1,443,321	-
Workers' comp	650,000	-	650,000	-
Other	559,694	-	559,694	-
Capital projects	10,614,627	-	10,614,627	-
Debt	420,387	-	420,387	-
Trust accounts	5,675	-	5,675	-
Unrestricted	<u>(65,094,347)</u>	<u>2,946,780</u>	<u>(62,147,567)</u>	<u>938,240</u>
Total net position	<u>\$ 54,473,847</u>	<u>\$ 6,505,347</u>	<u>\$ 60,979,194</u>	<u>\$ 1,185,862</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, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Agency
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government support	\$ 23,862,677	\$ 5,322,468	\$ 820,847	\$ -	\$ (17,719,362)	\$ -	\$ (17,719,362)	\$ -
Education	7,992,020	-	2,664,884	-	(5,327,136)	-	(5,327,136)	-
Public safety	24,404,403	2,463,909	3,232,025	-	(18,708,469)	-	(18,708,469)	-
Health	22,288,254	10,904,715	6,450,857	-	(4,932,682)	-	(4,932,682)	-
Transportation	23,986,027	335,156	-	5,342,210	(18,308,661)	-	(18,308,661)	-
Economic assistance and opportunity	63,317,518	1,763,698	23,684,607	-	(37,869,213)	-	(37,869,213)	-
Culture and recreation	1,187,147	65	318,744	-	(868,338)	-	(868,338)	-
Home and community services	2,896,143	1,192,564	294,101	-	(1,409,478)	-	(1,409,478)	-
Interest and fiscal charges	997,982	-	106,226	-	(891,756)	-	(891,756)	-
Total governmental activities	<u>170,932,171</u>	<u>21,982,575</u>	<u>37,572,291</u>	<u>5,342,210</u>	<u>(106,035,095)</u>	<u>-</u>	<u>(106,035,095)</u>	<u>-</u>
Business-type activities:								
The Pines Machias Campus	15,438,858	10,096,103	5,552,422	-	-	209,667	209,667	-
The Pines Olean Campus	12,772,191	10,405,646	4,526,022	-	-	2,159,477	2,159,477	-
Onoville Marina	570,417	543,084	-	-	-	(27,333)	(27,333)	-
Land Bank Corporation	40,119	34,258	-	-	-	(5,861)	(5,861)	-
Total business-type activities	<u>28,821,585</u>	<u>21,079,091</u>	<u>10,078,444</u>	<u>-</u>	<u>-</u>	<u>2,335,950</u>	<u>2,335,950</u>	<u>-</u>
Total primary government	<u>\$ 199,753,756</u>	<u>\$ 43,061,666</u>	<u>\$ 47,650,735</u>	<u>\$ 5,342,210</u>	<u>(106,035,095)</u>	<u>2,335,950</u>	<u>(103,699,145)</u>	<u>-</u>
<b>Component units:</b>								
Cattaraugus County Industrial Development Agency	\$ 263,254	\$ 148,537	\$ -	\$ -				(114,717)
Total component units	<u>\$ 263,254</u>	<u>\$ 148,537</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(114,717)</u>
General revenues:								
Property taxes, levied for general purpose					52,962,950	-	52,962,950	-
Property tax items					2,443,916	-	2,443,916	-
Non-property tax items					39,071,485	-	39,071,485	-
Unrestricted investment earnings					839,440	-	839,440	-
Miscellaneous					742,176	38,906	781,082	5,201
Sale of property and compensation for loss					2,139,120	-	2,139,120	1,284
Total general revenues					<u>98,199,087</u>	<u>38,906</u>	<u>98,237,993</u>	<u>6,485</u>
Change in net position					(7,836,008)	2,374,856	(5,461,152)	(108,232)
Net position—beginning (as restated)					<u>62,309,855</u>	<u>4,130,491</u>	<u>66,440,346</u>	<u>1,294,094</u>
Net position—ending					<u>\$ 54,473,847</u>	<u>\$ 6,505,347</u>	<u>\$ 60,979,194</u>	<u>\$ 1,185,862</u>

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

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 129,933	\$ -	\$ 1,077,518	\$ 1,207,451
Restricted cash and cash equivalents	2,257,487	15,767,657	1,991,863	20,017,007
Investments	37,773,522	-	-	37,773,522
Restricted investments	2,931,764	-	-	2,931,764
Receivables (net of allowances):				
Taxes, Penalties, Interest and Liens	11,773,766	-	-	11,773,766
Accounts receivable	3,312,997	-	78,854	3,391,851
Due from other funds	-	-	560,939	560,939
Intergovernmental receivables	9,454,216	1,517,073	1,191,624	12,162,913
Prepaid items	1,579,937	-	-	1,579,937
Total assets	<u>69,213,622</u>	<u>17,284,730</u>	<u>4,900,798</u>	<u>91,399,150</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,264,798	\$ 418,361	\$ 337,889	\$ 8,021,048
Accrued liabilities	3,415,792	1,333	190,988	3,608,113
Intergovernmental payables	8,783,641	-	-	8,783,641
Due to other funds	-	-	560,939	560,939
Unearned revenue	1,455,981	-	1,590,026	3,046,007
Total liabilities	<u>20,920,212</u>	<u>419,694</u>	<u>2,679,842</u>	<u>24,019,748</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources—Taxes	4,976,552	-	-	4,976,552
Deferred inflows of resources—State aid	801,506	-	-	801,506
Total deferred inflows of resources	<u>5,778,058</u>	<u>-</u>	<u>-</u>	<u>5,778,058</u>
<b>FUND BALANCES</b>				
Nonspendable	1,579,937	-	-	1,579,937
Restricted	2,931,764	16,865,036	426,062	20,222,862
Assigned	3,323,615	-	1,794,894	5,118,509
Unassigned	34,680,036	-	-	34,680,036
Total fund balances	<u>42,515,352</u>	<u>16,865,036</u>	<u>2,220,956</u>	<u>61,601,344</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 69,213,622</u>	<u>\$ 17,284,730</u>	<u>\$ 4,900,798</u>	<u>\$ 91,399,150</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, 2017**

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

Total fund balances—governmental funds (page 17)		\$ 61,601,344
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$276,752,394 and the accumulated depreciation is \$137,104,603.		139,647,791
Retained percentages are not a current liability and, therefore, are not reported in the funds.		(23,825)
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.		117,817
Uncollected property taxes of \$4,976,552 are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		4,976,552
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	\$ 4,582,504	
Deferred outflows related to experience and investment earnings	9,696,580	
Deferred inflows related to pension plans	<u>(4,770,679)</u>	9,508,405
Certain accrued revenues reported in the Statement of Net Position are received after the availability period for recognition of revenue in the Governmental Funds.		3,336,351
Reclassification of accounts payable and accrued liabilities to long-term liabilities.		3,955,901
To recognize interest accrual on long term debt. Accrued interest for general long-term obligation bonds is \$319,701.		(319,701)
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	\$ (39,747,145)	
Premium on serial bonds	(526,966)	
Compensated absences	(5,479,090)	
Capital leases	(28,348)	
Landfill post closure	(402,922)	
Health insurance	(1,576,574)	
Other postemployment benefits	(87,825,945)	
Workers' compensation	(15,736,521)	
Net pension liability	<u>(17,003,277)</u>	<u>(168,326,788)</u>
Total net position of governmental activities		<u>\$ 54,473,847</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, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 54,384,843	\$ -	\$ -	\$ 54,384,843
Real property tax items	2,443,916	-	-	2,443,916
Non property tax items	28,234,194	-	10,837,291	39,071,485
Departmental income	15,954,265	-	13,881	15,968,146
Intergovernmental charges	5,389,910	-	335,081	5,724,991
Use of money and property	940,687	-	38,531	979,218
Licenses and permits	79,912	-	-	79,912
Fines and forfeitures	209,526	-	-	209,526
Sale of property and compensation for loss	1,622,228	-	516,892	2,139,120
Miscellaneous	910,607	-	311,989	1,222,596
Interfund revenues	27,188,652	-	3,476,979	30,665,631
State aid	16,771,867	5,428,378	167,287	22,367,532
Federal aid	19,230,749	556,022	760,198	20,546,969
Total revenues	<u>173,361,356</u>	<u>5,984,400</u>	<u>16,458,129</u>	<u>195,803,885</u>
<b>EXPENDITURES</b>				
Current:				
General government support	47,711,401	-	-	47,711,401
Education	7,988,762	-	-	7,988,762
Public safety	19,774,954	-	611,394	20,386,348
Health	19,836,146	-	-	19,836,146
Transportation	17,000	-	15,542,274	15,559,274
Economic assistance and opportunity	57,639,795	-	282,063	57,921,858
Culture and recreation	1,015,402	-	-	1,015,402
Home and community services	2,691,173	-	17,973	2,709,146
Employee benefits	5,846,646	-	-	5,846,646
Debt service:				
Principal	38,919	-	4,644,000	4,682,919
Interest and fiscal charges	-	-	914,853	914,853
Capital outlay	-	19,010,657	-	19,010,657
Total expenditures	<u>162,560,198</u>	<u>19,010,657</u>	<u>22,012,557</u>	<u>203,583,412</u>
Excess (deficiency) of revenues over expenditures	<u>10,801,158</u>	<u>(13,026,257)</u>	<u>(5,554,428)</u>	<u>(7,779,527)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	4,914,817	10,463,061	15,377,878
Transfers out	(10,836,339)	-	(4,541,539)	(15,377,878)
Serial bonds issued	-	12,911,145	-	12,911,145
Total other financing sources (uses)	<u>(10,836,339)</u>	<u>17,825,962</u>	<u>5,921,522</u>	<u>12,911,145</u>
Net change in fund balances	(35,181)	4,799,705	367,094	5,131,618
Fund balances—beginning (as restated)	<u>42,550,533</u>	<u>12,065,331</u>	<u>1,853,862</u>	<u>56,469,726</u>
Fund balances—ending	<u>\$ 42,515,352</u>	<u>\$ 16,865,036</u>	<u>\$ 2,220,956</u>	<u>\$ 61,601,344</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, 2017**

