

COUNTY OF CHAUTAUQUA
NEW YORK

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

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chautauqua, New York (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chautauqua County Industrial Development Agency ("CCIDA") or the Chautauqua County Land Bank Corporation ("CCLBC"), which are shown as discretely presented component units. We also did not audit the financial statements of the Chautauqua Tobacco Asset Securitization Corporation ("CTASC"), which represents 0.8% and 1.8%, respectively, of the assets and revenues of governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the CCIDA, CCLBC and CTASC, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the County has restated the beginning fund balance of the General Fund and Capital Projects Fund and net position of governmental activities as of December 31, 2015. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



July 20, 2017

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

As management of the County of Chautauqua (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2016. This document should be read in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative. For comparative purposes, certain data from the prior year has been reclassified to conform with the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$194,407,740 (net position). This consists of \$170,724,580 net investment in capital assets, \$13,891,307 restricted for specific purposes, and unrestricted net position of \$9,791,853.
- The County's total primary government net position decreased by \$2,261,117 during the year ended December 31, 2016. Governmental activities decreased the County's net position by \$1,532,023, while net position of the business-type activities decreased by \$729,094.
- As of the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$55,576,387; an increase of \$3,802,651 in comparison with the prior year's combined ending fund balance of \$51,773,736.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$26,228,362, or 11.9 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 60.2 percent of the General Fund's total fund balance of \$43,580,323 at December 31, 2016.
- The County's primary government total net bond indebtedness decreased by \$613,309. During the year, the County issued serial bonds of \$3,047,256 and refunding bonds of \$10,660,000. The refunding bonds refunded \$10,610,000 in previously issued serial bonds and were issued at a premium of \$1,205,526. Scheduled principal payments on the County's primary government bonds totaled \$5,372,201 and were offset by accreted interest of \$484,370. Current year amortizations on the primary government bond premiums and discounts amounted to \$28,260.

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 activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

Fiduciary Funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County’s own programs. The County maintains one type of fiduciary fund, the Agency Fund.

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

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

Notes to the financial statements— The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-66 of this report.

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

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

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

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$194,407,740, at the close of the most recent fiscal year, as compared to \$196,668,857 (as restated) at the close of the fiscal year ended December 31, 2015.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2016	2015 (as restated)	2016	2015	2016	2015 (as restated)
Assets:						
Current assets	\$ 112,654,279	\$ 111,092,082	\$ 30,821,305	\$ 29,161,136	\$ 143,475,584	\$ 140,253,218
Noncurrent assets	8,849,662	9,306,606	-	-	8,849,662	9,306,606
Capital assets	200,934,893	198,052,849	44,949,470	47,558,112	245,884,363	245,610,961
Total assets	322,438,834	318,451,537	75,770,775	76,719,248	398,209,609	395,170,785
Deferred outflows of resources	38,828,769	8,580,484	2,954,881	474,349	41,783,650	9,054,833
Liabilities:						
Current liabilities	38,613,669	33,548,011	730,175	1,082,775	39,343,844	34,630,786
Noncurrent liabilities	154,026,307	122,901,527	41,165,620	38,896,184	195,191,927	161,797,711
Total liabilities	192,639,976	156,449,538	41,895,795	39,978,959	234,535,771	196,428,497
Deferred inflows of resources	10,633,381	11,056,214	416,367	72,050	11,049,748	11,128,264
Net position:						
Net investment in capital assets	138,247,175	134,096,829	32,477,405	34,071,268	170,724,580	168,168,097
Restricted	13,891,307	14,022,525	-	-	13,891,307	14,022,525
Unrestricted	5,855,764	11,406,915	3,936,089	3,071,320	9,791,853	14,478,235
Total net position	\$ 157,994,246	\$ 159,526,269	\$ 36,413,494	\$ 37,142,588	\$ 194,407,740	\$ 196,668,857

The largest portion of the County's net position, \$170,724,580, reflects its investment in capital assets, (e.g., land, infrastructure, buildings and building improvements, machinery and equipment, vehicles, landfill and water treatment facilities), less any debt used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$13,891,307, represents resources that are subject to external restrictions on how they may be used imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the County's net position, \$9,791,853, is considered to be unrestricted net position and may be used to meet the County's ongoing operations.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2016 and December 31, 2015.

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

	Governmental activities		Business-type activities		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues	\$ 104,940,552	\$ 99,660,721	\$ 14,364,668	\$ 16,692,789	\$ 119,305,220	\$ 116,353,510
General revenues	133,113,432	129,333,947	64,958	211,280	133,178,390	129,545,227
Total revenues	<u>238,053,984</u>	<u>228,994,668</u>	<u>14,429,626</u>	<u>16,904,069</u>	<u>252,483,610</u>	<u>245,898,737</u>
Total expenses	<u>240,107,154</u>	<u>232,323,137</u>	<u>14,637,573</u>	<u>15,552,987</u>	<u>254,744,727</u>	<u>247,876,124</u>
Transfers and special items	<u>521,147</u>	<u>(3,820,686)</u>	<u>(521,147)</u>	<u>(974,434)</u>	<u>-</u>	<u>(4,795,120)</u>
Change in net position	(1,532,023)	(7,149,155)	(729,094)	376,648	(2,261,117)	(6,772,507)
Net position—beginning	159,526,269	181,497,148	37,142,588	36,765,940	196,668,857	218,263,088
Restatement (see Note 2)	-	(14,821,724)	-	-	-	(14,821,724)
Net position—ending	<u>\$ 157,994,246</u>	<u>\$ 159,526,269</u>	<u>\$ 36,413,494</u>	<u>\$ 37,142,588</u>	<u>\$ 194,407,740</u>	<u>\$ 196,668,857</u>

Governmental activities—Governmental activities decreased the County’s net position by \$1,532,023. A summary of revenues for governmental activities for the years ended December 31, 2016 and 2015 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent
Charges for services	\$ 29,677,086	\$ 28,657,926	\$ 1,019,160	3.6
Operating grants and contributions	66,091,699	60,295,044	5,796,655	9.6
Capital grants and contributions	9,171,767	10,707,751	(1,535,984)	(14.3)
Property taxes and tax items	63,397,533	67,483,599	(4,086,066)	(6.1)
Non-property tax items	66,571,722	59,190,543	7,381,179	12.5
Other general revenues	3,144,177	2,659,805	484,372	18.2
Total revenues	<u>\$ 238,053,984</u>	<u>\$ 228,994,668</u>	<u>\$ 9,059,316</u>	4.0

At December 31, 2016, the most significant source of revenues for governmental activities is non-property tax items, which account for \$66,571,722, or 28.0 percent of total revenues. The other significant sources of revenue include operating grants and contributions, which comprise \$66,091,699, or 27.8 percent of total revenues and property taxes and tax items, which comprise \$63,397,533, or 26.6 percent of total revenues. Comparatively, for the year ended December 31, 2015, the most significant source of revenues for governmental activities was property taxes and tax items, which accounted for \$67,483,599 or 29.5 percent of total revenues. The other significant sources of revenue included operating grants and contributions, which comprised \$60,295,044, or 26.3 percent of total revenues, and non-property tax items, which comprised \$59,190,543, or 25.8 percent of total revenues.

During the year ended December 31, 2016, total revenues increased by 4.0 percent, mainly due to an increase in the County’s sales tax rate. This increase was partially offset by a decrease in the County’s property tax rates. Additionally, operating grants and contributions increased during the year as a result of the County receiving additional intergovernmental transfer (“IGT”) revenue related to the County’s previous ownership and operation of the County Home.

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

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
General government support	\$ 50,696,115	\$ 48,682,867	\$ 2,013,248	4.1
Education	10,721,430	9,616,623	1,104,807	11.5
Public safety	32,050,550	29,499,097	2,551,453	8.6
Health	17,411,388	19,157,032	(1,745,644)	(9.1)
Transportation	27,720,432	28,373,277	(652,845)	(2.3)
Economic assistance and opportunity	96,461,548	91,987,609	4,473,939	4.9
Culture and recreation	527,252	483,691	43,561	9.0
Home and community services	1,292,654	1,512,926	(220,272)	(14.6)
Interest and fiscal charges	3,225,785	3,010,015	215,770	7.2
Total program expenses	<u>\$ 240,107,154</u>	<u>\$ 232,323,137</u>	<u>\$ 7,784,017</u>	3.4

At December 31, 2016, the County's most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$96,461,548, or 40.2 percent of program expenses. The other significant expenses include general government support of \$50,696,115, or 21.1 percent of total expenses, public safety of \$32,050,550, or 13.3 percent of total expenses and transportation of \$27,720,432, or 11.5 percent of total expenses. For the year ended December 31, 2015, the most significant expense category for governmental activities was economic assistance and opportunity (primarily composed of social service costs) of \$91,987,609, or 39.6 percent of program expenses. The other significant expenses included general government support of \$48,682,867, or 21.0 percent of total expenses, public safety of \$29,499,097, or 12.7 percent of total expenses and transportation of \$28,373,277, or 12.2 percent of total expenses

During the year ended December 31, 2016, total expenses increased by 3.4 percent. This is primarily the result of the increase in the County's long-term net pension liability and other post-employment benefits obligation.

Business type activities—Business-type activities decreased the County’s net position by \$729,094. Operating revenues and expenses for the year ended December 31, 2016 decreased 13.2 percent and 5.2 percent, respectively, from the year ended December 31, 2015.

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

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

	Year Ended December 31,		Increase/(Decrease)	
	2016	2015	Dollars	Percent (%)
Operating revenues:				
Charges for services	\$ 14,351,267	\$ 16,537,119	\$ (2,185,852)	(13.2)
Total operating revenues	<u>\$ 14,351,267</u>	<u>\$ 16,537,119</u>	<u>\$ (2,185,852)</u>	(13.2)
Operating expenses:				
Personal services	\$ 3,177,951	\$ 3,081,846	\$ 96,105	3.1
Contractual services	4,353,642	4,712,003	(358,361)	(7.6)
Fringe benefits	2,415,050	2,405,769	9,281	0.4
Depreciation and depletion	4,401,917	4,933,256	(531,339)	(10.8)
Total operating expenses	<u>\$ 14,348,560</u>	<u>\$ 15,132,874</u>	<u>\$ (784,314)</u>	(5.2)

As detailed above, the County’s business-type activities’ operating revenues for the year ended December 31, 2015 decreased 13.2 as a result of the end of a brownfield cleanup for which the landfill received revenues.

Additionally, the most significant operating expense items for the year ended December 31, 2016 were depreciation and depletion expense of \$4,401,917, or 30.7 percent of operating expenses, contractual service expense of \$4,353,642, or 30.3 percent of operating expenses, and personal services expenses of \$3,177,951, or 22.1 percent of operating expenses. For the year ended December 31, 2015, the most significant expense items were depreciation and depletion expenses of \$4,933,256 or 32.6 percent of operating expenses, contractual services expenses of \$4,712,003 or 31.1 percent of expenses, and personal services expenses of \$3,081,846 or 20.4 percent of operating expenses.

Financial Analysis of Governmental Funds

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

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

At December 31, 2016, the County’s governmental funds reported combined ending fund balances of \$55,576,387, an increase of \$3,802,651 in comparison with the prior year. Approximately 47.2% of this amount, \$26,228,362, constitutes *unassigned fund balance*, which is available for spending at the

County's discretion. The remainder of fund balance is either *nonspendable, restricted or assigned* to indicate that it is: (1) not in spendable form, \$9,701,887, (2) restricted for particular purposes, \$13,891,307, (3) assigned for particular purposes, \$5,754,831.

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 \$26,228,362, while the total fund balance was \$45,580,323. The General Fund fund balance increased \$3,140,799 from the prior year primarily as the result of an increase in the sales tax rate, and partially offset by a decrease in the property tax rate. As a measure of the General Fund's liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total expenditures and transfers out. *Unassigned fund balance* represents 11.9 percent of General Fund expenditures and transfers out, while total fund balance represents 19.8 percent of that same amount.

The fund balance in the County Road Fund increased \$340,195 from December 31, 2016. The increase is the result of an increase in budgeted transfers in during the year. The Road Machinery Fund fund balance decreased \$44,419 as a result of normal operations. The Capital Projects Fund fund balance increased \$421,420 as a result of the proceeds of serial bonds, state and federal aid and transfers in from other funds exceeding capital outlay expenditures. Finally, the fund balance of CTASC decreased \$55,344 as a result of normal operations.

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

Overall net position of the proprietary funds decreased. This was primarily a result of a lesser decrease in operating expenses than the decrease in operating revenues. The Sewer net position decreased \$659,816, while the Landfill net position decreased \$80,517. Both decreases were primarily a result of operating expenses exceeding operating revenues. The Water net position improved \$11,239 during the year.

General Fund Budgetary Highlights

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

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

Table 6—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 219,291,016	\$ 227,721,030	\$ 227,291,937	\$ (429,093)
Expenditures and other financing uses	<u>220,997,982</u>	<u>234,966,612</u>	<u>224,151,138</u>	<u>10,815,474</u>
Excess (deficiency) of revenues, other financing sources and special items over expenditures and other financing uses	<u>\$ (1,706,966)</u>	<u>\$ (7,245,582)</u>	<u>\$ 3,140,799</u>	<u>\$ 10,386,381</u>

Original budget compared to final budget—During the year the budget was modified to reflect the acceptance of new state and federal grants. These grants explain a portion of the increases in appropriations and revenue from the original adopted budget final budget. A majority of the remaining increase in budgeted appropriations was a result of the County’s requirement to pay a portion of the intergovernmental transfer.

Final budget compared to actual result—The General Fund had a positive variance from the final budgetary appropriations of \$10,386,381. The positive variances were realized primarily in health, economic assistance and opportunity and federal aid.

Capital Asset and Debt Administration

Capital assets—The County’s investment in capital assets for its governmental activities and business-type activities as of December 31, 2016 amounted to \$245,884,363 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and building improvements, machinery and equipment, vehicles, landfill assets and water treatment facilities. All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

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

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2016	2015 (as restated)	2016	2015	2016	2015 (as restated)
Land	\$ 748,464	\$ 748,464	\$ -	\$ -	\$ 748,464	\$ 748,464
Construction in progress	25,001,623	24,503,940	2,421,566	2,476,268	27,423,189	26,980,208
Infrastructure	115,011,257	115,021,459	21,480,492	22,235,603	136,491,749	137,257,062
Buildings and building improvements	52,975,725	50,941,014	5,304,769	5,703,780	58,280,494	56,644,794
Machinery and equipment	4,172,886	3,304,290	10,302,404	10,594,473	14,475,290	13,898,763
Vehicles	3,024,938	3,533,682	580,910	725,338	3,605,848	4,259,020
Landfill assets	-	-	4,662,885	5,591,554	4,662,885	5,591,554
Water treatment facilities	-	-	196,444	231,096	196,444	231,096
Total assets	<u>\$ 200,934,893</u>	<u>\$ 198,052,849</u>	<u>\$ 44,949,470</u>	<u>\$ 47,558,112</u>	<u>\$ 245,884,363</u>	<u>\$ 245,610,961</u>

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

Long-term debt—At December 31, 2016 the County’s governmental activities had total long-term debt outstanding of \$154,026,307, as compared to \$122,765,958 in the prior year; while the County’s business-type activities had total long-term debt outstanding of \$41,165,620, as compared to \$38,896,184 in the prior year.

