

**COUNTY OF CHAUTAUQUA,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information, Supplementary Information
and Federal Awards Information
for the Year Ended December 31, 2014 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 (the "County"), as of and for the year ended December 31, 2014, 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 or the Chautauqua County Land Bank Corporation, which are shown as discretely presented component units. We also did not audit the financial statements of the Chautauqua Tobacco Asset Securitization Corporation, which represents 0.7% and 1.1%, 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 discretely presented component unit, 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, 2014, 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 net position of governmental activities as of December 31, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and the 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 18, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Drescher & Malachuk LLP

June 18, 2015

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COUNTY OF CHAUTAUQUA, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2014

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, 2014. 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

- On December 31, 2014, the County Home was privatized resulting in \$14,328,905 of residual equity being transferred to the primary government's General Fund.
- The primary government's total net position increased by \$3,129,538 during the current fiscal year. The increase is attributable to the sale of the County Home.
- The assets of the County, excluding discretely presented component units (the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation and the Roberts Road Development Corporation), exceeded total liabilities at the close of the most recent fiscal year by \$221,599,190 (*net position*) compared to \$218,469,652 (as restated) at December 31, 2013.
- As of the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$61,082,727, an increase of \$7,862,918 in comparison with the prior year. The increase was largely due to the residual equity transfer into the General Fund as a result of the sale of the County Home.
- The General Fund reported a net increase in fund balance this year of \$7,506,543. At December 31, 2014 the unassigned fund balance was \$20,922,070 with \$2,035,698 designated for post-retirement benefits for a total unobligated fund balance of \$18,886,372, or 8.7% of gross revenues including transfers in.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported 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 the Chautauqua County Home, three Sewer Districts, the North County Water District, 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 Chautauqua County Home, three Sewer Districts, the North County Water District, the Chautauqua County 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 Chautauqua County Home, three Sewer Districts, the North County Water District, the Chautauqua County 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 Supplemental 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* is used to report 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 necessary to acquire 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 27-60 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's progress in funding its obligation to provide post-employment benefits to its employees and the County's budgetary comparison schedules for the General Fund, County Road Fund, and Road Machinery Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 61-65 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 66-68.

Finally, Federal Awards Information can be found on pages 69-82 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 \$221,599,190, at the close of the most recent fiscal year, as compared to \$218,469,652 at the close of the fiscal year ended December 31, 2013 (as restated).

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2014	2013 (as restated)	2014	2013	2014	2013 (as restated)
Assets:						
Current assets	\$ 116,893,667	\$ 106,120,455	\$ 26,861,771	\$ 30,024,339	\$ 143,755,438	\$ 136,144,794
Noncurrent assets	11,866,309	10,389,322	-	198,274	11,866,309	10,587,596
Capital assets	<u>211,124,464</u>	<u>204,777,406</u>	<u>49,223,853</u>	<u>61,582,230</u>	<u>260,348,317</u>	<u>266,359,636</u>
Total assets	<u>339,884,440</u>	<u>321,287,183</u>	<u>76,085,624</u>	<u>91,804,843</u>	<u>415,970,064</u>	<u>413,092,026</u>
Deferred outflows of resources:						
Deferred charge on refunding, net	<u>788,053</u>	<u>844,343</u>	<u>-</u>	<u>-</u>	<u>788,053</u>	<u>844,343</u>
Total deferred outflows of resources	<u>788,053</u>	<u>844,343</u>	<u>-</u>	<u>-</u>	<u>788,053</u>	<u>844,343</u>
Liabilities:						
Current liabilities	36,474,927	33,935,253	1,092,299	2,177,704	37,567,226	36,112,957
Noncurrent liabilities	<u>112,992,145</u>	<u>107,599,670</u>	<u>38,034,647</u>	<u>50,218,427</u>	<u>151,026,792</u>	<u>157,818,097</u>
Total liabilities	<u>149,467,072</u>	<u>141,534,923</u>	<u>39,126,946</u>	<u>52,396,131</u>	<u>188,594,018</u>	<u>193,931,054</u>
Deferred inflows of resources:						
Grant proceeds	2,596,155	1,535,663	-	-	2,596,155	1,535,663
Deferred gain on refunding	<u>3,968,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,968,754</u>	<u>-</u>
Total deferred inflows of resources	<u>6,564,909</u>	<u>1,535,663</u>	<u>-</u>	<u>-</u>	<u>6,564,909</u>	<u>1,535,663</u>
Net position:						
Net investment in capital assets	184,049,200	185,816,749	34,664,628	38,478,906	218,713,828	224,295,655
Restricted	20,625,257	11,239,669	-	-	20,625,257	11,239,669
Unrestricted	<u>(20,033,945)</u>	<u>(17,995,478)</u>	<u>2,294,050</u>	<u>929,806</u>	<u>(17,739,895)</u>	<u>(17,065,672)</u>
Total net position	<u>\$ 184,640,512</u>	<u>\$ 179,060,940</u>	<u>\$ 36,958,678</u>	<u>\$ 39,408,712</u>	<u>\$ 221,599,190</u>	<u>\$ 218,469,652</u>

The largest portion of the County's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any outstanding 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, \$20,625,257, 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.

Unrestricted net position was in a deficit net position of \$17,739,895. This demonstrates that future funding will be necessary to liquidate long-term obligations.

Table 2, as presented below, shows the changes in net position for the years ended December 31, 2014 and December 31, 2013.

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

	Governmental activities		Increase/(Decrease)	
	Year ended December 31,		Dollars	Percent
	2014	2013 (as restated)		
Revenues:				
Program revenues	\$ 98,412,175	\$ 103,077,560	\$ (4,665,385)	(4.5)
General revenues	131,051,528	124,670,870	6,380,658	5.1
Total revenues	<u>229,463,703</u>	<u>227,748,430</u>	<u>1,715,273</u>	0.8
Total expenses	<u>239,713,574</u>	<u>237,121,952</u>	<u>2,591,622</u>	1.1
Transfers and special items	<u>15,829,443</u>	<u>1,577,377</u>	<u>14,252,066</u>	903.5
Change in net position	5,579,572	(7,796,145)	13,375,717	195.3
Net position—beginning, as restated	<u>179,060,940</u>	<u>186,857,085</u>	<u>(7,796,145)</u>	(4.2)
Net position—ending	<u>\$ 184,640,512</u>	<u>\$ 179,060,940</u>	<u>\$ 5,579,572</u>	3.1

Governmental activities—Governmental activities increased the County’s net position by \$5,579,572. A summary of revenues for governmental activities for the years ended December 31, 2014 and 2013 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Charges for services	\$ 27,557,755	\$ 28,189,066	\$ (631,311)	(2.2)
Operating grants and contributions	59,638,410	61,117,441	(1,479,031)	(2.4)
Capital grants and contributions	11,216,010	12,614,090	(1,398,080)	(11.1)
Property taxes and tax items	67,359,258	68,447,672	(1,088,414)	(1.6)
Non-property tax items	59,159,704	56,419,923	2,739,781	4.9
Other general revenues	<u>4,532,566</u>	<u>960,238</u>	<u>3,572,328</u>	372.0
Total revenues	<u>\$ 229,463,703</u>	<u>\$ 227,748,430</u>	<u>\$ 1,715,273</u>	0.8

The most significant source of revenues was property taxes and tax items, which accounted for \$67,359,258 or 29.4 percent of total governmental activities revenues. The next largest sources of revenue were operating grants and contributions of \$59,638,410 or 26.0 percent and non-property tax items of \$59,159,704 or 25.8 percent for the year ended December 31, 2014. Comparatively, for the year ended December 31, 2013, the most significant source of revenues was property taxes and tax items, which accounted for \$68,447,672 or 30.1 percent of total governmental activities revenues. The next largest

source of revenue was operating grants and contributions of \$61,117,440 or 26.8 percent for the year ended December 31, 2013.

During the year ended December 31, 2014, total revenues increased by 0.8 percent, mainly due to an increase in other general revenues, specifically use of money and property. In the prior year, the County recognized negative investment revenue of \$1,687,295 resulting from a loss on investments while the County earned investment revenue during the year ended December 31, 2014.

A summary of program expenses of governmental activities for the years ended December 31, 2014 and December 31, 2013 is presented below.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013 (as restated)	Dollars	Percent (%)
General government support	\$ 50,026,921	\$ 48,164,231	\$ 1,862,690	3.9
Education	9,383,127	9,926,961	(543,834)	(5.5)
Public safety	31,110,136	29,037,811	2,072,325	7.1
Health	17,925,179	18,801,462	(876,283)	(4.7)
Transportation	27,274,004	27,943,789	(669,785)	(2.4)
Economic assistance and opportunity	97,525,092	98,298,024	(772,932)	(0.8)
Culture and recreation	394,166	327,476	66,690	20.4
Home and community services	1,404,714	694,346	710,368	102.3
Interest and fiscal charges	4,670,235	3,927,852	742,383	18.9
Total program expenses	<u>\$ 239,713,574</u>	<u>\$ 237,121,952</u>	<u>\$ 2,591,622</u>	1.1

The County's most significant expense category for governmental activities was economic assistance and opportunity (primarily composed of social service costs) of \$97,525,092, or 40.9 percent of program expenses. The other significant expenses included general government support of \$50,026,921, or 20.9 percent of total expenses, public safety of \$31,110,136, or 13.0 percent of total expenses and transportation of \$27,274,004, or 11.4 percent of total expenses. For the year ended December 31, 2013, the most significant expense category for governmental activities was economic assistance and opportunity (primarily composed of social service costs) of \$98,298,024, or 41.4 percent of program expenses. The other significant expenses included general government support of \$48,164,231, or 20.3 percent of total expenses, public safety of \$29,037,811, or 12.2 percent of total expenses and transportation of \$27,943,789, or 11.8 percent of total expenses.

During the year ended December 31, 2014, total expenses increased 1.1 percent largely due to increased activity and increased costs of operations.

Business type activities—Business-type activities decreased the County’s net position by \$2,450,034. Operating revenues and expenses for the year ended December 31, 2014 increased 23.4 percent and 2.4 percent, respectively, from the year ended December 31, 2013.

A summary of operating revenues and operating expenses for the County’s business-type activities for the years ended December 31, 2014 and 2013 is presented below.

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

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent (%)
Operating revenues:				
Net patient revenue	\$ 17,811,173	\$ 17,663,784	\$ 147,389	0.8
Intergovernmental transfer revenue	11,445,475	3,609,939	7,835,536	217.1
Charges for services	16,769,748	16,035,650	734,098	4.6
Total operating revenues	<u>\$ 46,026,396</u>	<u>\$ 37,309,373</u>	<u>\$ 8,717,023</u>	23.4
Operating expenses:				
Professional services	\$ 2,905,303	\$ 2,966,136	\$ (60,833)	(2.1)
Contractual services	4,855,145	5,047,694	(192,549)	(3.8)
Nursing and medical	7,759,764	7,709,781	49,983	0.6
Ancillary	3,408,903	3,172,615	236,288	7.4
Administrative and general service	2,668,708	2,255,600	413,108	18.3
Fringe benefits	9,337,941	8,472,866	865,075	10.2
Depreciation and depletion	5,741,410	5,599,583	141,827	2.5
Bad debt expense	240,919	815,864	(574,945)	(70.5)
Total operating expenses	<u>\$ 36,918,093</u>	<u>\$ 36,040,139</u>	<u>\$ 877,954</u>	2.4

As detailed above, the County’s business-type activities’ operating revenues for the year ended December 31, 2014 increased 23.4 percent from the previous year mainly as a result of increased intergovernmental transfer revenue recognized in the County Home.

Additionally, the most significant expense items for the year ended December 31, 2014 were fringe benefits, which accounted for \$9,337,941, or 25.3 percent of total expenses, nursing and medical expenses of the County Home of \$7,759,764, or 21.0 percent of total expenses, and depreciation and depletion expense of \$5,741,410 or 15.6 percent of total expenses. Similarly, for the year ended December 31, 2013, the most significant expense items were fringe benefits, which accounted for \$8,472,866, or 23.5 percent of total expenses, nursing and medical expenses of the County Home of \$7,709,781, or 21.4 percent of total expenses, and depreciation expense of \$5,599,583 or 15.5 percent of total expenses.

Financial Analysis of Governmental Funds

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

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

At December 31, 2014, the County’s governmental funds reported combined ending fund balances of \$61,082,727, an increase of \$7,862,918 in comparison with the prior year. Approximately 34.2% of this amount, \$20,922,070, constitutes *unassigned fund balance*, which is available for spending at the County’s discretion. The remainder of fund balance is either *nonspendable, restricted, committed or assigned* to indicate that it is: (1) not in spendable form, \$10,006,234, (2) restricted for particular purposes, \$20,625,257, (3) committed for particular purposes, \$150,000 or (3) assigned for particular purposes, \$9,379,166.

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 \$20,922,070, while the total fund balance was \$44,582,876. The General Fund fund balance increased \$7,506,543 from the prior year. The increase was mainly due to the sale of the County Home in 2014. 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. *Unassigned fund balance* represents 9.4 percent of General Fund expenditures and transfers out, while total fund balance represents 20.0 percent of that same amount.

The fund balance in the County Road Fund decreased \$139,237 from December 31, 2013. The decrease is the result of expenditures increasing in excess of revenues. Similarly, the Road Machinery Fund fund balance decreased \$92,313 as a result of normal operations. The Capital Projects Fund fund balance increased \$1,615,502 primarily as a result of the issuance of serial bonds.