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) \$ 5,131,618

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	\$ 23,059,213	
Loss on disposition of capital assets	(650,762)	
Depreciation expense	<u>(8,953,754)</u>	13,454,697

Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. 1,280

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	\$ (1,407,821)	
Change in other receivables	<u>(1,357,379)</u>	(2,765,200)

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

Direct pension contributions	\$ 4,582,504	
Cost of benefits earned net of employee contributions	<u>(7,449,351)</u>	(2,866,847)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (61,100)

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 issued	\$ (12,911,145)	
Principal payments on serial bonds and refunding bonds	4,644,000	
Amortization of bond premiums	118,458	
Amortization of deferred charge on refunding	(22,029)	
Principal payments on capital lease	38,919	
Change in compensated absences	12,890	
Change in landfill post closure	203,721	
Change in other postemployment benefits	(12,969,695)	
Change in workers' compensation	<u>154,425</u>	(20,730,456)

Change in net position of governmental activities \$ (7,836,008)

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, 2017**

	<b>Business-type Activities</b>				<b>Total Enterprise Funds</b>
	<b>The Pines Machias Campus</b>	<b>The Pines Olean Campus</b>	<b>Onoville Marina</b>	<b>Land Bank Corporation</b>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 9,891,106	\$ 12,613,551	\$ 466,307	\$ 182,852	\$ 23,153,816
Cash, resident funds	76,348	76,590	-	-	152,938
Receivable, resident (net of allowance)	1,409,034	1,119,347	-	-	2,528,381
Intergovernmental receivables	250,279	163,140	-	-	413,419
Inventory	20,598	12,174	9,481	-	42,253
Prepaid items	28,366	17,210	-	-	45,576
Total current assets	<u>11,675,731</u>	<u>14,002,012</u>	<u>475,788</u>	<u>182,852</u>	<u>26,336,383</u>
Noncurrent assets:					
Bond issuance costs, net of amortization	113,009	3,725	-	-	116,734
Intergovernmental receivables	836,705	56,718	-	-	893,423
Capital assets not being depreciated	-	-	813,215	-	813,215
Capital assets, net of accumulated depreciation	6,570,424	3,703,372	825,356	-	11,099,152
Total noncurrent assets	<u>7,520,138</u>	<u>3,763,815</u>	<u>1,638,571</u>	<u>-</u>	<u>12,922,524</u>
Total assets	<u>19,195,869</u>	<u>17,765,827</u>	<u>2,114,359</u>	<u>182,852</u>	<u>39,258,907</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows—relating to pensions	1,489,575	1,269,214	44,414	-	2,803,203
Total deferred outflows of resources	<u>1,489,575</u>	<u>1,269,214</u>	<u>44,414</u>	<u>-</u>	<u>2,803,203</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	222,736	439,299	710	25,905	688,650
Accrued liabilities	164,453	136,279	2,337	-	303,069
Accrued interest payable	94,695	3,310	-	-	98,005
Intergovernmental payables	-	-	3,976	-	3,976
Due to third party payors	170,530	-	-	-	170,530
Unearned revenue	-	-	-	162,783	162,783
Resident funds held in trust	76,348	76,590	-	-	152,938
Total current liabilities	<u>728,762</u>	<u>655,478</u>	<u>7,023</u>	<u>188,688</u>	<u>1,579,951</u>
Noncurrent liabilities:					
Due within one year	625,452	182,536	5,061	-	813,049
Due in more than one year	20,606,839	11,352,898	267,468	-	32,227,205
Total noncurrent liabilities	<u>21,232,291</u>	<u>11,535,434</u>	<u>272,529</u>	<u>-</u>	<u>33,040,254</u>
Total liabilities	<u>21,961,053</u>	<u>12,190,912</u>	<u>279,552</u>	<u>188,688</u>	<u>34,620,205</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows—relating to pensions	497,671	424,048	14,839	-	936,558
Total deferred inflows of resources	<u>497,671</u>	<u>424,048</u>	<u>14,839</u>	<u>-</u>	<u>936,558</u>
<b>NET POSITION</b>					
Net investment in capital assets	(1,469,376)	3,389,372	1,638,571	-	3,558,567
Unrestricted	(303,904)	3,030,709	225,811	(5,836)	2,946,780
Total net position	<u>\$ (1,773,280)</u>	<u>\$ 6,420,081</u>	<u>\$ 1,864,382</u>	<u>\$ (5,836)</u>	<u>\$ 6,505,347</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, 2017**

	<b>Business-type Activities</b>				<b>Total Enterprise Funds</b>
	<b>The Pines Machias Campus</b>	<b>The Pines Olean Campus</b>	<b>Onoville Marina</b>	<b>Land Bank Corporation</b>	
Operating revenues:					
Net service revenue	\$ 10,054,904	\$ 10,370,296	\$ 543,084	\$ 34,258	\$ 21,002,542
Other operating revenue	41,199	35,350	-	25	76,574
Total operating revenues	<u>10,096,103</u>	<u>10,405,646</u>	<u>543,084</u>	<u>34,283</u>	<u>21,079,116</u>
Operating expenses:					
Nursing services	8,138,457	7,213,496	-	-	15,351,953
Ancillary services	1,161,345	1,101,443	-	-	2,262,788
Dietary services	1,153,773	851,500	-	-	2,005,273
Personnel services	-	-	402,672	-	402,672
Housekeeping	587,192	428,249	-	-	1,015,441
Laundry service	162,178	176,894	-	-	339,072
Maintenance and utilities	720,212	585,518	-	-	1,305,730
Fiscal services	621,525	627,542	-	-	1,249,067
Fringe benefits	-	-	78,301	-	78,301
Administrative services	861,124	760,480	-	-	1,621,604
Assessments	574,938	611,767	-	-	1,186,705
Depreciation, including indirect charges	852,817	497,574	89,444	-	1,439,835
Provision for bad debt	257,843	(87,449)	-	-	170,394
Contracted services	-	-	-	25,905	25,905
Professional fees	-	-	-	14,050	14,050
Office expenses	-	-	-	164	164
Total operating expenses	<u>15,091,404</u>	<u>12,767,014</u>	<u>570,417</u>	<u>40,119</u>	<u>28,468,954</u>
Operating loss	<u>(4,995,301)</u>	<u>(2,361,368)</u>	<u>(27,333)</u>	<u>(5,836)</u>	<u>(7,389,838)</u>
Nonoperating revenues (expenses):					
Interest expense	(337,186)	(4,518)	-	-	(341,704)
Intergovernmental transfers	5,552,422	4,526,022	-	-	10,078,444
Amortization of bond premium	19,971	-	-	-	19,971
Amortization of bond issuance costs	(7,697)	-	-	-	(7,697)
Loss on disposal of capital assets	(2,571)	(659)	-	-	(3,230)
Other	7,070	11,840	-	-	18,910
Total nonoperating revenues (expenses)	<u>5,232,009</u>	<u>4,532,685</u>	<u>-</u>	<u>-</u>	<u>9,764,694</u>
Change in net position	236,708	2,171,317	(27,333)	(5,836)	2,374,856
Total net position—beginning	<u>(2,009,988)</u>	<u>4,248,764</u>	<u>1,891,715</u>	<u>-</u>	<u>4,130,491</u>
Total net position—ending	<u>\$ (1,773,280)</u>	<u>\$ 6,420,081</u>	<u>\$ 1,864,382</u>	<u>\$ (5,836)</u>	<u>\$ 6,505,347</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, 2017**

	<b>Business-type Activities</b>				
	<b>The Pines Machias Campus</b>	<b>The Pines Olean Campus</b>	<b>Onoville Marina</b>	<b>Land Bank Corporation</b>	<b>Total Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from services provided	\$ 14,200,504	\$ 14,107,359	\$ 543,674	\$ 34,258	\$ 28,885,795
Receipts from grants	-	-	-	162,783	162,783
Payments to suppliers and service providers	(3,663,948)	(3,663,100)	(212,185)	(14,214)	(7,553,447)
Payments to employees for salaries and benefits	(8,761,881)	(7,916,046)	(255,499)	-	(16,933,426)
Other receipts	41,199	35,350	-	25	76,574
Net cash provided by operating activities	<u>1,815,874</u>	<u>2,563,563</u>	<u>75,990</u>	<u>182,852</u>	<u>4,638,279</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Intergovernmental transfers	5,552,422	4,526,022	-	-	10,078,444
Net cash provided by noncapital financing activities	<u>5,552,422</u>	<u>4,526,022</u>	<u>-</u>	<u>-</u>	<u>10,078,444</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal payments on serial bonds	(480,000)	(61,000)	-	-	(541,000)
Principal payments on capital lease	(2,828)	-	-	-	(2,828)
Increase in net pension liability	(1,260,117)	(1,106,548)	-	-	(2,366,665)
Net change in deferred inflows/outflows related to pensions	1,575,867	1,370,540	-	-	2,946,407
Interest paid on capital debt	(355,085)	(9,202)	-	-	(364,287)
Acquisition and construction of capital assets	(316,978)	(612,295)	(26,726)	-	(955,999)
Net cash used for capital and related financing activities	<u>(839,141)</u>	<u>(418,505)</u>	<u>(26,726)</u>	<u>-</u>	<u>(1,284,372)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Other	7,070	2,489	-	-	9,559
Net cash provided by investing activities	<u>7,070</u>	<u>2,489</u>	<u>-</u>	<u>-</u>	<u>9,559</u>
Net increase in cash and cash equivalents	6,536,225	6,673,569	49,264	182,852	13,441,910
Cash and cash equivalents—beginning	3,354,881	5,939,982	417,043	-	9,711,906
Cash and cash equivalents—ending	<u>\$ 9,891,106</u>	<u>\$ 12,613,551</u>	<u>\$ 466,307</u>	<u>\$ 182,852</u>	<u>\$ 23,153,816</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>					
Operating loss	\$ (4,995,301)	\$ (2,361,368)	\$ (27,333)	\$ (5,836)	\$ (7,389,838)
Adjustments to reconcile operating loss to net cash used for operating activities:					
Depreciation expense	848,845	493,778	89,444	-	1,432,067
Bad debt expense (recoveries)	257,843	(87,449)	-	-	170,394
(Increase) in accounts receivable	(644,860)	(176,723)	-	-	(821,583)
Decrease (increase) in inventories	5,218	5,677	(798)	-	10,097
Decrease in prepaid items	94,174	92,293	-	-	186,467
Decrease in intergovernmental receivables	4,619,930	-	-	-	4,619,930
Decrease in deferred outflows of resources	-	-	43,599	-	43,599
(Decrease) increase in accounts payable	(12,441)	(457,365)	(12,811)	25,905	(456,712)
(Decrease) increase in accrued items	(6,074)	(4,501)	8,277	-	(2,298)
Increase in intergovernmental payables	-	-	590	-	590
Increase in due to third-party payors	170,530	3,913,786	-	-	4,084,316
Increase in unearned revenue	-	-	-	162,783	162,783
Increase in other post employment benefits	1,478,010	1,145,435	8,532	-	2,631,977
(Decrease) in net pension liability	-	-	(33,181)	-	(33,181)
(Decrease) in deferred inflows of resources	-	-	(329)	-	(329)
Total adjustments	<u>6,811,175</u>	<u>4,924,931</u>	<u>103,323</u>	<u>188,688</u>	<u>12,028,117</u>
Net cash provided by operating activities	<u>\$ 1,815,874</u>	<u>\$ 2,563,563</u>	<u>\$ 75,990</u>	<u>\$ 182,852</u>	<u>\$ 4,638,279</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, 2017**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 1,204,909
Total assets	<u>\$ 1,204,909</u>
<b>LIABILITIES</b>	
Agency liabilities	\$ 1,204,909
Total liabilities	<u>\$ 1,204,909</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, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Reporting Entity***