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

Table 8—Summary of Long-Term Liabilities

	Year Ended December 31,		Increase/(decrease)	
	2016	2015	Dollars	Percent
Governmental activities:				
Serial bonds	\$ 36,276,256	\$ 35,033,317	\$ 1,242,939	3.5
Premium on serial bonds	379,319	-	379,319	100.0
CTASC bonds and accreted interest, net	38,190,147	40,168,807	(1,978,660)	(4.9)
Compensated absences	2,526,591	2,275,531	251,060	11.0
Workers' compensation	15,972,792	16,545,611	(572,819)	(3.5)
OPEB obligation	23,321,762	20,620,424	2,701,338	13.1
Long-term due to other governments	400,000	-	400,000	100.0
Net pension liability	<u>36,959,440</u>	<u>8,122,268</u>	<u>28,837,172</u>	355.0
Total governmental activities	<u>\$ 154,026,307</u>	<u>\$ 122,765,958</u>	<u>\$ 31,260,349</u>	25.5
Business-type activities:				
Serial bonds	\$ 11,535,885	\$ 12,568,769	\$ (1,032,884)	(8.2)
Premium on serial bonds	775,977	-	775,977	100.0
Notes payable	872,377	918,075	(45,698)	(5.0)
Compensated absences	176,980	150,884	26,096	17.3
Landfill closure and post-closure	23,015,098	22,384,437	630,661	2.8
Workers' compensation	617,338	606,568	10,770	1.8
OPEB obligation	1,979,456	1,769,427	210,029	11.9
Net pension liability	<u>2,192,509</u>	<u>498,024</u>	<u>1,694,485</u>	340.2
Total business-type activities	<u>\$ 41,165,620</u>	<u>\$ 38,896,184</u>	<u>\$ 2,269,436</u>	5.8
Agency fund (held in escrow for County Home)				
Workers' compensation	\$ 1,939,869	\$ 3,117,821	\$ (1,177,952)	(37.8)
OPEB obligation	<u>1,287,134</u>	<u>1,756,796</u>	<u>(469,662)</u>	(26.7)
Total Agency fund	<u>\$ 3,227,003</u>	<u>\$ 4,874,617</u>	<u>\$ (1,647,614)</u>	(33.8)

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

Economic Factors and Next Year's Budgets

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

Amounts available for appropriation in the 2017 General Fund budget are \$228.8 million compared to \$225.3 million in 2016. Effective December 1, 2015, as a result of Home Rule legislation, the County's sales tax rate was increased from 7.5% to 8%. This increase is estimated to generate approximately \$8.0 million additional County income annually. As required with the enactment of the sales tax increase, the County agreed to reduce the real property tax levy by no less than 3% of the 2015 real property tax levy for each of the years 2016 and 2017. The adopted budgets for the years 2016 and 2017 included a reduction to the levy of 5% and 3.17% respectively from the 2015 levy. The State has passed New Home Rule legislation to allow the County to continue the sales tax rate at 8% through November 30th, 2020.

The new legislation does not tie the County to any requirements to reduce the real property tax levy in the future periods covered by the legislation. The County decreased the full value property tax rate from \$8.55 per thousand to \$8.48 per thousand for 2017.

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

The County has obligated \$805,560 of General Fund fund balance, \$353,000 of County Road Fund fund balance and \$800,000 of Road Machinery Fund fund balance to the 2017 budget. The County's fiscal management policy is to maintain General Fund unassigned fund balance within the range of 5-15% of revenues. The County maintains bond ratings of A1 from Moody's and A+/stable from Standard and Poor and does not anticipate cash flow problems in 2017 and 2018. The 2018 budget document takes shape during the summer and fall of 2017.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Units	
	Governmental	Business-type	Total	Industrial	Land Bank
	Activities	Activities		Development	Corporation
				Agency	
ASSETS					
Cash, cash equivalents and investments	\$ 24,118,000	\$ 28,547,405	\$ 52,665,405	\$ 1,266,568	\$ 453,124
Restricted cash, cash equivalents and investments	24,170,904	-	24,170,904	-	-
Restricted investments	2,315,209	-	2,315,209	-	-
Receivables, net of allowance					
Accounts receivable	3,730,484	2,144,687	5,875,171	179,675	-
Taxes receivable	16,326,421	-	16,326,421	-	-
Other receivables, current portion	2,689,649	-	2,689,649	1,708,971	-
Mortgage receivable, current portion	-	-	-	69,791	-
Intergovernmental receivables	35,402,969	13,746	35,416,715	-	-
Inventories	1,655,221	-	1,655,221	-	-
Prepaid items	2,245,422	115,467	2,360,889	-	-
Total current assets	<u>112,654,279</u>	<u>30,821,305</u>	<u>143,475,584</u>	<u>3,225,005</u>	<u>453,124</u>
Receivables, net of allowance					
Other receivables	8,849,662	-	8,849,662	9,606,777	-
Mortgage receivable	-	-	-	1,406,936	-
Security deposit paid	-	-	-	10,457	309
Real property held for resale	-	-	-	1,046,432	374,191
Capital assets not being depreciated	25,750,087	2,421,566	28,171,653	-	-
Capital assets, net of accumulated depreciation	175,184,806	42,527,904	217,712,710	3,863,018	-
Total noncurrent assets	<u>209,784,555</u>	<u>44,949,470</u>	<u>254,734,025</u>	<u>15,933,620</u>	<u>374,500</u>
Total assets	<u>322,438,834</u>	<u>75,770,775</u>	<u>398,209,609</u>	<u>19,158,625</u>	<u>827,624</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,023,187	712,174	1,735,361	-	-
Deferred outflows of resources—pensions	37,805,582	2,242,707	40,048,289	-	-
Total deferred outflows of resources	<u>38,828,769</u>	<u>2,954,881</u>	<u>41,783,650</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	10,141,883	418,283	10,560,166	164,728	-
Retainages payable	87,716	15,936	103,652	-	-
Accrued liabilities	2,492,897	295,956	2,788,853	202,713	61,439
Intergovernmental payables	14,973,168	-	14,973,168	-	-
Performance bond deposits	-	-	-	-	57,500
Unearned revenue	10,918,005	-	10,918,005	477,540	43,046
Total current liabilities	<u>38,613,669</u>	<u>730,175</u>	<u>39,343,844</u>	<u>844,981</u>	<u>161,985</u>
Due within one year	4,823,863	1,183,691	6,007,554	2,252,184	-
Due in more than one year	149,202,444	39,981,929	189,184,373	2,788,325	-
Total noncurrent liabilities	<u>154,026,307</u>	<u>41,165,620</u>	<u>195,191,927</u>	<u>5,040,509</u>	<u>-</u>
Total liabilities	<u>192,639,976</u>	<u>41,895,795</u>	<u>234,535,771</u>	<u>5,885,490</u>	<u>161,985</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on refunding	3,614,618	-	3,614,618	-	-
Deferred inflows of resources—pensions	7,018,763	416,367	7,435,130	-	-
Total deferred inflows of resources	<u>10,633,381</u>	<u>416,367</u>	<u>11,049,748</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	138,247,175	32,477,405	170,724,580	1,275,877	-
Restricted:	-	-	-	-	-
Insurance	3,261,942	-	3,261,942	-	-
Capital projects	6,375,490	-	6,375,490	-	-
Tax stabilization	100,060	-	100,060	-	-
Occupancy tax	326,507	-	326,507	-	-
E911/W911	912,666	-	912,666	-	-
Fire services	302,131	-	302,131	-	-
Lakes and waterways	387,253	-	387,253	-	-
Debt service	2,225,258	-	2,225,258	-	-
Industrial Development Agency	-	-	-	11,707,320	-
Unrestricted	5,855,764	3,936,089	9,791,853	289,938	665,639
Total net position	<u>\$ 157,994,246</u>	<u>\$ 36,413,494</u>	<u>\$ 194,407,740</u>	<u>\$ 13,273,135</u>	<u>\$ 665,639</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Industrial Development Agency	Land Bank Corporation
Primary government:									
Governmental activities:									
General government support	\$ 50,696,115	\$ 13,063,216	\$ 2,497,627	\$ -	\$ (35,135,272)	\$ -	\$ (35,135,272)	\$ -	\$ -
Education	10,721,430	-	3,811,169	-	(6,910,261)	-	(6,910,261)	-	-
Public safety	32,050,550	4,812,418	1,720,301	1,442,935	(24,074,896)	-	(24,074,896)	-	-
Health	17,411,388	6,363,451	8,128,083	-	(2,919,854)	-	(2,919,854)	-	-
Transportation	27,720,432	1,749,880	1,628,614	7,372,233	(16,969,705)	-	(16,969,705)	-	-
Economic assistance and opportunity	96,461,548	3,665,427	47,450,785	251,425	(45,093,911)	-	(45,093,911)	-	-
Culture and recreation	527,252	-	248,371	11,355	(267,526)	-	(267,526)	-	-
Home and community services	1,292,654	22,694	606,749	93,819	(569,392)	-	(569,392)	-	-
Interest and fiscal charges	3,225,785	-	-	-	(3,225,785)	-	(3,225,785)	-	-
Total governmental activities	<u>240,107,154</u>	<u>29,677,086</u>	<u>66,091,699</u>	<u>9,171,767</u>	<u>(135,166,602)</u>	<u>-</u>	<u>(135,166,602)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Sewer	4,735,061	4,062,595	-	-	-	(672,466)	(672,466)	-	-
Water	54,286	65,391	-	-	-	11,105	11,105	-	-
Landfill	7,559,471	7,508,586	13,401	-	-	(37,484)	(37,484)	-	-
Electric Plant	2,288,755	2,714,695	-	-	-	425,940	425,940	-	-
Total business-type activities	<u>14,637,573</u>	<u>14,351,267</u>	<u>13,401</u>	<u>-</u>	<u>-</u>	<u>(272,905)</u>	<u>(272,905)</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 254,744,727</u>	<u>\$ 44,028,353</u>	<u>\$ 66,105,100</u>	<u>\$ 9,171,767</u>	<u>(135,166,602)</u>	<u>(272,905)</u>	<u>(135,439,507)</u>	<u>-</u>	<u>-</u>
Component units:									
Chautauqua County Industrial Development Agency	\$ 4,587,871	\$ 1,355,069	\$ 2,052,985	\$ -				(1,179,817)	-
Chautauqua County Land Bank Corporation	1,292,942	-	1,665,590	-				-	372,648
Total component units	<u>\$ 5,880,813</u>	<u>\$ 1,355,069</u>	<u>\$ 3,718,575</u>	<u>\$ -</u>				<u>(1,179,817)</u>	<u>372,648</u>
General revenues:									
Property taxes, levied for general purpose					58,882,412	-	58,882,412	-	-
Property tax items					4,515,121	-	4,515,121	-	-
Non-property tax items					66,571,722	-	66,571,722	-	-
Use of money and property					758,988	44,256	803,244	478,439	275
Miscellaneous					2,015,064	20,702	2,035,766	434,747	-
Sale of property and compensation for loss					370,125	-	370,125	-	-
Transfers					521,147	(521,147)	-	-	-
Total general revenue and transfers					<u>133,634,579</u>	<u>(456,189)</u>	<u>133,178,390</u>	<u>913,186</u>	<u>275</u>
Change in net position					(1,532,023)	(729,094)	(2,261,117)	(266,631)	372,923
Net position—beginning, as restated (see Note 2)					<u>159,526,269</u>	<u>37,142,588</u>	<u>196,668,857</u>	<u>13,539,766</u>	<u>292,716</u>
Net position—ending					<u>\$ 157,994,246</u>	<u>\$ 36,413,494</u>	<u>\$ 194,407,740</u>	<u>\$ 13,273,135</u>	<u>\$ 665,639</u>

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

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

	<u>General</u>	<u>County Road</u>	<u>Road Machinery</u>	<u>Capital Projects</u>	<u>CTASC</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash, cash equivalents and investments	\$ 15,514,636	\$ -	\$ 2,165,775	\$ -	\$ -	\$ 17,680,411
Restricted cash, cash equivalents and investments	19,247,066	-	-	4,782,006	141,832	24,170,904
Restricted investments	-	-	-	-	2,315,209	2,315,209
Receivables (net of allowances)						
Accounts receivable	3,571,664	97,088	55,763	-	-	3,724,515
Taxes receivable	17,462,018	-	-	-	-	17,462,018
Other receivables	5,854,243	-	-	115,068	-	5,969,311
Intergovernmental receivables	23,886,326	3,143,367	-	942,397	-	27,972,090
Due from other funds	1,136,805	-	-	-	-	1,136,805
Inventories	68,717	-	1,586,504	-	-	1,655,221
Prepaid items	1,886,595	167,769	22,991	-	-	2,077,355
Total assets	<u>\$ 88,628,070</u>	<u>\$ 3,408,224</u>	<u>\$ 3,831,033</u>	<u>\$ 5,839,471</u>	<u>\$ 2,457,041</u>	<u>\$ 104,163,839</u>
LIABILITIES						
Accounts payable	\$ 7,274,760	\$ 171,835	\$ 342,642	\$ 1,939,374	\$ -	\$ 9,728,611
Accrued liabilities	1,904,660	131,709	20,102	-	-	2,056,471
Due to other funds	-	934,043	-	-	-	934,043
Intergovernmental payables	14,973,168	-	-	-	-	14,973,168
Unearned revenue	10,918,005	-	-	-	-	10,918,005
Total liabilities	<u>35,070,593</u>	<u>1,237,587</u>	<u>362,744</u>	<u>1,939,374</u>	<u>-</u>	<u>38,610,298</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	9,977,154	-	-	-	-	9,977,154
Total deferred inflows of resources	<u>9,977,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,977,154</u>
FUND BALANCES						
Nonspendable	7,809,555	167,769	1,609,495	115,068	-	9,701,887
Restricted	8,329,061	-	-	3,105,205	2,457,041	13,891,307
Assigned	1,213,345	2,002,868	1,858,794	679,824	-	5,754,831
Unassigned	26,228,362	-	-	-	-	26,228,362
Total fund balances	<u>43,580,323</u>	<u>2,170,637</u>	<u>3,468,289</u>	<u>3,900,097</u>	<u>2,457,041</u>	<u>55,576,387</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 88,628,070</u>	<u>\$ 3,408,224</u>	<u>\$ 3,831,033</u>	<u>\$ 5,839,471</u>	<u>\$ 2,457,041</u>	<u>\$ 104,163,839</u>

