

**COUNTY OF CHAUTAUQUA,
NEW YORK**

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

COUNTY OF CHAUTAUQUA, NEW YORK
Table of Contents
Year Ended December 31, 2013

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet—Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Government-wide Statement of Net Position.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities	19
Statement of Net Position—Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Fund Net Position—Proprietary Funds	22
Statement of Cash Flows—Proprietary Funds.....	23
Statement of Fiduciary Net Position—Agency Fund.....	25
Notes to the Financial Statements	26

(continued)

COUNTY OF CHAUTAUQUA, NEW YORK
Table of Contents
Year Ended December 31, 2013

	(concluded) <u>Page</u>
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	52
Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—County Road Fund.....	53
Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Road Machinery Fund	54
Schedule of Funding Progress—Other Post-Employment Benefits Obligations.....	55
Supplemental Information:	
Combining Statement of Net Position—Internal Service Funds	56
Combining Statement of Revenues, Expenses and Changes in Net Position—Internal Service Funds.....	57
Combining Statement of Cash Flows—Internal Service Funds	58
Federal Awards, Schedules and Reports:	
Schedule of Expenditures of Federal Awards.....	59
Notes to the Schedule of Expenditures of Federal Awards.....	64
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
Independent Auditors’ Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133	67
Schedule of Findings and Questioned Costs.....	69
Schedule of Prior Year Audit Findings.....	71

FINANCIAL SECTION



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, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chautauqua County Industrial Development Agency or the Chautauqua County Land Bank Corporation, which are shown as the discretely presented component units. Those 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 State 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 report 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the County has restated net position of governmental activities and business-type activities and General Fund fund balance as of December 31, 2012. 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 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 Supplemental 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 Supplemental Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental 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 July 10, 2014, on our consideration of County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control over financial reporting and compliance.



July 10, 2014

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

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 County's financial activities for the fiscal year ended December 31, 2013. Certain data from the prior year has been reclassified to conform to the current year presentation. We encourage readers to consider the information presented here in conjunction with additional information contained in the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at December 31, 2013 by \$221,497,345 (net position) compared to \$229,220,753 at December 31, 2012.
- As of December 31, 2013, the County's governmental funds reported combined fund balances of \$53,219,809, a decrease of \$6,598,391 in comparison with the prior year.
- The General Fund reported a net decrease in fund balance this year of \$7,383,957. At December 31, 2013, unassigned fund balance for the General Fund was \$14,609,648 or 7.1 percent of total General Fund expenditures.

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 intended to furnish additional detail to support 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 differences 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, education, public safety, public health, highways and streets, 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, Chautauqua County Industrial Development Agency, and the Chautauqua County Land Bank 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 14-15 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 16-19 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 20-24 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains one type of fiduciary 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 25 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 26-51 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary comparison schedules for the General Fund, County Road Fund, and Road Machinery Fund, as well as for its post-employment benefits obligation. Required supplementary information can be found on pages 52-55 of this report.

The combining statements referred to earlier in connection with the Internal Service Funds are presented as supplemental information immediately following the required supplementary information on pages 56-58.

Government-wide Overall 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$221,497,345, at the close of the most recent fiscal year.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2013	2012 (as restated)	2013	2012 (as restated)	2013	2012 (as restated)
Assets:						
Current assets	\$ 106,120,455	\$ 117,190,675	\$ 30,024,339	\$ 27,181,670	\$ 136,144,794	\$ 144,372,345
Noncurrent assets	10,389,322	10,488,301	198,274	291,766	10,587,596	10,780,067
Capital assets	<u>207,040,725</u>	<u>203,209,300</u>	<u>61,582,230</u>	<u>63,946,524</u>	<u>268,622,955</u>	<u>267,155,824</u>
Total assets	<u>323,550,502</u>	<u>330,888,276</u>	<u>91,804,843</u>	<u>91,419,960</u>	<u>415,355,345</u>	<u>422,308,236</u>
Deferred outflows of resources:						
Deferred bond issuance costs, net	764,374	796,279	-	-	764,374	796,279
Deferred charge on refunding, net	<u>844,343</u>	<u>900,632</u>	<u>-</u>	<u>-</u>	<u>844,343</u>	<u>900,632</u>
Total deferred outflows of resources	<u>1,608,717</u>	<u>1,696,911</u>	<u>-</u>	<u>-</u>	<u>1,608,717</u>	<u>1,696,911</u>
Liabilities:						
Current liabilities	33,935,253	40,220,876	2,177,704	2,433,597	36,112,957	42,654,473
Noncurrent liabilities	<u>107,599,670</u>	<u>104,730,951</u>	<u>50,218,427</u>	<u>50,242,674</u>	<u>157,818,097</u>	<u>154,973,625</u>
Total liabilities	<u>141,534,923</u>	<u>144,951,827</u>	<u>52,396,131</u>	<u>52,676,271</u>	<u>193,931,054</u>	<u>197,628,098</u>
Deferred inflows of resources:						
Grant proceeds	<u>1,535,663</u>	-	-	-	<u>1,535,663</u>	-
Total deferred inflows of resources	<u>1,535,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,535,663</u>	<u>-</u>
Net position:						
Net investment in capital assets	188,080,068	171,322,174	38,478,906	40,022,477	226,558,974	211,344,651
Restricted	11,239,669	22,922,806	-	-	11,239,669	22,922,806
Unrestricted	<u>(17,231,104)</u>	<u>(6,611,620)</u>	<u>929,806</u>	<u>(1,278,788)</u>	<u>(16,301,298)</u>	<u>(7,890,408)</u>
Total net position	<u>\$ 182,088,633</u>	<u>\$ 187,633,360</u>	<u>\$ 39,408,712</u>	<u>\$ 38,743,689</u>	<u>\$ 221,497,345</u>	<u>\$ 226,377,049</u>

By far 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 related outstanding debt that was 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, \$11,239,669, represents resources that are subject to external restrictions on how they may be used. Any remaining portion of the County's net position would represent resources that are unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The County's overall net position decreased \$7,131,122 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Table 2, as presented on the following page, shows the changes in net position for the years ended December 31, 2013 and December 31, 2012.

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

	Governmental activities		Increase/(decrease)	
	Year ended December 31,		Dollars	Percent
	2013	2012 (as restated)		
Revenues:				
Program revenues	\$ 103,077,560	\$ 105,984,359	\$ (2,906,799)	(2.7)
General revenues	124,670,870	127,330,940	(2,660,070)	(2.1)
Total revenues	<u>227,748,430</u>	<u>233,315,299</u>	<u>(5,566,869)</u>	(2.4)
Total expenses	<u>237,121,952</u>	<u>229,730,168</u>	<u>7,391,784</u>	3.2
Transfers	<u>1,577,377</u>	<u>2,514,491</u>	<u>(937,114)</u>	(37.3)
Change in net position	(7,796,145)	6,099,622	(13,895,767)	(227.8)
Net position—beginning, as restated	<u>189,884,778</u>	<u>183,785,156</u>	<u>6,099,622</u>	3.3
Net position—ending	<u>\$ 182,088,633</u>	<u>\$ 189,884,778</u>	<u>\$ (7,796,145)</u>	(4.1)

Governmental activities. Governmental activities decreased the County’s net position by \$7,796,145. A summary of revenues for governmental activities for the years ended December 31, 2013 and 2012 is presented below.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year ended December 31,		Increase/(decrease)	
			Dollars	Percent
	2013	2012 (as restated)		
Charges for services	\$ 29,346,030	\$ 30,300,713	\$ (954,683)	(3.2)
Operating grants and contributions	61,117,440	64,581,478	(3,464,038)	(5.4)
Capital grants and contributions	12,614,090	11,102,168	1,511,922	13.6
Property taxes and tax items	70,836,494	69,436,512	1,399,982	2.0
Non-property tax items	52,874,138	53,227,153	(353,015)	(0.7)
Other general revenues	<u>960,238</u>	<u>4,667,275</u>	<u>(3,707,037)</u>	(79.4)
Total revenues	<u>\$ 227,748,430</u>	<u>\$ 233,315,299</u>	<u>\$ (5,566,869)</u>	(2.4)

The most significant source of revenues is property taxes and tax items, which accounts for \$70,836,494 or 31.1 percent of total governmental activities revenues. The next largest source of revenue is operating grants and contributions of \$61,117,440 or 26.8 percent for the year ended December 31, 2013. Comparatively, for the year ended December 31, 2012, the most significant source of revenue was property taxes and tax items, which accounted for \$69,436,512 or 29.8 percent of total governmental activities revenues. The next largest source of revenue was operating grants and contributions of \$64,581,478 or 27.8 percent of total governmental activities revenue.

During the year ended December 31, 2013, total revenues decreased by 2.4 percent, mainly due to a decrease in operating grants and contributions of \$3,464,038, from a drop in federal recovery funding as well as negative investment revenue of \$1,687,295 resulting from a loss on investments.

A summary of program expenses of governmental activities for the years ended December 31, 2013 and December 31, 2012 is presented below.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2013	2012 (as restated)	Dollars	Percent
General government support	\$ 48,164,231	\$ 46,806,543	\$ 1,357,688	2.9
Education	9,926,961	10,646,702	(719,741)	(6.8)
Public safety	29,037,811	26,641,454	2,396,357	9.0
Health	18,801,462	19,066,522	(265,060)	(1.4)
Transportation	27,943,789	17,739,642	10,204,147	57.5
Economic assistance and opportunity	98,298,024	103,707,472	(5,409,448)	(5.2)
Culture and recreation	327,476	320,611	6,865	2.1
Home and community services	694,346	764,416	(70,070)	(9.2)
Interest and fiscal charges	3,927,852	4,036,806	(108,954)	(2.7)
Total program expenses	<u>\$ 237,121,952</u>	<u>\$ 229,730,168</u>	<u>\$ 7,391,784</u>	3.2

The County's most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$98,298,024, or 41.5 percent of program expenses. The other significant expenses include 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. For the year ended December 31, 2012, the most significant expense category for governmental activities was economic assistance and opportunity of \$103,707,472, or 45.1 percent of program expenses. Other significant expenses included general government support of \$46,806,543, or 20.4 percent of total expenses and public safety of \$26,641,454, or 11.6 percent of total expenses.