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 the result of the sale of the County Home and the transfer of the residual equity to the General Fund. The Landfill Fund net position improved \$795,239 and the Water District Fund net position improved \$11,625 during the year. Both increases are primarily the result of increased operating revenues combined with interest income earned in the current year. Although revenues increased and expenses decreased in the Sewer Fund, total net position decreased \$240,927 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, 2014 is presented in Table 6 below:

Table 6—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 217,437,651	\$ 223,832,897	\$ 215,666,501	\$ (8,166,396)
Expenditures and other financing uses	225,648,799	237,880,707	222,488,863	15,391,844
Special item—Residual equity transfer	-	-	14,328,905	14,328,905
Excess (deficiency) of revenues, other financing sources and special items over expenditures and other financing uses	\$ (8,211,148)	\$ (14,047,810)	\$ 7,506,543	\$ 21,554,353

Original budget compared to final budget—During the year the budget was modified to reflect the acceptance of new state and federal grants along with the acceptance of two Intergovernmental Transfers (IGT) for the County Home, which required a fifty percent match by the County. The grants and IGT matching explain the majority of the increases in appropriations and revenue from the original adopted budget to the final budget.

Final budget compared to actual result—The General Fund had a favorable variance from the final budgetary appropriations of \$15,391,844. The positive variances were realized primarily in economic assistance and opportunity and health expenditures.

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, 2014 amounted to \$260,348,317 (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, 2014 and 2013 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,	
	2014	2013 (as restated)	2014	2013	2014	2013 (as restated)
Land	\$ 552,826	\$ 552,826	\$ -	\$ 5,000	\$ 552,826	\$ 557,826
Construction in progress	58,362,667	58,576,216	2,104,614	2,217,205	60,467,281	60,793,421
Infrastructure	97,554,627	91,006,621	22,546,899	22,956,862	120,101,526	113,963,483
Land improvements	-	-	-	643,163	-	643,163
Buildings and building improvements	48,429,923	47,672,895	6,106,960	14,201,240	54,536,883	61,874,135
Machinery and equipment	2,832,484	3,619,177	10,748,555	13,155,889	13,581,039	16,775,066
Vehicles	3,391,937	3,349,671	664,363	578,724	4,056,300	3,928,395
Landfill assets	-	-	6,847,993	7,593,484	6,847,993	7,593,484
Water treatment facilities	-	-	204,469	230,663	204,469	230,663
Total assets	<u>\$ 211,124,464</u>	<u>\$ 204,777,406</u>	<u>\$ 49,223,853</u>	<u>\$ 61,582,230</u>	<u>\$ 260,348,317</u>	<u>\$ 266,359,636</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, 2014 the County's governmental activities had total long-term debt outstanding of \$112,992,145, as compared to \$107,599,670 in the prior year; while the County's business-type activities had total long-term debt outstanding of \$38,034,647, as compared to \$50,218,427 in the prior year. Additionally, as a result of the sale of the County Home, the Agency fund has long-term debt held in escrow for the Home of \$13,056,462 at December 31, 2014.

A summary of the County's long-term liabilities at December 31, 2014 and 2013 is presented in Table 8 on the following page.

Table 8—Summary of Long-Term Liabilities

	Year Ended December 31,		Increase/(decrease)	
	2014	2013	Dollars	Percent
Governmental activities:				
Serial bonds	\$ 36,559,317	\$ 29,994,000	\$ 6,565,317	21.9
CTASC bonds and accreted interest, net	39,908,752	43,680,091	(3,771,339)	(8.6)
Compensated absences	2,543,388	2,116,561	426,827	20.2
Workers' compensation	16,020,681	16,360,759	(340,078)	(2.1)
Net OPEB obligation	<u>17,960,007</u>	<u>15,448,259</u>	<u>2,511,748</u>	16.3
Total governmental activities	<u>\$ 112,992,145</u>	<u>\$ 107,599,670</u>	<u>\$ 5,392,475</u>	5.0
Business-type activities:				
Serial bonds	\$ 13,597,080	\$ 22,118,846	\$ (8,521,766)	(38.5)
Unamortized bond premium	-	181,379	(181,379)	(100.0)
Notes payable	962,145	999,848	(37,703)	(3.8)
Compensated absences	140,917	440,933	(300,016)	(68.0)
Landfill closure and post-closure	21,427,742	20,050,527	1,377,215	6.9
Workers' compensation	349,319	2,689,241	(2,339,922)	(87.0)
Net OPEB obligation	<u>1,557,444</u>	<u>3,737,653</u>	<u>(2,180,209)</u>	(58.3)
Total business-type activities	<u>\$ 38,034,647</u>	<u>\$ 50,218,427</u>	<u>\$ (12,183,780)</u>	(24.3)
Agency fund (held in escrow for County Home)				
Serial bonds	\$ 6,580,000	\$ -	\$ 6,580,000	-
Workers' compensation	4,100,000	-	4,100,000	-
OPEB obligation	<u>2,376,462</u>	-	<u>2,376,462</u>	-
Total Agency fund	<u>\$ 13,056,462</u>	<u>\$ -</u>	<u>\$ 13,056,462</u>	-

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 when setting the fiscal year 2015 budget, tax rates, 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 2015 General Fund budget are \$229.0 million compared to \$229.1 million in 2014. Given the state of the economy and the General Fund surplus, the Legislature voted to use fund balance to reduce the property tax rate. The County decreased the full value property tax rate from \$9.17 per thousand to \$9.15 per thousand for 2015.

The 2016 budget will present many challenges for Chautauqua County. In addition to having to replace the use of fund balance in the 2015 budget, costs of operations continue to rise. The sale of the County Home, which closed at the end of 2014, helped stabilize the fund balance for 2015. 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 \$4,478,390 of General Fund fund balance, \$350,000 of County Road Fund fund balance and \$700,000 of Road Machinery Fund fund balance to the 2015 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 2015 and 2016. The 2016 budget document takes shape during the summer and fall of 2015.

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 Susan Marsh, Director of Finance, 3 North Erie Street, Mayville, New York 14757.

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COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Net Position
December 31, 2014

	Primary Government			Component Units		
	Governmental	Business-type	Total	Industrial	Land Bank	Roberts Road
	Activities	Activities		Development	Corporation	Development
			Agency	Corporation	Corporation	
ASSETS						
Current assets:						
Cash, cash equivalents and investments	\$ 21,822,526	\$ 24,277,702	\$ 46,100,228	\$ 1,557,105	\$ 138,807	\$ 11,060
Restricted cash and cash equivalents	26,473,334	-	26,473,334	-	-	-
Restricted investments	2,150,498	-	2,150,498	-	-	-
Receivables, net of allowance						
Accounts receivable	6,715,924	2,384,269	9,100,193	-	-	-
Taxes receivable	16,253,248	-	16,253,248	-	-	-
Other receivables, current portion	582,174	-	582,174	805,563	-	-
Mortgage receivable, current portion	-	-	-	65,731	-	-
Intergovernmental receivables	39,232,545	61,853	39,294,398	-	-	-
Inventories	1,378,295	-	1,378,295	-	-	-
Prepaid items	2,285,123	137,947	2,423,070	-	-	-
Total current assets	<u>116,893,667</u>	<u>26,861,771</u>	<u>143,755,438</u>	<u>2,428,399</u>	<u>138,807</u>	<u>11,060</u>
Noncurrent assets:						
Receivables, net of allowance						
Other receivables	11,866,309	-	11,866,309	10,444,510	-	-
Mortgage receivable	-	-	-	1,544,458	-	-
Security deposit paid	-	-	-	100,000	5,500	-
Cash held for purpose of real property for resale	-	-	-	1,900,000	-	-
Real property held for resale	-	-	-	323,853	503,290	-
Capital assets not being depreciated	58,915,493	2,104,614	61,020,107	-	-	-
Capital assets, net of accumulated depreciation	152,208,971	47,119,239	199,328,210	1,997,456	-	-
Total noncurrent assets	<u>222,990,773</u>	<u>49,223,853</u>	<u>272,214,626</u>	<u>16,310,277</u>	<u>508,790</u>	<u>-</u>
Total assets	<u>339,884,440</u>	<u>76,085,624</u>	<u>415,970,064</u>	<u>18,738,676</u>	<u>647,597</u>	<u>11,060</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding, net	788,053	-	788,053	-	-	-
Total deferred outflows of resources	<u>788,053</u>	<u>-</u>	<u>788,053</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 9,499,798	\$ 767,394	\$ 10,267,192	\$ 14,826	\$ -	\$ -
Retainages payable	160,230	15,858	176,088	-	-	-
Accrued liabilities	1,944,300	309,047	2,253,347	57,691	6,832	-
Intergovernmental payables	15,430,068	-	15,430,068	-	-	-
Unearned revenue	9,440,531	-	9,440,531	17,945	-	11,060
Total current liabilities	<u>36,474,927</u>	<u>1,092,299</u>	<u>37,567,226</u>	<u>90,462</u>	<u>6,832</u>	<u>11,060</u>
Noncurrent liabilities:						
Due within one year	4,599,388	1,213,297	5,812,685	235,998	-	-
Due in more than one year	108,392,757	36,821,350	145,214,107	5,031,182	-	-
Total noncurrent liabilities	<u>112,992,145</u>	<u>38,034,647</u>	<u>151,026,792</u>	<u>5,267,180</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>149,467,072</u>	<u>39,126,946</u>	<u>188,594,018</u>	<u>5,357,642</u>	<u>6,832</u>	<u>11,060</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - grant proceeds	2,596,155	-	2,596,155	-	-	-
Unavailable revenue - refinancing of debt	3,968,754	-	3,968,754	-	-	-
Total deferred inflows of resources	<u>6,564,909</u>	<u>-</u>	<u>6,564,909</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	184,049,200	34,664,628	218,713,828	598,587	-	-
Restricted	20,625,257	-	20,625,257	12,691,788	-	-
Unrestricted	(20,033,945)	2,294,050	(17,739,895)	90,659	640,765	-
Total net position	<u>\$ 184,640,512</u>	<u>\$ 36,958,678</u>	<u>\$ 221,599,190</u>	<u>\$ 13,381,034</u>	<u>\$ 640,765</u>	<u>\$ -</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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	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	\$ 50,026,921	\$ 11,701,666	\$ 1,499,503	\$ 48,447	\$ (36,777,305)	\$ -	\$ (36,777,305)	\$ -	\$ -
Education	9,383,127	-	3,312,226	-	(6,070,901)	-	(6,070,901)	-	-
Public safety	31,110,136	4,385,910	2,226,276	183,046	(24,314,904)	-	(24,314,904)	-	-
Public health	17,925,179	5,485,557	10,230,761	-	(2,208,861)	-	(2,208,861)	-	-
Transportation	27,274,004	2,137,420	1,409,734	7,233,450	(16,493,400)	-	(16,493,400)	-	-
Economic assistance and opportunity	97,525,092	3,788,963	40,506,504	3,676,253	(49,553,372)	-	(49,553,372)	-	-
Culture and recreation	394,166	50,378	179,535	-	(164,253)	-	(164,253)	-	-
Home and community services	1,404,714	7,861	273,871	74,814	(1,048,168)	-	(1,048,168)	-	-
Interest and fiscal charges	4,670,235	-	-	-	(4,670,235)	-	(4,670,235)	-	-
Total governmental activities	<u>239,713,574</u>	<u>27,557,755</u>	<u>59,638,410</u>	<u>11,216,010</u>	<u>(141,301,399)</u>	<u>-</u>	<u>(141,301,399)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
County Home	23,400,494	18,043,802	11,445,475	-	-	6,088,783	6,088,783	-	-
Sewer	4,306,802	3,917,562	50,000	-	-	(339,240)	(339,240)	-	-
Water	58,511	67,404	-	-	-	8,893	8,893	-	-
Landfill	7,815,766	8,239,499	65,779	-	-	489,512	489,512	-	-
Electric Plant	2,812,116	4,312,654	-	-	-	1,500,538	1,500,538	-	-
Total business-type activities	<u>38,393,689</u>	<u>34,580,921</u>	<u>11,561,254</u>	<u>-</u>	<u>-</u>	<u>7,748,486</u>	<u>7,748,486</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 278,107,263</u>	<u>\$ 62,138,676</u>	<u>\$ 71,199,664</u>	<u>\$ 11,216,010</u>	<u>(141,301,399)</u>	<u>7,748,486</u>	<u>(133,552,913)</u>	<u>-</u>	<u>-</u>
Component units:									
Chautauqua County Industrial Development Agency	\$ 1,511,388	\$ 575,808	\$ 217,772	\$ -	-	-	-	\$ (717,808)	\$ -
Chautauqua County Land Bank Corporation	247,384	-	579,195	-	-	-	-	-	331,811
Roberts Road Development Corporation	-	-	-	-	-	-	-	-	-
Total component unit	<u>\$ 1,758,772</u>	<u>\$ 575,808</u>	<u>\$ 796,967</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (717,808)</u>	<u>\$ 331,811</u>
General revenues:									
Property taxes, levied for general purpose	-	-	-	-	62,628,871	-	62,628,871	-	-
Property tax items	-	-	-	-	4,730,387	-	4,730,387	-	-
Non-property tax items	-	-	-	-	59,159,704	-	59,159,704	-	-
Use of money and property	-	-	-	-	2,354,703	344,899	2,699,602	590,468	100
Miscellaneous	-	-	-	-	1,827,064	61,873	1,888,937	300,422	-
Sale of property and compensation for loss	-	-	-	-	350,799	-	350,799	-	(69,618)
Transfers	-	-	-	-	1,500,538	(1,500,538)	-	-	-
Special item—Residual equity transfer	-	-	-	-	14,328,905	(14,328,905)	-	-	-
Special item—Proceeds from sale of County Home	-	-	-	-	-	5,224,151	5,224,151	-	-
Total general revenues, transfers, and special items	-	-	-	-	<u>146,880,971</u>	<u>(10,198,520)</u>	<u>136,682,451</u>	<u>890,890</u>	<u>(69,518)</u>
Change in net position	-	-	-	-	5,579,572	(2,450,034)	3,129,538	173,082	262,293
Net position—beginning (as restated, see note 2)	-	-	-	-	<u>179,060,940</u>	<u>39,408,712</u>	<u>218,469,652</u>	<u>13,207,952</u>	<u>378,472</u>
Net position—ending	-	-	-	-	<u>\$ 184,640,512</u>	<u>\$ 36,958,678</u>	<u>\$ 221,599,190</u>	<u>\$ 13,381,034</u>	<u>\$ 640,765</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2014