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

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

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

Fund balances—total governmental funds (page 18)		\$ 55,576,387
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$373,513,952 and the accumulated depreciation is \$172,579,059.		200,934,893
Uncollected property taxes of \$9,977,154, of which \$1,135,597 have been reserved, are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		8,841,557
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.		1,023,187
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to		
employer contributions	\$ 5,836,485	
Deferred outflows of resources related to experience,		
changes of assumptions and investment earnings	31,969,097	
Deferred inflows related to pension plans	<u>(7,018,763)</u>	30,786,819
Internal service funds are used by the County to charge the costs of health insurance and workers' compensation to the individual funds. The assets and liabilities of the internal services funds are included in the governmental funds statement of net position.		(2,581,857)
Long-term receivable from Jamestown Community College is not reported as a fund receivable, but rather is recognized when the resources are available. The asset is reported in the statement of net position.		5,570,000
Deferred gains on refunding are not financial resources and, therefore are not reported as liabilities in governmental funds.		(3,614,618)
Retained percentages are not a current liability and, therefore, are not reported in the funds.		(87,716)
Net accrued interest for serial bonds is not reported in the funds.		(400,891)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Serial bonds	\$ (36,276,256)	
Premium on serial bonds	(379,319)	
CTASC bonds and accreted interest, net	(38,190,147)	
Compensated absences	(2,526,591)	
Other post-employment benefits obligation	(23,321,762)	
Long-term due to other governments	(400,000)	
Net pension liability	<u>(36,959,440)</u>	<u>(138,053,515)</u>
Net position of governmental activities		<u>\$ 157,994,246</u>

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

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

	General	County Road	Road Machinery	Capital Projects	CTASC	Total Governmental Funds
REVENUES						
Real property taxes	\$ 59,287,926	\$ -	\$ -	\$ -	\$ -	\$ 59,287,926
Real property tax items	4,515,121	-	-	-	-	4,515,121
Non property tax items	65,804,927	766,795	-	-	-	66,571,722
Departmental income	16,631,159	795	480	-	-	16,632,434
Intergovernmental charges	4,480,974	82,386	275,019	565,748	-	5,404,127
Licenses and permits	237,047	-	-	-	-	237,047
Fines and forfeitures	364,725	-	-	-	-	364,725
Use of money and property	3,679,995	214,444	46,231	-	70,932	4,011,602
Sale of property and compensation for loss	291,377	-	70,993	7,755	-	370,125
Miscellaneous	762,648	254,477	265,733	-	-	1,282,858
Tobacco settlement revenue	-	-	-	-	4,224,264	4,224,264
State aid	27,591,714	4,748,128	-	2,087,835	-	34,427,677
Federal aid	39,227,366	639,753	-	2,096,051	-	41,963,170
Total revenues	<u>222,874,979</u>	<u>6,706,778</u>	<u>658,456</u>	<u>4,757,389</u>	<u>4,295,196</u>	<u>239,292,798</u>
EXPENDITURES						
Current:						
General government support	47,078,625	-	-	-	81,184	47,159,809
Education	10,323,549	-	-	-	-	10,323,549
Public safety	29,452,672	-	-	-	-	29,452,672
Health	16,730,168	-	-	-	-	16,730,168
Transportation	3,681,615	18,330,073	3,045,023	-	-	25,056,711
Economic assistance and opportunity	92,787,351	-	-	-	-	92,787,351
Culture and recreation	492,780	-	-	-	-	492,780
Home and community services	1,238,533	-	-	-	-	1,238,533
Debt service:						
Principal	1,814,317	-	20,000	-	2,485,000	4,319,317
Interest and fiscal charges	1,133,372	-	1,148	-	1,784,356	2,918,876
Capital outlay	-	-	-	8,641,329	-	8,641,329
Total expenditures	<u>204,732,982</u>	<u>18,330,073</u>	<u>3,066,171</u>	<u>8,641,329</u>	<u>4,350,540</u>	<u>239,121,095</u>
Excess (deficiency) of revenues over expenditures	<u>18,141,997</u>	<u>(11,623,295)</u>	<u>(2,407,715)</u>	<u>(3,883,940)</u>	<u>(55,344)</u>	<u>171,703</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	521,147	12,195,600	2,363,296	1,258,104	-	16,338,147
Transfers out	(15,584,890)	(232,110)	-	-	-	(15,817,000)
Serial bonds issued	-	-	-	3,047,256	-	3,047,256
Refunding bond issued	3,500,000	-	-	-	-	3,500,000
Payments to advance refunded bond escrow agent	(3,833,266)	-	-	-	-	(3,833,266)
Premium on refunding bond issuance	395,811	-	-	-	-	395,811
Total other financing sources (uses)	<u>(15,001,198)</u>	<u>11,963,490</u>	<u>2,363,296</u>	<u>4,305,360</u>	<u>-</u>	<u>3,630,948</u>
Net change in fund balances	3,140,799	340,195	(44,419)	421,420	(55,344)	3,802,651
Fund balances—beginning, as restated (See Note 2)	40,439,524	1,830,442	3,512,708	3,478,677	2,512,385	51,773,736
Fund balances—ending	<u>\$ 43,580,323</u>	<u>\$ 2,170,637</u>	<u>\$ 3,468,289</u>	<u>\$ 3,900,097</u>	<u>\$ 2,457,041</u>	<u>\$ 55,576,387</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—
Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2016

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

Net change in fund balances—total governmental funds (page 20) \$ 3,802,651

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, net of disposals, exceeded depreciation in the current period.

Capital asset additions and transfers	\$ 16,021,532	
Net book value of disposed capital assets	(31,428)	
Depreciation expense	<u>(13,108,060)</u>	2,882,044

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

Change in unavailable tax revenue	\$ (405,514)	
Change in long-term receivable	<u>(265,000)</u>	(670,514)

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

Direct pension contributions	\$ (228,919)	
Cost of benefits earned net of employee contributions	<u>(4,382,528)</u>	(4,611,447)

Internal services funds are used by management to charge the costs of health insurance and workers' compensation. The net loss of the internal service funds of \$653,565 is reported within governmental activities. (653,565)

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. 336,899

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 21,992

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

Serial bonds issued	\$ (3,047,256)	
Refunding bond issued	(3,500,000)	
Payments to advance refunded bond escrow agent	3,470,000	
Premium on refunding bond issuance	(395,811)	
Principal payments on serial bonds	1,834,317	
Amortization of bond premium	16,492	
Payment on CTASC bond	2,485,000	
Accreted interest of CTASC bond	(484,370)	
Amortization of bond discount on CTASC bond	(21,970)	
Amortization of deferred gain on CTASC bond	177,068	
Change in compensated absences	(251,060)	
Change in other post-employment benefits plan	(2,701,338)	
Change in long-term due to other governments	(400,000)	
Amortization of deferred financing cost	<u>178,845</u>	<u>(2,640,083)</u>

Change in net position of governmental activities \$ (1,532,023)

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

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

	Business-type Activities Enterprise Funds				Total	Governmental Activities—
	Sewer Districts	Water Districts	Landfill	Electric Plant		Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,062,362	\$ 75,598	\$ 21,905,092	\$ 2,504,353	\$ 28,547,405	\$ 6,437,589
Receivables (net of allowances)	1,241,072	14,434	562,087	327,094	2,144,687	5,969
Intergovernmental receivables	-	-	13,746	-	13,746	7,430,879
Prepaid items	36,722	-	78,745	-	115,467	168,067
Total current assets	<u>5,340,156</u>	<u>90,032</u>	<u>22,559,670</u>	<u>2,831,447</u>	<u>30,821,305</u>	<u>14,042,504</u>
Noncurrent assets:						
Capital assets, not being depreciated	39,214	133,031	2,249,321	-	2,421,566	-
Capital assets, being depreciated (net of accumulated amortization/depletion)	23,190,590	196,444	7,083,418	12,057,452	42,527,904	-
Total noncurrent assets	<u>23,229,804</u>	<u>329,475</u>	<u>9,332,739</u>	<u>12,057,452</u>	<u>44,949,470</u>	<u>-</u>
Total assets	<u>28,569,960</u>	<u>419,507</u>	<u>31,892,409</u>	<u>14,888,899</u>	<u>75,770,775</u>	<u>14,042,504</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding debt	-	-	-	712,174	712,174	-
Deferred outflows of resources—pensions	712,861	-	1,529,846	-	2,242,707	-
Total deferred outflows of resources	<u>712,861</u>	<u>-</u>	<u>1,529,846</u>	<u>712,174</u>	<u>2,954,881</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	284,057	144	134,082	-	418,283	413,272
Contract retainage	15,936	-	-	-	15,936	-
Accrued expenses	64,792	134	67,060	163,970	295,956	35,535
Due to other funds	-	-	-	-	-	202,762
Total current liabilities	<u>364,785</u>	<u>278</u>	<u>201,142</u>	<u>163,970</u>	<u>730,175</u>	<u>651,569</u>
Noncurrent liabilities:						
Due within one year:						
Compensated absences	58,561	-	118,419	-	176,980	-
Serial bonds and notes payable—current	47,390	12,000	345,000	602,321	1,006,711	-
Due in more than one year:						
Serial bonds and notes payable	824,987	-	360,000	10,992,541	12,177,528	-
Landfill closure and post-closure	-	-	23,015,098	-	23,015,098	-
Workers' compensation liability	146,870	524	469,944	-	617,338	15,972,792
Net OPEB obligation	444,396	-	1,535,060	-	1,979,456	-
Net pension liability	696,905	-	1,495,604	-	2,192,509	-
Total noncurrent liabilities	<u>2,219,109</u>	<u>12,524</u>	<u>27,339,125</u>	<u>11,594,862</u>	<u>41,165,620</u>	<u>15,972,792</u>
Total liabilities	<u>2,583,894</u>	<u>12,802</u>	<u>27,540,267</u>	<u>11,758,832</u>	<u>41,895,795</u>	<u>16,624,361</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources—pensions	132,345	-	284,022	-	416,367	-
Total inflows outflows of resources	<u>132,345</u>	<u>-</u>	<u>284,022</u>	<u>-</u>	<u>416,367</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	22,357,427	317,475	8,627,739	1,174,764	32,477,405	-
Unrestricted	4,209,155	89,230	(3,029,773)	2,667,477	3,936,089	(2,581,857)
Total net position	<u>\$ 26,566,582</u>	<u>\$ 406,705</u>	<u>\$ 5,597,966</u>	<u>\$ 3,842,241</u>	<u>\$ 36,413,494</u>	<u>\$ (2,581,857)</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2016

	Business-type Activities Enterprise Funds				Total	Governmental Activities—
	Sewer Districts	Water Districts	Landfill	Electric Plant		Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 4,062,595	\$ 65,391	\$ 7,508,586	\$ 2,714,695	\$ 14,351,267	\$ 22,494,269
Total operating revenues	<u>4,062,595</u>	<u>65,391</u>	<u>7,508,586</u>	<u>2,714,695</u>	<u>14,351,267</u>	<u>22,494,269</u>
OPERATING EXPENSES						
Personal services	1,020,525	3,001	2,154,425	-	3,177,951	-
Contractual services	1,628,942	16,201	1,363,573	1,344,926	4,353,642	-
Fringe benefits	772,372	432	1,642,246	-	2,415,050	-
Depreciation	1,313,222	34,652	1,768,566	654,816	3,771,256	-
Landfill closure and post closure expense	-	-	630,661	-	630,661	-
Insurance claims and expenses	-	-	-	-	-	23,965,517
Total operating expenses	<u>4,735,061</u>	<u>54,286</u>	<u>7,559,471</u>	<u>1,999,742</u>	<u>14,348,560</u>	<u>23,965,517</u>
Operating income (loss)	<u>(672,466)</u>	<u>11,105</u>	<u>(50,885)</u>	<u>714,953</u>	<u>2,707</u>	<u>(1,471,248)</u>
NONOPERATING REVENUES (EXPENSES)						
State sources	-	-	13,401	-	13,401	-
Interest income (expense)	(10,875)	134	54,997	(289,013)	(244,757)	37,534
Other miscellaneous revenue (expense)	23,525	-	(2,823)	-	20,702	780,149
Total nonoperating revenues (expenses)	<u>12,650</u>	<u>134</u>	<u>65,575</u>	<u>(289,013)</u>	<u>(210,654)</u>	<u>817,683</u>
Transfers out	-	-	(95,207)	(425,940)	(521,147)	-
Change in net position	(659,816)	11,239	(80,517)	-	(729,094)	(653,565)
Total net position—beginning	<u>27,226,398</u>	<u>395,466</u>	<u>5,678,483</u>	<u>3,842,241</u>	<u>37,142,588</u>	<u>(1,928,292)</u>
Total net position—ending	<u>\$ 26,566,582</u>	<u>\$ 406,705</u>	<u>\$ 5,597,966</u>	<u>\$ 3,842,241</u>	<u>\$ 36,413,494</u>	<u>\$ (2,581,857)</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2016

	Business-type Activities				Total	Governmental
	Enterprise Funds					Activities—
	Sewer Districts	Water Districts	Landfill	Electric Plant		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from services provided	\$4,100,309	\$ 64,642	\$ 7,531,852	\$2,566,561	\$ 14,263,364	\$ 24,137,336
Payments to suppliers and service providers	(1,862,982)	(16,364)	(1,432,201)	(1,381,357)	(4,692,904)	(24,505,036)
Payments to employees for salaries and benefits	(1,619,685)	(3,361)	(3,452,616)	-	(5,075,662)	-
Net cash provided by (used for) operating activities	<u>617,642</u>	<u>44,917</u>	<u>2,647,035</u>	<u>1,185,204</u>	<u>4,494,798</u>	<u>(367,700)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances from other funds	-	-	-	-	-	73,398
Transfers to other funds	-	-	(95,207)	(425,940)	(521,147)	-
Other income	23,525	984	10,578	-	35,087	780,149
Net cash provided by (used for) noncapital financing activities	<u>23,525</u>	<u>984</u>	<u>(84,629)</u>	<u>(425,940)</u>	<u>(486,060)</u>	<u>853,547</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest expense	(32,152)	(850)	(12,582)	(1,006,206)	(1,051,790)	-
Acquisition and construction of capital assets	(273,413)	(133,031)	(756,170)	-	(1,162,614)	-
Payments to advance refunded bond escrow agent	-	-	-	(7,140,000)	(7,140,000)	-
Refunding bond issued	-	-	-	7,160,000	7,160,000	-
Premium on refunding bond issuance	-	-	-	775,977	775,977	-
Principal payments on serial bonds	(50,400)	(12,000)	(335,000)	(655,484)	(1,052,884)	-
Principal payments on notes payable	(45,698)	-	-	-	(45,698)	-
Net cash (used for) capital and related financial activities	<u>(401,663)</u>	<u>(145,881)</u>	<u>(1,103,752)</u>	<u>(865,713)</u>	<u>(2,517,009)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	21,277	-	67,579	5,019	93,875	37,534
Net cash provided by investing activities	<u>21,277</u>	<u>-</u>	<u>67,579</u>	<u>5,019</u>	<u>93,875</u>	<u>37,534</u>
Net increase (decrease) in cash and cash equivalents	260,781	(99,980)	1,526,233	(101,430)	1,585,604	523,381
Cash and cash equivalents—beginning	3,801,581	175,578	20,378,859	2,605,783	26,961,801	5,914,208
Cash and cash equivalents—ending	<u>\$4,062,362</u>	<u>\$ 75,598</u>	<u>\$21,905,092</u>	<u>\$2,504,353</u>	<u>\$ 28,547,405</u>	<u>\$ 6,437,589</u>