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

**County of Cattaraugus Industrial Development Agency**—The County of Cattaraugus Industrial Development Agency (the “CCIDA”) 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 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, 2017. 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.

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

**Cattaraugus County Soil & Water Conservation District**—The Cattaraugus County Soil & Water Conservation District (the “District”) was formed by an act of the Cattaraugus County Board of Supervisors on April 24, 1941, under the provisions of Article 3, Section 30, of the General Municipal Law. The District is a nonprofit corporation set up to coordinate state and federal conservation programs on a local level. The District provides education and technical assistance on managing soil, water, and related natural resources to municipalities, farmers, business owners, and homeowners. The District is excluded from the reporting entity because the County is unable to appoint a voting majority of the Board of Directors of the District and the District is not fiscally dependent on the County. Further information can be obtained by writing Cattaraugus County Soil & Water Conservation District, 8 Martha Street Suite 2, P.O. Box 1765, Ellicottville, NY 14731.

**Blended Component Unit**—The following blended component unit is a legally separate entity from the County, but is, in substance, part of the County’s operations and therefore data from this unit is combined with data of the primary government.

**Cattaraugus County Land Bank Corporation**—The Cattaraugus County Land Bank Corporation (the “Land Bank”) was created in September of 2016 by the Cattaraugus County Board of Legislators under the provisions of the 1973 Laws of New York State. The Land Bank is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Land Bank is a blended component unit because the County is the sole corporate member of the Land Bank. The land Bank’s annual financial report can be obtained by writing the Cattaraugus County Land Bank Corporation, 303 Court Street, Little Valley, NY 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 CCIDA is not considered to be a major component unit, it is 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 Cattaugus County and neighboring communities.
- *The Pines Healthcare and Rehabilitation Center Fund*—Olean Campus—Nursing facility delivering long-term care and short-term rehabilitation services to the citizens of Cattaugus County and neighboring communities.
- *Onoville Marina*—Marina maintained and operated by the Cattaugus County Department of Public Works.
- *Cattaugus County Land Bank Corporation*—The Land Bank, a blended component unit, is used to account for operations aimed to help communities recover from the effects of foreclosures.

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 Fund*—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. The County’s investments are recorded at fair value based on quoted market value.

***Restricted Cash and Cash Equivalents and Investments***—Restricted cash and cash equivalents and investments 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.

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

***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 acquisition value.

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:

<u>Class of Assets</u>	<u>Governmental Activities (years)</u>	<u>Business-type Activities (years)</u>	<u>Capitalization Threshold</u>
Land & land improvements	None	None	\$ 5,000
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, 2017, the County reported unearned revenues within the General Fund of \$1,455,981 and within other governmental funds of \$1,590,026.

***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, 2017, 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, Onoville Marina, and Land Bank are elderly assistance and healthcare related services, dock and marina charges, and grants, 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 twenty-one (21) 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 7.

***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 8.

## ***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 Pronouncement***—During the year ended December 31, 2017, the County implemented GASB Statement No. 72, *Fair Value Measurement and Application*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units*; No. 81, *Irrevocable Split-Interest Agreement*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68*, effective for the year ending December 31, 2017. GASB Statement No. 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. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) for making decisions and accessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 81 establishes recognition and measurement requirements for irrevocable split-interest agreements. GASB Statement No. 82 addresses issues regarding the (1) presentation of payroll-related measures in the supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 72 is discussed in Note 2. GASB Statement No. 80 resulted in the blending presentation of the Land Bank. GASB Statements No. 73, 74, 81, and 82 did not have a material impact on the County’s financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The County has not completed the process of evaluating the impact that will result from adopting GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues* effective for the year ending December 31, 2018, No. 83, *Certain Asset Retirement Obligations*; and No. 84, *Fiduciary Activities*; and No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* effective for the year ending December 31, 2019, No. 87, *Leases*; and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* effective for the year ending December 31, 2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 75, 83, 84, 85, 86, 87, 88, and 89 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.

**Deficit Net Position**—The Pines Machias Campus and Land Bank Corporation Proprietary Funds reported a net position deficits of \$1,773,280 and \$5,836, respectively. The County anticipates that this deficit will be remedied through enhanced operations or future subsidies from the County.

## 2. RESTATEMENT OF FUND BALANCE AND NET POSITION

For the fiscal year ended December 31, 2017, the County implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The implementation of GASB Statement No. 72 requires the County’s investments to be measured at fair value.

The effect of the aforementioned restatement to the County’s Governmental Activities is summarized below:

	Governmental Activities Net Position
Net position—December 31, 2016, as previously stated	\$ 63,351,927
GASB Statement No. 72 implementation	<u>(1,042,072)</u>
Net position—December 31, 2016, as restated	<u>\$ 62,309,855</u>

The effect of the restatement to the General Fund is summarized as follows:

	General Fund
Fund balance—December 31, 2016, as previously stated	\$ 43,592,605
GASB Statement No. 72 implementation	<u>(1,042,072)</u>
Fund balance—December 31, 2016, as restated	<u>\$ 42,550,533</u>

### 3. 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 \$76,348 and \$76,590 at December 31, 2017, 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, 2017, are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 56,137	\$ -	\$ -	\$ 56,137
Cash and cash equivalents	21,168,321	23,153,816	1,204,909	45,527,046
Total	<u>\$ 21,224,458</u>	<u>\$ 23,153,816</u>	<u>\$ 1,204,909</u>	<u>\$ 45,583,183</u>

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2017 as follows:

	December 31, 2017	
	Bank Balance	Carrying Amount
FDIC Insured	\$ 3,503,671	\$ 3,503,671
Uninsured:		
Collateral held by bank's agent in the County's name	<u>44,820,000</u>	<u>42,023,375</u>
Total	<u>\$ 48,323,671</u>	<u>\$ 45,527,046</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, 2017, the County's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the County's name.

***Restricted cash 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, 2017, the County reported \$20,017,007 of restricted cash and cash equivalents within its governmental activities.

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

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

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

- Government National Mortgage Association (“GNMA”) bonds of \$30,501,727 are valued using quoted market prices for identical assets in active markets (level 1 input).
- U.S. Treasury Notes of \$9,279,510 are valued using quoted market prices for identical assets in active markets (level 1 input).
- Municipal Bonds of \$924,049 are valued using quoted market prices for identical assets in active markets (level 1 input).

Investments at December 31, 2017 are as follows:

	12/31/17	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
GNMA bonds	\$ 30,501,727	\$ 30,501,727	\$ -	\$ -
U.S. Treasury notes	9,279,510	9,279,510	-	-
Municipal bonds	924,049	924,049	-	-
	<u>\$ 40,705,286</u>	<u>\$ 40,705,286</u>	<u>\$ -</u>	<u>\$ -</u>

**Restricted investments**—The County reports fund balance restrictions as restricted investments. At December 31, 2017, the County reported \$2,931,764 of restricted investments within its governmental activities.

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

**Concentration of Credit Risk**—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy places limits on the amount the County may invest in any one issuer of \$30 million. As of December 31, 2017, 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**

The carrying amount and bank balance of cash and investments held by the CCIDA at December 31, 2017 was \$961,060. The CCIDA deposits were fully covered by FDIC insurance or collateral held by a third-party custodian in CCIDA's name at December 31, 2017.

## Cattaraugus County Land Bank Corporation

The carrying amount and bank balance of cash held by the Land Bank at December 31, 2017 was \$182,852. The Land Bank deposits were fully covered by FDIC insurance at December 31, 2017.

### 4. RECEIVABLES

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

**Taxes Receivable**—Represents unpaid county, school, and village taxes. At December 31, 2017, the General Fund reported taxes receivable of \$11,773,766.

**Accounts Receivable**—Represents amounts due from various sources. The County's accounts receivable at December 31, 2017 are presented on the following page.

General Fund:		
Various fees and charges		\$ 3,312,997
Nonmajor Governmental Funds:		
County road	\$ 1,699	
Road machinery	52,630	
Conewango watershed	300	
Debt service	<u>24,225</u>	<u>78,854</u>
Total governmental funds		<u>\$ 3,391,851</u>
Enterprise Funds:		
Resident accounts receivable, net		<u>\$ 2,528,381</u>
Total enterprise funds		<u>\$ 2,528,381</u>

At December 31, 2017, the Statement of Net Position presents an additional \$3,336,351 of accounts receivable that are received after the availability period for recognition of revenue in the Governmental Funds. \$3,227,591 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, 2017 are presented on the following page.