	<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	\$ 13,452,879	\$ 50,000	\$ 2,621,836	\$ -	\$ -	\$ 16,124,715
Restricted cash and cash equivalents	19,639,256	-	-	6,527,166	306,912	26,473,334
Restricted investments	-	-	-	-	2,150,498	2,150,498
Receivables (net of allowances for estimated uncollectible amounts):						
Accounts receivable	3,787,352	2,858,767	56,949	12,643	-	6,715,711
Taxes receivable	18,016,481	-	-	-	-	18,016,481
Other receivables	6,221,617	-	-	131,866	-	6,353,483
Intergovernmental receivables	26,194,600	462,626	-	3,442,585	-	30,099,811
Due from other funds	1,044,827	-	-	-	-	1,044,827
Inventories	69,751	-	1,308,544	-	-	1,378,295
Prepaid items	2,035,957	205,995	32,504	-	-	2,274,456
Total assets	<u>\$ 90,462,720</u>	<u>\$ 3,577,388</u>	<u>\$ 4,019,833</u>	<u>\$ 10,114,260</u>	<u>\$ 2,457,410</u>	<u>\$ 110,631,611</u>
LIABILITIES						
Accounts payable	\$ 6,884,650	\$ 489,998	\$ 361,653	\$ 1,267,671	\$ -	\$ 9,003,972
Accrued liabilities	1,435,729	89,835	15,056	-	-	1,540,620
Due to other funds	-	1,044,827	-	-	-	1,044,827
Intergovernmental payables	15,030,068	-	-	400,000	-	15,430,068
Unearned revenue	9,440,531	-	-	-	-	9,440,531
Total liabilities	<u>32,790,978</u>	<u>1,624,660</u>	<u>376,709</u>	<u>1,667,671</u>	<u>-</u>	<u>36,460,018</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - grant proceeds	2,596,155	-	-	-	-	2,596,155
Unavailable revenue - property taxes	10,492,711	-	-	-	-	10,492,711
Total deferred inflows of resources	<u>13,088,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,088,866</u>
FUND BALANCES						
Nonspendable	8,327,325	205,995	1,341,048	131,866	-	10,006,234
Restricted	10,198,725	-	-	7,969,122	2,457,410	20,625,257
Committed	100,000	50,000	-	-	-	150,000
Assigned	5,034,756	1,696,733	2,302,076	345,601	-	9,379,166
Unassigned	20,922,070	-	-	-	-	20,922,070
Total fund balances	<u>44,582,876</u>	<u>1,952,728</u>	<u>3,643,124</u>	<u>8,446,589</u>	<u>2,457,410</u>	<u>61,082,727</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 90,462,720</u>	<u>\$ 3,577,388</u>	<u>\$ 4,019,833</u>	<u>\$ 10,114,260</u>	<u>\$ 2,457,410</u>	<u>\$ 110,631,611</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Reconciliation of the Balance Sheet of Governmental Funds
to the Government-wide Statement of Net Position
December 31, 2014

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

Fund balances—total governmental funds (page 18)	\$ 61,082,727
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$356,455,323 and the accumulated depreciation is \$145,330,859.	211,124,464
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.	788,053
Internal service funds are used by the County to charge the costs of certain activities, such as insurance, to the individual funds. Assets in excess of liabilities of the internal services funds are included in the governmental funds statement of net position.	(1,780,303)
To recognize interest accrual on long-term debt. Accrued interest for general long-term obligation bonds is \$298,459.	(298,459)
Uncollected property taxes of \$10,492,711 are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds. The County also reserved \$1,763,233 of real estate taxes receivable.	8,729,478
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.	6,095,000
Deferred gains on refunding are not financial resources and, therefore are not reported as liabilities in government funds.	(3,968,754)
Retained percentages are not a current liability and, therefore, are not reported in the funds.	(160,230)
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	\$ (36,559,317)
CTASC bonds, net	(39,908,752)
Compensated absences	(2,543,388)
Other post-employment benefits obligation	(17,960,007)
	(96,971,464)
Net position of governmental activities (page 16)	\$ 184,640,512

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, 2014

	<u>General</u>	<u>County Road</u>	<u>Road Machinery</u>	<u>Capital Projects</u>	<u>CTASC</u>	<u>Total Governmental Funds</u>
REVENUES						
Real property taxes	\$ 62,780,381	\$ -	\$ -	\$ -	\$ -	\$ 62,780,381
Real property tax items	4,730,387	-	-	-	-	4,730,387
Non property tax items	58,409,627	750,077	-	-	-	59,159,704
Departmental income	16,596,895	1,960	330	-	-	16,599,185
Intergovernmental charges	4,385,594	5,643	517,376	366,144	-	5,274,757
Licenses and permits	179,524	-	-	-	-	179,524
Fines and forfeitures	361,205	-	-	-	-	361,205
Use of money and property	4,921,874	260,814	207,356	-	143,132	5,533,176
Sale of property and compensation for loss	136,534	-	112,380	101,885	-	350,799
Miscellaneous	1,118,114	207,122	457,970	(3,377)	-	1,779,829
State aid	22,530,710	4,684,852	-	638,454	-	27,854,016
Federal aid	37,107,700	1,582,948	-	4,309,756	-	43,000,404
Tobacco settlement revenue	-	-	-	-	2,443,859	2,443,859
Total revenues	<u>213,258,545</u>	<u>7,493,416</u>	<u>1,295,412</u>	<u>5,412,862</u>	<u>2,586,991</u>	<u>230,047,226</u>
EXPENDITURES						
Current:						
General government support	46,334,733	-	-	-	63,542	46,398,275
Education	9,263,775	-	-	-	-	9,263,775
Public safety	28,898,487	-	-	-	-	28,898,487
Health	17,499,985	-	-	-	-	17,499,985
Transportation	4,012,770	18,495,480	3,993,690	-	-	26,501,940
Economic assistance and opportunity	96,797,564	-	-	-	-	96,797,564
Culture and recreation	377,194	-	-	-	-	377,194
Home and community services	1,307,043	-	-	-	-	1,307,043
Debt service:						
Principal	2,566,000	-	20,000	-	270,000	2,856,000
Interest and fiscal charges	987,449	-	1,956	-	3,281,026	4,270,431
Capital outlay	-	-	-	12,994,374	-	12,994,374
Total expenditures	<u>208,045,000</u>	<u>18,495,480</u>	<u>4,015,646</u>	<u>12,994,374</u>	<u>3,614,568</u>	<u>247,165,068</u>
Excess (deficiency) of revenues over expenditures	<u>5,213,545</u>	<u>(11,002,064)</u>	<u>(2,720,234)</u>	<u>(7,581,512)</u>	<u>(1,027,577)</u>	<u>(17,117,842)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,407,956	10,862,827	3,104,078	45,697	2,436,400	18,856,958
Transfers out	(14,443,863)	-	(476,157)	-	(2,436,400)	(17,356,420)
Proceeds of debt	-	-	-	9,151,317	-	9,151,317
Total other financing sources (uses)	<u>(12,035,907)</u>	<u>10,862,827</u>	<u>2,627,921</u>	<u>9,197,014</u>	<u>-</u>	<u>10,651,855</u>
Special item—Residual equity transfer	14,328,905	-	-	-	-	14,328,905
Net change in fund balances	7,506,543	(139,237)	(92,313)	1,615,502	(1,027,577)	7,862,918
Fund balances—beginning	37,076,333	2,091,965	3,735,437	6,831,087	3,484,987	53,219,809
Fund balances—ending	<u>\$ 44,582,876</u>	<u>\$ 1,952,728</u>	<u>\$ 3,643,124</u>	<u>\$ 8,446,589</u>	<u>\$ 2,457,410</u>	<u>\$ 61,082,727</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, 2014

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) \$ 7,862,918

County 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	\$ 21,407,221	
Net book value of disposed capital assets	(12,932)	
Depreciation expense	<u>(15,047,231)</u>	6,347,058

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 unearned tax revenue	\$ (151,510)	
Change in long-term receivable	<u>(250,000)</u>	(401,510)

Internal services funds are used by management to charge the costs of health insurance and workers' compensation. The net gain of the internal service funds of \$1,747,045 is reported within governmental activities. 1,747,045

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. (160,230)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (58,112)

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:

Issuance of serial bonds	\$ (9,151,317)	
Principal payments on serial bonds	2,586,000	
Payment on CTASC bond	270,000	
Accreted interest of CTASC bond	(467,415)	
Change in compensated absences	(426,827)	
Change in other post-employment benefits plan	(2,511,748)	
Amortization of deferred financing cost	<u>(56,290)</u>	<u>(9,757,597)</u>

Change in net position of governmental activities (page 17) \$ 5,579,572

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, 2014

	Business-type Activities					Total	Governmental
	Enterprise Funds						Activities—
	County Home	Sewer	North County Water District	Landfill	Electric Plant		Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ -	\$ 3,861,690	\$ 152,791	\$ 17,826,321	\$ 2,436,900	\$ 24,277,702	\$ 5,697,811
Receivables (net of allowances for estimated uncollectible amounts)	-	1,230,217	12,895	796,609	344,548	2,384,269	213
Intergovernmental receivable	-	-	-	61,853	-	61,853	9,132,734
Prepaid items	-	40,879	-	97,068	-	137,947	10,667
Total current assets	-	5,132,786	165,686	18,781,851	2,781,448	26,861,771	14,841,425
Noncurrent assets:							
Capital assets, not being depreciated	-	33,225	-	2,071,389	-	2,104,614	-
Capital assets, being depreciated (net of accumulated amortization/depletion)	-	24,456,373	204,469	9,091,311	13,367,086	47,119,239	-
Total noncurrent assets	-	24,489,598	204,469	11,162,700	13,367,086	49,223,853	-
Total assets	-	29,622,384	370,155	29,944,551	16,148,534	76,085,624	14,841,425
LIABILITIES							
Current liabilities:							
Accounts payable	\$ -	\$ 235,893	\$ 962	\$ 529,978	\$ 561	\$ 767,394	\$ 495,825
Contract retainage	-	15,858	-	-	-	15,858	-
Accrued expenses	-	57,230	212	41,153	210,452	309,047	105,222
Total current liabilities	-	308,981	1,174	571,131	211,013	1,092,299	601,047
Noncurrent liabilities:							
Due within one year:							
Compensated absences	-	46,271	-	94,646	-	140,917	-
Serial bonds and notes payable—current	-	94,469	12,000	325,000	640,911	1,072,380	-
Due in more than one year:							
Serial bonds and notes payable	-	968,476	24,000	1,040,000	11,454,369	13,486,845	-
Landfill closure and post-closure	-	-	-	21,427,742	-	21,427,742	-
Net OPEB obligation	-	327,542	-	1,229,902	-	1,557,444	-
Workers' compensation liability	-	78,439	221	270,659	-	349,319	16,020,681
Total noncurrent liabilities	-	1,515,197	36,221	24,387,949	12,095,280	38,034,647	16,020,681
Total liabilities	-	1,824,178	37,395	24,959,080	12,306,293	39,126,946	16,621,728
NET POSITION							
Net investment in capital assets	-	23,426,653	168,469	9,797,700	1,271,806	34,664,628	-
Unrestricted	-	4,371,553	164,291	(4,812,229)	2,570,435	2,294,050	(1,780,303)
Total net position	\$ -	\$ 27,798,206	\$ 332,760	\$ 4,985,471	\$ 3,842,241	\$ 36,958,678	\$ (1,780,303)