During the year ended December 31, 2013, total expenses increased 3.2 percent largely due to increased activity and increased cost of operations. The large increase in transportation expense and large decrease in economic assistance and opportunity expense are a result of a reallocation of depreciation expense as compared to previous years.

Business type activities.

Business-type activities increased the County's net position by \$665,023. Operating revenues and expenses for the year ended December 31, 2013 increased 3.9 percent and 2.7 percent, respectively, from the year ended December 31, 2012.

A summary of operating revenues and operating expenses for the County's business-type activities for the years ended December 31, 2013 and 2012 is presented on the following page.

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

	Year Ended December 31,		Increase/(decrease)	
	2013	2012 (as restated)	Dollars	Percent
Operating revenues:				
Net patient revenue	\$ 17,663,784	\$ 16,533,319	\$ 1,130,465	6.8
Intergovernmental transfer revenue	3,609,939	3,588,885	21,054	0.6
Charges for services	<u>16,035,650</u>	<u>15,777,437</u>	<u>258,213</u>	1.6
Total operating revenues	<u>\$ 37,309,373</u>	<u>\$ 35,899,641</u>	<u>\$ 1,409,732</u>	3.9
Operating expenses:				
Professional services	\$ 2,966,136	\$ 3,181,885	\$ (215,749)	(6.8)
Contractual services	5,047,694	4,419,050	628,644	14.2
Nursing and medical	7,709,781	7,595,029	114,752	1.5
Ancillary	3,172,615	3,169,852	2,763	0.1
Administrative and general service	2,255,600	2,232,447	23,153	1.0
Fringe benefits	8,472,866	7,540,402	932,464	12.4
Depreciation	5,599,583	6,316,691	(717,108)	(11.4)
Bad debt expense	<u>815,864</u>	<u>624,570</u>	<u>191,294</u>	30.6
Total operating expenses	<u>\$ 36,040,139</u>	<u>\$ 35,079,926</u>	<u>\$ 960,213</u>	2.7

As detailed above, the County's business-type activities operating expenses for the year ended December 31, 2013 increased 2.7 percent from the previous year.

The most significant expense items for the year ended December 31, 2013 are fringe benefits, which account 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. Similarly, for the year ended December 31, 2012, the most significant expense items were fringe benefits, which accounted for \$7,540,402, or 21.5 percent of total expenses, nursing and medical expenses of the County Home, which accounted for \$7,595,029 or 21.7 percent of total expenses, and depreciation expense of \$6,316,691, or 18.0 percent of total expenses.

Financial Analysis of the Government's 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 the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$53,219,809, a decrease of \$6,598,391 in comparison with the prior year. *Unassigned fund balance* is \$14,609,648 or approximately 6.2 percent of total governmental expenditures. Additionally, the County's *assigned fund balances* total \$18,943,013 or 8.0 percent of the total governmental expenditures. Together, *unassigned* and *assigned fund balance* represents \$33,552,661, or 14.1 percent of total expenditures. *Nonspendable* amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Nonspendable fund balance consists of \$4,877,274 of notes receivable, \$1,201,055 of inventory and \$2,349,150 of prepaid items.

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 \$14,609,648, while the total fund balance was \$37,076,333. The General Fund fund balance decreased \$7,383,957 from the prior year. The decrease was a result of an overall decrease in revenues as compared to 2012. 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 6.6 percent of General fund expenditures and transfers out, while total fund balance represents 16.8 percent of that same amount.

The fund balance in the County Road Fund decreased \$488,056 from December 31, 2012. The decrease is the result of overall decreases in state and federal aid. Similarly, the Road Machinery Fund fund balance decreased \$398,047 as a result of an increase in transportation expenditures. The Capital Projects Fund fund balance increased \$1,905,696 from the prior year as a result of an increase in federal aid received.

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

Overall net position of the proprietary funds increased. The Electric Plant net position improved \$2,001,547 as a result of heightened charges for services that exceeded the increase in related expenditures. The County Home, Sewer and Landfill Funds all had declines in net position primarily because of operating results and interest charges.

General Fund Budgetary Highlights

The County adopts an annual appropriated budget for all governmental funds, except the Capital Projects Fund and Chautauqua County Tobacco Asset Securitization Corporation, which adopts its own budget. Budgetary comparison schedules for the General Fund, County Road Fund and Road Machinery Fund are provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of General Fund results of operations for the year ended December 31, 2013 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	\$ 215,921,753	\$ 219,699,612	\$ 213,660,207	\$ (6,039,405)
Expenditures and other financing uses	<u>228,012,786</u>	<u>232,917,674</u>	<u>221,044,164</u>	<u>11,873,510</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (12,091,033)	\$ (13,218,062)	\$ (7,383,957)	\$ 5,834,105

Original budget compared to final budget. During the year, the budget is modified, primarily to reflect the acceptance of new state and federal grants. These grants explain the majority of the increases in appropriations and revenue from the original adopted budget to the final budget. The remaining increases in appropriations relate primarily to higher than anticipated employee benefits and equipment purchases.

Final budget compared to actual results. The General Fund had a favorable variance from the final budgetary appropriations of \$11,873,510. The positive variances were realized primarily in health and economic assistance and opportunity expenditures. However, the positive variances were partially offset by lower than anticipated departmental income and federal aid.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities and business-type activities as of December 31, 2013 amounts to \$268,622,955 (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, 2013 and 2012 are presented in Table 7 below:

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2013	2012 (as restated)	2013	2012	2013	2012 (as restated)
Land	\$ 552,826	\$ 552,826	\$ 5,000	\$ 5,000	\$ 557,826	\$ 557,826
Construction in progress	60,839,535	55,054,508	2,217,205	3,020,180	63,056,740	58,074,688
Infrastructure	91,006,621	89,249,506	22,956,862	23,261,945	113,963,483	112,511,451
Land improvements	-	-	643,163	705,214	643,163	705,214
Buildings and building improvements	47,672,895	50,213,120	14,201,240	15,072,435	61,874,135	65,285,555
Machinery and equipment	3,619,177	4,483,227	13,155,889	13,099,360	16,775,066	17,582,587
Vehicles	3,349,671	3,656,113	578,724	578,226	3,928,395	4,234,339
Landfill assets	-	-	7,593,484	7,947,307	7,593,484	7,947,307
Water treatment facilities	-	-	230,663	256,857	230,663	256,857
Total assets	<u>\$ 207,040,725</u>	<u>\$ 203,209,300</u>	<u>\$ 61,582,230</u>	<u>\$ 63,946,524</u>	<u>\$ 268,622,955</u>	<u>\$ 267,155,824</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, 2013 the County's governmental activities had total long-term debt outstanding of \$107,599,670, as compared to \$104,730,951 in the prior year; while the County's business-type activities had total long-term debt outstanding of \$50,218,427, as compared to \$50,242,674 in the prior year.

A summary of the County's long-term liabilities at December 31, 2013 and 2012 is presented in Table 8 below.

Table 8—Summary of Long-Term Liabilities

	Year Ended December 31,		Increase/(decrease)	
	2013	2012 (as restated)	Dollars	Percent
Governmental activities:				
Serial bonds	\$ 29,994,000	\$ 32,391,000	\$ (2,397,000)	(7.4)
CTASC bonds and accreted interest, net	43,680,091	42,755,923	924,168	2.2
Compensated absences	2,116,561	2,146,699	(30,138)	(1.4)
Workers' compensation	16,360,759	14,168,698	2,192,061	15.5
Net OPEB obligation	15,448,259	13,268,631	2,179,628	16.4
Total governmental activities	<u>\$ 107,599,670</u>	<u>\$ 104,730,951</u>	<u>\$ 2,868,719</u>	2.7
Business-type activities:				
Serial bonds	\$ 22,118,846	\$ 23,988,094	\$ (1,869,248)	(7.8)
Unamortized bond premium	181,379	227,675	(46,296)	(20.3)
Notes payable	999,848	1,281,422	(281,574)	(22.0)
Compensated absences	440,933	461,623	(20,690)	(4.5)
Landfill closure and post-closure	20,050,527	18,715,976	1,334,551	7.1
Workers' compensation	2,689,241	2,202,167	487,074	22.1
Net OPEB obligation	3,737,653	3,365,717	371,936	11.1
Total business-type activities	<u>\$ 50,218,427</u>	<u>\$ 50,242,674</u>	<u>\$ (24,247)</u>	(0.0)

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 settling the fiscal year 2014 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 2014 General Fund budget are \$229.1 million compared to \$229.6 million in 2013. Given the state of the economy and the General Fund surplus, the Legislature voted to use fund balance to minimize the increase in the property tax rate. The County increased the full value property tax rate from \$9.15 per thousand to \$9.17 per thousand for 2014.

The 2015 budget will present many challenges for Chautauqua County. In addition to having to replace the use of fund balance in the 2014 budget, costs of operations continue to rise. The sale of the County Home which is anticipated to close the end of 2014 or the beginning of 2015 will help 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.