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2016

	Business-type Activities				(concluded)	
	Enterprise Funds				Governmental	
	Sewer Districts	Water Districts	Landfill	Electric Plant	Total	Activities— Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	\$ (672,466)	\$ 11,105	\$ (50,885)	\$ 714,953	\$ 2,707	\$ (1,471,248)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation, landfill closure and post-closure	1,313,222	34,652	2,399,227	654,816	4,401,917	-
(Increase) decrease in accounts receivable	37,714	(749)	7,446	(148,134)	(103,723)	(5,734)
Decrease in intergovernmental receivables	-	-	15,820	-	15,820	1,648,801
(Increase) decrease in prepaid assets	3,013	-	10,325	-	13,338	(16,900)
(Increase) in deferred outflows of resources—pensions	(566,529)	-	(1,201,829)	-	(1,768,358)	-
Increase (decrease) in accounts payable	(240,973)	(122)	(94,210)	-	(335,305)	91,147
Increase (decrease) in accrued workers' compensation	17,986	72	(7,288)	-	10,770	-
Increase in compensated absences liability	10,912	-	15,184	-	26,096	-
Increase in other post employment benefits	57,456	-	152,573	-	210,029	-
Increase (decrease) in other accrued expenses	3,920	(41)	15,257	(36,431)	(17,295)	(613,766)
Increase in deferred inflows of resources—pensions	110,118	-	234,199	-	344,317	-
Increase in net pension liability	543,269	-	1,151,216	-	1,694,485	-
Total adjustments	<u>1,290,108</u>	<u>33,812</u>	<u>2,697,920</u>	<u>470,251</u>	<u>4,492,091</u>	<u>1,103,548</u>
Net cash provided by (used for) operating activities	<u>\$ 617,642</u>	<u>\$ 44,917</u>	<u>\$ 2,647,035</u>	<u>\$ 1,185,204</u>	<u>\$ 4,494,798</u>	<u>\$ (367,700)</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Fiduciary Net Position—Fiduciary Fund
December 31, 2016

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 2,568,412
Cash held in escrow for County Home	3,302,603
Accounts receivable	<u>123,798</u>
Total assets	<u>\$ 5,994,813</u>
LIABILITIES	
Agency liabilities	\$ 2,692,210
Held in escrow for County Home:	
General liabilities	75,600
Workers' compensation	1,939,870
Net OPEB obligation	<u>1,287,133</u>
Total liabilities	<u>\$ 5,994,813</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County of Chautauqua, New York (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing government accounting and financial reporting principles. The more significant of the County's accounting principles are described below.

Description of Government-Wide Financial Statements

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

Reporting Entity

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

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

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

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

Discretely Presented Component Units—The component unit columns in the basic financial statements include the financial data of the County's discretely presented component units. These units are reported in separate columns to emphasize that they are legally separate from the County.

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

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

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

Roberts Road Development Corporation—The Roberts Road Development Corporation (the "Corporation") was created pursuant to Section 1411 of the Not-For-Profit Corporation Law on March 19, 2009 to assist in the development of the former Roblin Steel, Edgewood, and Alumax properties located along Roberts Road in Chautauqua County. The Corporation is excluded from the financial reporting entity due to a lack of activity for the year ended December 31, 2016. Had the Corporation had activity, it would be a discretely presented component unit because the County can appoint the voting and non-voting members to the Board of Directors.

Blended Component 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.

Chautauqua Tobacco Asset Securitization Corporation—The Chautauqua Tobacco Asset Securitization Corporation ("CTASC") is a special purpose, bankruptcy remote, local development corporation incorporated under the provisions of Section 1411 of the New York State Not-for-Profit Corporation Law and is an instrumentality of, but separate and apart from the County. Although legally separate and independent of the County, CTASC is considered an affiliated organization under GASB and, therefore, is reported as a blended component unit of

the County. The CTASC annual financial report can be obtained by writing the Chautauqua Tobacco Asset Securitization Corporation, 3 North Erie Street, Mayville, New York 14757.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the County has three discretely presented component units. While neither the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation, nor the Roberts Road Development Corporation are considered to be major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

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

Basis of Presentation—Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

- *Sewer*—The Sewer Fund is comprised of three County sewer districts and is used to account for the operating activities of the County sewer districts.
- *Water*—The Water Fund is comprised of two County water districts and is used to account for the operating activities of the County water district.
- *Landfill*—The Landfill Fund is used to account for the operating activities of the County landfill including transfer stations.
- *Electric Plant*—The Electric Plant Fund is used to account for the operating activities of the County electric generation plant at the County landfill.

Additionally, the County reports the following fund types:

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

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

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

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2016, the County reported unearned revenues within the General Fund of \$10,918,005, the majority of which represent grant funds received in advance of eligibility criteria being met.

Capital Assets—Capital assets include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or contracted. Donated capital assets are recorded at their estimated fair market value at the date of donation.

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

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

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

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

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

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

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

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

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

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

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

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

Revenues and Expenditures/Expenses

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

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

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

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

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

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable that represents taxes re-levied for school (\$6,143,542) and the portion that represents taxes re-levied for the Cities and Villages (\$572,524) are recognized as liabilities that are included in intergovernmental payables. Also, \$9,977,154 of the receivable that is not considered available under the modified accrual basis of accounting, i.e. will not be collected within sixty days, is recorded as a deferred inflow of resources, net of a \$1,135,597 allowance.

Tax rates are calculated using assessments prepared by individual town and city assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessment value of real property in the tax levy of 2016 is approximately \$6.977 billion. The effective tax rate on this value is approximately \$8.55 per thousand. The statutory minimum tax rate is 1.5% of the 5-year average of the equalized assessment. The 2016 levy represents approximately 55.74% of the maximum statutory levy.

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

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

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

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

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

Other

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

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

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

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

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

2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 74, 75, 80, 81, 82, 83, 84, 85, 86 and 87 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Deficit Net Position—At December 31, 2016, the County had a deficit net position of \$2,504,450 in the Workers' Compensation Fund within the Internal Service Funds. This deficit is the result of year end case reserves and reserves for incurred but not reported claims that are related to the County's general operations, which are primarily long-term in nature.

At December 31, 2016 the County had a deficit net position of \$77,407 in the Health Insurance Fund within the Internal Service Funds. This deficit was caused by unanticipated increases in health care expenses. The County now utilizes a fully insured health insurance product and intends to eliminate this deficit through an increase in health insurance rates.

The combined deficit within the Internal Service Funds totaling \$2,581,857 will be remedied through future charges to the operating funds and the enterprise funds. The Worker's Compensation Fund charges the general operations of the County for actual claims paid on a pay as you go basis.

Legal Compliance—Budgets

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

- Not later than July 1st of each year, the Budget Director must furnish department heads with the appropriate budget forms for estimation of revenues and expenditures for the ensuing fiscal year.
- Not later than August 1st, the department heads must file their completed budget requests with the Budget Director.
- The Budget Director then reviews and investigates all budget requests. The Budget Director may recommend in whole or in part the estimates as deemed appropriate. On or before September 15th, the Budget Director must submit a tentative budget to the County Executive.
- The County Executive must then formulate a tentative budget and submit such to the Clerk of the Legislature by September 25th.
- Public hearings are held. The Legislature must then take action on the budget within six calendar days following the public hearing. If the is budget passed and does not contain changes from the County Executive's tentative budget such budget is adopted; however, if the budget passed contains any changes it must be returned to the County Executive on the seventh day after the public hearing for his examination and consideration.
- If the County Executive does not object to the changes made, the Legislative passed budget becomes adopted. If the County Executive objects to any of the changes made, he must file such objections with the Clerk of the Legislature within ten days. The Legislature may, with a two-thirds vote, uphold the County Executive's objections; otherwise, the Legislative passed budget without such objected changes becomes the adopted budget.

2. RESTATEMENT TO FUND BALANCE AND NET POSITION

During the year ended December 31, 2016, the County has determined that certain expenditures recorded in the General Fund should have been recorded in the Capital Projects Fund in prior years. The County has also reviewed its construction-in-progress and depreciable capital assets balances and has determined that in total, the prior year balances were overstated. The effects of these adjustments are shown as a restatement below.

In addition, the Chautauqua Tobacco Asset Securitization Corporation determined that investments and related accrued interest had been treated incorrectly in prior years. The effect of this restatement is shown below.

Fund balance and net position as of December 31, 2015 has been restated as follows:

	General Fund	Capital Projects Fund
Fund balance, December 31, 2015—as previously reported	\$ 39,923,560	\$ 3,994,641
Expenditure reclassification	<u>515,964</u>	<u>(515,964)</u>
Fund balance, December 31, 2015—as restated	<u>\$ 40,439,524</u>	<u>\$ 3,478,677</u>
		Primary Government
		Governmental Activities Net Position
Net position, December 31, 2015—as previously reported	\$ 174,347,993	
Construction-in-progress and capital assets adjustment	(14,686,155)	
CTASC investments and accrued interest	<u>(135,569)</u>	
Net position, December 31, 2015—as restated	<u>\$ 159,526,269</u>	

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

The total cash, cash equivalents and investments (including amounts restricted) reported by the primary government of the County at December 31, 2016 is presented below:

Governmental Funds	\$ 44,166,524
Enterprise Funds	28,547,405
Internal Service Funds	6,437,589
Agency Fund	<u>5,871,015</u>
Total	<u>\$ 85,022,533</u>

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

Petty cash	\$ 9,893
Petty cash held by financial institutions	4,057
Cash held by financial institutions	21,569,820
Cash equivalents held by financial institutions	14,909,700
Investments	<u>48,529,063</u>
Total	<u>\$ 85,022,533</u>

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

	<u>December 31, 2016</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
FDIC insured	\$ 1,692,311	\$ 1,714,839
Uninsured:		
Collateral held by pledging bank's agent in County's name	<u>37,064,103</u>	<u>34,768,738</u>
Total	<u>\$ 38,756,414</u>	<u>\$ 36,483,577</u>

Cash equivalents—Cash equivalents include money market funds with a maturity date within three months of year end, and are, therefore considered to be cash equivalents at December 31, 2016. These cash equivalents are carried at fair value as displayed below:

	<u>December 31, 2016</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
County money market funds	\$ 14,875,055	\$ 14,875,055
CTASC money market funds	<u>34,645</u>	<u>34,645</u>
Total	<u>\$ 14,909,700</u>	<u>\$ 14,909,700</u>

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

Restricted cash, cash equivalents and investments—Total governmental funds restricted cash, cash equivalents and investments of \$24,170,904, of which \$141,832 represents amounts restricted for CTASC, \$10,918,005 represents unearned revenue, \$4,782,006 for capital projects and \$8,329,061 supports restricted fund balance. These deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County.

Chautauqua County Industrial Development Agency

Deposits for the Agency totaled \$1,266,568 and were fully collateralized or insured at December 31, 2016.

Land Bank Corporation

Deposits for the Land Bank totaled \$453,124 and were fully collateralized or insured at December 31, 2016.

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.

Investments at December 31, 2016 are as follows:

	12/31/16	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Savings, CDs and time deposits	\$ 254,955	\$ 254,955	\$ -	\$ -
U.S. Government Agencies	36,537,343	36,537,343	-	-
Corporate and foreign bonds	992,633	992,633	-	-
Municipal bonds	10,744,132	10,744,132	-	-
Total	\$ 48,529,063	\$ 48,529,063	\$ -	\$ -

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

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

4. RECEIVABLES

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

Accounts Receivable—Represent amounts due from various sources. The County’s accounts receivable at December 31, 2016 are shown below:

Governmental Funds:	
General Fund	\$ 3,571,664
County Road Fund	97,088
Road Machinery Fund	<u>55,763</u>
Total Governmental Funds	<u>\$ 3,724,515</u>
Enterprise Funds:	
Sewer Fund	\$ 1,241,072
Water Fund	14,434
Landfill Fund	562,087
Electric Fund	<u>327,094</u>
Total Enterprise Funds	<u>\$ 2,144,687</u>
Internal Service Funds:	
Health Insurance Fund	<u>\$ 5,969</u>
Total Internal Service Funds	<u>\$ 5,969</u>
Agency Fund	<u>\$ 123,798</u>

Taxes Receivable—Represents amounts due to the County for property taxes, property tax items and non-property tax items of \$17,762,018. These amounts are reported net of an allowance for uncollectible taxes of \$300,000.

Other Receivables—Represent loans due from various entities including the Chautauqua County Industrial Development Agency, North Chautauqua Lake Sewer District and Portland, Pomfret, Dunkirk Sewer District. Such loan balances are included in nonspendable fund balance because they represent net current financial resources that cannot be spent. The total amount of other receivables at December 31, 2016 is as follows:

General Fund	\$ 5,854,243
Capital Projects Fund	<u>115,068</u>
Total governmental funds	<u>\$ 5,969,311</u>

Intergovernmental Receivables—State and federal receivables primarily represent claims for reimbursement for expenditures in administering various mental health and social service programs. They are net of related advances from New York State. State and federal receivables also include reimbursable amounts for construction expenditures made through the Capital Projects Fund. Other government receivables primarily represent amounts due from local governments within the County relating to their respective share of workers' compensation liabilities. The total amounts accrued from other governments at December 31, 2016 are as follows:

Governmental Funds:	
General Fund	\$ 23,886,326
County Road Fund	3,143,367
Capital Projects Fund	<u>942,397</u>
Total Governmental Funds	<u>\$ 27,972,090</u>
Enterprise Funds:	
Landfill Fund	<u>\$ 13,746</u>
Total Enterprise Funds	<u>\$ 13,746</u>
Internal Service Funds:	
Workers' Compensation Fund	<u>\$ 7,430,879</u>
Total Internal Service Funds	<u>\$ 7,430,879</u>

Chautauqua County Industrial Development Agency

Accounts Receivable—As of December 31, 2016, the Agency had an outstanding balance in accounts receivable of \$217,175 net of an allowance for uncollectible receivables of \$37,500. The majority of the balance consists of fees related to the Ball Hill Wind Farm, as well as amounts related to tenants' rent receivable.