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, 2014

	<u>Business-type Activities--Enterprise Funds</u>					<u>Governmental</u>	
	<u>County</u>		<u>North County</u>		<u>Electric</u>	<u>Internal</u>	
	<u>Home</u>	<u>Sewer</u>	<u>Water District</u>	<u>Landfill</u>	<u>Plant</u>	<u>Service Funds</u>	
					<u>Total</u>		
OPERATING REVENUES							
Net patient revenue	\$17,811,173	\$ -	\$ -	\$ -	\$ -	\$ 17,811,173	\$ -
Intergovernmental transfer revenue	11,445,475	-	-	-	-	11,445,475	-
Charges for services	232,629	3,917,562	67,404	8,239,499	4,312,654	16,769,748	29,781,346
Total operating revenues	<u>29,489,277</u>	<u>3,917,562</u>	<u>67,404</u>	<u>8,239,499</u>	<u>4,312,654</u>	<u>46,026,396</u>	<u>29,781,346</u>
OPERATING EXPENSES							
Professional services	-	947,693	3,058	1,953,684	868	2,905,303	-
Contractual services	-	1,637,060	28,850	1,489,210	1,700,025	4,855,145	-
Nursing and medical	7,759,764	-	-	-	-	7,759,764	-
Dietary	1,562,821	-	-	-	-	1,562,821	-
Household and plant operation	1,846,082	-	-	-	-	1,846,082	-
Administrative and general service	2,668,708	-	-	-	-	2,668,708	-
Fringe benefits	7,262,387	607,165	409	1,467,337	643	9,337,941	-
Depreciation	1,038,097	1,114,884	26,194	1,527,998	657,022	4,364,195	-
Landfill closure and post closure expense	-	-	-	1,377,215	-	1,377,215	-
Bad debt	240,597	-	-	322	-	240,919	-
Insurance claims and expenses	-	-	-	-	-	-	28,633,128
Total operating expenses	<u>22,378,456</u>	<u>4,306,802</u>	<u>58,511</u>	<u>7,815,766</u>	<u>2,358,558</u>	<u>36,918,093</u>	<u>28,633,128</u>
Operating income (loss)	<u>7,110,821</u>	<u>(389,240)</u>	<u>8,893</u>	<u>423,733</u>	<u>1,954,096</u>	<u>9,108,303</u>	<u>1,148,218</u>
NONOPERATING REVENUES (EXPENSES)							
State sources	-	50,000	-	65,779	-	115,779	-
Interest income (expense)	(854,773)	90,044	2,732	252,123	(453,558)	(963,432)	188,380
Loss from disposal of assets held for sale	(1,789)	-	-	-	-	(1,789)	-
Other miscellaneous	(165,476)	8,269	-	53,604	-	(103,603)	410,447
Total nonoperating revenues (expenses)	<u>(1,022,038)</u>	<u>148,313</u>	<u>2,732</u>	<u>371,506</u>	<u>(453,558)</u>	<u>(953,045)</u>	<u>598,827</u>
Transfers out	-	-	-	-	(1,500,538)	(1,500,538)	-
Special item—Proceeds from sale of County Home	5,224,151	-	-	-	-	5,224,151	-
Special item—Residual equity transfer	(14,328,905)	-	-	-	-	(14,328,905)	-
Total transfers and special items	<u>(9,104,754)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500,538)</u>	<u>(10,605,292)</u>	<u>-</u>
Change in net position	(3,015,971)	(240,927)	11,625	795,239	-	(2,450,034)	1,747,045
Total net position—beginning	<u>3,015,971</u>	<u>28,039,133</u>	<u>321,135</u>	<u>4,190,232</u>	<u>3,842,241</u>	<u>39,408,712</u>	<u>(3,527,348)</u>
Total net position—ending	<u>\$ -</u>	<u>\$ 27,798,206</u>	<u>\$ 332,760</u>	<u>\$ 4,985,471</u>	<u>\$ 3,842,241</u>	<u>\$ 36,958,678</u>	<u>\$ (1,780,303)</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, 2014

	<u>Business-type Activities--Enterprise Funds</u>					<u>Total</u>	<u>Governmental</u> <u>Activities--</u>
	<u>County</u> <u>Home</u>	<u>Sewer</u>	<u>North County</u> <u>Water District</u>	<u>Landfill</u>	<u>Electric</u> <u>Plant</u>		<u>Internal</u> <u>Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from services provided	\$ 29,198,503	\$ 3,839,141	\$ 70,504	\$ 8,102,730	\$ 4,363,056	\$ 45,573,934	\$ 29,145,473
Payments to suppliers and service providers	(3,876,755)	(1,622,980)	(28,660)	(1,280,504)	(1,700,234)	(8,509,133)	(28,874,958)
Payments to employees for salaries and benefits	(13,810,381)	(1,543,711)	(3,421)	(3,417,123)	(1,511)	(18,776,147)	-
Payments to primary government	(324,224)	-	-	-	-	(324,224)	-
Payments to other governments	(963,647)	-	-	-	-	(963,647)	-
Net cash provided by operating activities	<u>10,223,496</u>	<u>672,450</u>	<u>38,423</u>	<u>3,405,103</u>	<u>2,661,311</u>	<u>17,000,783</u>	<u>270,515</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Advances from other funds	-	-	-	-	-	-	(421,024)
Net transfers	-	-	-	-	(1,500,538)	(1,500,538)	-
Other income	-	58,269	-	119,383	-	177,652	410,447
Net cash provided by (use for) noncapital financing activities	<u>-</u>	<u>58,269</u>	<u>-</u>	<u>119,383</u>	<u>(1,500,538)</u>	<u>(1,322,886)</u>	<u>(10,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Residual equity transfer	(14,328,905)	-	-	-	-	(14,328,905)	-
Net proceeds from sale of nursing home	15,993,765	-	-	-	-	15,993,765	-
Items being held in escrow in County Trust and Agency Fund	(14,687,197)	-	-	-	-	(14,687,197)	-
Interest earned on bank accounts	<u>2</u>	<u>130,495</u>	<u>4,782</u>	<u>271,906</u>	<u>39,438</u>	<u>446,623</u>	<u>-</u>
Net cash provided by (used for) investing activities	<u>(13,022,335)</u>	<u>130,495</u>	<u>4,782</u>	<u>271,906</u>	<u>39,438</u>	<u>446,623</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest expense	(289,479)	(39,094)	(2,100)	(20,056)	(500,775)	(851,504)	188,380
Acquisition and construction of capital assets	(9,427)	(719,075)	-	(359,881)	-	(1,088,383)	-
Principal payments on serial bonds	(950,000)	(50,400)	(12,000)	(315,000)	(614,366)	(1,941,766)	-
Principal payments on notes payable	<u>-</u>	<u>(37,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) capital and related financial activities	<u>(1,248,906)</u>	<u>(846,272)</u>	<u>(14,100)</u>	<u>(694,937)</u>	<u>(1,115,141)</u>	<u>(3,881,653)</u>	<u>188,380</u>
Net increase (decrease) in cash and cash equivalents	(4,047,745)	14,942	29,105	3,101,455	85,070	(817,173)	448,318
Cash and cash equivalents—beginning	<u>4,047,745</u>	<u>3,846,748</u>	<u>123,686</u>	<u>14,724,866</u>	<u>2,351,830</u>	<u>25,094,875</u>	<u>5,249,493</u>
Cash and cash equivalents—ending	<u>\$ -</u>	<u>\$ 3,861,690</u>	<u>\$ 152,791</u>	<u>\$ 17,826,321</u>	<u>\$ 2,436,900</u>	<u>\$ 24,277,702</u>	<u>\$ 5,697,811</u>

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2014

	Business-type Activities--Enterprise Funds					Total	(concluded) Governmental Activities-- Internal Service Funds
	County Home	Sewer	North County Water District	Landfill	Electric Plant		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	\$ 7,110,821	\$ (389,240)	\$ 8,893	\$ 423,733	\$ 1,954,096	\$ 9,108,303	\$ 1,148,218
Adjustments to reconcile operating (loss) income to net cash provided by (used for) operating activities:							
Depreciation, landfill closure and post-closure	1,038,097	1,114,884	26,194	2,905,213	657,022	5,741,410	-
Amortization of refunding costs	31,271	-	-	-	-	31,271	-
Decrease in patient accounts receivable, net	68,360	-	-	-	-	68,360	-
(Increase) decrease in accounts receivable	-	(78,421)	3,100	(107,548)	50,402	(132,467)	35,017
(Increase) in intergovernmental receivables	-	-	-	(28,899)	-	(28,899)	(670,890)
Decrease in inventories	111,758	-	-	-	-	111,758	-
Decrease (increase) in prepaid assets	30,769	2,763	-	5,749	-	39,281	(10,667)
(Decrease) increase in accounts payable	(16,175)	15,467	252	202,957	(209)	202,292	136,036
(Decrease) in retainage payable	-	(4,150)	-	-	-	(4,150)	-
Increase in compensation and related costs	11,044	-	-	-	-	11,044	-
Increase (decrease) in accrued workers' compensation	1,915,592	(41,062)	46	(114,498)	-	1,760,078	-
Increase in compensated absences liability	-	5,837	-	1,099	-	6,936	-
(Decrease) increase in other post employment benefits	(31,745)	42,764	-	185,234	-	196,253	-
(Decrease) increase in other accrued expenses	(46,296)	3,608	(62)	(67,937)	-	(110,687)	(367,199)
Total adjustments	<u>3,112,675</u>	<u>1,061,690</u>	<u>29,530</u>	<u>2,981,370</u>	<u>707,215</u>	<u>7,892,480</u>	<u>(877,703)</u>
Net cash provided by (used for) operating activities	<u>\$ 10,223,496</u>	<u>\$ 672,450</u>	<u>\$ 38,423</u>	<u>\$ 3,405,103</u>	<u>\$ 2,661,311</u>	<u>\$ 17,000,783</u>	<u>\$ 270,515</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Fiduciary Net Position—Agency Fund
December 31, 2014

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 3,033,624
Cash held in escrow for County Home	14,687,197
Accounts receivable	162,492
Other assets held in escrow for County Home	<u>337,439</u>
Total assets	<u>\$ 18,220,752</u>
LIABILITIES	
Agency liabilities	\$ 3,196,116
Held in escrow for County Home:	
General liabilities	1,968,174
Serial bonds	6,580,000
Workers' compensation	4,100,000
Net OPEB obligation	<u>2,376,462</u>
Total liabilities	<u>\$ 18,220,752</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, 2014

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

Reporting Entity

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 nursing home, landfill and 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.

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.

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.

County of Chautauqua Industrial Development Agency—The County of Chautauqua 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.

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 a discretely presented component unit because the County can appoint the voting and non-voting members to the Board of Directors.

Sale of County Home—The County officially ceased operations of the County Home on December 31, 2014. The County Home was sold and title of the Home was transferred to the new, private owners. Outstanding liabilities and offsetting assets were transferred to the County’s Agency Fund and any remaining residual equity was transferred to the County’s General Fund.

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

Basis of Presentation—Fund Financial Statements

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

The County reports the following major proprietary funds:

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

- *County Home*—The County Home Fund is used to account for a New York State licensed skilled nursing and health related facility.
- *Sewer Fund*—The Sewer Fund is comprised of three County sewer districts and is used to account for the operating activities of the County sewer districts.
- *North County Water District*—The North County Water District Fund 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—These 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 and the remaining assets and liabilities of the County Home which was sold.

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 and advances to/from 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.

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

Investments—Investments for the County are reported at fair value (generally based on quoted market prices).

Inventories—All inventories, which are comprised of general supplies and prescription drugs, medical and other 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 revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2014, the County reported unearned revenues within the General Fund of \$9,440,531, the majority of which represent grant funds received in advance of eligibility criteria being met.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more. Donated capital assets are recorded at their estimated fair 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. Expenditures reported in the Capital Projects Fund are classified as capital outlays. Routine capital expenditures in other governmental funds are included in the appropriate functional category (i.e., purchase of new highway equipment as part of current expenditures – transportation). Additionally, the amount reported as capital outlay in the Capital Projects Fund includes certain non-capitalized costs (i.e., furnishings below the capitalization threshold).

The County depreciates capital assets using the straight-line method over their estimated useful lives as presented on the following page.

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

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, 2014, the County had one item that qualified for reporting in this category, a deferred charge on refunding bonds that is being amortized over the life of the refunded debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County had three items that qualified for reporting in this category. The first arises under a 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 represents grant funding received before timing requirements have been met and the third represents a deferred gain on CTASC refunding bonds that is being amortized over the life of the refunded debt.

Net Position Flow Assumptions—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 Financial Officer 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 County Home, 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.

The Chautauqua County Home recognizes patient revenue at established rates for services rendered to all patients. Payments for services rendered to patients covered by Medicare, Medicaid and certain other prospective rate or cost based third-party payers are generally less than established rates, and contractual allowances are recorded to reflect these differences. Final determination of amounts due to the Home under these cost reimbursement programs are subject to audit or review by the respective administrative agencies, and provision has been made for estimated adjustments that may result.

Differences between estimated amounts accrued and final settlements are reported in operations in the year of settlement. The Medicare cost report has been settled through 2013.

Property Taxes—The Countywide 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 levied for school (\$5,995,575) and the portion that represents taxes levied for the Cities and Villages (\$625,237) are recognized as liabilities that are included in intergovernmental payables. Also, \$10,492,711 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.

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 2014 is approximately \$6.81 billion. The effective tax rate on this value is approximately \$9.17 per thousand. The statutory minimum tax rate is 1.5% of the 5-year average of the equalized assessment. The 2014 levy represents approximately 57.64% 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.

Compensated absences are reported as accrued 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—Nearly all County employees are members of various New York State retirement systems. The County is invoiced annually by the systems for its share of the costs.

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.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2014, the County implemented GASB Statements No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, No. 69, *Government Combinations and Disposals of Government Operations*, and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This Statement replaces GASB Statement No. 25 and Statement No. 50. The objective of GASB Statement No. 69 is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The objective of GASB Statement No. 70 is to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB Statements No. 67, 69, and 70 did not have a material impact on the County’s financial position or results from operations.

The County has previously implemented GASB Statement No. 65 during the year ended December 31, 2013, however CTASC did not. During the year ended December 31, 2014 CTASC adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effects of CTASC implementing GASB Statement No. 65 on the County’s current year financial position and results from operations are disclosed in Note 2.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015, 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* effective for the year ending December 31, 2016, No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for the fiscal year ending December 31, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the fiscal year ending December 31, 2018. The County is, therefore, unable to disclose the impact that adopting GASB Statement Nos. 68, 71, 72, 73, 74, and 75 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, 2014 the County maintained a deficit net position of \$78,320 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 and savings due to the Medicaid cap.

As of December 31, 2014, the County maintained a deficit net position of \$1,701,983 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.