Net position has been restated as of December 31, 2012 to reflect the inclusion of CTASC as a blended component unit. As a result of this change in presentation, the 2012 CTASC deficit net position of \$41,959,644 is included in governmental activities net position. CTASC 2013 deficit net position of \$42,915,717 is included in this presentation and consequentially, the County's government-wide unrestricted net position is a deficit of \$17,231,104.

The County has obligated \$7,392,609 of General Fund fund balance, \$250,000 of County Road Fund fund balance and \$650,000 of Road Machinery Fund fund balance to the 2014 budget. The County's fiscal management policy is to maintain General Fund unassigned fund balance within the New York State Comptroller recommended 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 2014 and 2015. The 2015 budget document takes shape during the summer and fall of 2014.

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.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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

	Primary Government			Component Units	
	Governmental	Business-type	Total	Industrial	Land Bank
	Activities	Activities		Development	
					Corporation
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 26,767,987	\$ 25,094,875	\$ 51,862,862	\$ 4,742,886	\$ 41,169
Restricted cash and cash equivalents	17,746,394	262,609	18,009,003	-	-
Restricted investments	1,566,652	-	1,566,652	-	-
Receivables, net of allowance					
Accounts receivable	3,619,000	3,980,218	7,599,218	-	-
Taxes receivable	16,186,968	-	16,186,968	-	-
Other receivables, current portion	832,952	-	832,952	1,111,950	-
Mortgage receivable, current portion	-	-	-	63,791	-
Intergovernmental receivables	35,850,297	32,954	35,883,251	-	-
Inventories	1,201,055	139,016	1,340,071	-	-
Prepaid items	2,349,150	514,667	2,863,817	-	-
Total current assets	<u>106,120,455</u>	<u>30,024,339</u>	<u>136,144,794</u>	<u>5,918,627</u>	<u>41,169</u>
Noncurrent assets:					
Receivables, net of allowance					
Other receivables	10,389,322	-	10,389,322	10,885,192	-
Mortgage receivable	-	-	-	1,610,188	-
Deferred bond refunding cost, net	-	196,749	196,749	-	-
Real property held for resale	-	-	-	753,348	338,503
Other noncurrent assets	-	1,525	1,525	-	-
Capital assets not being depreciated	61,392,361	2,222,205	63,614,566	-	-
Capital assets, net of accumulated depreciation	<u>145,648,364</u>	<u>59,360,025</u>	<u>205,008,389</u>	<u>2,044,097</u>	<u>-</u>
Total noncurrent assets	<u>217,430,047</u>	<u>61,780,504</u>	<u>279,210,551</u>	<u>15,292,825</u>	<u>338,503</u>
Total assets	<u>323,550,502</u>	<u>91,804,843</u>	<u>415,355,345</u>	<u>21,211,452</u>	<u>379,672</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred bond issuance costs, net	764,374	-	764,374	-	-
Deferred charge on refunding, net	<u>844,343</u>	<u>-</u>	<u>844,343</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>1,608,717</u>	<u>-</u>	<u>1,608,717</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 7,819,058	\$ 1,029,744	\$ 8,848,802	\$ 9,832.00	\$ 1,200
Retainages payable	262,487	20,008	282,495	-	-
Accrued liabilities	2,712,353	865,343	3,577,696	48,720	-
Intergovernmental payables	15,067,978	-	15,067,978	4,116,045	-
Unearned revenue	8,073,377	-	8,073,377	30,104	-
Resident funds held in trust	<u>-</u>	<u>262,609</u>	<u>262,609</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>33,935,253</u>	<u>2,177,704</u>	<u>36,112,957</u>	<u>4,204,701</u>	<u>1,200</u>
Noncurrent liabilities:					
Due within one year	4,972,561	2,420,403	7,392,964	230,440	-
Due in more than one year	<u>102,627,109</u>	<u>47,798,024</u>	<u>150,425,133</u>	<u>3,568,359</u>	<u>-</u>
Total noncurrent liabilities	<u>107,599,670</u>	<u>50,218,427</u>	<u>157,818,097</u>	<u>3,798,799</u>	<u>-</u>
Total liabilities	<u>141,534,923</u>	<u>52,396,131</u>	<u>193,931,054</u>	<u>8,003,500</u>	<u>1,200</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grant proceeds	<u>1,535,663</u>	<u>-</u>	<u>1,535,663</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>1,535,663</u>	<u>-</u>	<u>1,535,663</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	188,080,068	38,478,906	226,558,974	458,103	-
Restricted	11,239,669	-	11,239,669	12,573,935	-
Unrestricted	<u>(17,231,104)</u>	<u>929,806</u>	<u>(16,301,298)</u>	<u>175,914</u>	<u>378,472</u>
Total net position	<u>\$ 182,088,633</u>	<u>\$ 39,408,712</u>	<u>\$ 221,497,345</u>	<u>\$ 13,207,952</u>	<u>\$ 378,472</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units			
					Governmental Activities	Business-type Activities	Total	Industrial Development Agency	Land Bank Corporation	
Primary government:										
Governmental activities:										
General government support	\$ 48,164,231	\$ 11,590,775	\$ 1,664,586	\$ 31,200	\$ (34,877,670)	\$ -	\$ (34,877,670)	\$ -	\$ -	
Education	9,926,961	-	3,168,912	-	(6,758,049)	-	(6,758,049)	-	-	
Public safety	29,037,811	3,798,941	2,366,098	227,308	(22,645,464)	-	(22,645,464)	-	-	
Public health	18,801,462	6,112,665	9,683,137	-	(3,005,660)	-	(3,005,660)	-	-	
Transportation	27,943,789	3,057,556	1,315,344	8,627,936	(14,942,953)	-	(14,942,953)	-	-	
Economic assistance and opportunity	98,298,024	4,777,689	42,272,877	3,723,453	(47,524,005)	-	(47,524,005)	-	-	
Culture and recreation	327,476	-	88,514	-	(238,962)	-	(238,962)	-	-	
Home and community services	694,346	8,404	557,972	4,193	(123,777)	-	(123,777)	-	-	
Interest and fiscal charges	3,927,852	-	-	-	(3,927,852)	-	(3,927,852)	-	-	
Total governmental activities	<u>237,121,952</u>	<u>29,346,030</u>	<u>61,117,440</u>	<u>12,614,090</u>	<u>(134,044,392)</u>	<u>-</u>	<u>(134,044,392)</u>	<u>-</u>	<u>-</u>	
Business-type activities:										
County Home	21,690,101	17,848,546	3,609,939	-	-	(231,616)	(231,616)	-	-	
Sewer	4,524,394	3,716,226	31,529	-	-	(776,639)	(776,639)	-	-	
Water	48,595	61,205	-	-	-	12,610	12,610	-	-	
Landfill	7,905,449	7,629,640	16,451	-	-	(259,358)	(259,358)	-	-	
Electric Plant	3,028,093	4,443,817	2,000,000	-	-	3,415,724	3,415,724	-	-	
Total business-type activities	<u>37,196,632</u>	<u>33,699,434</u>	<u>5,657,919</u>	<u>-</u>	<u>-</u>	<u>2,160,721</u>	<u>2,160,721</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 274,318,584</u>	<u>\$ 63,045,464</u>	<u>\$ 66,775,359</u>	<u>\$ 12,614,090</u>	<u>(134,044,392)</u>	<u>2,160,721</u>	<u>(131,883,671)</u>	<u>-</u>	<u>-</u>	
Component units:										
Chautauqua County Industrial Development Agency	\$ 1,603,532	\$ 535,870	\$ 203,655	\$ -				\$ (864,007)	\$ -	
Chautauqua County Land Bank Corporation	31,137	-	416,502	-				-	385,365	
Total component unit	<u>\$ 1,634,669</u>	<u>\$ 535,870</u>	<u>\$ 620,157</u>	<u>\$ -</u>				<u>\$ (864,007)</u>	<u>\$ 385,365</u>	
General revenues:										
					62,413,718	-	62,413,718	-	-	
					8,422,776	-	8,422,776	-	-	
					52,874,138	-	52,874,138	-	-	
					(1,687,295)	-	(1,687,295)	681,441	6	
					2,326,847	81,679	2,408,526	307,187	-	
					320,686	-	320,686	-	(6,899)	
					1,577,377	(1,577,377)	-	-	-	
					<u>126,248,247</u>	<u>(1,495,698)</u>	<u>124,752,549</u>	<u>988,628</u>	<u>(6,893)</u>	
					Change in net position	(7,796,145)	665,023	(7,131,122)	124,621	378,472
					Net position—beginning (as restated)	189,884,778	38,743,689	229,220,753	13,083,331	-
					Net position—ending	<u>\$ 182,088,633</u>	<u>\$ 39,408,712</u>	<u>\$ 221,497,345</u>	<u>\$ 13,207,952</u>	<u>\$ 378,472</u>