Other receivables—Other receivables represent various notes receivable, in the total amount of \$11,315,748 outstanding at December 31, 2016.

Mortgage receivable—Represents various mortgages receivable outstanding. At December 31, 2016, the Agency's mortgage receivable balance was \$1,476,727.

5. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government’s governmental activities for the year ended December 31, 2016 was as follows:

	Balance 1/1/2016 (as restated)	Increases	Decreases	Balance 12/31/2016
Capital assets not being depreciated:				
Land	\$ 748,464	\$ -	\$ -	\$ 748,464
Construction in progress	<u>24,503,940</u>	<u>8,254,756</u>	<u>(7,757,073)</u>	<u>25,001,623</u>
Total capital assets, not being depreciated	<u>25,252,404</u>	<u>8,254,756</u>	<u>(7,757,073)</u>	<u>25,750,087</u>
Capital assets being depreciated:				
Infrastructure	207,053,924	7,527,107	-	214,581,031
Buildings and building improvements	83,232,848	5,020,403	-	88,253,251
Machinery and equipment	25,715,035	2,087,414	-	27,802,449
Vehicles	<u>17,135,495</u>	<u>888,925</u>	<u>(897,286)</u>	<u>17,127,134</u>
Total capital assets, being depreciated	<u>333,137,302</u>	<u>15,523,849</u>	<u>(897,286)</u>	<u>347,763,865</u>
Less accumulated depreciation:				
Infrastructure	92,032,465	7,537,309	-	99,569,774
Buildings and building improvements	32,291,834	2,985,692	-	35,277,526
Machinery and equipment	22,410,745	1,218,818	-	23,629,563
Vehicles	<u>13,601,813</u>	<u>1,366,241</u>	<u>(865,858)</u>	<u>14,102,196</u>
Total accumulated depreciation	<u>160,336,857</u>	<u>13,108,060</u>	<u>(865,858)</u>	<u>172,579,059</u>
Total capital assets, being depreciated, net	<u>172,800,445</u>	<u>2,415,789</u>	<u>(31,428)</u>	<u>175,184,806</u>
Governmental activities capital assets, net	<u>\$ 198,052,849</u>	<u>\$ 10,670,545</u>	<u>\$ (7,788,501)</u>	<u>\$ 200,934,893</u>

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

Governmental activities:	
General government support	\$ 1,896,247
Public safety	1,629,958
Health	36,421
Transportation	9,420,401
Economic assistance and opportunity	103,167
Culture and recreation	15,480
Home and community services	<u>6,386</u>
Total governmental activities depreciation expense	<u>\$ 13,108,060</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities for the fiscal year ending December 31, 2016 is presented below:

	Balance 1/1/2016	Increases and Reclassifications	Decreases and Reclassifications	Balance 12/31/2016
Capital assets, not being depreciated:				
Construction in progress	\$ 2,476,268	\$ 453,848	\$ (508,550)	\$ 2,421,566
Total capital assets, not being depreciated	<u>2,476,268</u>	<u>453,848</u>	<u>(508,550)</u>	<u>2,421,566</u>
Capital assets, being depreciated or depleted				
Infrastructure	49,669,948	34,000	-	49,703,948
Buildings and building improvements	15,101,449	-	-	15,101,449
Machinery and equipment	25,455,591	1,013,754	(78,750)	26,390,595
Vehicles	2,880,889	128,332	(47,440)	2,961,781
Landfill	40,386,386	41,230	-	40,427,616
Water treatment facility	1,432,431	-	-	1,432,431
Total capital assets, being depreciated	<u>134,926,694</u>	<u>1,217,316</u>	<u>(126,190)</u>	<u>136,017,820</u>
Less accumulated depreciation or depletion for:				
Infrastructure	27,434,345	789,111	-	28,223,456
Buildings and building improvements	9,397,669	399,011	-	9,796,680
Machinery and equipment	14,861,118	1,305,823	(78,750)	16,088,191
Vehicles	2,155,551	272,760	(47,440)	2,380,871
Landfill	34,794,832	969,899	-	35,764,731
Water treatment facility	1,201,335	34,652	-	1,235,987
Total accumulated depreciation or depletion	<u>89,844,850</u>	<u>3,771,256</u>	<u>(126,190)</u>	<u>93,489,916</u>
Total capital assets, being depreciated, net	<u>45,081,844</u>	<u>(2,553,940)</u>	<u>-</u>	<u>42,527,904</u>
Business-type activities capital assets, net	<u>\$ 47,558,112</u>	<u>\$ (2,100,092)</u>	<u>\$ (508,550)</u>	<u>\$ 44,949,470</u>

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

Business-type activities:	
Sewer	1,313,222
Water	34,652
Landfill	1,768,566
Electric Plant	654,816
Total business-type activities depreciation expense	<u>\$ 3,771,256</u>

Chautauqua County Industrial Development Agency

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

	Balance <u>12/31/2016</u>
Buildings and building improvements	\$ 7,336,542
Furniture and equipment	<u>127,798</u>
Total capital assets	7,464,340
Less: accumulated depreciation	<u>(3,601,322)</u>
Total capital assets, net	<u>\$ 3,863,018</u>

6. ACCRUED LIABILITIES

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

	General Fund	County Road Fund	Road Machinery Fund	Total Governmental Funds
Salary and employee benefits	\$ 1,898,105	\$ 131,709	\$ 20,102	\$ 2,049,916
Other	<u>6,555</u>	<u>-</u>	<u>-</u>	<u>6,555</u>
Total accrued liabilities	<u>\$ 1,904,660</u>	<u>\$ 131,709</u>	<u>\$ 20,102</u>	<u>\$ 2,056,471</u>

7. PENSION OBLIGATIONS

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

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

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

	Governmental Activites	Business-type Activites
	ERS	
Measurement date	March 31, 2016	March 31, 2016
Net pension liability	\$ 36,959,440	\$ 2,192,509
County's portion of the Plan's total net pension liability	0.2302752%	0.0136579%

For the year ended December 31, 2016, the County recognized pension expenses of \$12,470,597 and \$739,781 for ERS for governmental activities and business-type activities, respectively. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
	ERS			
Differences between expected and actual experiences	\$ 186,764	\$ 11,080	\$ 4,380,925	\$ 259,885
Changes of assumptions	9,855,967	584,677		
Net difference between projected and actual earnings on pension plan investments	21,926,366	1,300,717	-	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	-	2,637,838	156,482
County contributions subsequent to the measurement date	5,836,485	346,233	-	-
Total	<u>\$ 37,805,582</u>	<u>\$ 2,242,707</u>	<u>\$ 7,018,763</u>	<u>\$ 416,367</u>

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

<u>Year Ending December 31,</u>	Governmental	Business-type
	Activities	Activities
	<u>ERS</u>	
2017	\$ 6,264,080	\$ 371,530
2018	6,264,080	371,530
2019	6,264,080	371,530
2020	6,158,094	365,517

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

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

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

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

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

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 83,341,706	\$ 36,959,440	\$ (2,230,894)
Business-type Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 4,943,093	\$ 2,192,509	\$ (132,317)

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

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

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

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

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

Contribution requirements of the Retiree Health Plan members and the County are also established and may be amended through negotiations between the County and the bargaining units. The contribution is based on pay-as-you-go financing requirements. For the year ended December 31, 2016, the County contributed \$3,185,573 to the Retiree Health Plan.

The County’s annual other postemployment benefit (“OPEB”) cost is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters set forth by GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The table on the following page shows the components of the

County's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the County's net OPEB obligation to the Retiree Health Plan.

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

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

As of January 1, 2016, the most recent interim actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$52,936,691.

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

The County's schedule of contributions is shown below:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage Contributed
2016	\$ 5,627,277	\$ 3,185,573	56.6%
2015	5,421,275	3,168,541	58.4%
2014	5,719,600	3,354,339	58.6%

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

In the January 1, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date and measurement date of January 1, 2015. The RPH-2014 Headcount Weight Mortality Table is used for mortality rates for actives and retirees. The valuation uses a discount rate of 4.0%. The rates of decrement due to turnover and retirement are based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation. The Retiree Health Plan's unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over thirty years using a level dollar open amortization method.

9. RISK MANAGEMENT

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

The County assumes the liability for most risk including, but not limited to, dental and vision claims for employees, workers' compensation, property damage, and personal injury liability. The County has purchased insurance for bodily injury, property damage, employee liability and personal injury liability with a deductible of \$100,000. It has also purchased, on a replacement cost basis, coverage on business and business personal property with a deductible of \$25,000. The County also carries automobile bodily injury and property damage liability coverage with a \$25,000 deductible. Upper limits are extended via an excess umbrella policy to \$20,000,000. The County has purchased a Workers' Compensation Excess Policy to cover claims in excess of \$1,500,000. During the current year the County obtained an actuarial study of its workers' compensation claims. The liability totaling \$18,530,000 in the Workers' Compensation Fund, Enterprise Funds, and in escrow in the Agency Fund reflects the results of this study. The Workers' Compensation Fund has recorded a receivable from other governments totaling \$7,430,879 representing those other governments' respective share of the aforementioned liability. The remaining liability has been allocated between the Enterprise Funds, the Workers' Compensation Fund and is held in escrow in the agency fund on behalf of the County Home. The County has had no claims in excess of its coverage in the last three fiscal years.

Changes in the reported workers' compensation liability since January 1, 2015 are summarized as follows:

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2016	\$ 20,270,000	\$ 3,295,006	\$ 5,035,006	\$ 18,530,000
2015	20,470,000	4,651,807	4,851,807	20,270,000

10. LEASE OBLIGATIONS

The County leases certain property and equipment. Leased property having elements of ownership is recorded in the government-wide financial statements as a capital lease. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the lease, is also recorded in the government-wide financial statements. The County had no capital leases outstanding at December 31, 2016. Other leased property, not having elements of ownership, is classified as operating leases. Both capital and operating lease payments are recorded as expenditures when payable in the fund financial statements. Total expenditures on operating leases for the fiscal year ended December 31, 2016 were approximately \$954,303.

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

December 31,	Operating Leases
2017	\$ 656,260
2018	536,917
2019	508,843
2020	495,794
2021	489,794
2022 and beyond	582,344
Future minimum payments	<u>\$ 3,269,952</u>

11. LONG-TERM LIABILITIES

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

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

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

During the year ended December 31, 2014, the County Home transferred its remaining long-term liabilities and assets used to liquidate these liabilities to the County's Agency Fund. At December 31, 2016, certain items continue to be held in escrow in the Agency Fund.

A summary of the County's long-term debt at December 31, 2016 follows:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Governmental activities:					
Serial bonds	\$ 35,033,317	\$ 6,547,256	\$ (5,304,317)	\$ 36,276,256	\$ 1,879,000
Premium on serial bonds	-	395,811	(16,492)	379,319	28,272
CTASC bonds and accreted interest, net	40,168,807	484,370	(2,463,030)	38,190,147	350,000
Compensated absences	2,275,531	4,071,702	(3,820,642)	2,526,591	2,526,591
Workers' compensation	16,545,611	3,276,948	(3,849,767)	15,972,792	-
OPEB obligation	20,620,424	5,310,160	(2,608,822)	23,321,762	-
Long-term due to other governments	-	400,000	-	400,000	40,000
Net pension liability*	8,122,268	28,837,172	-	36,959,440	-
Total governmental activities	<u>\$ 122,765,958</u>	<u>\$ 49,323,419</u>	<u>\$ (18,063,070)</u>	<u>\$ 154,026,307</u>	<u>\$ 4,823,863</u>
Business-type activities:					
Serial bonds	\$ 12,568,769	\$ 7,160,000	\$ (8,192,884)	\$ 11,535,885	\$ 901,484
Premium on serial bonds	-	809,715	(33,738)	775,977	57,837
Notes payable	918,075	-	(45,698)	872,377	47,390
Compensated absences	150,884	269,070	(242,974)	176,980	176,980
Landfill closure and post-closure	22,384,437	630,661	-	23,015,098	-
Workers' compensation	606,568	18,058	(7,288)	617,338	-
OPEB obligation	1,769,427	317,117	(107,088)	1,979,456	-
Net pension liability*	498,024	1,694,485	-	2,192,509	-
Total business-type activities	<u>\$ 38,896,184</u>	<u>\$ 10,899,106</u>	<u>\$ (8,629,670)</u>	<u>\$ 41,165,620</u>	<u>\$ 1,183,691</u>
Agency fund (held in escrow for County Home)					
Workers' compensation	\$ 3,117,821	\$ -	\$ (1,177,951)	\$ 1,939,870	\$ -
OPEB obligation	1,756,796	-	(469,663)	1,287,133	-
Total Agency fund	<u>\$ 4,874,617</u>	<u>\$ -</u>	<u>\$ (1,647,614)</u>	<u>\$ 3,227,003</u>	<u>\$ -</u>

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

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

On October 20, 2012, the County issued \$15,765,000 in serial bonds with interest rates ranging between 2.00% and 4.00%. The County issued the bonds to advance refund \$14,845,000 of outstanding series 2004 and 2006 serial bonds with interest rates ranging from 4.15% to 4.75%. The County used the net proceeds to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service of the refunded portion of the 2004 and 2006 series bonds. As a result, that portion of the 2004 and 2006 serial bonds is considered defeased, and the County has removed the liability from its accounts. The outstanding principal of the defeased bonds was \$13,810,000 at December 31, 2016.

On June 1, 2016, the County issued \$10,660,000 in serial bonds, of which \$1,550,000 is recorded in governmental activities as Helicopter refunding bonds, \$1,950,000 is recorded in governmental activities as JCC Science Building refunding bonds and \$7,160,000 is recorded in business-type

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

Additionally, on December 22, 2016, the County issued \$3,047,256 in 2016 Public Improvement Serial Bonds. The bonds were issued at interest rates ranging from 1.25% to 4.00%. Principal payments on the bonds begin December 15, 2018 and the bonds mature on December 15, 2040.

A summary of additions and payments of serial bonds for the year ended December 31, 2016 is shown below.