The combined deficit within the Internal Service Funds totaling \$1,780,303 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 pass a budget within six calendar days following the public hearing. If the budget passed 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 becomes adopted.

Additional information regarding the County's budgets can be found in the Note to the Required Supplementary Information section of this report.

2. RESTATEMENT AND CHANGE TO NET POSITION

The County has reviewed its construction-in-progress balance and has determined that the prior year balance was overstated. The effect of this restatement is shown below.

As discussed in Note 1, during the year ended December 31, 2014, CTASC adopted GASB Statement 65. As a result of this implementation, unamortized bond issuance costs have been fully recognized. Net position of CTASC at December 31, 2013 has been restated to remove unamortized bond issuance costs of \$764,374.

	Governmental Activities Net Position
Net position, December 31, 2013—as previously reported	\$ 182,088,633
Adjustment for overstated construction in progress	(2,263,319)
Adjustment for CTASC implementation of GASB 65	<u>(764,374)</u>
Net position, December 31, 2013—as restated	<u>\$ 179,060,940</u>

The aforementioned restatements had no effect on the fund balances of the County.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. 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 restricted cash) reported by the County at December 31, 2014 is presented below.

Governmental Funds	\$ 44,748,547
Enterprise Funds	24,277,702
Internal Service Funds	5,697,811
Agency Fund	<u>17,720,821</u>
Total	<u>\$ 92,444,881</u>

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

Petty cash	\$ 7,788
Petty cash held by financial institutions	5,650
Cash	31,060,700
Cash equivalents	12,362,304
Investments	<u>49,008,439</u>
Total	<u>\$ 92,444,881</u>

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

	<u>December 31, 2014</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
FDIC insured	\$ 2,020,302	\$ 2,020,655
Uninsured:		
Collateral held by pledging bank's agent in County's name	<u>41,408,352</u>	<u>43,508,334</u>
Total	<u>\$ 43,428,654</u>	<u>\$ 45,528,989</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. These cash equivalents are carried at fair value as displayed below.

	<u>December 31, 2014</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
County money market funds	\$ 12,241,929	\$ 12,241,929
CTASC money market funds	<u>120,375</u>	<u>120,375</u>
Total	<u>\$ 12,362,304</u>	<u>\$ 12,362,304</u>

Investments—All investments are carried at market value and are as follows:

	<u>Market Value</u>
Savings, CDs and time deposits	\$ 495,227
U.S. Government Agencies	42,093,033
Municipal bonds	<u>6,420,179</u>
Total	<u>\$ 49,008,439</u>

Custodial credit risk—deposits—Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2014, all of 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—The primary government reports restricted cash of \$26,473,334, of which \$306,912 represents cash restricted for CTASC, \$9,440,531 represents unearned revenue, \$6,527,166 for capital projects and \$10,198,725 supports restricted fund balance. These deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County.

Industrial Development Agency Component Unit—Deposits totaled \$3,457,105 and were fully collateralized or insured at December 31, 2014.

Land Bank Corporation—Deposits totaled \$138,807 and were fully insured at December 31, 2014.

Roberts Road Development Corporation—Deposits totaled \$11,060 and were fully insured at December 31, 2014.

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, 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, 2014 consisted of the following:

Accounts Receivable—Represent amounts due from various sources. The County’s accounts receivable at December 31, 2014 are shown below:

Governmental Funds:	
General Fund	\$ 3,787,352
County Road Fund	2,858,767
Road Machinery Fund	56,949
Capital Projects Fund	<u>12,643</u>
Total Governmental Funds	<u>\$ 6,715,711</u>
Enterprise Funds:	
Sewer Fund	1,230,217
Water Fund	12,895
Landfill Fund	796,609
Electric Fund	<u>344,548</u>
Total Enterprise Funds	<u>\$ 2,384,269</u>
Internal Service Funds	
Health Insurance Fund	<u>213</u>
Total Internal Service Funds	<u>\$ 213</u>
Agency Fund	<u>\$ 162,492</u>

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. The total amount of other receivables at December 31, 2014 is as follows:

General Fund	\$ 6,221,617
Capital Projects Fund	<u>131,866</u>
Total governmental funds	<u>\$ 6,353,483</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, 2014 are shown below.

Governmental Funds:	
General Fund	\$ 26,194,600
County Road Fund	462,626
Capital Projects Fund	<u>3,442,585</u>
Total Governmental Funds	<u>\$ 30,099,811</u>
Enterprise Funds	
Landfill Fund	<u>61,853</u>
Total Enterprise Funds	<u>\$ 61,853</u>
Internal Service Funds	
Workers' Compensation Fund	<u>9,132,734</u>
Total Internal Service Funds	<u>\$ 9,132,734</u>

5. CAPITAL ASSETS

Governmental Activities—Capital asset activity for the primary government’s governmental activities, for fiscal year ending December 31, 2014, was as follows:

	Balance 1/1/2014 (as restated)	Increases	Decreases	Transfers to Business-type Activities	Balance 12/31/2014
Capital assets not being depreciated:					
Land	\$ 552,826	\$ -	\$ -	\$ -	\$ 552,826
Construction in progress	<u>58,576,216</u>	<u>13,348,363</u>	<u>(13,561,912)</u>	<u>-</u>	<u>58,362,667</u>
Total capital assets, not being depreciated	<u>59,129,042</u>	<u>13,348,363</u>	<u>(13,561,912)</u>	<u>-</u>	<u>58,915,493</u>
Capital assets being depreciated:					
Infrastructure	166,914,621	13,294,057	-	-	180,208,678
Buildings and building improvements	73,298,091	3,995,312	-	-	77,293,403
Machinery and equipment	20,980,313	2,647,816	(79,167)	(123,328)	23,425,634
Vehicles	<u>15,434,637</u>	<u>1,683,585</u>	<u>(428,850)</u>	<u>(77,257)</u>	<u>16,612,115</u>
Total capital assets, being depreciated	<u>276,627,662</u>	<u>21,620,770</u>	<u>(508,017)</u>	<u>(200,585)</u>	<u>297,539,830</u>
Less accumulated depreciation:					
Infrastructure	75,908,000	6,746,051	-	-	82,654,051
Buildings and building improvements	25,625,196	3,238,284	-	-	28,863,480
Machinery and equipment	17,361,136	3,434,509	(79,167)	(123,328)	20,593,150
Vehicles	<u>12,084,966</u>	<u>1,628,387</u>	<u>(415,918)</u>	<u>(77,257)</u>	<u>13,220,178</u>
Total accumulated depreciation	<u>130,979,298</u>	<u>15,047,231</u>	<u>(495,085)</u>	<u>(200,585)</u>	<u>145,330,859</u>
Total capital assets, being depreciated, net	<u>145,648,364</u>	<u>6,573,539</u>	<u>(12,932)</u>	<u>-</u>	<u>152,208,971</u>
Governmental activities capital assets, net	<u>\$ 204,777,406</u>	<u>\$ 19,921,902</u>	<u>\$ (13,574,844)</u>	<u>\$ -</u>	<u>\$ 211,124,464</u>

Business-type Activities—Capital asset activity for the primary government’s business-type activities for the fiscal year ending December 31, 2014 is presented below:

	Balance 1/1/2014	Increases	Decreases	Transfers from Governmental Activities	Balance 12/31/2014
Capital assets, not being depreciated:					
Land	\$ 5,000	\$ -	\$ (5,000)	\$ -	\$ -
Construction in progress	2,217,205	758,087	(870,678)	-	2,104,614
Total capital assets, not being depreciated	<u>2,222,205</u>	<u>758,087</u>	<u>(875,678)</u>	<u>-</u>	<u>2,104,614</u>
Capital assets, being depreciated or depleted					
Infrastructure	48,859,545	343,197	-	-	49,202,742
Land improvements	1,774,655	-	(1,774,655)	-	-
Buildings and building improvements	32,547,417	1,274	(17,447,242)	-	15,101,449
Machinery and equipment	37,128,194	243,215	(12,523,375)	123,328	24,971,362
Vehicles	2,332,987	320,867	(35,059)	77,257	2,696,052
Landfill	40,386,386	-	-	-	40,386,386
Water treatment facility	1,432,431	-	-	-	1,432,431
Total capital assets, being depreciated	<u>164,461,615</u>	<u>908,553</u>	<u>(31,780,331)</u>	<u>200,585</u>	<u>133,790,422</u>
Less accumulated depreciation or depletion for:					
Infrastructure	25,902,683	753,160	-	-	26,655,843
Land improvements	1,131,492	52,020	(1,183,512)	-	-
Buildings and building improvements	18,346,177	1,077,584	(10,429,272)	-	8,994,489
Machinery and equipment	23,972,305	1,474,518	(11,347,344)	123,328	14,222,807
Vehicles	1,754,263	235,228	(35,059)	77,257	2,031,689
Landfill	32,792,902	745,491	-	-	33,538,393
Water treatment facility	1,201,768	26,194	-	-	1,227,962
Total accumulated depreciation or depletion	<u>105,101,590</u>	<u>4,364,195</u>	<u>(22,995,187)</u>	<u>200,585</u>	<u>86,671,183</u>
Total capital assets, being depreciated, net	<u>59,360,025</u>	<u>(3,455,642)</u>	<u>(8,785,144)</u>	<u>-</u>	<u>47,119,239</u>
Business-type activities capital assets, net	<u>\$ 61,582,230</u>	<u>\$ (2,697,555)</u>	<u>\$ (9,660,822)</u>	<u>\$ -</u>	<u>\$ 49,223,853</u>

As discussed in Note 1, the County sold the County Home and ceased operations on December 31, 2014. As a result of this sale, the County Home’s capital assets, totaling \$9,079,557, were transferred to the new, private owners.

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

Governmental activities:	
General government support	\$ 3,363,349
Education	51,338
Public safety	2,198,936
Health	296,710
Transportation	9,011,959
Economic assistance and opportunity	22,663
Culture and recreation	14,202
Home and community services	88,074
Total governmental activities depreciation expense	<u>\$ 15,047,231</u>
Business-type activities:	
County Home	\$ 1,038,097
Sewer	1,114,884
Water District	26,194
Landfill	1,527,998
Electric Plant	657,022
Total business-type activities depreciation expense	<u>\$ 4,364,195</u>

Chautauqua County Industrial Development Agency—A summary of the discretely presented component unit's capital assets by major classification follows:

	Balance 12/31/2014
Buildings and building improvements	\$ 3,258,121
Furniture and equipment	118,980
Total capital assets	3,377,101
Less: accumulated depreciation	(1,379,645)
Total capital assets, net	<u>\$ 1,997,456</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2014 were as follows:

	General Fund	County Road Fund	Road Machinery Fund	Total Governmental Funds
Salary and employee benefits	\$ 1,428,890	\$ 89,835	\$ 15,056	\$ 1,533,781
Other	6,839	-	-	6,839
Total accrued liabilities	<u>\$ 1,435,729</u>	<u>\$ 89,835</u>	<u>\$ 15,056</u>	<u>\$ 1,540,620</u>

7. PENSION OBLIGATIONS

Plan Description—The County participates in the New York State and Local Employees’ Retirement System (“ERS”) and the Public Employees’ Group Life Insurance Plan (“System”). These are cost-sharing multiple-employer retirement systems. The systems provide retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (“NYSRSSL”) governs obligations of employers and employees to contribute and benefits to employees. As set forth in the NYSRSSL, the Comptroller of the State of New York (“Comptroller”) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for custody and control of its funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

Funding Policy—The Systems are noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute a percentage ranging from three percent (3%) to six percent (6%), based on salary. Under the authority of NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer’s contributions based on salaries paid during the New York State Local Retirement System’s fiscal year ending March 31.

The County is required to contribute at an actuarially determined rate on or before February 1 of each year for the period April 1 through March 31. The County pays the required contribution on or before December 15th of each year to receive a discount. The required contributions for the current year and the two preceding years were:

Year	Contribution
2014	\$ 10,926,273
2013	11,383,889
2012	10,665,805

Legislation requires participating employers to make payments on a current basis. The County’s contributions made to the Systems were equal to 100 percent of the contributions required for each year.

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, 2014, the County contributed \$3,354,339 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 below 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.

	Governmental Activities	Business-type Activities	Agency Fund
Annual required contribution ("ARC")	\$ 5,528,292	\$ 490,720	\$ -
Interest on net OPEB Obligation	617,930	149,507	-
Adjustment to ARC	<u>(859,014)</u>	<u>(207,835)</u>	<u>-</u>
Annual OPEB cost (expense)	5,287,208	432,392	-
Contributions made	(2,775,460)	(578,879)	-
Adjustment to present value—County Home	-	342,740	-
Transfer from County Home to Agency Fund	<u>-</u>	<u>(2,376,462)</u>	<u>2,376,462</u>
Increase (decrease) in net OPEB obligation	2,511,748	(2,180,209)	2,376,462
Net OPEB obligation - beginning	<u>15,448,259</u>	<u>3,737,653</u>	<u>-</u>
Net OPEB obligation - ending	<u>\$ 17,960,007</u>	<u>\$ 1,557,444</u>	<u>\$ 2,376,462</u>

As of December 31, 2013, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial accrued liability for benefits for governmental activities was \$56,258,470. Based on an interim valuation, the County estimates the unfunded accrued liability to be \$53,554,298 at December 31, 2014.