Governmental Funds:	
General Fund:	
Due From New York State and Federal government	\$ 9,454,216
Capital Projects Fund:	
Due From New York State and Federal government	1,517,073
Nonmajor Governmental Funds:	
County road	\$ 1,124,864
Road machinery	<u>66,760</u> <u>1,191,624</u>
Total governmental funds	<u>\$ 12,162,913</u>
Enterprise Funds:	
Due From New York State and Federal government	<u>\$ 1,306,842</u>
Total enterprise funds	<u>\$ 1,306,842</u>

## 5. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for governmental activities for fiscal year ending December 31, 2017 was as follows:

	Primary Government - Governmental Activities			
	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 1,918,632	\$ -	\$ -	\$ 1,918,632
Construction in progress	<u>35,406,627</u>	<u>12,205,175</u>	<u>(11,887,483)</u>	<u>35,724,319</u>
Total capital assets not being depreciated	<u>37,325,259</u>	<u>12,205,175</u>	<u>(11,887,483)</u>	<u>37,642,951</u>
Capital assets, being depreciated:				
Infrastructure	167,082,221	19,456,928	-	186,539,149
Buildings and improvements	27,161,909	500	-	27,162,409
Machinery and equipment	23,029,752	3,284,093	(1,411,618)	24,902,227
Books	<u>505,658</u>	<u>-</u>	<u>-</u>	<u>505,658</u>
Total capital assets being depreciated	<u>217,779,540</u>	<u>22,741,521</u>	<u>(1,411,618)</u>	<u>239,109,443</u>
Less accumulated depreciation for:				
Infrastructure	97,158,844	6,784,951	-	103,943,795
Buildings and improvements	17,576,699	420,010	-	17,996,709
Machinery and equipment	13,709,698	1,709,599	(760,856)	14,658,441
Books	<u>466,464</u>	<u>39,194</u>	<u>-</u>	<u>505,658</u>
Total accumulated depreciation	<u>128,911,705</u>	<u>8,953,754</u>	<u>(760,856)</u>	<u>137,104,603</u>
Total capital assets, being depreciated, net	<u>88,867,835</u>	<u>13,787,767</u>	<u>(650,762)</u>	<u>102,004,840</u>
Governmental activities capital assets, net	<u>\$ 126,193,094</u>	<u>\$ 25,992,942</u>	<u>\$ (12,538,245)</u>	<u>\$ 139,647,791</u>

Construction in progress at December 31, 2017 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 presented below:

Governmental activities:	
General government support	\$ 972,258
Education	3,258
Public safety	311,297
Health	53,978
Transportation	7,439,085
Economic assistance and opportunity	31,465
Culture and recreation	542
Home and community services	<u>141,871</u>
Total depreciation expense—governmental activities	<u>\$ 8,953,754</u>

**Business-type activities—The Pines Funds**—Capital assets for the primary government’s business-type activities—The Pines Funds—at December 31, 2017 are presented below:

Business-type Activities The Pines Machias Campus		Business-type Activities The Pines Olean Campus	
	Balance <u>12/31/2017</u>		Balance <u>12/31/2017</u>
Capital assets		Capital assets	
Land, building and improvements	\$ 15,883,971	Land, building and improvements	\$ 6,322,166
Fixed and movable equipment	2,450,732	Fixed and movable equipment	7,703,795
Construction in progress	<u>191,982</u>	Construction in progress	<u>178,644</u>
Total capital assets being depreciated	<u>18,526,685</u>	Total capital assets being depreciated	<u>14,204,605</u>
Less accumulated depreciation:	<u>(11,956,261)</u>	Less accumulated depreciation for:	<u>(10,501,233)</u>
Total capital assets, net	<u>\$ 6,570,424</u>	Total capital assets, net	<u>\$ 3,703,372</u>

**Business-type activities—Onoville Marina**—Capital assets for the primary government’s business-type activities—Onoville Marina—for the year ended December 31, 2017 as presented below:

	Business-type Activities—Onoville Marina			
	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 813,215	\$ -	\$ -	\$ 813,215
Construction in progress	99,248	-	(99,248)	-
Total capital assets not being depreciated	912,463	-	(99,248)	813,215
Capital assets, being depreciated:				
Buildings and improvements	2,451,511	99,248	-	2,550,759
Machinery and equipment	237,955	26,726	-	264,681
Total capital assets being depreciated	2,689,466	125,974	-	2,815,440
Less accumulated depreciation for:				
Buildings and improvements	1,696,950	79,986	-	1,776,936
Machinery and equipment	203,690	9,458	-	213,148
Total accumulated depreciation	1,900,640	89,444	-	1,990,084
Total capital assets, being depreciated, net	788,826	36,530	-	825,356
Onoville Marina capital assets, net	\$ 1,701,289	\$ 36,530	\$ (99,248)	\$ 1,638,571

**County of Cattaraugus Industrial Development Agency**

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

	Balance	Increases	Decreases	Balance
	1/1/2017			12/31/2017
Capital assets, not being depreciated:				
Land	\$ 149,299	\$ -	\$ -	\$ 149,299
Total capital assets not being depreciated	149,299	-	-	149,299
Capital assets, being depreciated:				
Improvements	929,373	-	-	929,373
Furniture and equipment	35,275	-	-	35,275
Total capital assets being depreciated	964,648	-	-	964,648
Less accumulated depreciation	(865,400)	(925)	-	(866,325)
CCIDA capital assets, net	\$ 248,547	\$ (925)	\$ -	\$ 247,622

## 6. ACCRUED LIABILITIES

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

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 1,036,465	\$ 1,333	\$ 190,988	\$ 1,228,786
Workers' compensation	2,379,327	-	-	2,379,327
Total accrued liabilities	<u>\$ 3,415,792</u>	<u>\$ 1,333</u>	<u>\$ 190,988</u>	<u>\$ 3,608,113</u>

### County of Cattaraugus Industrial Development Agency

Accrued liabilities for the CCIDA consisted of \$2,753 in payroll and \$3,281 in payroll related liabilities requiring accrual at December 31, 2017.

## 7. PENSION OBLIGATIONS

### *Plan Descriptions and Benefits Provided*

***Employees' Retirement System ("ERS")***—The County participates in the New York State and Local Employees' Retirement System (the "System"). The system provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement 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, 2017, 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, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2016, 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, 2017	March 31, 2017
Net pension liability	\$ 17,003,277	\$ 3,338,004
County's portion of the Plan's total net pension liability	0.1809586%	0.0355250%

For the year ended December 31, 2017, the County recognized pension expense of \$9,017,913 and \$1,770,355 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, 2017 are as follows:

	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	\$ 426,086	\$ 83,647	\$ 2,582,044	\$ 506,895
Changes in assumption	5,808,942	1,140,384		
Net difference between projected and actual earnings on pension plan investments	3,396,243	666,735	-	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	65,309	12,821	2,188,635	429,663
County contributions subsequent to the measurement date	4,582,503	899,616	-	-
Total	<u>\$ 14,279,083</u>	<u>\$ 2,803,203</u>	<u>\$ 4,770,679</u>	<u>\$ 936,558</u>

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, 2018. 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
2018	\$ 2,496,425	\$ 490,087
2019	2,496,425	490,087
2020	2,456,066	482,163
2021	(2,523,015)	(495,308)

**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 and actuarial assumptions are presented below:

	<u>ERS</u>
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.50%
Cost-of-living adjustments	1.30%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 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 as follows:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
	<u>ERS</u>	
Measurement date	<u>March 31, 2016</u>	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	<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%)
<b>Governmental Activities:</b>			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 54,305,096	\$ 17,003,277	\$ (14,535,342)
<b>Business-type Activities:</b>			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 10,660,924	\$ 3,338,004	\$ (2,853,511)

**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, 2017	
Employers' total pension liability	\$	177,400,586
Plan fiduciary net position		<u>168,004,363</u>
Employers' net pension liability	\$	<u>9,396,223</u>
 System fiduciary net position as a percentage of total pension liability		 94.7%

**County of Cattaraugus Industrial Development Agency**

Pension obligations for the CCIDA for the year ended December 31, 2017 are as follows:

At December 31, 2017, 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, 2017. 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, 2016
Net pension liability	\$ 67,000
CCIDA's portion of the Plan's total net pension liability	0.0007131%

For the year ended December 31, 2017 the CCIDA recognized pension expense of \$12,740 for NYSLRS. The CCIDA's deferred outflows of resources and deferred inflows of resources related to pensions reported at December 31, 2017 are as follows:

	<u>ERS</u>
	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 1,679
Changes of Assumptions	22,890
Net difference between projected and actual earnings on pension investments	13,383
Changes in proportion and differences between the CCIDA's contributions and proportionate share of contributions	<u>21,594</u>
Total	<u>\$ 59,546</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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending March 31,</u>	<u>ERS</u>
2018	\$ 8,014
2019	8,014
2020	8,360
2021	(10,639)

## 8. 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, 2017, follows. There have been no significant changes in the number covered or the type of coverage since that date.

Active employees	852
Retired employees	542

**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.

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Annual required contribution	\$ 19,516,420	\$ 3,870,208	\$ 14,721,449	\$ 3,609,318
Interest on net OPEB obligation	2,994,250	722,780	2,603,801	638,623
Adjustment to annual required contribution	(4,328,944)	(1,044,960)	(3,106,656)	(822,443)
Annual OPEB costs (expense)	18,181,726	3,548,028	14,218,594	3,425,498
Contributions	(5,212,031)	(916,051)	(4,643,246)	(818,124)
Increase in net OPEB obligation	12,969,695	2,631,977	9,575,348	2,607,374
Net OPEB obligation - beginning of year	74,856,250	18,069,489	65,280,902	15,462,115
Net OPEB obligation - end of year	<u>\$ 87,825,945</u>	<u>\$ 20,701,466</u>	<u>\$ 74,856,250</u>	<u>\$ 18,069,489</u>
Percentage of ARC contributed	26.7%	23.7%	31.5%	22.7%

	Year Ended December 31, 2015	
	Governmental Activities	Business-type Activities
Annual required contribution	\$ 17,279,549	\$ 3,651,228
Interest on net OPEB obligation	2,145,215	520,607
Adjustment to annual required contribution	(3,101,450)	(752,670)
Annual OPEB costs (expense)	16,323,314	3,419,165
Contributions	(4,672,785)	(972,236)
Increase in net OPEB obligation	11,650,529	2,446,929
Net OPEB obligation - beginning of year	53,630,373	13,015,186
Net OPEB obligation - end of year	<u>\$ 65,280,902</u>	<u>\$ 15,462,115</u>
Percentage of ARC contributed	27.0%	26.6%

As of January 1, 2017, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$254,310,617.