	Year of Maturity	Interest Rate	Balance 1/1/2016	Additions	Decreases	Balance 12/31/2016	Due Within One Year
Governmental activities:							
DPF salt storage shed	2020	2.98/4.32	\$ 100,000	\$ -	\$ (20,000)	\$ 80,000	\$ 20,000
Jail construction refunded bonds	2029	2.00/4.00	10,350,000	-	(600,000)	9,750,000	610,000
Jail & courts construction	2026	4.15/4.25	340,000	-	(340,000)	-	-
Jail & courts construction—refunded	2029	2.00/4.00	4,405,000	-	(20,000)	4,385,000	370,000
Helicopters	2030	0.70/4.50	2,373,000	-	(1,728,000)	645,000	207,000
JCC science building	2020	0.70/4.50	2,479,000	-	(2,070,000)	409,000	132,000
JCC residence hall	2032	2.50/3.00	5,835,000	-	(265,000)	5,570,000	275,000
Public improvements	2039	2.50/3.75	9,151,317	-	(261,317)	8,890,000	265,000
Helicopters—refunding	2025	4.00	-	1,550,000	-	1,550,000	-
JCC science building—refunding	2030	2.125/4.00	-	1,950,000	-	1,950,000	-
Public improvements	2040	1.25/4.00	-	3,047,256	-	3,047,256	-
Total governmental activities			<u>\$ 35,033,317</u>	<u>\$ 6,547,256</u>	<u>\$ (5,304,317)</u>	<u>\$ 36,276,256</u>	<u>\$ 1,879,000</u>
Business-type activities:							
North Chautauqua Lake sewer construction	2017	5.00	\$ 50,400	\$ -	\$ (50,400)	\$ -	\$ -
North County water construction	2017	5.00	24,000	-	(12,000)	12,000	12,000
Landfill cell construction	2018	0.83/2.65	1,040,000	-	(335,000)	705,000	345,000
Energy fund power plant	2030	3.00/4.50	8,998,000	-	(7,577,000)	1,421,000	456,000
Energy fund power plant	2025	4.25/5.25	1,390,000	-	(130,000)	1,260,000	-
Qualified energy performance bonds	2026	5.66	1,066,369	-	(88,484)	977,885	88,484
Energy fund power plant—refunding	2030	2.125/4.00	-	7,160,000	-	7,160,000	-
Total business-type activities			<u>\$ 12,568,769</u>	<u>\$ 7,160,000</u>	<u>\$ (8,192,884)</u>	<u>\$ 11,535,885</u>	<u>\$ 901,484</u>

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

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,879,000	\$ 1,170,155	\$ 1,033,085	\$ 376,599
2018	2,012,256	1,121,661	1,061,716	345,837
2019	2,085,000	1,055,965	718,376	316,323
2020	2,155,000	990,956	755,066	287,646
2021	2,215,000	923,468	776,787	257,726
2022-2026	12,105,000	3,335,369	4,215,855	801,204
2027-2031	8,015,000	1,589,808	2,975,000	139,241
2032-2036	3,490,000	737,251	-	-
2037-2040	2,320,000	161,931	-	-
Total	<u>\$ 36,276,256</u>	<u>\$ 11,086,564</u>	<u>\$ 11,535,885</u>	<u>\$ 2,524,576</u>

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

The County issues debt for Jamestown Community College (“JCC”) purposes. Regular debt service related to bonds issued for JCC are funded by JCC and are reported in the General Fund as departmental revenue. Regular payments funded in the current year amounted to \$265,000 in principal and \$168,300 in interest.

Chautauqua County Asset Securitization Corporation (“CTASC”)—Changes in CTASC’s long-term debt for the year ended December 31, 2016 is shown below.

	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016	Due Within One Year
CTASC bonds:					
Series 2014	\$ 34,550,000	\$ -	\$ (2,485,000)	\$ 32,065,000	\$ 350,000
Series 2005 and accreted interest, net	6,092,575	484,370	-	6,576,945	-
Less bond discount	(473,768)	-	21,970	(451,798)	-
Total CTASC bonds and accreted interest, net	<u>\$ 40,168,807</u>	<u>\$ 484,370</u>	<u>\$ (2,463,030)</u>	<u>\$ 38,190,147</u>	<u>\$ 350,000</u>

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

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

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

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

Under the Indenture, the Indenture Trustee has established and holds a Debt Service Reserve Account which is funded from Series 2014 Bond proceeds. Except after an Event of Default, CTASC is required to maintain a balance in the Debt Service Reserve Account to the extent of available funds equal to the maximum annual debt service on the Series 2014 Bonds in the current year or any future year. The amount in this account at December 31, 2016 was \$2,225,049.

As a result of the refunding, CTASC has recorded a deferred gain on refunding in the amount of \$3,614,618. The gain is classified as a deferred inflow of resources and will be amortized over the life of the refunded bond.

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

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

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

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

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

Year	Principal	Interest	Total
2017	\$ 350,000	\$ 1,573,275	\$ 1,923,275
2018	350,000	1,559,275	1,909,275
2019	445,000	1,541,150	1,986,150
2020	1,035,000	1,504,150	2,539,150
2021	1,080,000	1,451,275	2,531,275
2022-2026	4,845,000	6,375,000	11,220,000
2027-2031	7,710,000	4,618,019	12,328,019
2032-2036	12,415,000	2,341,319	14,756,319
2038	3,835,000	95,875	3,930,875
	<u>\$ 32,065,000</u>	<u>\$ 21,059,338</u>	<u>\$ 53,124,338</u>

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

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

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

On April 22, 2013, the County and the Portland, Pomfret, Dunkirk Sewer District entered into an agreement by which the County’s General Fund issued a note to the District in the amount of \$250,000. The note carries an interest rate of 2.5% and will mature in 2034.

The following table summarizes the future payment schedule on the notes payable as of December 31, 2016:

Year	Principal	Interest	Total
2017	\$ 47,390	\$ 31,087	\$ 78,477
2018	49,146	29,332	78,478
2019	50,969	27,509	78,478
2020	52,862	25,615	78,477
2021	54,827	23,651	78,478
2022-2026	306,340	86,047	392,387
2027-2031	272,394	26,219	298,613
2032-2034	38,449	1,455	39,904
Total	<u>\$ 872,377</u>	<u>\$ 250,915</u>	<u>\$ 1,123,292</u>

Compensated Absences—As explained in Note 1, compensated absences are recorded in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and

benefits. The payment of compensated absences is dependent on many factors and, therefore, cannot be reasonably estimated as to future timing of payment. The annual budgets of operating funds provide for such as amounts become payable.

Workers' Compensation—As discussed in Note 9, the County reports the workers' compensation liability within the Internal Service fund, business-type activities and held in escrow in the Agency Fund. The total of the liability in the Internal Service fund, net of the offsetting amount due from other governments is \$8,541,913, while the total liability in the business-type activities is \$617,338 and the total held in escrow for the County Home is \$1,939,870.

Landfill Closure and Post-Closure Care Cost—The County maintains certain landfill sites. Estimated long-term costs associated with the future closure, post-closure and future maintenance and testing total \$23,015,098. Further discussion of the obligation can be found in Note 20.

OPEB—As discussed in Note 8, the County's net OPEB obligation at December 31, 2016 is \$23,321,762, \$1,979,456 and \$1,287,133 for governmental activities, business-type activities and held in escrow in the Agency Fund, respectively.

Long-term Due to Other Governments—The County reports an amount owed to New York State for the repayment of certain unspent grant funds for which the State has not invoiced the County for repayment. At December 31, 2016, the County reports a long-term liability of \$400,000.

Net Pension Liability—The County reports a liability for its proportionate share of the net pension liability for the Employees' Retirement System. The net pension liability is estimated to be \$36,959,440 and \$2,192,509 in the governmental activities and business-type activities, respectively. Refer to Note 7 for additional information related to the County's net pension liability.

Chautauqua County Industrial Development Agency

The IDA has the following outstanding long-term debt:

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

A bond payable to the County with an interest rate of 3%. Proceeds from this bond are to be used to acquire property. It is payable on December 1, 2017 or upon disposition of the acquired property. The outstanding balance is \$2,000,000.

A bond payable to the County. Proceeds were used for the construction of a building. It was payable semi-annually beginning February 20, 2002, including interest at 3%-5% accruing as of August 20, 2001, compounded semi-annually. The IDA made interest only payments during 2002-2004. The IDA made interest only payments during 2011. The bond matures on August 20, 2021 and has an outstanding balance of \$1,107,512.

A bond payable to the County with an annual interest rate of 5%. Proceeds were used for the construction of an aircraft storage hangar. The bond is payable in March 2022 or upon disposition of the property and has an outstanding balance of \$115,068.

A bond payable to the County with an interest rate of 2.274%. Proceeds were used for the construction of a building. The IDA made interest only payments from March 22, 2012 through

June 25, 2013. Monthly principal and interest payments totaling \$9,428 began July 25, 2013. The bond matures July 25, 2033 and has an outstanding balance of \$1,555,361.

A note payable with interest at 4.0% per annum. The note matures on November 1, 2025 and has an outstanding balance of \$241,868.

The following table summarizes the future payment schedule on the bonds payable as of December 31, 2016:

Year	Principal	Interest	Total
2017	\$ 2,252,184	\$ 81,039	\$ 2,333,223
2018	286,466	73,144	359,610
2019	295,742	64,395	360,137
2020	304,785	55,351	360,136
2021	335,665	45,997	381,662
2022-2026	882,597	123,734	1,006,331
2027-2031	516,333	49,356	565,689
2032-2033	166,737	3,018	169,755
Total	<u>\$ 5,040,509</u>	<u>\$ 496,034</u>	<u>\$ 5,536,543</u>

12. NET POSITION AND FUND BALANCE

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

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

Governmental activities:	
Capital assets, net of accumulated depreciation	\$ 200,934,893
Related debt:	
Serial bonds issued	(36,276,256)
Premium on serial bonds	(379,319)
CTASC bonds issued	(36,285,487)
Debt issued on behalf of JCC	7,929,000
Unspent proceeds reported within Capital Projects Fund	1,301,157
Deferred charge on refunding	1,023,187
Net investment in capital assets—governmental activities	<u>\$ 138,247,175</u>

Business-type activities:	
Capital assets, net of accumulated depreciation	\$ 44,949,470
Related debt:	
Serial bonds issued	(11,535,885)
Premium on serial bonds issued	(775,977)
Notes payable issued	(872,377)
Deferred charge on refunding debt	<u>712,174</u>
Net investment in capital assets—business-type activities	<u>\$ 32,477,405</u>

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

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2016 includes:

- **Prepaid Items**—Represents amounts of \$2,077,355 prepaid to vendors and employees that are applicable to future accounting periods.
- **Inventories**—Represents the portion of fund balance, \$1,655,221, composed of inventory and is nonspendable because inventory is not an available spendable resource.
- **Loans Receivable**—Represents the portion of fund balance, \$5,969,311, composed of loans receivable and is nonspendable because loans receivable are not an available spendable resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grants, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. As of December 31, 2016, the County had the following restricted funds.

	General Fund	Capital Projects Fund	CTASC	Total
Insurance	\$ 3,261,942	\$ -	\$ -	\$ 3,261,942
Capital projects	3,038,502	3,105,205	231,783	6,375,490
Tax stabilization	100,060	-	-	100,060
Occupancy tax	326,507	-	-	326,507
E911 and W911	912,666	-	-	912,666
Fire services	302,131	-	-	302,131
Lakes and waterways	387,253	-	-	387,253
Debt service	-	-	<u>2,225,258</u>	<u>2,225,258</u>
Total restricted fund balance	<u>\$ 8,329,061</u>	<u>\$ 3,105,205</u>	<u>\$ 2,457,041</u>	<u>\$ 13,891,307</u>

- **Restricted for Insurance**—Represents resources that have been legally restricted for payments under the County’s self-insurance program.
- **Restricted for Capital Projects**—Represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items. The County has budgeted to use \$823,500 of this restriction during its 2017 fiscal year.
- **Restricted for Tax Stabilization**—Represents resources appropriated by the Legislature to maintain future tax increases at a maximum of 2.5% in any fiscal year.
- **Restricted for Occupancy Tax**—Effective January 1, 2004, the County established this reserve funded by the occupancy tax which is restricted to fund tourism.
- **Restricted for E911 and W911**—Represents resources that are restricted for the County’s Emergency 911 and Wireless 911 communication systems.
- **Restricted for Fire Services**—Represents resources that are restricted to ensure the viability and vitality of the County’s fire services.
- **Restricted for Lakes and Waterways**—Represents resources that are dedicated for the County’s lakes and waterways.
- **Restricted for Debt Service**—Restricted for debt payments of the Chautauqua County Tobacco Asset Securitization Corporation.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority, or by its designated body or official. As of December 31, 2016 the County had no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are subject to a purpose constraint that represents an intended use established by the County’s Legislature, or by its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

As of December 31, 2016, the following balances were considered to be assigned:

	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	Total
Assigned to parks	\$ 41,999	\$ -	\$ -	\$ -	\$ 41,999
Subsequent year's appropriations	805,560	353,000	800,000	-	1,958,560
Encumbrances	365,786	29,829	21,756	679,824	1,097,195
Specific use	-	1,620,039	1,037,038	-	2,657,077
Total assigned fund balance	<u>\$ 1,213,345</u>	<u>\$ 2,002,868</u>	<u>\$ 1,858,794</u>	<u>\$ 679,824</u>	<u>\$ 5,754,831</u>

- **Assigned to Parks**—Represents funds set aside to finance all or part of the cost of improvements to parks. The County has budgeted to use \$20,000 of this assignment during its 2017 fiscal year.
- **Assigned to Subsequent Year’s Appropriations**—Represents available fund balance being appropriated to meet expenditure requirements in the 2017 fiscal year.