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 Required Contribution	Annual OPEB Cost	Contributions Made	Percentage Contributed
2014	\$ 6,019,012	\$ 5,719,600	\$ 3,354,339	55.7%
2013	6,404,405	6,144,813	3,593,249	56.1%
2012	5,581,019	5,356,901	3,114,480	55.8%

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 December 31, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a valuation date and measurement date of December 31, 2013. The RP-2000 Mortality Table for males and females is used for mortality rates. The valuation uses a discount rate of 4.0%. The rates of decrement due to retirement is 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.

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 elected to purchase umbrella type coverage should losses exceed certain thresholds. During the current year the County obtained an actuarial study of its workers' compensation claims. The liability totaling \$20,470,000 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 \$9,132,734 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.

Changes in the reported workers' compensation liability since January 1, 2013 are summarized as follows:

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2014	\$ 19,050,000	\$ 6,375,122	\$ 4,955,122	\$ 20,470,000
2013	16,370,865	7,046,497	4,367,362	19,050,000

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, 2014. 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, 2014 were approximately \$878,905.

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
2015	\$ 835,390
2016	765,244
2017	559,350
2018	505,558
2019	490,282
2020 and beyond	<u>1,058,490</u>
Future minimum payments	<u>\$ 4,214,314</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 bonds payable, compensated absences, workers' compensation, other post-employment benefits ("OPEB") obligations, notes payable and landfill closure and post-closure 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 where they are being held in escrow.

A summary of the County's long-term debt at December 31, 2014 follows:

	Balance 1/1/2014	Additions	Reductions	Transfers between County Home and Agency Fund	Balance 12/31/2014	Due Within One Year
Governmental activities:						
Serial bonds	\$ 29,994,000	\$ 9,151,317	\$ (2,586,000)	\$ -	\$ 36,559,317	\$ 1,526,000
CTASC bonds and accreted interest	43,680,091	34,272,573	(38,043,912)	-	39,908,752	530,000
Compensated absences	2,116,561	3,981,067	(3,554,240)	-	2,543,388	2,543,388
Workers' compensation	16,360,759	2,854,700	(3,194,778)	-	16,020,681	-
OPEB obligation	15,448,259	5,287,208	(2,775,460)	-	17,960,007	-
Total governmental activities	<u>\$ 107,599,670</u>	<u>\$ 55,546,865</u>	<u>\$ (50,154,390)</u>	<u>\$ -</u>	<u>\$ 112,992,145</u>	<u>\$ 4,599,388</u>
Business-type activities:						
Serial bonds	\$ 22,118,846	\$ -	\$ (1,941,766)	\$ (6,580,000)	\$ 13,597,080	\$ 1,028,311
Unamortized bond premium	181,379	-	(181,379)	-	-	-
Notes payable	999,848	-	(37,703)	-	962,145	44,069
Compensated absences	440,933	720,503	(1,020,519)	-	140,917	140,917
Landfill closure and post-closure	20,050,527	1,377,215	-	-	21,427,742	-
Workers' compensation	2,689,241	3,520,422	(1,760,344)	(4,100,000)	349,319	-
OPEB obligation	3,737,653	775,132	(578,879)	(2,376,462)	1,557,444	-
Total business-type activities	<u>\$ 50,218,427</u>	<u>\$ 6,393,272</u>	<u>\$ (5,520,590)</u>	<u>\$ (13,056,462)</u>	<u>\$ 38,034,647</u>	<u>\$ 1,213,297</u>
Agency fund (held in escrow for County Home)						
Serial bonds	\$ -	\$ -	\$ -	\$ 6,580,000	\$ 6,580,000	\$ -
Workers' compensation	-	-	-	4,100,000	4,100,000	-
OPEB obligation	-	-	-	2,376,462	2,376,462	-
Total Agency fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,056,462</u>	<u>\$ 13,056,462</u>	<u>\$ -</u>

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 is \$14,845,000 at December 31, 2014.

On September 15, 2014, the County issued \$9,151,317 in Public Improvement Serial Bonds. The serial bonds were issued at an interest rate of 2.5-3.75%. Principal payments on the bonds begin in 2016 and the bonds mature in 2039.

A summary of additions and payments for the year ended December 31, 2014 is shown below.

	Year of Maturity	Interest Rate	Balance 1/1/2014	Additions	Decreases	Transfers between County Home and Agency Fund	Balance 12/31/2014	Due Within One Year
Governmental activities:								
DPF salt storage shed	2020	2.98/4.32	\$ 140,000	\$ -	\$ (20,000)	\$ -	\$ 120,000	\$ 20,000
Jail construction	2029	4.25/4.75	485,000	-	(485,000)	-	-	-
Jail construction refunded bonds	2029	2.00/4.00	11,010,000	-	(75,000)	-	10,935,000	585,000
Capital improvement & JCC	2014	3.00/3.50	1,125,000	-	(1,125,000)	-	-	-
Jail & courts construction	2026	4.15/4.25	970,000	-	(305,000)	-	665,000	325,000
Jail & courts construction-refunded	2029	2.00/4.00	4,445,000	-	(20,000)	-	4,425,000	20,000
Helicopters	2030	0.70/4.50	2,755,000	-	(188,000)	-	2,567,000	194,000
JCC science building	2020	0.70/4.50	2,719,000	-	(118,000)	-	2,601,000	122,000
JCC residence hall	2032	2.50/3.00	6,345,000	-	(250,000)	-	6,095,000	260,000
Public improvements	2039	2.50/3.75	-	9,151,317	-	-	9,151,317	-
Total governmental activities			<u>\$ 29,994,000</u>	<u>\$ 9,151,317</u>	<u>\$ (2,586,000)</u>	<u>\$ -</u>	<u>\$ 36,559,317</u>	<u>\$ 1,526,000</u>
Business-type activities:								
County home improvements	2020	4.30	\$ 7,530,000	\$ -	\$ (950,000)	\$ (6,580,000)	\$ -	\$ -
North Chautauqua Lake sewer construction	2016	5.00	151,200	-	(50,400)	-	100,800	50,400
North County water construction	2017	5.00	48,000	-	(12,000)	-	36,000	12,000
Landfill cell construction	2018	0.83/2.65	1,680,000	-	(315,000)	-	1,365,000	325,000
Energy fund power plant	2030	3.00/4.50	9,826,000	-	(404,000)	-	9,422,000	424,000
Energy fund power plant	2025	4.25/5.25	1,645,000	-	(125,000)	-	1,520,000	130,000
Qualified energy performance bonds	2026	5.66	1,238,646	-	(85,366)	-	1,153,280	86,911
Total business-type activities			<u>\$ 22,118,846</u>	<u>\$ -</u>	<u>\$ (1,941,766)</u>	<u>\$ (6,580,000)</u>	<u>\$ 13,597,080</u>	<u>\$ 1,028,311</u>
Agency fund (held in escrow for County Home)								
County home improvements	2020	4.30	\$ -	\$ -	\$ -	\$ 6,580,000	\$ 6,580,000	\$ -
Total Agency fund			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,580,000</u>	<u>\$ 6,580,000</u>	<u>\$ -</u>

The annual repayment of principal and interest on bonded debt are as follows:

	Governmental Activities		Business-type Activities	
	Serial Bonds		Enterprise Fund-Serial Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 1,526,000	\$ 1,178,185	\$ 1,028,311	\$ 494,513
2016	1,834,317	1,128,467	1,052,884	464,073
2017	1,879,000	1,077,842	1,033,085	433,573
2018	1,925,000	1,027,219	1,061,716	402,811
2019	1,995,000	964,577	718,376	373,216
2020-2024	10,975,000	3,779,465	4,012,852	1,416,012
2025-2029	10,215,000	1,846,792	3,879,856	591,128
2030-2034	3,635,000	731,905	810,000	18,225
2035 and beyond	2,575,000	247,718	-	-
Total accrued liabilities	<u>\$ 36,559,317</u>	<u>\$ 11,982,170</u>	<u>\$ 13,597,080</u>	<u>\$ 4,193,551</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 \$250,000 in principal and \$182,013 in interest.

Chautauqua County Asset Securitization Corporation (“CTASC”)—Changes in CTASC’s long-term debt for the year ended December 31, 2014 is shown below.

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014	Due Within One Year
CTASC bonds:					
Series 2000	\$ 27,815,000	\$ -	\$ 27,815,000	\$ -	\$ -
Series 2014	-	34,765,000	-	34,765,000	530,000
Series 2005 and accreted interest, net	15,969,111	-	10,332,932	5,636,179	-
Less bond discount	(104,020)	(492,427)	(104,020)	(492,427)	-
Total CTASC bonds and interest	<u>\$ 43,680,091</u>	<u>\$ 34,272,573</u>	<u>\$ 38,043,912</u>	<u>\$ 39,908,752</u>	<u>\$ 530,000</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, 2014 was \$2,270,873. A similar agreement existed related to the Series 2000 Bonds which were refunded during the year. The amount in the corresponding debt service reserve account at December 31, 2013 was \$2,323,118.

As a result of the refunding, CTASC has recorded a deferred gain on refunding in the amount of \$3,968,754. 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 TSR’s 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
2015	\$ 530,000	\$ 1,771,969	\$ 2,301,969
2016	665,000	1,637,697	2,302,697
2017	675,000	1,615,228	2,290,228
2018	975,000	1,586,384	2,561,384
2019	1,000,000	1,549,822	2,549,822
2020-2024	5,655,000	6,968,250	12,623,250
2025-2029	7,300,000	5,368,438	12,668,438
2030-2034	9,545,000	3,337,200	12,882,200
2035-2037	8,420,000	711,750	9,131,750
	<u>\$ 34,765,000</u>	<u>\$ 24,546,738</u>	<u>\$ 59,311,738</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, 2014:

Year	Principal	Interest	Total
2015	\$ 44,069	\$ 34,409	\$ 78,478
2016	45,699	32,779	78,478
2017	47,390	31,088	78,478
2018	49,146	29,332	78,478
2019	50,969	27,509	78,478
2020-2024	284,723	107,666	392,389
2025-2029	341,969	50,420	392,389
2030-2034	98,180	4,901	103,081
Total	<u>\$ 962,145</u>	<u>\$ 318,104</u>	<u>\$ 1,280,249</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 \$6,887,947, while the total liability in the business-type activities is \$349,319 and the total held in escrow for the County Home is \$4,100,000.

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 \$21,427,742. Further discussion of the obligation can be found in Note 19.

OPEB—As discussed in Note 8, the County’s net OPEB obligation at December 31, 2014 is \$21,893,913.

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	\$ 211,124,464
Related debt:	
Serial bonds issued	(36,559,317)
Debt issued on behalf of JCC	8,696,000
Deferred charge on refunding	<u>788,053</u>
Net investment in capital assets—governmental activities	<u>\$ 184,049,200</u>

Business-type activities:	
Capital assets, net of accumulated depreciation	\$ 49,223,853
Related debt:	
Serial bonds issued	(13,597,080)
Notes payable issued	<u>(962,145)</u>
Debt issued for capital assets	<u>(14,559,225)</u>
Net investment in capital assets—business-type activities	<u>\$ 34,664,628</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, 2014 includes:

- **Prepaid Items**—Represents amounts of \$2,274,456 prepaid to vendors and employees that are applicable to future accounting periods.
- **Inventories**—Represents the portion of fund balance, \$1,378,295, composed of inventory and is nonspendable because inventory is not an available spendable resource.
- **Loans Receivable**—Represents the portion of fund balance, \$6,353,483, 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, 2014, the County had the following restricted funds.

	General Fund	Capital Projects Fund	CTASC	Total
Insurance	\$ 3,649,031	\$ -	\$ -	\$ 3,649,031
Capital projects	3,593,897	7,969,122	186,537	11,749,556
Tax stabilization	100,060	-	-	100,060
Occupancy tax	443,414	-	-	443,414
E911	1,350,613	-	-	1,350,613
Fire services	483,776	-	-	483,776
Lakes and waterways	577,934	-	-	577,934
Debt service	-	-	2,270,873	2,270,873
Total restricted fund balance	<u>\$ 10,198,725</u>	<u>\$ 7,969,122</u>	<u>\$ 2,457,410</u>	<u>\$ 20,625,257</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.
- **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**—Represents resources that are restricted for the County’s Emergency 911 communication system.
- **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, 2014, the following were considered committed:

	General Fund	County Road Fund	Total
Mortgage tax	\$ 100,000	\$ -	\$ 100,000
DMV Surcharges	-	50,000	50,000
Total restricted fund balance	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 150,000</u>

- **Committed for Mortgage tax**—Represents resources dedicated to fund debt service for County infrastructure improvements and to provide security of funding due to the elastic nature of this revenue that may change abruptly due to changes in economic climates.
- **Committed for DMV surcharges**—Represents resources dedicated to fund County roads and bridges and to provide security of funding due to the elastic nature of this revenue that may change abruptly due to changes in economic climates.

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, 2014, the following balances were considered to be assigned:

	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	Total
Assigned to parks	\$ 83,826	\$ -	\$ -	\$ -	\$ 83,826
Subsequent year's appropriations	4,478,390	350,000	700,000	-	5,528,390
Encumbrances	472,540	26,567	12,237	345,601	856,945
Specific use	-	1,320,166	1,589,839	-	2,910,005
Total assigned fund balance	<u>\$ 5,034,756</u>	<u>\$ 1,696,733</u>	<u>\$ 2,302,076</u>	<u>\$ 345,601</u>	<u>\$ 9,379,166</u>

- **Assigned to Parks**—Represents funds set aside to finance all or part of the cost of improvements to parks.
- **Assigned to Subsequent Year’s Appropriations**—Represents available fund balance being appropriated to meet expenditure requirements in the 2015 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, 2014 are shown below.