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:

Year Ended December 31,	Annual Required Contribution	Annual OPEB Cost	Annual Contributions Made	Percentage Contributed
2017	\$ 23,386,628	\$ 21,729,754	\$ 6,386,568	29.4%
2016	\$ 18,330,767	\$ 17,644,092	\$ 5,461,370	31.0%
2015	20,930,777	19,742,479	5,645,021	28.6%

**Actuarial methods and assumptions**—The valuation of retiree group health benefits involves estimates and assumptions about the probability of events occurring far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of cost sharing between the employer and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility. Below is a description of the actuarial assumptions and methodology used in the actuarial valuation.

**Valuation date**—January 1, 2017

**Measurement date**—January 1, 2017

**Actuarial cost method**—Projected Unit Credit

**Amortization method**—Level Dollar

**Amortization period**—30 Year, Open, Single Amortization Period

**Investment rate of return**—The investment rate of return is based on the projected long-term earning rate of the assets expected to be available to pay benefits. Plan assets must be legally segregated for the sole purpose of paying Retiree Group Health Benefits under the Plan. Ear-marking a portion of the County’s general assets is insufficient to be considered assets for this purpose. Since the County does not currently segregate funding for these benefits, the appropriate rate is the expected return on the County’s general assets. The investment rate of return as presented below was selected based on the County’s expectations:

Expected return on Plan assets	N/A
Expected return on the County's general assets	4.0%
Investment rate of return selected	4.0%

***Rate of compensation increase***—N/A

***Mortality***—The sex-distinct RP-2014 Mortality Tables for employees and health annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2017 mortality improvement scale on a fully generational basis. This assumption was based on a review of published mortality tables and demographics of the Plan.

***Disability***—Rates of decrement due to disability are assumed to be 0%.

***Turnover***—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.

***Retirement Incidence***—Rates of retirement are based on the experience under the New York State Employees' Retirement System ("ERS") and the New York State Police and Fire Retirement System ("PFRS"). The ERS and PFRS (the "Systems") rates are based on the April 1, 2010 to March 31, 2015 experience study released by the Systems' Actuary and published in their August 2015 report. The County's experience is not expected to deviate significantly from the experience of the Systems as a whole. The County has relied on the System's rates, but were unable to assess reasonableness as an independent examination of the underlying experience would require a substantial amount of additional work beyond the scope of this valuation.

***Election Percentage***—It was assumed that 95% of future retirees eligible for coverage will elect retiree group health benefits. This assumption was determined based on valuation data from January 1, 2009 through January 1, 2017. Future experience is not expected to deviate significantly from these results. Current retirees were assumed to continue participation in their current plans.

***Spousal Coverage***—60% of future retirees are assumed to elect spousal coverage upon retirement, with male spouses assumed to be three years older and female spouses assumed to be three years younger than the retiree. This assumption was determined based on valuation data from January 1, 2009 through January 1, 2017. Future experience is not expected to deviate significantly from these results.

***Unused Sick Time***—All employees required to accumulate a minimum number of sick days in order to be eligible for retiree group health care benefits are assumed to have accumulated the required number at the time of retirement.

***Per Capita Costs***—The County's Plan is an experience-related healthcare plan. Retiree claim cost information for the Plan was not available. To develop a baseline cost assumption, the County utilized experience from other medical studies with similar designs. The County used the Society of Actuaries Study "Health Care Costs – From Birth to Death" to apply mathematical smoothing techniques and develop reasonable assumptions for estimating age-specific retiree costs.

***Annual Rate of Increase in Healthcare Costs***—The annual rate of increase in healthcare costs was developed based on a review of published national trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trends Model v2018\_c (the Getzen model). Administrative fees were assumed to increase at 3.25% per year. Based on the County's expectations, retiree contributions are not expected to increase beyond the January 1, 2021 level.

***Annual Rate of Increase in the Consumer Price Index (“CPI”)—***CPI of 2.25% was assumed for purposes of determining future increases in limits corresponding to the excise tax of the Affordable Care Act on high cost employer-sponsored health plans as well as developing the rate of increase in healthcare costs. This assumption is consistent with historical CPI data as well as future expectations.

## 9. 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 \$1,576,574 as of December 31, 2017, 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 2017, an actuarial study estimated the plan's liability to be \$15,736,521, discounted at 1.5 percent. Changes in the claims liability in fiscal years 2015, 2016, and 2017 are presented on the following page.

	Beginning of Year	Changes in Estimates	Claims Payments	End of Year
2017	\$ 15,911,619	\$ 2,093,308	\$ 2,268,406	\$ 15,736,521
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

An accounts receivable of \$3,227,591 is due to the County for the non-County participating employers' (Cities, Towns, and Villages) share of this liability.

## 10. 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 \$28,348 in remaining payments, \$26,228 is due during the year ending December 31, 2018.

**Operating leases**—The County has entered into a number of operating leases. Lease expenditures for the year ended December 31, 2017, amounted to \$430,821. Future minimum payments under operating leases at December 31, 2017 were as follows:

Year Ending December 31,	Governmental Activities
2018	376,729
2019	251,240
2020	126,243
2021	36,955
2022	28,976
	<u>\$ 820,143</u>

## 11. LONG-TERM LIABILITIES

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

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums 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, 2017:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 31,480,000	\$ 12,911,145	\$ (4,644,000)	\$ 39,747,145	\$ 4,402,145
Premium on serial bonds	645,424	-	(118,458)	526,966	93,140
Compensated absences	5,491,980	97,777	(110,667)	5,479,090	490,365
Capital leases	67,267	-	(38,919)	28,348	26,228
Landfill post closure	606,643	-	(203,721)	402,922	-
Health insurance	1,183,523	15,214,810	(14,821,759)	1,576,574	1,576,574
Other postemployment benefits	74,856,250	18,181,726	(5,212,031)	87,825,945	-
Workers' compensation	15,911,619	2,093,308	(2,268,406)	15,736,521	2,379,327
Net pension liability*	<u>30,123,713</u>	<u>-</u>	<u>(13,120,436)</u>	<u>17,003,277</u>	<u>-</u>
Total governmental activities	<u>\$ 160,366,419</u>	<u>\$ 48,498,766</u>	<u>\$ (40,538,397)</u>	<u>\$ 168,326,788</u>	<u>\$ 8,967,779</u>
<b>Business type activities:</b>					
Bonds payable	\$ 8,905,000	\$ -	\$ (541,000)	\$ 8,364,000	\$ 569,000
Premium on serial bonds	195,614	-	(23,746)	171,868	-
Compensated absences	490,891	-	(25,975)	464,916	244,049
Capital leases	2,828	-	(2,828)	-	-
Other postemployment benefits	18,069,489	3,548,028	(916,051)	20,701,466	-
Net pension liability*	<u>5,737,850</u>	<u>-</u>	<u>(2,399,846)</u>	<u>3,338,004</u>	<u>-</u>
Total business-type activities	<u>\$ 33,401,672</u>	<u>\$ 3,548,028</u>	<u>\$ (1,509,600)</u>	<u>\$ 33,040,254</u>	<u>\$ 813,049</u>

\*Reductions of the net pension liability are shown net of additions

**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 \$12,911,145 in public improvement Serial Bonds for various purposes. The interest rate ranges from 2.0% to 3.0% and the bonds will mature on April 1, 2032.

A listing of bonded indebtedness transactions for the year ended December 31, 2017 is presented on the following page.

Purpose	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2017	Issues	Redemptions	Principal Outstanding 12/31/2017
<b>Governmental activities:</b>						
Public Improvement	2004/2017	2.50-5.00%	\$ 270,000	\$ -	\$ 270,000	\$ -
Public Improvement	2006/2018	4.00-4.20%	250,000	-	125,000	125,000
Public Improvement	2008/2017	3.25-4.30%	375,000	-	375,000	-
Public Improvement	2010/2024	2.11-6.75%	5,190,000	-	565,000	4,625,000
Public Improvement	2011/2017	2.00-4.13%	355,000	-	355,000	-
Public Improvement	2012/2027	2.00-2.50%	4,695,000	-	390,000	4,305,000
Public Improvement	2013/2021	1.50-4.00%	3,640,000	-	1,205,000	2,435,000
Public Improvement	2013/2028	2.25-3.00%	5,395,000	-	395,000	5,000,000
Public Improvement	2015/2025	2.00%	3,450,000	-	350,000	3,100,000
Public Improvement	2016/2023	2.00%	3,360,000	-	249,000	3,111,000
Public Improvement	2016/2026	1.50%	4,500,000	-	365,000	4,135,000
Public Improvement	2017/2032	2.00%-3.00%	-	12,911,145	-	12,911,145
<b>Total governmental activities</b>			<u>\$ 31,480,000</u>	<u>\$ 12,911,145</u>	<u>\$ 4,644,000</u>	<u>\$ 39,747,145</u>
<b>Business-type activities:</b>						
Public Improvement - Pines	2011/2032	2.00-4.125%	\$ 8,530,000	\$ -	\$ 480,000	\$ 8,050,000
Public Improvement - Pines	2016/2023	2.00%	375,000	-	61,000	314,000
<b>Total business-type activities</b>			<u>\$ 8,905,000</u>	<u>\$ -</u>	<u>\$ 541,000</u>	<u>\$ 8,364,000</u>

Annual debt service requirements to maturity are as follows:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 4,402,145	\$ 1,186,983	\$ 5,589,128	\$ 569,000	\$ 332,174	\$ 901,174
2019	4,427,000	929,564	5,356,564	568,000	310,694	878,694
2020	4,307,000	811,620	5,118,620	568,000	288,604	856,604
2021	4,078,000	692,353	4,770,353	592,000	266,514	858,514
2022	3,883,000	572,625	4,455,625	587,000	243,454	830,454
2023 - 2027	14,585,000	1,338,306	15,923,306	2,705,000	888,969	3,593,969
2028 - 2032	4,065,000	269,964	4,334,964	2,775,000	340,267	3,115,267
Total	<u>\$ 39,747,145</u>	<u>\$ 5,801,415</u>	<u>\$ 45,548,560</u>	<u>\$ 8,364,000</u>	<u>\$ 2,670,676</u>	<u>\$ 11,034,676</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, 2017 for governmental activities is \$5,479,090.