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

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

13. INTERFUND BALANCES AND ACTIVITY

Interfund loans are short-term in nature and exist because of temporary advances made on behalf of other funds. All interfund loans are expected to be collected/paid in the subsequent year. Interfund transfers are routine annual events for both the budget and the accounting process and are necessary to present funds in their proper fund classification. Interfund loans and transfers of the County for the year ended December 31, 2016 are shown below:

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 1,136,805	\$ -
County Road Fund	-	934,043
Internal Service Funds	-	202,762
Total	<u>\$ 1,136,805</u>	<u>\$ 1,136,805</u>

Transfers out:	Transfers in:				Total
	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	
General Fund	\$ -	\$ 12,195,600	\$ 2,363,296	\$ 1,025,994	\$ 15,584,890
County Road Fund	-	-	-	232,110	232,110
Landfill	95,207	-	-	-	95,207
Electric Plant	425,940	-	-	-	425,940
Total	<u>\$ 521,147</u>	<u>\$ 12,195,600</u>	<u>\$ 2,363,296</u>	<u>\$ 1,258,104</u>	<u>\$ 16,338,147</u>

14. AGENCY FUNDS

An agency fund exists for employee withholding and temporary deposit funds. Additionally, it contains funds held in escrow on behalf of the County Home. The following is a summary of changes in assets and liabilities for the fiscal year ended December 31, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS				
Cash	\$ 3,141,488	\$ 4,538,907	\$ 5,111,983	\$ 2,568,412
Cash held in escrow for County Home	4,950,217	-	1,647,614	3,302,603
Accounts receivable	125,664	242,612	244,478	123,798
Total assets	<u>\$ 8,217,369</u>	<u>\$ 4,781,519</u>	<u>\$ 7,004,075</u>	<u>\$ 5,994,813</u>
LIABILITIES				
Agency liabilities	\$ 3,267,152	\$ 4,781,519	\$ 5,356,461	\$ 2,692,210
Held in escrow for County Home:				
General liabilities	75,600	-	-	75,600
Workers' compensation	3,117,821	-	1,177,951	1,939,870
Net OPEB obligation	1,756,796	-	469,663	1,287,133
Total liabilities	<u>\$ 8,217,369</u>	<u>\$ 4,781,519</u>	<u>\$ 7,004,075</u>	<u>\$ 5,994,813</u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The enterprise funds include the Sewer (which includes three districts), the Water (which includes two districts), the Landfill, and the Electric Plant. Segment information as of and for the year ended December 31, 2016 follows:

	Sewer	Water	Landfill	Electric Plant	Total Enterprise Funds
Operating revenues	\$ 4,062,595	\$ 65,391	\$ 7,508,586	\$ 2,714,695	\$ 14,351,267
Operating expenses:					
Services provided	3,421,839	19,634	5,804,042	1,344,926	10,590,441
Depreciation & depletion	1,313,222	34,652	1,768,566	654,816	3,771,256
Operating income (loss)	(672,466)	11,105	(64,022)	714,953	(10,430)
Nonoperating revenues (expenses)	12,650	134	78,712	(289,013)	(197,517)
Transfers out	-	-	(95,207)	(425,940)	(521,147)
Change in net position	<u>\$ (659,816)</u>	<u>\$ 11,239</u>	<u>\$ (80,517)</u>	<u>\$ -</u>	<u>\$ (729,094)</u>
Current assets	\$ 5,340,156	\$ 90,032	\$ 22,559,670	\$ 2,831,447	\$ 30,821,305
Current liabilities	364,785	278	201,142	163,970	730,175
Net working capital	<u>\$ 4,975,371</u>	<u>\$ 89,754</u>	<u>\$ 22,358,528</u>	<u>\$ 2,667,477</u>	<u>\$ 30,091,130</u>
Total assets and deferred outflows	\$ 29,282,821	\$ 419,507	\$ 33,422,255	\$ 15,601,073	\$ 78,725,656
Total liabilities and deferred inflows	2,716,239	12,802	27,824,289	11,758,832	42,312,162
Net position	<u>\$ 26,566,582</u>	<u>\$ 406,705</u>	<u>\$ 5,597,966</u>	<u>\$ 3,842,241</u>	<u>\$ 36,413,494</u>
Capital asset additions	<u>\$ 619,118</u>	<u>\$ -</u>	<u>\$ 598,198</u>	<u>\$ -</u>	<u>\$ 1,217,316</u>
Serial bonds payable - noncurrent	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,000</u>	<u>\$ 10,274,401</u>	<u>\$ 10,634,401</u>

16. LABOR CONTRACTS

Five bargaining units represent the unionized County employees. Two contracts, CCSSA and DSACC are settled through December 31, 2016, and two contracts, CSEA – Unit 6300 and CSEA-Unit 6323 are settled through December 31, 2017. One contract, CSEA – Unit 6322 expired December 31, 2012 and was still in negotiations at December 31, 2016.

17. COMMITMENTS

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

The County considers encumbrances to be significant for amounts that are encumbered in excess of \$250,000. As of December 31, 2016, the County had one encumbrance in the Capital Projects Fund considered to be significant.

Snow Removal Equipment \$ 297,418

TAX ABATEMENTS

The County is subject to tax abatements granted by the Chautauqua County Industrial Development Agency (“CCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the County, the abatements have resulted in reductions of property taxes, which the County administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by CCIDA, the County collected \$1,105,478 during 2016 in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$2,727,792 in property taxes.

18. CONTINGENCIES

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

Pending litigation—The County is involved in litigation arising in the ordinary course of its operations. Claims incurred prior to July 15, 1986 are covered through general liability insurance. It is the opinion of management and legal counsel that such claims prior to July 15, 1986 will be settled within insured limits. Effective July 15, 1986 the County’s general liability insurance was terminated and the County became self-insured for all such risks. While claims currently at various stages of litigation substantially exceed the restricted for self-insurance balance of \$3,261,942, the ultimate amount of the outcome is dependent on many factors, and County management believes such restriction for self-insurance to be adequate to cover such losses. The County elected to purchase general liability insurance with a self-insured reserve of \$250,000.

19. LANDFILL CLOSURE AND POST-CLOSURE CARE COST

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

Remaining cell closure liability, projected at \$6,775,763 as of December 31, 2016, and post closure care liability, projected at \$15,330,873 as of December 31, 2016 (totaling \$22,106,636), represent the cumulative amount reported to date based on the use of 90.5% of the estimated permitted space less areas where the final cover has been placed.

Total remaining closure cost is projected at \$7,920,000 and total post-closure care cost is projected at \$16,950,000, totaling \$24,870,000. The County will recognize the remaining projected closure cost of \$1,144,237 and the remaining projected post-closure care cost of \$1,619,128 (totaling \$2,763,365) as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2016. The County currently projects a landfill life of 4 years for

permitted areas, which includes permitted air space over the existing landfills with closure in 2021; however, ongoing research regarding the construction of additional cells could significantly extend landfill life. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The landfill is reported as an enterprise fund and the \$22,106,636 liability is reported in that fund along with a \$908,462 reserve for post-closure costs pertaining to the methane gas collection system.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 20, 2017, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Funding Progress—Other Post-Employment Benefits Plan
Year Ended December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
As of 12/31/2016	\$ -	\$ 52,936,691	\$ 52,936,691	0.0%	\$ 50,929,759	103.9%
As of 12/31/2015	-	51,042,499	51,042,499	0.0%	50,070,336	101.9%
As of 12/31/2014	-	53,554,298	53,554,298	0.0%	48,785,639	109.8%

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

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

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

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

	Year Ended December 31,		
	2016	2015	2014
<i>Governmental Activities:</i>			
Contractually required contributions	\$ 8,121,214	\$ 9,051,328	\$ 9,335,708
Contributions in relation to the contractually required contribution	<u>(8,121,214)</u>	<u>(9,051,328)</u>	<u>(9,335,708)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 51,255,048	\$ 49,947,906	\$ 55,388,381
Contributions as a percentage of covered-employee payroll	15.8%	18.1%	16.9%
<i>Business-type Activities:</i>			
Contractually required contributions	\$ 461,865	\$ 488,622	\$ 525,188
Contributions in relation to the contractually required contribution	<u>(461,865)</u>	<u>(488,622)</u>	<u>(525,188)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 3,040,553	\$ 2,963,011	\$ 3,285,751
Contributions as a percentage of covered-employee payroll	15.2%	16.5%	16.0%

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

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 58,854,014	\$ 58,854,014	\$ 59,287,926	\$ 433,912
Real property tax items	4,495,273	4,495,273	4,515,121	19,848
Non property tax items	66,524,994	66,524,994	65,804,927	(720,067)
Departmental income	18,380,928	18,703,394	16,631,159	(2,072,235)
Intergovernmental charges	4,679,722	5,168,052	4,480,974	(687,078)
Use of money and property	3,891,253	3,900,046	3,679,995	(220,051)
Licenses and permits	200,000	235,486	237,047	1,561
Fines and forfeitures	444,226	457,496	364,725	(92,771)
Sale of property and compensation for loss	67,389	249,066	291,377	42,311
Miscellaneous	1,079,114	364,182	762,648	398,466
State aid	24,378,338	27,408,725	27,591,714	182,989
Federal aid	34,990,558	36,159,284	39,227,366	3,068,082
Total revenues	<u>217,985,809</u>	<u>222,520,012</u>	<u>222,874,979</u>	<u>354,967</u>
EXPENDITURES				
Current:				
General government support	47,530,041	48,163,787	47,078,625	1,085,162
Education	9,902,697	10,338,480	10,323,549	14,931
Public safety	28,222,304	29,734,963	29,452,672	282,291
Health	20,106,386	21,158,695	16,730,168	4,428,527
Transportation	3,954,628	4,102,909	3,681,615	421,294
Economic assistance and opportunity	91,208,650	96,180,407	92,787,351	3,393,056
Culture and recreation	413,803	496,443	492,780	3,663
Home and community services	1,290,892	1,644,845	1,238,533	406,312
Debt service:				
Principal	1,814,317	1,814,317	1,814,317	-
Interest	1,127,148	1,189,693	1,133,372	56,321
Total expenditures	<u>205,570,866</u>	<u>214,824,539</u>	<u>204,732,982</u>	<u>10,091,557</u>
Excess of revenues over expenditures	<u>12,414,943</u>	<u>7,695,473</u>	<u>18,141,997</u>	<u>10,446,524</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,305,207	1,305,207	521,147	(784,060)
Transfers out	(15,427,116)	(16,308,807)	(15,584,890)	723,917
Refunding bond issued	-	3,500,000	3,500,000	-
Payments to advance refunded bond escrow agent	-	(3,833,266)	(3,833,266)	-
Premium on refunding bond issuance	-	395,811	395,811	-
Total other financing sources (uses)	<u>(14,121,909)</u>	<u>(14,941,055)</u>	<u>(15,001,198)</u>	<u>(60,143)</u>
Net change in fund balances*	(1,706,966)	(7,245,582)	3,140,799	10,386,381
Fund balances—beginning	40,439,524	40,439,524	40,439,524	-
Fund balances—ending	<u>\$ 38,732,558</u>	<u>\$ 33,193,942</u>	<u>\$ 43,580,323</u>	<u>\$ 10,386,381</u>

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

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ (6,402)	\$ (6,402)	\$ -	\$ 6,402
Non property tax items	750,000	750,000	766,795	16,795
Departmental income	100	100	795	695
Intergovernmental charges	78,644	78,644	82,386	3,742
Use of money and property	98,300	98,300	214,444	116,144
Miscellaneous	145,000	145,000	254,477	109,477
State aid	3,741,811	5,553,625	4,748,128	(805,497)
Federal aid	-	4,837,600	639,753	(4,197,847)
Total revenues	<u>4,807,453</u>	<u>11,456,867</u>	<u>6,706,778</u>	<u>(4,750,089)</u>
EXPENDITURES				
Current:				
Transportation	<u>17,270,459</u>	<u>25,094,101</u>	<u>18,330,073</u>	<u>6,764,028</u>
Total expenditures	<u>17,270,459</u>	<u>25,094,101</u>	<u>18,330,073</u>	<u>6,764,028</u>
Deficiency of revenues over expenditures	<u>(12,463,006)</u>	<u>(13,637,234)</u>	<u>(11,623,295)</u>	<u>2,013,939</u>
OTHER FINANCING SOURCES				
Transfers in	12,010,350	12,195,600	12,195,600	-
Transfers out	-	(232,110)	(232,110)	-
Total other financing sources	<u>12,010,350</u>	<u>11,963,490</u>	<u>11,963,490</u>	<u>-</u>
Net change in fund balances*	(452,656)	(1,673,744)	340,195	2,013,939
Fund balances—beginning	<u>1,830,442</u>	<u>1,830,442</u>	<u>1,830,442</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,377,786</u>	<u>\$ 156,698</u>	<u>\$ 2,170,637</u>	<u>\$ 2,013,939</u>

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

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

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Road Machinery Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$ (26,294)	\$ (26,294)	\$ -	\$ 26,294
Departmental income	400	400	480	80
Intergovernmental charges	366,000	366,000	275,019	(90,981)
Use of money and property	61,660	61,660	46,231	(15,429)
Sale of property and compensation for loss	35,000	35,000	70,993	35,993
Miscellaneous	<u>307,450</u>	<u>307,450</u>	<u>265,733</u>	<u>(41,717)</u>
Total revenues	<u>744,216</u>	<u>744,216</u>	<u>658,456</u>	<u>(85,760)</u>
EXPENDITURES				
Current:				
Transportation	3,636,845	3,615,089	3,045,023	570,066
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	<u>1,320</u>	<u>1,320</u>	<u>1,148</u>	<u>172</u>
Total expenditures	<u>3,658,165</u>	<u>3,636,409</u>	<u>3,066,171</u>	<u>570,238</u>
Deficiency of revenues over expenditures	<u>(2,913,949)</u>	<u>(2,892,193)</u>	<u>(2,407,715)</u>	<u>484,478</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,363,296</u>	<u>2,363,296</u>	<u>2,363,296</u>	<u>-</u>
Total other financing sources (uses)	<u>2,363,296</u>	<u>2,363,296</u>	<u>2,363,296</u>	<u>-</u>
Net change in fund balances*	(550,653)	(528,897)	(44,419)	484,478
Fund balances—beginning	<u>3,512,708</u>	<u>3,512,708</u>	<u>3,512,708</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,962,055</u>	<u>\$ 2,983,811</u>	<u>\$ 3,468,289</u>	<u>\$ 484,478</u>

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

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

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

1. BUDGETARY INFORMATION

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

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

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

Actual results of operations presented in accordance with GAAP and the County’s accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed, or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements. The General Fund, County Road Fund and Road Machinery Fund original budgets for the year ended December 31, 2016 include encumbrances from the prior year of \$171,826, \$52,656 and \$50,653, respectively.