Fund	Interfund	
	Receivable	Payable
General Fund	\$ 1,044,827	\$ -
County Road Fund	-	1,044,827
Total	<u>\$ 1,044,827</u>	<u>\$ 1,044,827</u>

Transfers out:	Transfers in:				Total
	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	
General Fund	\$ 431,261	\$ 10,862,827	\$ 3,104,078	\$ 45,697	\$ 14,443,863
Road Machinery Fund	476,157	-	-	-	476,157
Electric Fund	1,500,538	-	-	-	1,500,538
Total	<u>\$ 2,407,956</u>	<u>\$ 10,862,827</u>	<u>\$ 3,104,078</u>	<u>\$ 45,697</u>	<u>\$ 16,420,558</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, 2014.

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash	\$ 3,306,899	\$ 3,441,413	\$ 3,714,688	\$ 3,033,624
Cash held in escrow for County Home	-	14,687,197	-	14,687,197
Accounts receivable	141,521	365,426	344,455	162,492
Held in escrow for County Home	-	337,439	-	337,439
Total assets	<u>\$ 3,448,420</u>	<u>\$ 18,831,475</u>	<u>\$ 4,059,143</u>	<u>\$ 18,220,752</u>
LIABILITIES				
Agency liabilities	\$ 3,448,420	\$ 3,806,839	\$ 4,059,143	\$ 3,196,116
Held in escrow for County Home:				
General liabilities	-	1,968,174	-	1,968,174
Serial bonds	-	6,580,000	-	6,580,000
Workers' compensation	-	4,100,000	-	4,100,000
Net OPEB obligation	-	2,376,462	-	2,376,462
Total liabilities	<u>\$ 3,448,420</u>	<u>\$ 18,831,475</u>	<u>\$ 4,059,143</u>	<u>\$ 18,220,752</u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The enterprise funds include the County Home, the Sewer (which includes three districts), the North County Water District, the Landfill, and the Electric Plant. Segment information as of and for the year ended December 31, 2014 follows:

	County Home	Sewer	North County Water	Landfill	Electric Plant	Total Enterprise Funds
Operating revenues	\$ 29,489,277	\$ 3,917,562	\$ 67,404	\$ 8,239,499	\$ 4,312,654	\$ 46,026,396
Operating expenses:						
Services provided	21,340,359	3,191,918	32,317	4,910,553	1,701,536	31,176,683
Depreciation & depletion	1,038,097	1,114,884	26,194	2,905,213	657,022	5,741,410
Operating income (loss)	7,110,821	(389,240)	8,893	423,733	1,954,096	9,108,303
Non operating revenues (expenses)	(1,022,038)	148,313	2,732	371,506	(453,558)	(953,045)
Transfers and special items	(9,104,754)	-	-	-	(1,500,538)	(10,605,292)
Change in net position	\$ (3,015,971)	\$ (240,927)	\$ 11,625	\$ 795,239	\$ -	\$ (2,450,034)
Current assets	\$ -	\$ 5,132,786	\$ 165,686	\$ 18,781,851	\$ 2,781,448	\$ 26,861,771
Current liabilities	-	308,981	1,174	571,131	211,013	1,092,299
Net working capital	\$ -	\$ 4,823,805	\$ 164,512	\$ 18,210,720	\$ 2,570,435	\$ 25,769,472
Total assets	\$ -	\$ 29,622,384	\$ 370,155	\$ 29,944,551	\$ 16,148,534	\$ 76,085,624
Total liabilities	-	1,824,178	37,395	24,959,080	12,306,293	39,126,946
Net position	\$ -	\$ 27,798,206	\$ 332,760	\$ 4,985,471	\$ 3,842,241	\$ 36,958,678
Capital asset additions	\$ 9,425	\$ 875,317	\$ -	\$ 23,811	\$ -	\$ 908,553
Serial bonds payable - noncurrent	\$ -	\$ 50,400	\$ 24,000	\$ 1,040,000	\$ 11,454,369	\$ 12,568,769

16. LABOR CONTRACTS

Five bargaining units represent the unionized County employees. One contract, CSEA – Unit 6300, expired December 31, 2011, and another, CSEA – Unit 6322 expired December 31, 2012. At December 31, 2014 both contracts are in negotiations.

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, 2014, the County did not have any encumbrances that were considered to be significant.

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 \$3,649,031, 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 \$6,316,341 as of December 31, 2014, and post closure care liability, projected at \$14,343,853 as of December 31, 2014 (totaling \$20,660,194), represent the cumulative amount reported to date based on the use of 84.6% of the estimated permitted space less areas where the final cover has been placed.

Total remaining closure cost is projected at \$8,096,000 (prior year projection of \$8,096,000) and total post-closure care cost is projected at \$16,950,000 (prior year projection of \$15,880,000), totaling \$25,046,000. The County will recognize the remaining projected closure cost of \$1,779,659 and the remaining projected post-closure care cost of \$2,606,147 (totaling \$4,385,806) 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 2014. The County currently projects a landfill life of 6 years and 5 months 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 in an enterprise fund and the \$20,660,194 liability is reported in that fund along with a \$767,548 reserve for post-closure costs pertaining to the methane gas collection system.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 18, 2015, 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, 2014

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 12/31/2014	\$ -	\$53,554,298	\$53,554,298	0.0%	\$48,785,639	109.8%
As of 12/31/2013	-	56,258,470	56,258,470	0.0%	54,390,562	103.4%
As of 12/31/2012	-	51,110,510	51,110,510	0.0%	55,283,059	92.5%

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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, 2014

	<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	\$ 62,526,004	\$ 62,526,004	\$ 62,780,381	\$ 254,377
Real property tax items	3,684,433	3,684,433	4,730,387	1,045,954
Non property tax items	56,266,951	57,401,478	58,409,627	1,008,149
Departmental income	21,074,242	21,340,942	16,596,895	(4,744,047)
Intergovernmental charges	5,102,236	5,191,884	4,385,594	(806,290)
Use of money and property	3,973,034	4,698,095	4,921,874	223,779
Licenses and permits	184,630	184,630	179,524	(5,106)
Fines and forfeitures	517,737	517,737	361,205	(156,532)
Sale of property and compensation for loss	70,994	70,994	136,534	65,540
Miscellaneous	310,160	567,268	1,118,114	550,846
State aid	22,200,240	22,857,180	22,530,710	(326,470)
Federal aid	40,426,990	43,292,252	37,107,700	(6,184,552)
Total revenues	<u>216,337,651</u>	<u>222,332,897</u>	<u>213,258,545</u>	<u>(9,074,352)</u>
EXPENDITURES				
Current:				
General government support	45,839,385	47,543,838	46,334,733	1,209,105
Education	10,774,317	10,175,517	9,263,775	911,742
Public safety	26,144,866	29,004,527	28,898,487	106,040
Health	20,849,953	21,935,690	17,499,985	4,435,705
Transportation	4,067,648	4,080,513	4,012,770	67,743
Economic assistance and opportunity	97,701,244	103,667,402	96,797,564	6,869,838
Culture and recreation	398,136	403,827	377,194	26,633
Home and community services	1,130,896	1,419,537	1,307,043	112,494
Debt service:				
Principal	2,566,000	2,566,000	2,566,000	-
Interest	987,449	987,449	987,449	-
Total expenditures	<u>210,459,894</u>	<u>221,784,300</u>	<u>208,045,000</u>	<u>13,739,300</u>
Excess of revenues over expenditures	<u>5,877,757</u>	<u>548,597</u>	<u>5,213,545</u>	<u>4,664,948</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,100,000	1,500,000	2,407,956	907,956
Transfers out	<u>(15,188,905)</u>	<u>(16,096,407)</u>	<u>(14,443,863)</u>	<u>1,652,544</u>
Total other financing sources (uses)	<u>(14,088,905)</u>	<u>(14,596,407)</u>	<u>(12,035,907)</u>	<u>2,560,500</u>
Special item—Residual equity transfer	-	-	14,328,905	14,328,905
Net change in fund balances*	(8,211,148)	(14,047,810)	7,506,543	21,554,353
Fund balances—beginning	<u>37,076,333</u>	<u>37,076,333</u>	<u>37,076,333</u>	<u>-</u>
Fund balances—ending	<u>\$ 28,865,185</u>	<u>\$ 23,028,523</u>	<u>\$ 44,582,876</u>	<u>\$ 21,554,353</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Non property tax items	\$ 750,000	\$ 750,000	\$ 750,077	\$ 77
Departmental income	-	-	1,960	1,960
Intergovernmental charges	5,000	5,000	5,643	643
Use of money and property	88,000	88,000	260,814	172,814
Miscellaneous	145,100	145,100	207,122	62,022
State aid	3,741,212	4,178,356	4,684,852	506,496
Federal aid	-	948,000	1,582,948	634,948
Total revenues	<u>4,729,312</u>	<u>6,114,456</u>	<u>7,493,416</u>	<u>1,378,960</u>
EXPENDITURES				
Current:				
Transportation	<u>15,845,106</u>	<u>19,041,033</u>	<u>18,495,480</u>	<u>545,553</u>
Total expenditures	<u>15,845,106</u>	<u>19,041,033</u>	<u>18,495,480</u>	<u>545,553</u>
Deficiency of revenues over expenditures	<u>(11,115,794)</u>	<u>(12,926,577)</u>	<u>(11,002,064)</u>	<u>1,924,513</u>
OTHER FINANCING SOURCES				
Transfers in	<u>10,862,827</u>	<u>10,862,827</u>	<u>10,862,827</u>	-
Total other financing sources	<u>10,862,827</u>	<u>10,862,827</u>	<u>10,862,827</u>	-
Net change in fund balances*	(252,967)	(2,063,750)	(139,237)	1,924,513
Fund balances—beginning	<u>2,091,965</u>	<u>2,091,965</u>	<u>2,091,965</u>	-
Fund balances—ending	<u>\$ 1,838,998</u>	<u>\$ 28,215</u>	<u>\$ 1,952,728</u>	<u>\$ 1,924,513</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Departmental income	\$ -	\$ -	\$ 330	\$ 330
Intergovernmental charges	478,000	478,000	517,376	39,376
Use of money and property	52,960	52,960	207,356	154,396
Sale of property and compensation for loss	30,000	100,396	112,380	11,984
Miscellaneous	<u>445,500</u>	<u>445,500</u>	<u>457,970</u>	<u>12,470</u>
Total revenues	<u>1,006,460</u>	<u>1,076,856</u>	<u>1,295,412</u>	<u>218,556</u>
EXPENDITURES				
Current:				
Transportation	4,339,249	4,321,045	3,993,690	327,355
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	<u>1,750</u>	<u>1,956</u>	<u>1,956</u>	<u>-</u>
Total expenditures	<u>4,360,999</u>	<u>4,343,001</u>	<u>4,015,646</u>	<u>327,355</u>
Deficiency of revenues over expenditures	<u>(3,354,539)</u>	<u>(3,266,145)</u>	<u>(2,720,234)</u>	<u>545,911</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,104,078	3,104,078	3,104,078	-
Transfers out	<u>(400,000)</u>	<u>(476,157)</u>	<u>(476,157)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,704,078</u>	<u>2,627,921</u>	<u>2,627,921</u>	<u>-</u>
Net change in fund balances*	(650,461)	(638,224)	(92,313)	545,911
Fund balances—beginning	<u>3,735,437</u>	<u>3,735,437</u>	<u>3,735,437</u>	<u>-</u>
Fund balances—ending	<u>\$ 3,084,976</u>	<u>\$ 3,097,213</u>	<u>\$ 3,643,124</u>	<u>\$ 545,911</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, 2014

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, 2014 include encumbrances from the prior year of \$393,539, \$2,967 and \$461, respectively.