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, 2017 is \$464,916.

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 \$402,922. 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 \$1,576,574 at December 31, 2017. The liability of the County's workers' compensation totaled \$15,736,521 at December 31, 2017. There was no liability related to the County's judgments and claims at December 31, 2017. Further discussion of the County's risk management programs can be found in Note 9.

**OPEB obligation**—As explained in Note 8, 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 \$87,825,945 and \$20,701,466, respectively, at December 31, 2017.

**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 \$17,003,277 and \$3,338,004, respectively, at December 31, 2017. Refer to Note 7 for additional information related to the County's net pension liability.

### **County of Cattaraugus Industrial Development Agency**

Long-term liabilities for the CCIDA for the year ended December 31, 2017 consisted of a net pension liability of \$67,000. Refer to Note 7 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 following page is a reconciliation of the County's governmental activities net investment in capital assets.

Capital assets, net of accumulated depreciation		\$ 139,647,791
Related debt:		
Serial bonds issued	\$ (39,747,145)	
Unamortized bond premium	(526,966)	
Capital leases	(28,348)	
Unspent proceeds reported within Capital Projects Fund	<u>6,250,409</u>	
Debt issued for capital assets		<u>(34,052,050)</u>
Net investment in capital assets		<u>\$ 105,595,741</u>

The table below is a reconciliation of the County's business-type activities net investment in capital assets:

Capital assets, net of accumulated depreciation		\$ 11,912,367
Related debt:		
Serial bonds issued	\$ (8,364,000)	
Unspent proceeds	<u>10,200</u>	
Debt issued for capital assets		<u>(8,353,800)</u>
Net investment in capital assets		<u>\$ 3,558,567</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.

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, 2017 includes the portion of fund balance composed of prepaid assets. \$1,579,937 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, 2017 are presented on the following page.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
MDLF loan fund	\$ 278,749	\$ -	\$ -	\$ 278,749
Insurance	1,443,321	-	-	1,443,321
Workers' Compensation	650,000	-	-	650,000
Other	559,694	-	-	559,694
Capital projects	-	16,865,036	-	16,865,036
Debt	-	-	420,387	420,387
Trust accounts	-	-	5,675	5,675
Total restricted fund balance	<u>\$ 2,931,764</u>	<u>\$ 16,865,036</u>	<u>\$ 426,062</u>	<u>\$ 20,222,862</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, 2017, Cattaraugus County did not report committed fund balance.
- **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, 2017, the balances presented below were considered to be assigned:

	General Fund	Nonmajor Governmental Funds	Total
Subsequent years' expenditures	\$ 2,555,809	\$ 14,800	\$ 2,570,609
Encumbrances	767,806	1,004,308	1,772,114
Home and community services	-	38,625	38,625
Economic assistance and opportunity	-	737,161	737,161
Total assigned fund balance	<u>\$ 3,323,615</u>	<u>\$ 1,794,894</u>	<u>\$ 5,118,509</u>

- **Unassigned**—Represents the residual classification of the County’s General Fund, and could report a surplus or deficit. As of December 31, 2017, the unassigned fund balance was \$34,680,036.

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, 2017 is show below:

Fund	Interfund	
	Receivable	Payable
Nonmajor funds:		
Road Machinery Fund	\$ 560,939	\$ -
County Road Fund	-	560,939
Total	<u>\$ 560,939</u>	<u>\$ 560,939</u>

Interfund transfers of the County for the year ended December 31, 2017 are presented as follows:

Transfers out:	Transfers in:		Total
	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ 4,914,817	\$ 5,921,522	\$ 10,836,339
Nonmajor governmental funds	-	4,541,539	4,541,539
Total	<u>\$ 4,914,817</u>	<u>\$ 10,463,061</u>	<u>\$ 15,377,878</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, 2017 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 were 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**

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, 2017, are as listed below:

Fund	Purpose	Amount
		Encumbered
General	Document recording software	\$ 102,221
General	Olean farmers market	200,000
General	Penney trail project	100,000
County Road	Road materials	163,606
Road Machinery	Heavy equipment	613,283

## 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, 2017, is \$402,922.

## **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 \$186,823 during 2017 in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$332,600 in property taxes.

## **20. SUBSEQUENT EVENTS**

On April 3, 2018, the County issued \$1,936,600 in bond anticipation notes with an interest rate of 2.75 percent for bridge, road, and culvert improvements. These bonds mature on April 3, 2019.

Management has evaluated subsequent events through June 27, 2018, 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.

## REQUIRED SUPPLEMENTARY INFORMATION



**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Funding Progress—Other Postemployment Benefit Plan**  
**Year Ended December 31, 2017**

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Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2017	\$ -	\$ 254,310,617	\$ 254,310,617	0.0%	\$ 52,686,856	482.7%
January 1, 2015	-	221,513,537	221,513,537	0.0%	N/A	N/A
January 1, 2013	-	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 Four Fiscal Years\***

	Year Ended December 31,			
	2017	2016	2015	2014
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
County's proportion of the net pension liability (asset)	0.2164836%	0.2234327%	0.2185799%	0.2185799%
County's proportionate share of the net pension liability (asset)	<u>\$ 20,341,281</u>	<u>\$ 35,861,564</u>	<u>\$ 7,384,164</u>	<u>\$ 9,877,320</u>
County's covered-employee payroll	\$ 44,612,640	\$ 46,629,066	\$ 46,540,732	\$ 45,462,491
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.6%	76.9%	15.9%	21.7%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	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 Four Fiscal Years\***

	Year Ended December 31,			
	2017	2016	2015	2014
Contractually required contribution	\$ 7,397,884	\$ 8,356,702	\$ 9,055,794	\$ 9,221,894
Contributions in relation to the contractually required contribution	<u>(7,397,884)</u>	<u>(8,356,702)</u>	<u>(9,055,794)</u>	<u>(9,221,894)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 45,195,507	\$ 46,847,246	\$ 48,100,849	\$ 46,092,077
Contributions as a percentage of covered-employee payroll	16.4%	17.8%	18.8%	20.0%

\*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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 52,489,538	\$ 52,489,538	\$ 54,384,843	\$ 1,895,305
Real property tax items	2,656,874	2,656,874	2,443,916	(212,958)
Non property tax items	26,854,000	27,453,875	28,234,194	780,319
Departmental income	15,768,754	15,933,566	15,954,265	20,699
Intergovernmental charges	5,079,084	5,299,830	5,389,910	90,080
Use of money and property	958,722	958,722	940,687	(18,035)
Licenses and permits	80,225	80,225	79,912	(313)
Fines and forfeitures	196,350	212,405	209,526	(2,879)
Sale of property and compensation for loss	1,209,020	1,234,826	1,622,228	387,402
Miscellaneous	1,959,152	1,984,442	910,607	(1,073,835)
Interfund revenues	27,292,365	27,332,338	27,188,652	(143,686)
State aid	17,300,484	18,784,010	16,771,867	(2,012,143)
Federal aid	20,178,319	21,962,824	19,230,749	(2,732,075)
Total revenues	<u>172,022,887</u>	<u>176,383,475</u>	<u>173,361,356</u>	<u>(3,022,119)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	49,492,226	49,430,363	47,711,401	1,718,962
Education	7,343,859	7,997,373	7,988,762	8,611
Public safety	19,953,365	20,466,932	19,774,954	691,978
Health	20,600,412	21,556,147	19,836,146	1,720,001
Transportation	17,000	17,000	17,000	-
Economic assistance and opportunity	56,760,962	62,524,578	57,639,795	4,884,783
Culture and recreation	694,064	1,159,111	1,015,402	143,709
Home and community services	2,731,311	2,931,508	2,691,173	240,335
Employee benefits	6,990,108	5,985,094	5,846,646	138,448
Debt service:				
Principal	39,307	38,919	38,919	-
Total expenditures	<u>164,622,614</u>	<u>172,107,025</u>	<u>162,560,198</u>	<u>9,546,827</u>
Excess of revenues over expenditures	<u>7,400,273</u>	<u>4,276,450</u>	<u>10,801,158</u>	<u>6,524,708</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(9,950,135)</u>	<u>(11,027,340)</u>	<u>(10,836,339)</u>	<u>191,001</u>
Total other financing uses	<u>(9,950,135)</u>	<u>(11,027,340)</u>	<u>(10,836,339)</u>	<u>191,001</u>
Net change in fund balances*	(2,549,862)	(6,750,890)	(35,181)	6,715,709
Fund balances—beginning (as restated)	42,550,533	42,550,533	42,550,533	-
Fund balances—ending	<u>\$ 40,000,671</u>	<u>\$ 35,799,643</u>	<u>\$ 42,515,352</u>	<u>\$ 6,715,709</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, 2017**

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**1. BUDGETARY INFORMATION**

***Budgetary Basis of Accounting***—Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, 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, 2017 includes encumbrances from the prior year of \$549,862.