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SUPPLEMENTARY INFORMATION

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Net Position—Internal Service Funds
For the Year Ended December 31, 2016

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 6,437,589	\$ -	\$ 6,437,589
Receivables	-	5,969	5,969
Intergovernmental receivables	7,430,879	-	7,430,879
Prepaid items	<u>10,667</u>	<u>157,400</u>	<u>168,067</u>
Total assets	<u>13,879,135</u>	<u>163,369</u>	<u>14,042,504</u>
LIABILITIES			
Current liabilities:			
Accounts payable	410,793	2,479	413,272
Accrued expenses	-	35,535	35,535
Due to other funds	<u>-</u>	<u>202,762</u>	<u>202,762</u>
Total current liabilities	<u>410,793</u>	<u>240,776</u>	<u>651,569</u>
Noncurrent liabilities:			
Workers' compensation liability	<u>15,972,792</u>	<u>-</u>	<u>15,972,792</u>
Total noncurrent liabilities	<u>15,972,792</u>	<u>-</u>	<u>15,972,792</u>
Total liabilities	<u>16,383,585</u>	<u>240,776</u>	<u>16,624,361</u>
NET POSITION			
Unrestricted	<u>(2,504,450)</u>	<u>(77,407)</u>	<u>(2,581,857)</u>
Total net position	<u>\$ (2,504,450)</u>	<u>\$ (77,407)</u>	<u>\$ (2,581,857)</u>

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Revenues, Expenses, and
Changes in Net Position—Internal Service Funds
For the Year Ended December 31, 2016

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 2,383,968	\$ 20,110,301	\$ 22,494,269
Total operating revenues	<u>2,383,968</u>	<u>20,110,301</u>	<u>22,494,269</u>
OPERATING EXPENSES			
Insurance claims and expenses	<u>3,852,767</u>	<u>20,112,750</u>	<u>23,965,517</u>
Total operating expenses	<u>3,852,767</u>	<u>20,112,750</u>	<u>23,965,517</u>
Operating loss	(1,468,799)	(2,449)	(1,471,248)
NONOPERATING REVENUES (EXPENSES)			
Interest income	37,534	-	37,534
Other miscellaneous	<u>780,149</u>	<u>-</u>	<u>780,149</u>
Total nonoperating revenues (expenses)	<u>817,683</u>	<u>-</u>	<u>817,683</u>
Change in net position	(651,116)	(2,449)	(653,565)
Total net position—beginning	<u>(1,853,334)</u>	<u>(74,958)</u>	<u>(1,928,292)</u>
Total net position—ending	<u>\$ (2,504,450)</u>	<u>\$ (77,407)</u>	<u>\$ (2,581,857)</u>

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Cash Flows—Internal Service Funds
For the Year Ended December 31, 2016

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from services provided	\$ 4,032,769	\$ 20,104,567	\$ 24,137,336
Payments to suppliers and service providers	<u>(4,327,071)</u>	<u>(20,177,965)</u>	<u>(24,505,036)</u>
Net cash used for operating activities	<u>(294,302)</u>	<u>(73,398)</u>	<u>(367,700)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	-	73,398	73,398
Other income	<u>780,149</u>	<u>-</u>	<u>780,149</u>
Net cash provided by noncapital financing activities	<u>780,149</u>	<u>73,398</u>	<u>853,547</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>37,534</u>	<u>-</u>	<u>37,534</u>
Net cash provided by investing activities	<u>37,534</u>	<u>-</u>	<u>37,534</u>
Net increase in cash and cash equivalents	523,381	-	523,381
Cash and cash equivalents—beginning	<u>5,914,208</u>	<u>-</u>	<u>5,914,208</u>
Cash and cash equivalents—ending	<u>\$ 6,437,589</u>	<u>\$ -</u>	<u>\$ 6,437,589</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES			
Operating loss	\$ (1,468,799)	\$ (2,449)	\$ (1,471,248)
Adjustments to reconcile operating loss to net cash used for operating activities:			
(Increase) in accounts receivable	-	(5,734)	(5,734)
Decrease in intergovernmental receivables	1,648,801	-	1,648,801
(Increase) in prepaid items	-	(16,900)	(16,900)
(Decrease) increase in accounts payable	98,515	(7,368)	91,147
(Decrease) in other accrued expenses	<u>(572,819)</u>	<u>(40,947)</u>	<u>(613,766)</u>
Total adjustments	<u>1,174,497</u>	<u>(70,949)</u>	<u>1,103,548</u>
Net cash used for operating activities	<u>\$ (294,302)</u>	<u>\$ (73,398)</u>	<u>\$ (367,700)</u>

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FEDERAL AWARDS INFORMATION

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE:				
Direct Programs:				
Schools and Roads - Grants to Counties	10.666	N/A	\$ -	\$ 187
Passed through NYS Department of Education:				
<i>Child Nutrition Cluster</i>				
Special Milk Program for Children	10.556	15-06-01	-	1,988
<i>Total Child Nutrition Cluster</i>			-	1,988
Passed Through NYS Department of Health:				
Child and Adult Care Food Program	10.558	CACFP	40,556	40,556
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	-	2,064,754
<i>Total SNAP Cluster</i>			-	2,064,754
Total U.S. Department of Agriculture			-	2,107,485
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NYLHB-0602-15	225,238	225,238
Passed through NYS Office of Community Renewal:				
Community Development Block Grants/Entitlement Grants	14.218	222ED792-13	-	3,066
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	222HR23-13	-	12,953
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	222WS338-14	87,724	87,724
Passed through NYS Housing Agencies:				
Multifamily Housing Service Coordinators	14.191	RES ADV	-	37,547
Total U.S. Department of Housing and Urban Development			312,962	366,528
U.S. DEPARTMENT OF JUSTICE				
Direct Program:				
Supervised Visitation, Safe Havens for Children	16.527	N/A	-	32,663
Passed through NYS Office of Victim Services:				
Crime Victim Assistance/Discretionary Grants	16.582	C-100074	-	112,625
Passed through NYS Division of Criminal Justice Services:				
Violence Against Women Formula Grants	16.588	C-652051	-	59,289
Direct Programs:				
State Criminal Alien Assistance Program	16.606	N/A	-	7,308
<i>JAG Program Cluster</i>				
Passed through City of Jamestown, NY Police Department:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0672	-	14,975
<i>Total JAG Program Cluster</i>			-	14,975
Total U.S. Department of Justice			-	226,860

(continued)

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF LABOR				
Passed through Senior Services America Inc.:				
Senior Community Service Employment Program	17.235	SSAI	-	273,254
Passed through NYS Office for the Aging:				
Senior Community Service Employment Program	17.235	V-SOFA	-	50,054
Total U.S. Department of Labor			-	323,308
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through NYS Department of Transportation:				
Formula Grants for Rural Areas	20.509	C-005585	-	358,500
Formula Grants for Rural Areas	20.509	C-005585	-	34,716
Formula Grants for Rural Areas	20.509	PIN 5792.46.302	-	58,128
Formula Grants for Rural Areas	20.509	PIN 5792.47.302	-	38,368
Formula Grants for Rural Areas	20.509	PIN 5792.49.302	-	89,570
Formula Grants for Rural Areas	20.509	PIN 5794.27.302	-	49,600
Formula Grants for Rural Areas	20.509	PIN 5794.49.302	-	349,843
Formula Grants for Rural Areas	20.509	PIN 5794.50.302	-	9,440
Formula Grants for Rural Areas	20.509	PIN 5794.51.302	-	333
Formula Grants for Rural Areas	20.509	PIN 5797.01.302	-	38,925
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction Projects	20.205	D-024752	-	169,621
Highway Planning and Construction Projects	20.205	D-033857	-	8,998
Highway Planning and Construction Projects	20.205	D-034696	-	50,071
Highway Planning and Construction Projects	20.205	D-034779	-	11,355
Highway Planning and Construction Projects	20.205	D-034833	-	101,306
Highway Planning and Construction Projects	20.205	D-034886	-	101,185
Highway Planning and Construction Projects	20.205	D-035000	-	100,282
Highway Planning and Construction Projects	20.205	D-035329	-	327,982
<i>Total Highway Planning and Construction Cluster</i>			-	870,799
<i>Highway Safety Cluster</i>				
Passed thru NYS Governors Traffic Safety Committee				
State and Community Highway Safety	20.600	CPS-2015-SO-0043-007	-	3,937
State and Community Highway Safety	20.600	PTS-2016-SO-00229-007	-	21,263
National Priority Safety Programs	20.616	C-523653	-	16,065
<i>Total Highway Safety Cluster</i>			-	41,265
Direct Programs:				
Airport Improvement Program	20.106	3-36-0022-050-15	-	37,678
Airport Improvement Program	20.106	3-36-0022-051-15	-	5,400
Airport Improvement Program	20.106	3-36-0022-052-16	-	46,790
Airport Improvement Program	20.106	3-36-0022-47-13	-	3,165
Airport Improvement Program	20.106	3-36-0022-48-14	-	2,593
Airport Improvement Program	20.106	3-36-0022-49-14	-	75,007
Airport Improvement Program	20.106	3-36-0048-043-16	-	22,865
Airport Improvement Program	20.106	3-36-0048-42-15	-	556,516
Airport Improvement Program	20.106	3-36-0048-44-16	-	429,268
<i>Total Airport Improvement Program</i>			-	1,179,282
Total U.S. Department of Transportation			-	3,118,770

(continued)

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. APPALACHIAN REGIONAL COMMISSION				
Direct Programs:				
Appalachian Area Development	23.002	NY-17300	-	51,515
Total U.S. Appalachian Regional Commission			-	51,515
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed through NYS Department of Health:				
Beach Monitoring and Notification Program				
Implementation Grants	66.472	C-029637	-	9,305
Total U.S. Environmental Protection Agency			-	9,305
U.S. DEPARTMENT OF EDUCATION				
Passed through NYS Department of Health:				
Special Education - Grants for Infants and Families	84.181	C-027469	-	54,745
Total U.S. Department of Education			-	54,745
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Health Research Inc.:				
Centers for Disease Control and Prevention - Investigations				
Public Health Emergency Preparedness	93.069	HRI 1587-10	-	84,498
and Technical Assistance	93.283	HRI 4693-03	-	16,617
Injury Prevention and Control Research and State and				
Community Based Programs	93.136	FP: SDOH	-	17,349
Passed through NYS Department of Health:				
Family Planning - Services	93.217	C-027015 (2/3)	-	75,806
Immunization Cooperative Agreements	93.268	C-028281	-	35,599
Medical Assistance Program	93.778	C-028959	-	148,923
Medical Assistance Program	93.778	N/A	-	2,027,385
Maternal and Child Health Services Block Grant to the States	93.994	C-030882	-	19,904
Maternal and Child Health Services Block Grant to the States	93.994	C-027015 (1/3)	-	34,057
Maternal and Child Health Services Block Grant to the States	93.994	C-029706	-	22,644
Passed through NYS Department of Mental Health:				
Passed through NYS Office of Temporary and Disability Assistance:				
Temporary Assistance for Needy Families	93.558	N/A	-	11,884,921
Child Support Enforcement	93.563	N/A	-	1,204,750
Low-Income Home Energy Assistance	93.568	N/A	-	5,836,318
Passed through NYS Office of Children and Family Services:				
Promoting Safe and Stable Families	93.556	N/A	-	132,182
Child Care and Development Block Grant	93.575	N/A	-	4,105,089
Family Violence Prevention and Services/Battered Women's				
Foster Care, Title IV-E	93.658	N/A	-	1,706,188
Adoption Assistance	93.659	N/A	-	889,423
Social Services Block Grant	93.667	N/A	-	680,588
Chafee Foster Care Independence Program	93.674	N/A	-	39,206

(continued)

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
			(concluded)	
Passed through NYS Office for the Aging:				
<i>Aging Cluster</i>				
Special Programs for the Aging, Title III Part B	93.044	III-B	-	174,900
Special Programs for the Aging, Title III Part C	93.045	III-C	422,995	422,995
Nutrition Services Incentive Program	93.053	NSIP	186,168	186,168
<i>Total Aging Cluster</i>			<u>609,163</u>	<u>784,063</u>
Special Programs for the Aging, Title III, Part D - Disease				
Prevention and Health Promotion Services	93.043	III-D	-	8,293
Special Programs for the Aging, Title IV and Title II				
National Family Caregiver Support, Title III, Part E	93.052	III-E	62,385	62,385
Medical Assistance Enrollment Assistance Program	93.071	MIPPA / ADRC	-	10,777
Medical Assistance Program	93.778	BIP	-	357,130
Demonstrations and Evaluations	93.779	HIICAP	-	49,406
Passed through NYS Department of Family Assistance:				
Medical Assistance Program	93.778	N/A	-	90,638
Passed through NYS Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment				
of Substance Abuse	93.959	N/A	484,890	484,890
Direct Programs:				
Comprehensive Community Mental Health Services for				
Children with Serious Emotional Disturbances (SED)	93.104	N/A	-	713,264
Total U.S. Department of Health and Human Services			<u>1,156,438</u>	<u>31,522,293</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through NYS Division of Homeland Security:				
Interagency Hazardous Materials Public Sector Training				
and Planning Grants	20.703	T-192446	-	24,752
Interagency Hazardous Materials Public Sector Training				
and Planning Grants	20.703	T-192456	-	16,900
Passed through NYS Division of Homeland Security				
and Emergency Services:				
Emergency Management Performance Grants	97.042	C-182455	-	24,588
Emergency Management Performance Grants	97.042	C-182465	-	37,427
Pre-Disaster Mitigation	97.047	C-174795	-	(938)
Homeland Security Grant Program	97.067	C-174731, C-174741 C-174751, C-174761	-	135,753
Homeland Security Grant Program	97.067	C-182449	-	662
Homeland Security Grant Program	97.067	C-182469	-	8,000
Homeland Security Grant Program	97.067	C-182559	-	76,600
Homeland Security Grant Program	97.067	C-192449, C-192459	-	102,828
Homeland Security Grant Program	97.067	C-969540	-	94,686
Homeland Security Grant Program	97.067	C-969549	-	20,405
Homeland Security Grant Program	97.067	C-969550	-	55,513
Homeland Security Grant Program	97.067	T-174749, T-174759	-	23,246
Homeland Security Grant Program	97.067	T-969542, T-969552, T-969562	-	67,081
Total U.S. Department of Homeland Security			<u>-</u>	<u>687,503</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE (1e)			<u>\$ 1,469,400</u>	<u>\$ 38,468,312</u>

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

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

1. BASIS OF PRESENTATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. MATCHING COSTS

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

4. NON-MONETARY FEDERAL PROGRAM

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." During the year ended December 31, 2016, \$171,840,719 of medical services and goods were received by participants in the Medical Assistance Program (CFDA number 93.778), which are excluded from the amounts presented in the schedule of expenditures of federal awards.

For the year ended December 31, 2016, the County distributed \$39,211,046 of food vouchers to eligible persons participating in the Supplemental Nutrition Assistance Program (CFDA number 10.551). However, this amount is not reflected in the schedule of expenditures of federal awards.

New York State makes payments of benefits directly to vendors, primarily utility companies, on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA number 93.568). \$5,470,742 in direct payments was received by participants, which is included in the amounts presented on the schedule of expenditures of federal awards.

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chautauqua, New York (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 20, 2017. Our report includes an emphasis of matter paragraph regarding a restatement and includes a reference to other auditors who audited the financial statements of the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation, and the Chautauqua Tobacco Asset Securitization Corporation, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

County's Response to Findings

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

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.



July 20, 2017

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Chautauqua, New York's (the "County") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation and the Chautauqua Tobacco Asset Securitization Corporation, which received \$1,473,400, \$-0- and \$-0- in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2016. Our compliance audit, described below, did not include the operations of the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation, and the Chautauqua Tobacco Asset Securitization Corporation, because other auditors were engaged to perform such audits in accordance with the Uniform Guidance or OMB Circular A-133, as applicable.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



July 20, 2017

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

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

Internal control over financial reporting:

Material weakness(es) identified?	<u> ✓ </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> ✓ </u> None reported
Noncompliance material to the financial statements noted?	<u> </u> Yes	<u> ✓ </u> No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> Yes	<u> ✓ </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> ✓ </u> None reported

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

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.509	Formula Grants for Rural Areas
93.044, 93.045, 93.053	Aging Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs?		<u>\$ 1,154,049</u>
Auditee qualified as low-risk auditee?	<u> ✓ </u> Yes	<u> </u> No

Section II. FINANCIAL STATEMENT FINDINGS

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

Finding 2016-001—Capital Project and Fixed Asset Recordkeeping

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

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

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

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

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

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

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

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

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

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

COUNTY OF CHAUTAUQUA, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended December 31, 2016
(Follow-up of December 31, 2015 findings)

No findings noted.