SUPPLEMENTARY INFORMATION

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Net Position—Internal Service Funds
For the Year Ended December 31, 2014

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,671,122	\$ 26,689	\$ 5,697,811
Accounts receivable	-	213	213
Intergovernmental receivable	9,132,734	-	9,132,734
Prepaid items	<u>10,667</u>	<u>-</u>	<u>10,667</u>
Total assets	<u>14,814,523</u>	<u>26,902</u>	<u>14,841,425</u>
LIABILITIES			
Current liabilities:			
Accounts payable	495,825	-	495,825
Accrued expenses	-	105,222	105,222
Non current liabilities:			
Workers' compensation liability	<u>16,020,681</u>	<u>-</u>	<u>16,020,681</u>
Total liabilities	<u>16,516,506</u>	<u>105,222</u>	<u>16,621,728</u>
NET POSITION			
Unrestricted	<u>(1,701,983)</u>	<u>(78,320)</u>	<u>(1,780,303)</u>
Total net position	<u>(1,701,983)</u>	<u>(78,320)</u>	<u>(1,780,303)</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, 2014

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 7,626,766	\$ 22,154,580	\$29,781,346
Total operating revenues	<u>7,626,766</u>	<u>22,154,580</u>	<u>29,781,346</u>
OPERATING EXPENSES			
Insurance claims and expenses	<u>6,951,900</u>	<u>21,681,228</u>	<u>28,633,128</u>
Total operating expenses	<u>6,951,900</u>	<u>21,681,228</u>	<u>28,633,128</u>
Operating income	674,866	473,352	1,148,218
NON-OPERATING REVENUES (EXPENSES)			
Interest income	188,380	-	188,380
Other miscellaneous	<u>410,447</u>	<u>-</u>	<u>410,447</u>
Total non operating revenues (expenses)	<u>598,827</u>	<u>-</u>	<u>598,827</u>
Change in net position	1,273,693	473,352	1,747,045
Total net position—beginning	<u>(2,975,676)</u>	<u>(551,672)</u>	<u>(3,527,348)</u>
Total net position—ending	<u>\$ (1,701,983)</u>	<u>\$ (78,320)</u>	<u>\$ (1,780,303)</u>

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Cash Flows—Internal Service Funds
For the Year Ended December 31, 2014

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Charges for services	\$ 6,987,791	\$ 22,157,682	\$ 29,145,473
Contractual services, supplies and materials	<u>(7,164,989)</u>	<u>(21,709,969)</u>	<u>(28,874,958)</u>
Net cash (used for) provided by operating activities	<u>(177,198)</u>	<u>447,713</u>	<u>270,515</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	\$ -	\$ (421,024)	\$ (421,024)
Other income	<u>410,447</u>	<u>-</u>	<u>410,447</u>
Net cash provided by (used for) noncapital financing activities	<u>410,447</u>	<u>(421,024)</u>	<u>(10,577)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest income	\$ 188,380	\$ -	\$ 188,380
Net cash provided by capital and related financial activities	<u>188,380</u>	<u>-</u>	<u>188,380</u>
Net change in cash	421,629	26,689	448,318
Cash—beginning	<u>5,249,493</u>	<u>-</u>	<u>5,249,493</u>
Cash—ending	<u>\$ 5,671,122</u>	<u>\$ 26,689</u>	<u>\$ 5,697,811</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES			
Operating income	<u>\$ 674,866</u>	<u>\$ 473,352</u>	<u>\$ 1,148,218</u>
Adjustments to reconcile operating loss to net cash (used for) provided by operating activities:			
Decrease in accounts receivable	31,915	3,102	35,017
(Increase) in intergovernmental receivables	(670,890)	-	(670,890)
(Increase) in prepaid items	(10,667)	-	(10,667)
Increase (decrease) in accounts payable	137,656	(1,620)	136,036
(Decrease) in other accrued expenses	<u>(340,078)</u>	<u>(27,121)</u>	<u>(367,199)</u>
Total adjustments	<u>(852,064)</u>	<u>(25,639)</u>	<u>(877,703)</u>
Net cash (used for) provided by operating activities	<u>\$ (177,198)</u>	<u>\$ 447,713</u>	<u>\$ 270,515</u>

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FEDERAL AWARDS INFORMATION

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/Pass-through Grantor/Program Title (1)	Federal CFDA Number (1)	Pass-Through Entity's Identifying Number (2)	Federal Expenditures (2, 3)
U.S. DEPARTMENT OF AGRICULTURE:			
<i>Direct Programs:</i>			
Schools and Roads - Grants to Counties	10.666	N/A	\$ 858
<i>Passed through NYS Department of Education:</i>			
Special Milk Program for Children	10.556	15-06-01	2,640
<i>Passed Through NYS Department of Health:</i>			
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	C-025376	702,765
Child and Adult Care Food Program	10.558	CACFP	49,751
<i>Passed Through NYS Office of Temporary and Disability Assistance:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>1,692,094</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,448,108</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through NYS Office of Community Renewal:</i>			
Community Development Block Grants/Entitlement Grants	14.218	222ED792-13	309,700
Community Development Block Grants/Entitlement Grants	14.218	222HR96-11	72,439
<i>Passed through NYS Housing Agencies:</i>			
Multifamily Housing Service Coordinators	14.191	RES ADV	<u>37,327</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>419,466</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Direct Program:</i>			
Supervised Visitation, Safe Havens for Children	16.527	N/A	65,155
<i>Passed through NYS Office of Victim Services:</i>			
Crime Victim Assistance/Discretionary Grants	16.582	C-501027	92,981
<i>Direct Programs:</i>			
State Criminal Alien Assistance Program	16.606	11-06-07	7,618
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0176	7,435
<i>JAG Program Cluster:</i>			
<i>Direct Program:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	C-632613 C-632669	<u>31,359</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>204,548</u>

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/Pass-through Grantor/Program Title (1)	Federal CFDA Number (1)	Pass-Through Entity's Identifying Number (2)	Federal Expenditures (2, 3)
U.S. DEPARTMENT OF LABOR			
<i>Passed through Senior Services America Inc:</i>			
Senior Community Service Employment Program	17.235	SSAI	284,078
<i>Passed through NYS Office for the Aging:</i>			
Senior Community Service Employment Program	17.235	V-SOFA	40,955
TOTAL U.S. DEPARTMENT OF LABOR			<u>325,033</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through NYS Department of Transportation:</i>			
Formula Grants for Rural Areas	20.509	C-003566	343,000
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction Projects	20.205	D-024752	3,273,968
Highway Planning and Construction Projects	20.205	D-032559	1,047,004
Highway Planning and Construction Projects	20.205	D-034748	348,085
Highway Planning and Construction Projects	20.205	D-034776	49,275
Highway Planning and Construction Projects	20.205	D-033513	10,138
Highway Planning and Construction Projects	20.205	D-033440	4,948
Highway Planning and Construction Projects	20.205	D-030061	2,395
Highway Planning and Construction Projects	20.205	D-031605	1,316
<i>Total Highway Planning and Construction Cluster</i>			<u>4,737,129</u>
<i>Passed through NYS Sheriff's Association:</i>			
<i>Highway Safety Cluster</i>			
<i>Passed thru NYS Governors Traffic Safety Committee</i>			
State and Community Highway Safety	20.600	SO-00168-007	16,559
State and Community Highway Safety	20.600	SO-00237-007	4,530
<i>Passed thru NYS Division of Criminal Justice Services</i>			
State and Community Highway Safety	20.600	T-523653	19,162
<i>Total Highway Safety Cluster</i>			<u>40,251</u>
<i>Direct Programs:</i>			
Airport Improvement Program	20.106	3-36-0022-46-13	288,400
Airport Improvement Program	20.106	3-36-0022-47-131	243,707
Airport Improvement Program	20.106	3-36-0022-45-12	210,402
Airport Improvement Program	20.106	3-36-0022-49-14	105,211
Airport Improvement Program	20.106	3-36-0022-48-14	44,038
Airport Improvement Program	20.106	3-36-0048-41-13	18,514
Airport Improvement Program	20.106	3-36-0048-40-12	13,764
Airport Improvement Program	20.106	3-36-0048-31-04	(1,434)
Total Airport Improvement Program			<u>922,602</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>6,042,982</u>

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/Pass-through Grantor/Program Title (1)	Federal CFDA Number (1)	Pass-Through Entity's Identifying Number (2)	Federal Expenditures (2, 3)
U.S. APPALACHIAN REGIONAL COMMISSION			
<i>Direct Programs:</i>			
Appalachian Area Development	23.002	N/A	74,814
TOTAL U.S. APPALACHIAN REGIONAL COMMISSION			<u>74,814</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed through NYS Department of Health:</i>			
Great Lakes Program	66.469	HRI 4163-01	50,945
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>50,945</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through NYS Department of Health:</i>			
Special Education - Grants for Infants and Families	84.181	C-027469	55,501
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>55,501</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through Health Research Inc:</i>			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	HRI 4693-01	19,709
Public Health Emergency Preparedness	93.069	HRI 1587-10	88,567
PPHF 2012: Community Transformation Grants - Small Communities Program financed solely by 2012 Public Prevention and Health Funds	93.737	HRI 4517-01	272,358
Injury Prevention and Control Research and State and Community Based Programs	93.136	FP: SDOH	18,000
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	HRI 4693-02	14,525
<i>Passed through NYS Department of Health:</i>			
Family Planning - Services	93.217	C-027015 (2/3)	104,800
Immunization Cooperative Agreements	93.268	C-028281	68,727
Maternal and Child Health Services Block Grant to the States	93.994	C-026498-3	71,850
Maternal and Child Health Services Block Grant to the States	93.994	C-027015 (1/3)	52,400
Maternal and Child Health Services Block Grant to the States	93.994	C-024606	18,625
Medical Assistance Program	93.778	N/A	2,857,724
Medical Assistance Program	93.778	C-028959	342,611
<i>Passed through NYS Office of Temporary and Disability Assistance:</i>			
Temporary Assistance for Needy Families	93.558	N/A	14,497,404
Child Support Enforcement	93.563	N/A	1,117,868
Low-Income Home Energy Assistance	93.568	N/A	7,588,356

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor/Pass-through Grantor/Program Title (1)	Federal CFDA Number (1)	Pass-Through Entity's Identifying Number (2)	Federal Expenditures (2, 3)
<i>Passed through NYS Office of Children and Family Services:</i>			
Child Care and Development Block Grant	93.575	N/A	4,127,537
Family Violence Prevention and Services/Battered Womens' Shelters - Grants to State Domestic Violence Coalitions	93.591	N/A	114,148
Adoption Incentive Payments	93.603	N/A	876,270
Foster Care, Title IV-E	93.658	N/A	1,739,371
Social Services Block Grant	93.667	N/A	558,588
Chafee Foster Care Independence Program	93.674	N/A	33,399
<i>Passed through NYS Office for the Aging:</i>			
<i>Aging Cluster</i>			
Special Programs for the Aging, Title III Part B	93.044	III-B	213,891
Special Programs for the Aging, Title III Part C	93.045	III-C	442,604
Nutrition Services Incentive Program	93.053	NSIP	144,406
<i>Total Aging Cluster</i>			<u>800,901</u>
Special Programs for the Aging, Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	OMBUD	13,923
Special Programs for the Aging, Title III, Part D - Disease Prevention and Health Promotion Services	93.043	III-D	11,508
Special Programs for the Aging, Title IV and Title II Discretionary Projects	93.048	SI	36,800
National Family Caregiver Support, Title III, Part E	93.052	III-E	68,833
Medical Assistance Enrollment Assistance Program	93.071	MIPPA / ADRC	11,300
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HIICAP	24,606
<i>Passed through NYS Department of Family Assistance:</i>			
Medical Assistance Program	93.778	N/A	227,381
<i>Passed through NYS Office of Alcoholism and Substance Abuse Services:</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	391,013
<i>Direct Programs:</i>			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	N/A	1,801,649
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>37,970,751</u>

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

(concluded)

<u>Federal Grantor/Pass-through Grantor/Program Title (1)</u>	<u>Federal CFDA Number (1)</u>	<u>Pass-Through Entity's Identifying Number (2)</u>	<u>Federal Expenditures (2, 3)</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through NYS Division of Homeland Security and Emergency Services:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA # 013-99013-00	119,787
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4180-DR-NY	8,732
Emergency Management Performance Grants	97.042	C-182435	53,348
Emergency Management Performance Grants	97.042	C-182445	30,132
Assistance to Firefighters Grant	97.044	W494332N	93,011
Emergency Operations Center	97.052	T-174719	38,372
Citizens-Community Resilience Innovation Challenge	97.053	C-000469	20,295
Port Security Grant Program	97.056	PSGP2011-PU-K0069-IJ#3 PSGP3022-PU-K0069-IJ#5 C-182409	396,465
Homeland Security Grant Program	97.067	C-192419 C-182429 C-192439 C-174701	343,297
Homeland Security Grant Program	97.067	C-174711 C-174721 C-174731	198,402
Homeland Security Grant Program	97.067	C-969530	61,617
Homeland Security Grant Program	97.067	C-969510 T-969522	54,414
Homeland Security Grant Program	97.067	C-969520	48,565
Homeland Security Grant Program	97.067	T-182439 T-174709	47,000
Homeland Security Grant Program	97.067	T-174729 T-174739	25,692
Homeland Security Grant Program	97.067	C-835600	17,309
Homeland Security Grant Program	97.067	C-969510	14,225
Homeland Security Grant Program	97.067	C-835694	(784)
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>1,569,879</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE (4)			<u>\$ 49,162,027</u>

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COUNTY OF CHAUTAUQUA, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

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, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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:

- (1) Includes all federal award programs of the County of Chautauqua, New York. The federal expenditures of the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation, and the Roberts Road Development Corporation have not been included.
- (2) Source: Catalog of Federal Domestic Assistance
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (4) 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 OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, 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. Pass-through entity identifying numbers are presented where available.

3. INDIRECT COSTS

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

4. MATCHING COSTS

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

5. 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, 2014, \$138,741,917 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, 2014, the County distributed \$42,082,009 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). \$7,016,532 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 18, 2015. Our report includes an emphasis of matter paragraph regarding a restatement of Governmental Activities net position and a reference to other auditors who audited the financial statements of the Chautauqua County Industrial Development Agency, the Chautauqua County Land Bank Corporation, and the Chautauqua Tobacco Asset Securitization Corporation, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

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 result 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.

Drescher & Malinski LLP

June 18, 2015

Certified Public Accountants

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

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) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. 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 \$395,153, \$-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, 2014. Our 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 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Drescher & Malinski LLP

June 18, 2015

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2014

Part I. Summary of auditors' results

Financial Statements

Type of auditors' report issued: Unmodified*

* (which report refers to other auditors and contains an emphasis of matter paragraph relating to the restatement of beginning net position.)

Internal control over financial reporting:

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

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified? Yes ✓ No
5. Significant deficiency (ies) identified? Yes ✓ None reported

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

6. Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? Yes ✓ No
7. The County's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Highway Planning and Construction	20.205
Temporary Assistance for Needy Families	93.558
Low Income Home Energy Assistance Program	93.568
Medical Assistance Program	93.778

8. Dollar threshold used to distinguish between Type A and Type B programs? \$ 1,474,861
9. Auditee qualified as low-risk auditee? Yes ✓ No

Part II. FINANCIAL STATEMENT FINDINGS SECTION

No findings were noted as reportable.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No findings were noted as reportable.

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Prior Year Audit Findings
Year Ended December 31, 2013

No findings were noted as reportable.

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