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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, 2017**

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	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Permanent</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,077,518	\$ -	\$ -	\$ 1,077,518
Restricted cash and cash equivalents	1,590,026	396,162	5,675	1,991,863
Accounts receivable	54,629	24,225	-	78,854
Due from other funds	560,939	-	-	560,939
Intergovernmental receivables	1,191,624	-	-	1,191,624
Total assets	\$ 4,474,736	\$ 420,387	\$ 5,675	\$ 4,900,798
<b>LIABILITIES</b>				
Accounts payable	\$ 337,889	\$ -	\$ -	\$ 337,889
Accrued liabilities	190,988	-	-	190,988
Due to other funds	560,939	-	-	560,939
Unearned revenue	1,590,026	-	-	1,590,026
Total liabilities	2,679,842	-	-	2,679,842
<b>FUND BALANCES</b>				
Restricted	-	420,387	5,675	426,062
Assigned	1,794,894	-	-	1,794,894
Total fund balances	1,794,894	420,387	5,675	2,220,956
Total liabilities and fund balances	\$ 4,474,736	\$ 420,387	\$ 5,675	\$ 4,900,798

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

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Non property tax items	\$ 10,539,135	\$ 298,156	\$ -	\$ 10,837,291
Departmental income	13,881	-	-	13,881
Intergovernmental charges	335,081	-	-	335,081
Use of money and property	30,429	8,092	10	38,531
Sale of property and compensation for loss	516,892	-	-	516,892
Miscellaneous	311,989	-	-	311,989
Interfund revenues	3,476,979	-	-	3,476,979
State aid	167,287	-	-	167,287
Federal aid	653,972	106,226	-	760,198
Total revenues	<u>16,045,645</u>	<u>412,474</u>	<u>10</u>	<u>16,458,129</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	611,394	-	-	611,394
Transportation	15,542,274	-	-	15,542,274
Economic assistance and opportunity	282,063	-	-	282,063
Home and community services	17,973	-	-	17,973
Debt service:				
Principal	-	4,644,000	-	4,644,000
Interest and fiscal charges	-	914,853	-	914,853
Total expenditures	<u>16,453,704</u>	<u>5,558,853</u>	<u>-</u>	<u>22,012,557</u>
Excess (deficiency) of revenues over expenditures	<u>(408,059)</u>	<u>(5,146,379)</u>	<u>10</u>	<u>(5,554,428)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,440,853	5,022,208	-	10,463,061
Transfers out	(4,541,539)	-	-	(4,541,539)
Total other financing sources (uses)	<u>899,314</u>	<u>5,022,208</u>	<u>-</u>	<u>5,921,522</u>
Net change in fund balances	491,255	(124,171)	10	367,094
Fund balances—beginning	<u>1,303,639</u>	<u>544,558</u>	<u>5,665</u>	<u>1,853,862</u>
Fund balances—ending	<u>\$ 1,794,894</u>	<u>\$ 420,387</u>	<u>\$ 5,675</u>	<u>\$ 2,220,956</u>

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Combining Balance Sheet—Nonmajor Special Revenue Funds**  
**December 31, 2017**

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	<b>County Road</b>	<b>Road Machinery</b>	<b>Conewango Watershed</b>	<b>Economic Development</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 282,291	\$ 55,725	\$ 739,502	\$ 1,077,518
Restricted cash and cash equivalents	-	-	-	1,590,026	1,590,026
Accounts receivable	1,699	52,630	300.00	-	54,629
Due from other funds	-	560,939	-	-	560,939
Intergovernmental receivables	1,124,864	66,760	-	-	1,191,624
Total assets	<u>\$ 1,126,563</u>	<u>\$ 962,620</u>	<u>\$ 56,025</u>	<u>\$ 2,329,528</u>	<u>\$ 4,474,736</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 115,292	\$ 217,656	\$ 2,600	\$ 2,341	\$ 337,889
Accrued liabilities	172,721	18,267	-	-	190,988
Due to other funds	560,939	-	-	-	560,939
Unearned revenue	-	-	-	1,590,026	1,590,026
Total liabilities	<u>848,952</u>	<u>235,923</u>	<u>2,600</u>	<u>1,592,367</u>	<u>2,679,842</u>
<b>FUND BALANCES</b>					
Assigned	<u>277,611</u>	<u>726,697</u>	<u>53,425</u>	<u>737,161</u>	<u>1,794,894</u>
Total fund balances	<u>277,611</u>	<u>726,697</u>	<u>53,425</u>	<u>737,161</u>	<u>1,794,894</u>
Total liabilities and fund balances	<u>\$ 1,126,563</u>	<u>\$ 962,620</u>	<u>\$ 56,025</u>	<u>\$ 2,329,528</u>	<u>\$ 4,474,736</u>

**COUNTY OF CATTARAUGUS, NEW YORK**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Nonmajor Special Revenue Funds**  
**Year Ended December 31, 2017**

	<u>County Road</u>	<u>Road Machinery</u>	<u>Conewango Watershed</u>	<u>Economic Development</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>REVENUES</b>					
Non property tax items	\$ 10,012,086	\$ 527,049	\$ -	\$ -	\$ 10,539,135
Departmental income	10,275	-	-	3,606	13,881
Intergovernmental charges	156,083	168,798	10,200	-	335,081
Use of money and property	-	-	90	30,339	30,429
Sale of property and compensation for loss	854	516,038	-	-	516,892
Miscellaneous	-	2,128	-	309,861	311,989
Interfund revenues	-	3,476,979	-	-	3,476,979
State aid	160,387	-	6,900	-	167,287
Federal aid	653,972	-	-	-	653,972
Total revenues	<u>10,993,657</u>	<u>4,690,992</u>	<u>17,190</u>	<u>343,806</u>	<u>16,045,645</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	611,394	-	-	-	611,394
Transportation	11,308,597	4,233,677	-	-	15,542,274
Economic assistance and opportunity	-	-	-	282,063	282,063
Home and community services	-	-	17,973	-	17,973
Total expenditures	<u>11,919,991</u>	<u>4,233,677</u>	<u>17,973</u>	<u>282,063</u>	<u>16,453,704</u>
Excess (deficiency) of revenues over expenditures	<u>(926,334)</u>	<u>457,315</u>	<u>(783)</u>	<u>61,743</u>	<u>(408,059)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	5,193,825	154,528	7,500	85,000	5,440,853
Transfers out	<u>(4,309,728)</u>	<u>(231,811)</u>	<u>-</u>	<u>-</u>	<u>(4,541,539)</u>
Total other financing sources (uses)	<u>884,097</u>	<u>(77,283)</u>	<u>7,500</u>	<u>85,000</u>	<u>899,314</u>
Net change in fund balances	(42,237)	380,032	6,717	146,743	491,255
Fund balances—beginning	<u>319,848</u>	<u>346,665</u>	<u>46,708</u>	<u>590,418</u>	<u>1,303,639</u>
Fund balances—ending	<u>\$ 277,611</u>	<u>\$ 726,697</u>	<u>\$ 53,425</u>	<u>\$ 737,161</u>	<u>\$ 1,794,894</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Non property tax items	\$ 260,000	\$ 260,000	\$ 298,156	\$ 38,156
Use of money and property	1,500	1,500	8,092	6,592
Federal aid	106,339	106,339	106,226	(113)
Total revenues	<u>367,839</u>	<u>367,839</u>	<u>412,474</u>	<u>44,635</u>
<b>EXPENDITURES</b>				
Current:				
General government support	2,000	2,000	-	2,000
Debt service:				
Principal	4,644,000	4,644,000	4,644,000	-
Interest and fiscal charges	914,867	914,867	914,853	14
Total expenditures	<u>5,560,867</u>	<u>5,560,867</u>	<u>5,558,853</u>	<u>2,014</u>
Deficiency of revenues over expenditures	<u>(5,193,028)</u>	<u>(5,193,028)</u>	<u>(5,146,379)</u>	<u>46,649</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	5,030,702	5,030,702	5,022,208	(8,494)
Total other financing sources	<u>5,030,702</u>	<u>5,030,702</u>	<u>5,022,208</u>	<u>(8,494)</u>
Net change in fund balances*	(162,326)	(162,326)	(124,171)	38,155
Fund balances—beginning	544,558	544,558	544,558	-
Fund balances—ending	<u>\$ 382,232</u>	<u>\$ 382,232</u>	<u>\$ 420,387</u>	<u>\$ 38,155</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Non property tax items	\$ 9,562,000	\$ 10,012,086	\$ 10,012,086	\$ -
Departmental income	17,500	17,500	10,275	(7,225)
Intergovernmental charges	150,000	150,000	156,083	6,083
Sale of property and compensation for loss	-	-	854	854
State aid	-	152,500	160,387	7,887
Federal aid	<u>464,000</u>	<u>661,069</u>	<u>653,972</u>	<u>(7,097)</u>
Total revenues	<u>10,193,500</u>	<u>10,993,155</u>	<u>10,993,657</u>	<u>502</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	640,200	611,394	611,394	-
Transportation	<u>13,722,670</u>	<u>11,657,022</u>	<u>11,308,597</u>	<u>348,425</u>
Total expenditures	<u>14,362,870</u>	<u>12,268,416</u>	<u>11,919,991</u>	<u>348,425</u>
Deficiency of revenues over expenditures	(4,169,370)	(1,275,261)	(926,334)	348,927
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	8,159,250	5,357,104	5,193,825	(163,279)
Transfers out	<u>(4,309,728)</u>	<u>(4,309,728)</u>	<u>(4,309,728)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,849,522</u>	<u>1,047,376</u>	<u>884,097</u>	<u>(163,279)</u>
Net change in fund balances*	(319,848)	(227,885)	(42,237)	185,648
Fund balances—beginning	<u>319,848</u>	<u>319,848</u>	<u>319,848</u>	<u>-</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ 91,963</u>	<u>\$ 277,611</u>	<u>\$ 185,648</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Non property tax items	\$ 475,000	\$ 527,049	\$ 527,049	\$ -
Intergovernmental charges	120,000	164,106	168,798	4,692
Sale of property and compensation for loss	-	486,462	516,038	29,576
Miscellaneous	-	-	2,128	2,128
Interfund revenues	<u>3,249,898</u>	<u>3,500,847</u>	<u>3,476,979</u>	<u>(23,868)</u>
Total revenues	<u>3,844,898</u>	<u>4,678,464</u>	<u>4,690,992</u>	<u>12,528</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	<u>4,183,992</u>	<u>4,967,006</u>	<u>4,233,677</u>	<u>733,329</u>
Total expenditures	<u>4,183,992</u>	<u>4,967,006</u>	<u>4,233,677</u>	<u>733,329</u>
Excess (deficiency) of revenues over expenditures	<u>(339,094)</u>	<u>(288,542)</u>	<u>457,315</u>	<u>745,857</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	224,240	173,756	154,528	(19,228)
Transfers out	<u>(231,811)</u>	<u>(231,811)</u>	<u>(231,811)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,571)</u>	<u>(58,055)</u>	<u>(77,283)</u>	<u>(19,228)</u>
Net change in fund balances*	(346,665)	(346,597)	380,032	726,629
Fund balances—beginning	<u>346,665</u>	<u>346,665</u>	<u>346,665</u>	<u>-</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ 68</u>	<u>\$ 726,697</u>	<u>\$ 726,629</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Intergovernmental charges	\$ 10,200	\$ 10,200	\$ 10,200	\$ -
Use of money and property	-	-	90	90
State aid	-	-	6,900	6,900
Total revenues	<u>10,200</u>	<u>10,200</u>	<u>17,190</u>	<u>6,990</u>
<b>EXPENDITURES</b>				
Current:				
Home and community services	<u>32,500</u>	<u>32,500</u>	<u>17,973</u>	<u>14,527</u>
Total expenditures	<u>32,500</u>	<u>32,500</u>	<u>17,973</u>	<u>14,527</u>
Deficiency of revenues over expenditures	(22,300)	(22,300)	(783)	21,517
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Total other financing sources	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Net change in fund balances*	(14,800)	(14,800)	6,717	21,517
Fund balances—beginning	<u>46,708</u>	<u>46,708</u>	<u>46,708</u>	<u>-</u>
Fund balances—ending	<u>\$ 31,908</u>	<u>\$ 31,908</u>	<u>\$ 53,425</u>	<u>\$ 21,517</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Departmental income	\$ -	\$ 3,606	\$ 3,606	\$ -
Use of money and property	-	30,339	30,339	-
Miscellaneous	-	1,815,643	309,861	(1,505,782)
Total revenues	<u>-</u>	<u>1,849,588</u>	<u>343,806</u>	<u>(1,505,782)</u>
<b>EXPENDITURES</b>				
Current:				
Economic assistance and opportunity	-	2,525,006	282,063	2,242,943
Total expenditures	<u>-</u>	<u>2,525,006</u>	<u>282,063</u>	<u>2,242,943</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	85,000	85,000	-
Total other financing sources	<u>-</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(590,418)</u>	<u>146,743</u>	<u>(3,748,725)</u>
Fund balances—beginning	590,418	590,418	590,418	-
Fund balances—ending	<u>\$ 590,418</u>	<u>\$ -</u>	<u>\$ 737,161</u>	<u>\$ (3,748,725)</u>