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

COUNTY OF CHAUTAUQUA, NEW YORK

Balance Sheet—Governmental Funds

December 31, 2013

	<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	\$ 12,433,344	\$ 1,363,552	\$ 3,006,794	\$ 4,714,804	\$ -	\$ 21,518,494
Restricted cash and cash equivalents	15,778,059	50,000	-	-	1,918,335	17,746,394
Restricted investments	-	-	-	-	1,566,652	1,566,652
Receivables (net of allowances for estimated uncollectible amounts):						
Accounts receivable	3,423,513	44,861	80,135	35,261	-	3,583,770
Taxes receivable	18,257,014	-	-	-	-	18,257,014
Other receivables	4,730,570	-	-	146,704	-	4,877,274
Intergovernmental receivables	23,688,286	917,998	-	2,782,169	-	27,388,453
Due from other funds	421,024	-	-	-	-	421,024
Inventories	56,635	-	1,144,420	-	-	1,201,055
Prepaid items	2,104,824	206,659	37,667	-	-	2,349,150
Total assets	<u>\$ 80,893,269</u>	<u>\$ 2,583,070</u>	<u>\$ 4,269,016</u>	<u>\$ 7,678,938</u>	<u>\$ 3,484,987</u>	<u>\$ 98,909,280</u>
LIABILITIES						
Accounts payable	\$ 6,559,533	\$ 205,207	\$ 491,949	\$ 202,579	\$ -	\$ 7,459,268
Retainages payable	-	17,215	-	245,272	-	262,487
Accrued liabilities	2,029,351	268,683	41,630	-	-	2,339,664
Intergovernmental payables	14,667,978	-	-	400,000	-	15,067,978
Unearned revenue	8,073,377	-	-	-	-	8,073,377
Total liabilities	<u>31,330,239</u>	<u>491,105</u>	<u>533,579</u>	<u>847,851</u>	<u>-</u>	<u>33,202,774</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - grant proceeds	1,535,663	-	-	-	-	1,535,663
Unavailable revenue - property taxes	10,951,034	-	-	-	-	10,951,034
Total deferred inflows of resources	<u>12,486,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,486,697</u>
FUND BALANCES						
Nonspendable	6,892,029	206,659	1,182,087	146,704	-	8,427,479
Restricted	7,704,682	50,000	-	-	3,484,987	11,239,669
Assigned	7,869,974	1,835,306	2,553,350	6,684,383	-	18,943,013
Unassigned	14,609,648	-	-	-	-	14,609,648
Total fund balances	<u>37,076,333</u>	<u>2,091,965</u>	<u>3,735,437</u>	<u>6,831,087</u>	<u>3,484,987</u>	<u>53,219,809</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 80,893,269</u>	<u>\$ 2,583,070</u>	<u>\$ 4,269,016</u>	<u>\$ 7,678,938</u>	<u>\$ 3,484,987</u>	<u>\$ 98,909,280</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 Statement of Net Position
December 31, 2013

Amounts reported for governmental activities in the statement of net position (page 14) are different because:

Fund balances—total governmental funds (page 16)	\$ 53,219,809
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$338,020,023 and the accumulated depreciation is \$130,979,298.	207,040,725
To recognize interest accrual on long-term debt. Accrued interest for general long-term obligation bonds is \$240,347.	(240,347)
Uncollected property taxes of \$10,951,034 are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds. The County also reserved \$2,070,046 of real estate taxes receivable.	8,880,988
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.	(3,527,348)
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.	6,345,000
CTASC bond issuance costs have been recognized as an expenditure within the fund statements, but are amortized over the life of the debt issuance for the government-wide statements.	764,374
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 being amortized over the repayment schedule of the new bonds.	844,343
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. The effect of these items are:	
Serial bonds	\$ (29,994,000)
CTASC bonds, net	(43,680,091)
Compensated absences	(2,116,561)
Net OPEB obligation	<u>(15,448,259)</u>
	<u>(91,238,911)</u>
Net position of governmental activities	<u>\$ 182,088,633</u>

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

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

	<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	\$ 63,570,680	\$ -	\$ -	\$ -	\$ -	\$ 63,570,680
Real property tax items	8,422,776	-	-	-	-	8,422,776
Non property tax items	52,874,138	-	-	-	-	52,874,138
Departmental income	18,213,215	-	-	3,389	-	18,216,604
Intergovernmental charges	4,064,264	15,934	530,500	314,701	-	4,925,399
Licenses and permits	241,518	-	-	-	-	241,518
Fines and forfeitures	387,065	-	-	-	-	387,065
Use of money and property	1,504,764	(159,138)	(95,065)	20,000	134,497	1,405,058
Sale of property and compensation for loss	186,420	-	45,828	88,438	-	320,686
Miscellaneous	1,450,550	988,495	484,556	160,003	-	3,083,604
State aid	22,660,964	4,075,401	-	492,155	-	27,228,520
Federal aid	38,456,476	2,043,386	-	6,003,148	-	46,503,010
Tobacco settlement revenue	-	-	-	-	2,160,165	2,160,165
Total revenues	<u>212,032,830</u>	<u>6,964,078</u>	<u>965,819</u>	<u>7,081,834</u>	<u>2,294,662</u>	<u>229,339,223</u>
EXPENDITURES						
Current:						
General government support	45,303,571	-	-	-	385,839	45,689,410
Education	9,695,106	-	-	-	-	9,695,106
Public safety	26,681,881	-	-	-	-	26,681,881
Health	18,313,655	-	-	-	-	18,313,655
Transportation	4,004,767	17,898,498	4,211,576	-	-	26,114,841
Economic assistance and opportunity	95,994,568	-	-	-	-	95,994,568
Culture and recreation	304,488	-	-	-	-	304,488
Home and community services	640,433	-	-	-	-	640,433
Debt service:						
Principal	2,377,000	-	20,000	-	265,000	2,662,000
Interest and fiscal charges	1,165,000	-	3,181	-	1,877,850	3,046,031
Capital outlay	-	-	-	8,372,578	-	8,372,578
Total expenditures	<u>204,480,469</u>	<u>17,898,498</u>	<u>4,234,757</u>	<u>8,372,578</u>	<u>2,528,689</u>	<u>237,514,991</u>
Excess (deficiency) of revenues over expenditures	<u>7,552,361</u>	<u>(10,934,420)</u>	<u>(3,268,938)</u>	<u>(1,290,744)</u>	<u>(234,027)</u>	<u>(8,175,768)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,627,377	10,776,209	2,870,891	3,196,440	2,347,612	20,818,529
Transfers out	<u>(16,563,695)</u>	<u>(329,845)</u>	<u>-</u>	<u>-</u>	<u>(2,347,612)</u>	<u>(19,241,152)</u>
Total other financing sources (uses)	<u>(14,936,318)</u>	<u>10,446,364</u>	<u>2,870,891</u>	<u>3,196,440</u>	<u>-</u>	<u>1,577,377</u>
Net change in fund balances	(7,383,957)	(488,056)	(398,047)	1,905,696	(234,027)	(6,598,391)
Fund balances—beginning, as restated	44,460,290	2,580,021	4,133,484	4,925,391	3,719,014	59,818,200
Fund balances—ending	<u>\$ 37,076,333</u>	<u>\$ 2,091,965</u>	<u>\$ 3,735,437</u>	<u>\$ 6,831,087</u>	<u>\$ 3,484,987</u>	<u>\$ 53,219,809</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 of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2013

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

Net change in fund balances—total governmental funds (page 18) \$ (6,598,391)

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

Capital asset additions	\$16,662,655	
Loss on disposition of capital assets	(688,334)	
Depreciation expense	<u>(12,142,896)</u>	3,831,425

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

Change in deferred tax revenue	\$ (1,156,962)	
Change in long-term receivable	<u>(155,000)</u>	(1,311,962)

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

Principal payments on serial bonds	2,397,000	
Change in accrued interest	116,710	
Payment on CTASC bond	265,000	
Accreted interest of CTASC bond	<u>(1,174,697)</u>	1,604,013

CTASC reports the cost of debt issuance as expenditures on the governmental fund. However, in the statement of activities, the cost of debt issuance is amortized over the lives of the related debt. (46,376)

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows:

Compensated absences	\$ 30,138	
Net OPEB obligation	(4,431,046)	
Amortization of deferred financing cost	<u>(56,289)</u>	(4,457,197)

Internal services funds are used by management to charge the costs of health insurance and workers' compensation. The net loss of the internal service funds of \$817,657 is reported within governmental activities. (817,657)

Change in net position of governmental activities \$ (7,796,145)

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, 2013

	Business-type Activities						Governmental
	Enterprise Funds						Activities--
	County Home	Sewer	North County Water District	Landfill	Electric Plant	Total	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 4,047,745	\$ 3,846,748	\$ 123,686	\$ 14,724,866	\$ 2,351,830	\$ 25,094,875	\$ 5,249,493
Resident trust cash	262,609	-	-	-	-	262,609	-
Receivables (net of allowances for estimated uncollectible amounts)	1,728,416	1,151,796	15,995	689,061	394,950	3,980,218	35,230
Intergovernmental receivable	-	-	-	32,954	-	32,954	8,461,844
Inventory	139,016	-	-	-	-	139,016	-
Prepaid items	368,208	43,642	-	102,817	-	514,667	-
Total current assets	<u>6,545,994</u>	<u>5,042,186</u>	<u>139,681</u>	<u>15,549,698</u>	<u>2,746,780</u>	<u>30,024,339</u>	<u>13,746,567</u>
Noncurrent assets:							
Deferred bond refunding costs (net of accumulated amortization)	196,749	-	-	-	-	196,749	-
Other assets	1,525	-	-	-	-	1,525	-
Capital assets, not being depreciated	297,416	189,468	-	1,735,321	-	2,222,205	-
Capital assets, being depreciated (net of accumulated amortization/depletion)	9,813,818	24,695,940	230,663	10,595,496	14,024,108	59,360,025	-
Total noncurrent assets	<u>10,309,508</u>	<u>24,885,408</u>	<u>230,663</u>	<u>12,330,817</u>	<u>14,024,108</u>	<u>61,780,504</u>	<u>-</u>
Total assets	<u>16,855,502</u>	<u>29,927,594</u>	<u>370,344</u>	<u>27,880,515</u>	<u>16,770,888</u>	<u>91,804,843</u>	<u>13,746,567</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 480,817	\$ 220,426	\$ 710	\$ 327,021	\$ 770	\$ 1,029,744	\$ 359,789
Due to other funds	-	-	-	-	-	-	421,024
Contract retainage	-	20,008	-	-	-	20,008	-
Accrued expenses	485,159	52,266	324	109,363	218,231	865,343	132,343
Resident trust funds	262,609	-	-	-	-	262,609	-
Total current liabilities	<u>1,228,585</u>	<u>292,700</u>	<u>1,034</u>	<u>436,384</u>	<u>219,001</u>	<u>2,177,704</u>	<u>913,156</u>