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# FEDERAL AWARDS INFORMATION



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

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)</u>	<u>Federal CFDA Number (1b)</u>	<u>Pass-Through Entity Identifying Number (1c)</u>	<u>Passed Through to Sub- recipients</u>	<u>Total Federal Expenditures (1d)</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through NYS Department of Agriculture and Markets				
Commodity Loans and Loan Deficiency Payments	10.051	N/A	\$ -	\$ 95,084
Passed Through NYS Department of Health				
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	63405	182,199	2,948,187
Child and Adult Care Food Program	10.558	N/A	-	36,895
Passed Through NYS Office of Temporary and Disability Assistance:				
<i>Snap Cluster</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	-	1,331,089
<i>Total Snap Cluster</i>				
			-	1,331,089
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>182,199</u>	<u>4,411,255</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Direct Programs				
Procurement Technical Assistance for Business Firms	12.002	N/A	-	119,118
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			-	119,118
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed through NYS Office of Community Renewal:				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	199HR36-13/H344-16	582,629	591,129
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>582,629</u>	<u>591,129</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Passed through NYS Office of Victim Services:				
Juvenile Justice and Delinquency Prevention	16.540	66101	-	23,783
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	-	9,477
State and Local Anti-Terrorism Training	16.614	N/A	-	58,486
Passed through Council on Addiction Recovery Services, Inc.				
Enforcing Underage Drinking Laws Program	16.727	N/A	-	16,084
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			-	128,556
<b>U.S. DEPARTMENT OF LABOR</b>				
Passed through Cattaraugus-Allegany Workforce Investment Board Inc. Board Inc.				
<i>WIOA Cluster:</i>				
WIA/WIOA Adult Program	17.258	N/A	-	174,615
WIA/WIOA Youth Activities	17.259	N/A	-	17,660
WIA/WIOA Dislocated Worker Formula Grants	17.278	N/A	-	104,162
<i>Total WIA/WIOA Cluster</i>				
			-	296,437
WIA/WIOA Pilots, Demonstrations, and Research Projects	17.261	N/A	-	195,205

(continued)

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

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)</b>	<b>Federal CFDA Number (1b)</b>	<b>Pass-Through Entity Identifying Number (1c)</b>	<b>Passed Through to Sub- recipients</b>	<b>Total Federal Expenditures (1d)</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through NYS Department of Transportation				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	N/A	-	1,012,925
<i>Total Highway Planning and Construction Cluster:</i>			-	1,012,925
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	69970	-	6,177
Child Safety and Child Booster Seat Incentive Grants	20.613	N/A	-	2,200
<i>Total Highway Safety Cluster</i>			-	8,377
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			-	1,021,302
 <b>APPALACIAN REGIONAL COMMISSION</b>				
Passed through NYS Department of State				
Appalacian Regional Development	23.001	N/A	-	16,885
<b>APPALACIAN REGIONAL COMMISSION</b>			-	16,885
 <b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Passed through NYS Department of Health				
Water Quality Management Planning	66.454	N/A	-	3,157
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			-	3,157
 <b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed through NYS Department of Health:				
Special Education-Grants for Infants and Families with Disabilities	84.181	N/A	-	58,964
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			-	58,964
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through NYS Office of the Aging:				
Special Programs for the Aging Title III, Part D - Disease				
Prevention and Health Promotion Services	93.043	69434	-	4,883
<i>Aging Cluster:</i>				
Special Programs for the Aging Title III, Part B - Grants				
for Supportive Service and Senior centers	93.044	69404	-	79,188
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	69423	-	156,674
<i>Total Aging Cluster:</i>			-	235,862
National Family Caregiver Support, Title III, Part E	93.052	N/A	-	30,449
Medicare Enrollment Assistance Program	93.071	N/A	-	12,438
Centers for Medicare and Medicaid Services (CMS)				
Research, Demonstrations and Evaluations	93.779	N/A	-	40,777
Passed through NYS Department of Health				
Family Planning - Services	93.217	63402	-	127,598
Immunization Cooperative Agreements	93.268	N/A	-	43,564

(continued)

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

(concluded)

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)</b>	<b>Federal CFDA Number (1b)</b>	<b>Pass-Through Entity Identifying Number (1c)</b>	<b>Passed Through to Sub- recipients</b>	<b>Total Federal Expenditures (1d)</b>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	-	71,239
<i>Medicaid Cluster</i>				
Medical Assistance Program	93.778	62101	31,371	2,353,395
<i>Total Medicaid Cluster</i>			<u>31,371</u>	<u>2,353,395</u>
Maternal and Child Health Services Block Grant to the States	93.994	63491	3,216	19,744
Passed through NYS Office of Temporary and Disability Assistance:				
<i>TANF Cluster</i>				
Temporary Assistance For Needy Families	93.558	N/A	584,779	6,920,466
<i>Total TANF Cluster</i>			<u>584,779</u>	<u>6,920,466</u>
Child Support Enforcement	93.563	62501	-	734,126
Low-Income Home Energy Assistance	93.568	69412	-	3,987,679
Passed through NYS Office of Children and Family Services:				
<i>CCDF Cluster</i>				
Child Care and Development Block Grant	93.575	62702	-	2,237,575
<i>Total CCDF Cluster</i>			<u>-</u>	<u>2,237,575</u>
Foster Care - Title IV-E	93.658	62401	-	1,865,496
Adoption Assistance	93.659	62402	-	12,245
Chafee Foster Care Independence Program	93.674	N/A	-	9,285
Passed through Millennium Collaborative Care				
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	N/A	-	83,299
Passed through NYS Office of Alcoholism and Substance Abuse Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	64805	635,536	635,536
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>1,254,902</u>	<u>19,425,656</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
Direct Programs:				
Retired and Senior Volunteer Program	94.002	N/A	-	40,000
<b>TOAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<u>-</u>	<u>40,000</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Passed through NYS Department of Homeland Security and Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	-	197,069
Emergency Management Performance Grants	97.042	N/A	-	27,552
Homeland Security Grant Program	97.067	N/A	-	114,210
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>-</u>	<u>338,831</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)</b>			<u>\$ 2,019,730</u>	<u>\$ 26,646,495</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, 2017**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net 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, the CCIDA, and the Land Bank have not been included.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the financial statements is available.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost 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.

**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). \$3,830,595 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.

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Certified Public Accountants

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

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

We have audited, in accordance with 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2018. Our report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 72 and includes a reference to other auditors who audited the financial statements of the Pines Machias Campus, the Pines Olean Campus (the "Pines"), the County of Cattaraugus Industrial Development Agency (the "CCIDA"), and the Cattaraugus County Land Bank (the "Land Bank") 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.

Dresher & Malach LLP

June 27, 2018

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Certified Public Accountants

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

Honorable County 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, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Pines Machias Campus and Pines Olean Campus, the County of Cattaraugus Industrial Development Agency, and the Cattaraugus County Land Bank Corporation, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2017. Our compliance audit, described below, did not include the operations of the Pines, the CCIDA, or the Land Bank.

***Management's Responsibility***

The County's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to 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, 2017.

### **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 27, 2018

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

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

**Financial Statements:**

Type of auditors' report issued: Unmodified\*

\* (which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 72 and includes a reference to other auditors)

Internal control over financial reporting:

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

**Federal Awards:**

Internal control over major federal programs:

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

Type of 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	_____ <input checked="" type="checkbox"/> No	
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Identification of major federal programs

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Medical Assistance Program	93.778

Dollar threshold used to distinguish between Type A and Type B programs?	\$799,395
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ <input type="checkbox"/> No	
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**COUNTY OF CATTARAUGUS, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2017**

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**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, 2017**  
**(Follow Up on December 31, 2016 Findings)**

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No findings noted.

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