(continued)

(concluded)

	Business-type Activities					Governmental Activities--	
	Enterprise Funds						Internal Service Funds
	County Home	Sewer	North County Water District	Landfill	Electric Plant		
Noncurrent liabilities:							
Due within one year:							
Compensated absences	306,952	40,434	-	93,547	-	440,933	-
Serial bonds and notes payable - current	950,000	88,104	12,000	315,000	614,366	1,979,470	-
Due in more than one year:							
Serial bonds and notes payable	6,580,000	1,062,944	36,000	1,365,000	12,095,280	21,139,224	-
Deferred bond refunding costs (net of accumulated amortization)	181,379	-	-	-	-	181,379	-
Landfill closure and post-closure	-	-	-	20,050,527	-	20,050,527	-
Net OPEB obligation	2,408,207	284,778	-	1,044,668	-	3,737,653	-
Workers' compensation liability	2,184,408	119,501	175	385,157	-	2,689,241	16,360,759
Total noncurrent liabilities	12,610,946	1,595,761	48,175	23,253,899	12,709,646	50,218,427	16,360,759
Total liabilities	13,839,531	1,888,461	49,209	23,690,283	12,928,647	52,396,131	17,273,915
NET POSITION							
Net investment in capital assets	2,596,604	23,734,360	182,663	10,650,817	1,314,462	38,478,906	-
Unrestricted	419,367	4,304,773	138,472	(6,460,585)	2,527,779	929,806	(3,527,348)
Total net position	\$ 3,015,971	\$ 28,039,133	\$ 321,135	\$ 4,190,232	\$ 3,842,241	\$ 39,408,712	\$ (3,527,348)

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, 2013

	Business-type Activities--Enterprise Funds						Governmental Activities--
	County Home	Sewer	North County Water District	Landfill	Electric Plant	Total	Internal Service Funds
OPERATING REVENUES							
Net patient revenue	\$ 17,663,784	\$ -	\$ -	\$ -	\$ -	\$ 17,663,784	\$ -
Intergovernmental transfer revenue	3,609,939	-	-	-	-	3,609,939	-
Charges for services	184,762	3,716,226	61,205	7,629,640	4,443,817	16,035,650	28,944,766
Total operating revenues	<u>21,458,485</u>	<u>3,716,226</u>	<u>61,205</u>	<u>7,629,640</u>	<u>4,443,817</u>	<u>37,309,373</u>	<u>28,944,766</u>
OPERATING EXPENSES							
Professional services	-	914,592	2,965	2,048,259	320	2,966,136	-
Contractual services	-	1,766,663	13,882	1,412,355	1,854,794	5,047,694	-
Nursing and medical	7,709,781	-	-	-	-	7,709,781	-
Dietary	1,424,130	-	-	-	-	1,424,130	-
Household and plant operation	1,748,485	-	-	-	-	1,748,485	-
Administrative and general service	2,255,600	-	-	-	-	2,255,600	-
Fringe benefits	6,193,323	604,658	297	1,674,361	227	8,472,866	-
Depreciation	1,219,775	1,116,681	26,194	1,153,647	652,943	4,169,240	-
Landfill closure and post closure expense	-	-	-	1,430,343	-	1,430,343	-
Bad debt	815,864	-	-	-	-	815,864	-
Insurance claims and expenses	-	-	-	-	-	-	29,977,344
Total operating expenses	<u>21,366,958</u>	<u>4,402,594</u>	<u>43,338</u>	<u>7,718,965</u>	<u>2,508,284</u>	<u>36,040,139</u>	<u>29,977,344</u>
Operating income (loss)	<u>91,527</u>	<u>(686,368)</u>	<u>17,867</u>	<u>(89,325)</u>	<u>1,935,533</u>	<u>1,269,234</u>	<u>(1,032,578)</u>
NONOPERATING REVENUES (EXPENSES)							
State sources	-	31,529	-	16,451	2,000,000	2,047,980	-
Interest income (expense)	(323,141)	(121,800)	(5,257)	(186,484)	(519,809)	(1,156,491)	(143,479)
Other miscellaneous	11	11,262	-	70,406	-	81,679	358,400
Total nonoperating revenues (expenses)	<u>(323,130)</u>	<u>(79,009)</u>	<u>(5,257)</u>	<u>(99,627)</u>	<u>1,480,191</u>	<u>973,168</u>	<u>214,921</u>
Transfers out	-	-	-	(163,200)	(1,414,177)	(1,577,377)	-
Change in net position	(231,603)	(765,377)	12,610	(352,152)	2,001,547	665,025	(817,657)
Total net position—beginning	3,247,574	28,804,510	308,525	4,542,384	1,840,694	38,743,687	(2,709,691)
Total net position—ending	<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>

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, 2013

	<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	\$ 20,645,717	\$ 3,755,025	\$ 58,647	\$ 7,479,335	\$ 4,415,256	\$ 36,353,980	\$ 27,211,191
Payments to suppliers and service providers	(3,406,343)	(1,696,189)	(20,200)	(1,242,041)	(1,854,459)	(8,219,232)	(27,334,569)
Payments to employees for salaries and benefits	(14,070,480)	(1,512,227)	(3,256)	(3,502,599)	(4,869)	(19,093,431)	-
Payments to primary government	(324,224)	-	-	-	-	(324,224)	-
Payments to other governments	(923,372)	-	-	-	-	(923,372)	-
Net cash provided by (used for) operating activities	<u>1,921,298</u>	<u>546,609</u>	<u>35,191</u>	<u>2,734,695</u>	<u>2,555,928</u>	<u>7,793,721</u>	<u>(123,378)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Advances from other funds	-	-	-	-	-	-	(5,606)
Net transfers	-	-	-	(163,200)	(1,414,177)	(1,577,377)	-
Other income	-	42,791	-	87,979	2,000,000	2,130,770	214,921
Net cash provided by noncapital financing activities	<u>-</u>	<u>42,791</u>	<u>-</u>	<u>(75,221)</u>	<u>585,823</u>	<u>553,393</u>	<u>209,315</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest earned on bank accounts	<u>11</u>	<u>4,056</u>	<u>-</u>	<u>-</u>	<u>1,221</u>	<u>5,288</u>	<u>-</u>
Net cash provided by (used for) investing activities	<u>11</u>	<u>4,056</u>	<u>-</u>	<u>-</u>	<u>1,221</u>	<u>5,288</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Interest expense	(323,141)	(125,856)	(5,257)	(186,484)	(521,030)	(1,161,768)	-
Acquisition and construction of capital assets	(28,574)	(931,114)	-	(953,195)	11,021	(1,901,862)	-
Principal payments on serial bonds	(900,000)	(50,400)	(12,000)	(310,000)	(596,848)	(1,869,248)	-
Principal payments on notes payable	-	(531,574)	-	-	-	-	-
Issuance of notes payable	-	250,000	-	-	-	-	-
Net cash used for capital and related financial activities	<u>(1,251,715)</u>	<u>(1,388,944)</u>	<u>(17,257)</u>	<u>(1,449,679)</u>	<u>(1,106,857)</u>	<u>(4,932,878)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	669,594	(795,488)	17,934	1,209,795	2,036,115	3,137,950	85,937
Cash and cash equivalents—beginning	<u>3,378,151</u>	<u>4,642,236</u>	<u>105,752</u>	<u>13,515,071</u>	<u>315,715</u>	<u>21,956,925</u>	<u>5,163,556</u>
Cash and cash equivalents—ending	<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>

(continued)

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

(concluded)
**Governmental
Activities--**

	Business-type Activities--Enterprise Funds					Total	Internal Service Funds
	County Home	Sewer	North County Water District	Landfill	Electric Plant		
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES							
Operating (loss) income	\$ 91,527	\$ (686,368)	\$ 17,867	\$ (89,325)	\$ 1,935,533	\$ 1,269,234	\$ (1,032,578)
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:							
Depreciation, landfill closure and post-closure	1,219,775	1,116,681	26,194	2,583,990	652,943	5,599,583	-
Amortization of issuance costs and refunding costs	93,492	-	-	-	-	93,492	-
Decrease in patient accounts receivable, net	562,417	-	-	-	-	562,417	-
Decrease (increase) in accounts receivable	-	34,649	(2,558)	(153,429)	(28,561)	(149,899)	184,769
Decrease (increase) in intergovernmental receivables	-	-	-	3,124	-	3,124	(1,918,344)
Decrease in inventories	22,967	-	-	-	-	22,967	-
(Increase) decrease in prepaid assets	(11,158)	2,675	-	(1,266)	-	(9,749)	-
Increase (decrease) in accounts payable	(636,940)	51,985	(6,231)	171,580	335	(419,271)	26,610
Increase in retainage payable	-	19,964	-	-	-	19,964	-
Increase in compensation and related costs	13,462	-	-	-	-	13,462	-
Decrease (increase) in accrued retirement and workers' compensation	440,797	(31,260)	6	31,235	-	440,778	-
Increase (decrease) in compensated absences liability	-	1,652	-	(7,164)	-	(5,512)	-
Increase in other post employment benefits	133,397	43,106	-	195,433	-	371,936	-
Increase (decrease) in other accrued expenses	(8,438)	(6,475)	(87)	517	(4,322)	(18,805)	2,616,165
Total adjustments	<u>1,829,771</u>	<u>1,232,977</u>	<u>17,324</u>	<u>2,824,020</u>	<u>620,395</u>	<u>6,524,487</u>	<u>909,200</u>
Net cash provided by (used for) operating activities	<u>\$ 1,921,298</u>	<u>\$ 546,609</u>	<u>\$ 35,191</u>	<u>\$ 2,734,695</u>	<u>\$ 2,555,928</u>	<u>\$ 7,793,721</u>	<u>\$ (123,378)</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, 2013

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 3,306,899
Accounts receivable	<u>141,521</u>
Total assets	<u>\$ 3,448,420</u>
LIABILITIES	
Agency liabilities	<u>\$ 3,448,420</u>
Total liabilities	<u>\$ 3,448,420</u>

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

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of 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 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 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. An annual report can be obtained by writing the Roberts Road Development Corporation, 3 North Erie Street, Mayville, New York 14757. The Corporation had no activity prior to December 31, 2013.

Basis of Presentation—Government-wide Financial Statements

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

As discussed earlier, the government has three discretely presented component units. While the Chautauqua County Industrial Development Agency is considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s water and 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*—This fund is the principal operating fund of the County and is used to account for all financial resources except those to be accounted for in other funds.
- *County Road Fund*—This 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*—This 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*—This fund is used to account for a New York State licensed skilled nursing and health related facility.
- *Sewer Fund*—This 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*—This fund is used to account for the operating activities of the County water district.
- *Landfill*—This fund is used to account for the operating activities of the County landfill including transfer stations.
- *Electric Plant*—This 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.

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.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Capital Projects Fund and the Chautauqua County Tobacco Asset Securitization Corporation. The Capital Projects Fund is appropriated on a project length basis; formal annual budgets and six year projections of capital needs are adopted by the Legislature for control of capital expenditures. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional classification.

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 government 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 purchased.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2013, the County reported unearned revenues within the General Fund of \$8,073,377, 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. 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 the asset or materially extend assets 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 the 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, 2013, the County has two items that qualify for reporting in this category. The first item is a deferred charge on refunding bonds that is being amortized over the life of the refunded debt. The second item is deferred bond issuance costs as reported by CTASC.

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

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

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

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

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

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

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 deferred revenue 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 relieved for school (\$5,884,297) and the portion that represents taxes relieved for the Cities and Villages (\$548,039) are recognized as liabilities that are included in intergovernmental payables. Also, \$10,951,034 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 \$6.8 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, and 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.

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 2012.

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 the 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.

Reclassifications—Certain amounts were reclassified from the County's December 31, 2012 financial statements to conform to the County's current presentation.

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

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting 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* effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68* effective for the year ended December 31, 2015. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Budgetary Information—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.

Encumbrances—Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. The County considers encumbrances to be significant for amounts that are encumbered in excess of \$250,000. As of December 31, 2013, the County did not have any encumbrances that were considered to be significant.

Net Position—At December 31, 2013 the County maintained a deficit net position of \$551,672 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, 2013, the County maintained a deficit net position of \$2,975,676 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 \$3,527,348 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.

Excess of Expenditures over Appropriations—During the year ended December 31, 2013, transfers out of the General Fund exceeded the adjusted budget. This is a result of the closing of various capital projects and truing up funding from the capital projects reserve.

2. RECLASSIFICATION, RESTATEMENT AND CHANGES TO FUND BALANCE AND NET POSITION

In June 2004, GASB issued Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues* (“GASB TB 2004-1”), to clarify guidance on whether a Tobacco Settlement Authority, that is created to obtain the rights to all or a portion of future tobacco settlement resources, is a component unit of the government that created it. In addition, GASB TB 2004-1 clarified recognition guidance for these transactions and for payments made to settling governments pursuant to the Master Settlement Agreement with major tobacco companies. The County is therefore required to present the CTASC as a blended component unit within the County’s basic financial statements. The effect of this reclassification is an increase to beginning fund balance of \$3,719,014 and a decrease to beginning net position of \$41,959,644.

In prior years the County had reported a liability within the fund statements related to other post-employment benefit obligations. This liability does not meet the reporting criteria under the modified accrual basis of accounting and has been included within the government-wide financial statements only. As a result of this restatement, beginning General Fund fund balance increased by \$2,251,418.

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 a decrease in beginning net position of \$2,843,704.

The County has removed certain amounts due to the government-wide governmental funds from its government-wide business funds since such classification was not consistent with its Enterprise Fund/Internal Service Fund recognition of this long-term debt.

The effects of these restatements and reclassifications are shown below.

	General Fund Fund Balance	Total Governmental Funds Fund Balance
Fund balance, December 31, 2012 - as previously reported	\$ 42,208,872	\$ 53,847,768
Change in component unit presentation	-	3,719,014
Change in OPEB liability	2,251,418	2,251,418
Fund balance, December 31, 2012 - as restated	<u>\$ 44,460,290</u>	<u>\$ 59,818,200</u>
	Governmental Activities Net Position	Business-type Activities Net Position
Net position, December 31, 2012 - as previously reported	\$ 230,836,278	\$ 36,625,105
Change in component unit presentation	3,719,014	-
Change in OPEB liability	2,251,418	-
Change in component unit presentation	(41,959,644)	-
Adjustment for overstated construction in progress	(2,843,704)	-
Adjustment of Internal Service fund transfers	(2,118,584)	2,118,584
Net position, December 31, 2012 - as restated	<u>\$ 189,884,778</u>	<u>\$ 38,743,689</u>

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, 2013 is presented below:

Governmental Funds	\$ 40,831,540
Enterprise Funds	25,357,484
Internal Service Funds	5,249,493
Agency Fund	<u>3,306,899</u>
Total	<u>\$ 74,745,416</u>

The primary government's cash, cash equivalents and investments were comprised of the following at December 31, 2013:

Petty cash	\$ 7,630
Cash	9,065,010
Cash equivalents	18,180,551
Investments	<u>47,492,225</u>
Total	<u>\$ 74,745,416</u>

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

	December 31, 2013	
	Carrying Amount	Bank Balance
Credit risk category:		
FDIC insured	\$ 2,081,296	\$ 2,081,296
Uninsured:		
Collateral held by bank's agent in County's name	<u>25,164,265</u>	<u>27,657,748</u>
Total cash and cash equivalents	<u>\$ 27,245,561</u>	<u>\$ 29,739,044</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.

	December 31, 2013	
	Carrying Amount	Bank Balance
County money market funds	\$ 16,493,402	\$ 16,493,402
CTASC money market funds	<u>1,687,149</u>	<u>1,687,149</u>
Total cash equivalents	<u>\$ 18,180,551</u>	<u>\$ 18,180,551</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, 2013, all of the County's deposits were insured or collateralized.

Restricted cash—The primary government reports restricted cash of \$18,009,003, of which \$1,918,335 represents cash restricted for CTASC, \$8,073,377 represents unearned revenue and \$7,754,682 to support restricted fund balance. Business-type activities restricted cash represents deposits totaling \$262,609, which are held in custody for patients of the Chautauqua County Home. 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 \$4,742,886 and were fully collateralized or insured at December 31, 2013.

Land Bank Corporation—Deposits totaled \$41,169 and were fully insured at December 31, 2013.

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

	<u>Market Value</u>
U.S. Treasury Obligations	\$ 1,828,990
U.S. Government Agencies	25,898,291
Municipal bonds	19,764,944
Total	<u>\$ 47,492,225</u>

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, and 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

Revenues accrued by the County consist of the following as of December 31, 2013:

Accounts receivable—Represent amounts due from various sources. Amounts accrued at December 31, 2013 are:

Governmental Funds:	
General Fund	\$ 3,423,513
County Road Fund	44,861
Road Machinery Fund	80,135
Capital Projects Fund	35,261
Enterprise Funds:	
County Home Fund	1,728,416
Sewer Fund	1,151,796
Water Fund	15,995
Landfill Fund	689,061
Electric Fund	394,950
Internal Service Funds	35,230
Agency Fund	141,521
Total	<u>\$ 7,740,739</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, 2013 is as follows:

General Fund	\$ 4,730,570
Capital Projects Fund	146,704
Total	<u>\$ 4,877,274</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, 2013 are shown below.

Governmental Funds:	
General Fund	\$ 23,688,286
County Road Fund	917,998
Capital Projects Fund	2,782,169
Enterprise Funds	32,954
Internal Service Funds	8,461,844
Total	<u>\$ 35,883,251</u>

5. CAPITAL ASSETS

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

	Balance 1/1/2013 (as restated)	Increases	Decreases	Balance 12/31/2013
Capital assets, not being depreciated:				
Land	\$ 552,826	\$ -	\$ -	\$ 552,826
Construction in progress	<u>55,054,508</u>	<u>8,247,783</u>	<u>(2,462,756)</u>	<u>60,839,535</u>
Total capital assets, not being depreciated	<u>55,607,334</u>	<u>8,247,783</u>	<u>(2,462,756)</u>	<u>61,392,361</u>
Capital assets, being depreciated:				
Infrastructure	159,195,676	7,718,945		166,914,621
Buildings & building improvements	73,298,091	-	-	73,298,091
Machinery and equipment	20,084,687	943,777	(48,151)	20,980,313
Vehicles	<u>14,141,679</u>	<u>1,537,493</u>	<u>(244,535)</u>	<u>15,434,637</u>
Total capital assets, being depreciated	<u>266,720,133</u>	<u>10,200,215</u>	<u>(292,686)</u>	<u>276,627,662</u>
Less accumulated depreciation for:				
Infrastructure	(69,946,170)	(5,961,830)	-	(75,908,000)
Buildings & building improvements	(23,084,971)	(2,540,225)	-	(25,625,196)
Machinery and equipment	(15,601,460)	(1,808,745)	49,069	(17,361,136)
Vehicles	<u>(10,485,566)</u>	<u>(1,832,096)</u>	<u>232,696</u>	<u>(12,084,966)</u>
Total accumulated depreciation	<u>(119,118,167)</u>	<u>(12,142,896)</u>	<u>281,765</u>	<u>(130,979,298)</u>
Total capital assets, being depreciated, net	<u>147,601,966</u>	<u>22,343,111</u>	<u>(574,451)</u>	<u>145,648,364</u>
Governmental activities capital assets, net	<u>\$ 203,209,300</u>	<u>\$ 30,590,894</u>	<u>\$ (3,037,207)</u>	<u>\$ 207,040,725</u>

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

Government activities:	
General government support	\$ 1,499,579
Public safety	1,936,346
Health	49,841
Transportation	8,610,214
Economic assistance and opportunity	29,318
Culture and recreation	15,707
Home and community services	1,891
Total depreciation expense - governmental activities	<u>\$ 12,142,896</u>

Business-type activities—Capital asset activity for the primary government’s business-type activities for the fiscal year ending December 31, 2013 is presented below:

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	<u>3,020,180</u>	<u>1,057,111</u>	<u>(1,860,086)</u>	<u>2,217,205</u>
Total capital assets not being depreciated	<u>3,025,180</u>	<u>1,057,111</u>	<u>(1,860,086)</u>	<u>2,222,205</u>
Capital assets, being depreciated or depleted:				
Infrastructure	48,430,768	428,777	-	48,859,545
Land improvements	1,774,655	-	-	1,774,655
Buildings & building improvements	32,333,772	213,645	-	32,547,417
Machinery and equipment	36,222,581	1,718,614	(813,001)	37,128,194
Vehicles	2,145,743	288,281	(101,037)	2,332,987
Landfill	40,330,866	55,520	-	40,386,386
Water treatment facility	<u>1,432,431</u>	<u>-</u>	<u>-</u>	<u>1,432,431</u>
Total capital assets being depreciated	<u>162,670,816</u>	<u>2,704,837</u>	<u>(914,038)</u>	<u>164,461,615</u>
Less accumulated depreciation/depletion for:				
Infrastructure	(25,168,823)	(733,860)	-	(25,902,683)
Land improvements	(1,069,441)	(62,051)	-	(1,131,492)
Buildings & building improvements	(17,261,337)	(1,084,840)	-	(18,346,177)
Machinery and equipment	(23,123,221)	(1,655,963)	806,879	(23,972,305)
Vehicles	(1,567,517)	(287,783)	101,037	(1,754,263)
Landfill	(32,383,559)	(409,343)	-	(32,792,902)
Water treatment facility	<u>(1,175,574)</u>	<u>(26,194)</u>	<u>-</u>	<u>(1,201,768)</u>
Total accumulated depreciation /depletion	<u>(101,749,472)</u>	<u>(4,260,034)</u>	<u>907,916</u>	<u>(105,101,590)</u>
Total capital assets, being depreciated, net	<u>60,921,344</u>	<u>6,964,871</u>	<u>(1,821,954)</u>	<u>59,360,225</u>
Business activities capital assets, net	<u>\$ 63,946,524</u>	<u>\$ 8,021,982</u>	<u>\$ (3,682,040)</u>	<u>\$ 61,582,230</u>

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

	Balance 12/31/2013
Buildings and building improvements	\$ 3,225,356
Furniture and equipment	<u>118,980</u>
Total capital assets	3,344,336
Less: accumulated depreciation	<u>(1,300,239)</u>
Total capital assets, net	<u>\$ 2,044,097</u>

6. ACCRUED LIABILITIES

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

	General Fund	County Road Fund	Road Machinery Fund	Total Governmental Funds
Salary and employee benefits	\$ 2,026,966	\$ 268,683	\$ 41,630	\$ 2,337,279
Other	2,385	-	-	2,385
Total accrued liabilities	<u>\$ 2,029,351</u>	<u>\$ 268,683</u>	<u>\$ 41,630</u>	<u>\$ 2,339,664</u>

7. PENSION OBLIGATIONS

Plan Description—The County participates in 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 join 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 join 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 three percent (3.0%) of their annual salary until March 31, 2013, after which the contribution percentage will be 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
2013	\$ 11,383,889
2012	10,665,805
2011	8,443,357

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 POSTEMPLOYMENT BENEFITS

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, 2013, the County contributed \$3,593,249 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.

	Year ended December 31,	
	2013	2012
Annual required contribution ("ARC")	\$ 6,404,405	\$ 5,581,019
Interest on net OPEB Obligation	665,374	575,677
Adjustment to ARC	(924,966)	(799,795)
Annual OPEB cost (expense)	6,144,813	5,356,901
Contributions made	(3,593,249)	(3,114,480)
Increase in net OPEB obligation	2,551,564	2,242,421
Net OPEB obligation - beginning	16,634,348	14,391,927
Net OPEB obligation - ending	<u>\$ 19,185,912</u>	<u>\$ 16,634,348</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.

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	Contributions Made	Percentage Contributed
2013	\$ 6,404,405	\$ 3,593,249	56.1%
2012	5,581,019	3,114,480	55.8%
2011	5,380,640	2,781,066	51.7%

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 expected investment rate of return on employer’s assets is 4.0%. The RP-2000 Mortality Table for males and females is used for mortality rates. 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 \$19,050,000 in the Internal Service Fund and enterprise funds reflects the results of this study. The Internal Service Fund has recorded a receivable from other governments totaling \$8,461,844 representing those other governments’ respective share of the aforementioned liability. The remaining liability has been allocated between the enterprise funds and the workers’ compensation fund.

Changes in the reported workers’ compensation liability since January 1, 2012 are summarized as follows:

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2013	\$ 16,370,865	\$ 7,046,497	\$ 4,367,362	\$ 19,050,000
2012	16,366,946	5,123,303	5,119,384	16,370,865

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, 2013. 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, 2013 were approximately \$914,294.

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
2014	\$ 707,666
2015	635,270
2016	601,089
2017	488,166
2018	479,221
2019 and beyond	<u>1,418,438</u>
Future minimum payments	<u>\$ 4,329,850</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.

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. A summary of bond transactions for the year ended December 31, 2013 is presented below.

	Year Issue/ Maturity	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:							
DPF salt storage shed	2003/20	2.98/4.32	\$ 160,000	\$ -	\$ 20,000	\$ 140,000	\$ 20,000
Jail construction	2004/29	4.25/4.75	950,000	-	465,000	485,000	485,000
Jail construction refunded bonds	2012/29	2.00/4.00	11,080,000	-	70,000	11,010,000	75,000
Capital improvement & JCC	2004/14	3.00/3.50	2,200,000	-	1,075,000	1,125,000	1,125,000
Jail & courts construction	2006/26	4.15/4.25	1,265,000	-	295,000	970,000	305,000
Jail & courts construction refunded bonds	2012/29	2.00/4.00	4,465,000	-	20,000	4,445,000	20,000
Helicopters	2010/30	0.70/4.50	2,937,000	-	182,000	2,755,000	188,000
JCC science building	2010/20	0.70/4.50	2,834,000	-	115,000	2,719,000	118,000
JCC residence hall	2012/32	2.50/3.00	6,500,000	-	155,000	6,345,000	250,000
Total governmental activities			<u>\$ 32,391,000</u>	<u>\$ -</u>	<u>\$ 2,397,000</u>	<u>\$ 29,994,000</u>	<u>\$ 2,586,000</u>
Business-type activities:							
County Home improvements	2002/20	4.30	\$ 8,430,000	\$ -	\$ 900,000	\$ 7,530,000	\$ 950,000
North Chautauqua Lake sewer construction	1981/2017	5.00	201,600	-	50,400	151,200	50,400
North County water construction	1978/2017	5.00	60,000	-	12,000	48,000	12,000
Landfill cell construction	2001/18	0.83/2.65	1,990,000	-	310,000	1,680,000	315,000
Energy fund power plant	2010/20	0.70/4.50	10,214,000	-	388,000	9,826,000	404,000
Energy fund power plant	2010/15	1.50/5.25	1,770,000	-	125,000	1,645,000	125,000
Qualified energy performance bonds	2011/26	5.66	1,322,494	-	83,848	1,238,646	85,366
			<u>\$ 23,988,094</u>	<u>\$ -</u>	<u>\$ 1,869,248</u>	<u>\$ 22,118,846</u>	<u>\$ 1,941,766</u>

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Serial Bonds</u>		<u>Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 2,586,000	\$ 989,560	\$ 1,941,766	\$ 857,376
2015	1,526,000	891,608	2,028,311	788,438
2016	1,573,000	845,157	2,067,884	715,161
2017	1,614,000	801,111	2,093,085	635,323
2018	1,650,000	757,238	2,171,716	550,311
2019-2023	9,135,000	2,906,825	6,264,090	1,692,036
2024-2028	8,930,000	1,181,464	3,971,994	756,170
2029-2032	2,980,000	158,363	1,580,000	72,000
Total	<u>\$29,994,000</u>	<u>\$ 8,531,326</u>	<u>\$22,118,846</u>	<u>\$ 6,066,815</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 \$155,000 in principal and \$278,831 in interest.

Chautauqua County Asset Securitization Corporation (“CTASC”)—Changes in CTASC’s long-term debt for the year ended December 31, 2013 is shown below.

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>1/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2013</u>	<u>One Year</u>
CTASC bonds:					
Series 2000	\$ 28,080,000	\$ -	\$ 265,000	\$ 27,815,000	\$ 270,000
Series 2005 and accreted interest, net	14,783,838	1,185,273	-	15,969,111	-
Less bond discount	(107,915)	-	3,895	(104,020)	-
Total CTASC bonds and interest	<u>\$ 42,755,923</u>	<u>\$ 1,185,273</u>	<u>\$ 268,895</u>	<u>\$ 43,680,091</u>	<u>\$ 270,000</u>

Series 2000—The Series 2000 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 2000 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 Series 2000 Bonds.

Interest on the Series 2000 Bonds is payable semi-annually on January 1 and July 1 of each year until maturity or prior redemption. Principal of and interest on the Series 2000 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 2000 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 2000 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 2000 Bonds in the current year or any future year. The amount in this account at December 31, 2013 and 2012 was \$2,323,118 and \$2,569,327, respectively.

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 2000 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 accrues 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 2000, are shown below.

Year	Principal	Interest	Total
2014	\$ 270,000	\$ 1,861,288	\$ 2,131,288
2015	280,000	1,844,413	2,124,413
2016	285,000	1,826,912	2,111,912
2017	295,000	1,809,100	2,104,100
2018	560,000	1,789,925	2,349,925
2019-2023	3,220,000	8,369,500	11,589,500
2024-2028	4,275,000	7,190,263	11,465,263
2029-2033	5,990,000	5,533,650	11,523,650
2034-2038	8,405,000	3,207,938	11,612,938
2039-2040	4,235,000	433,688	4,668,688
	<u>\$ 27,815,000</u>	<u>\$ 33,866,677</u>	<u>\$ 61,681,677</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
Series S4B	5,617,440	373,500,000	7.85%	June 1, 2060

Bond Refunding—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, 2013.

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:

Year	Principal	Interest	Total
2014	\$ 37,704	\$ 32,794	\$ 70,498
2015	44,068	34,409	78,477
2016	45,699	32,779	78,478
2017	47,389	31,087	78,476
2018	49,146	29,332	78,478
2019-2023	274,510	117,877	392,387
2024-2028	329,643	62,746	392,389
2029-2033	163,807	9,774	173,581
2034 and beyond	7,882	99	7,981
	<u>\$ 999,848</u>	<u>\$ 350,897</u>	<u>\$ 1,350,745</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 and in business-type activities. The total of the liability in the Internal Service fund, net of the offsetting amount due from other governments is \$7,898,915, while the total liability in the business-type activities is \$2,689,241.

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 \$20,050,527. Further discussion of the obligation can be found in Note 18.

OPEB—As discussed in Note 8, the County’s net OPEB obligation at December 31, 2013 is \$19,185,912.

The following is a summary of changes in the County's long-term liabilities for the year ended December 31, 2013:

	Balance 1/1/2013	Increases	Decreases	Balance 12/31/2013	Due Within One Year
Governmental activities:					
Serial bonds	\$ 32,391,000	\$ -	\$ 2,397,000	\$ 29,994,000	\$2,586,000
CTASC bonds and accreted interest	42,755,923	1,189,168	265,000	43,680,091	270,000
Compensated absences	2,146,699	169,950	200,088	2,116,561	2,116,561
Workers' compensation	14,168,698	6,098,638	3,906,577	16,360,759	-
Net OPEB obligation	13,268,631	4,947,728	2,768,100	15,448,259	-
	<u>\$104,730,951</u>	<u>\$12,405,484</u>	<u>\$ 9,536,765</u>	<u>\$107,599,670</u>	<u>\$4,972,561</u>
Business-type activities:					
Serial bonds	\$ 23,988,094	\$ -	\$ 1,869,248	\$ 22,118,846	\$1,941,766
Unamortized bond premium	227,675	-	46,296	181,379	-
Notes payable	1,281,422	250,000	531,574	999,848	37,704
Compensated absences	461,623	606,972	627,662	440,933	440,933
Landfill closure and post-closure	18,715,976	1,334,551	-	20,050,527	-
Workers' compensation	2,202,167	947,859	460,785	2,689,241	-
Net OPEB obligation	3,365,717	1,197,085	825,149	3,737,653	-
	<u>\$ 50,242,674</u>	<u>\$ 4,336,467</u>	<u>\$ 4,360,714</u>	<u>\$ 50,218,427</u>	<u>\$2,420,403</u>

12. NET POSITION AND FUND BALANCE

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

- **Net investment in capital assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category:

Capital assets, net of accumulated depreciation	\$ 207,040,725
Related debt:	
Serial bonds issued	<u>(19,805,000)</u>
Debt issued for capital assets	(19,805,000)
Deferred charge on refunding	<u>844,343</u>
Net investment in capital assets	<u>\$ 188,080,068</u>

- **Restricted amounts**—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.
 - **Insurance**—Represents resources that have been legally restricted for payments under the County's self-insurance program.
 - **Capital projects**—Represents funds accumulated to finance all or part of the cost of construction, reconstruction or acquisition of specific items.
 - **Tax stabilization**—Represents resources appropriated by the Legislature to maintain future tax increases at a maximum of 2.5% in any fiscal year.
 - **Occupancy tax**—Effective January 1, 2004, the County established this reserve funded by the occupancy tax which is restricted to fund tourism.

- **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.
- **E911**—Represents resources that are restricted for the County’s Emergency 911 communication system.
- **DWI program**—Represents unexpended amounts which must be used for the County’s Stop DWI Program.
- **Fire Services**—Represents resources that are restricted to ensure the viability and vitality of the County’s fire services.
- **Lakes and waterways**—Represents resources that are dedicated for the County’s lakes and waterways.
- **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.
- **Debt service**—Restricted for debt payments of the Chautauqua County Tobacco Asset Securitization Corporation.
- **Industrial Development Agency**—Restricted for purposes as determined by the Chautauqua County Industrial Development Agency.
- **Unrestricted amounts**—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. As of December 31, 2013, the County had \$2,349,150 of prepaid items, \$1,201,055 of inventory and \$4,877,274 of loans receivable that were classified as nonspendable funds.

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, 2013, the County had the following restricted funds.

	General Fund	County Road Fund	CTASC	Total
Insurance	\$ 2,679,491	\$ -	\$ -	\$ 2,679,491
Capital projects	2,005,074	-	231,186	2,236,260
Tax stabilization	100,060	-	-	100,060
Occupancy tax	380,031	-	-	380,031
Mortgage tax	100,000	-	-	100,000
E911	1,285,106	-	-	1,285,106
DWI program	12,484	-	-	12,484
Fire services	520,977	-	-	520,977
Lakes and waterways	621,459	-	-	621,459
DMV surcharges	-	50,000	-	50,000
Debt service	-	-	3,253,801	3,253,801
Total restricted fund balance	<u>\$ 7,704,682</u>	<u>\$ 50,000</u>	<u>\$ 3,484,987</u>	<u>\$ 11,239,669</u>

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, 2013, the County Legislature has not committed any fund balance to a specific purpose.

Assigned fund balance represents amounts that 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, fund balance assigned to specific use represents the residual amount of fund balance.

As of December 31, 2013, 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	7,392,609	250,000	650,000	-	8,292,609
Encumbrances	393,539	2,967	461	269,013	665,980
Specific use	-	1,582,339	1,902,889	6,415,370	9,900,598
Total assigned fund balance	<u>\$ 7,869,974</u>	<u>\$ 1,835,306</u>	<u>\$ 2,553,350</u>	<u>\$ 6,684,383</u>	<u>\$ 18,943,013</u>

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 RECEIVABLES, PAYABLES AND TRANSFERS

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. The following represents interfund loans and transfers of the County for the year ended December 31, 2013:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 421,024	\$ -
Health Insurance Fund	-	421,024
Total	<u>\$ 421,024</u>	<u>\$ 421,024</u>

Fund	Transfers In	Transfers Out
General Fund	\$ 1,627,377	\$ 16,563,695
County Road	10,776,209	329,845
Road Machinery	2,870,891	-
Capital Projects	3,196,440	-
CTASC	2,347,612	2,347,612
Landfill	-	163,200
Electric Plant	-	1,414,177
Total	<u>\$ 20,818,529</u>	<u>\$ 20,818,529</u>

14. AGENCY FUNDS

An agency fund exists for employee withholding and temporary deposit funds. The following is a summary of changes in assets and liabilities for the fiscal year ended December 31, 2013.

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Cash	\$ 4,389,392	\$ 3,509,895	\$ 4,592,388	\$ 3,306,899
Accounts receivable	298,870	446,171	603,520	141,521
Total assets	<u>\$ 4,688,262</u>	<u>\$ 3,956,066</u>	<u>\$ 5,195,908</u>	<u>\$ 3,448,420</u>
LIABILITIES				
Agency liabilities	\$ 4,688,262	\$ 3,956,066	\$ 5,195,908	\$ 3,448,420
Total liabilities	<u>\$ 4,688,262</u>	<u>\$ 3,956,066</u>	<u>\$ 5,195,908</u>	<u>\$ 3,448,420</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, 2013 follows:

	County Home	Sewer	North County Water	Landfill	Electric Plant	Total Enterprise Funds
Operating revenues	\$ 21,458,485	\$ 3,716,226	\$ 61,205	\$ 7,629,640	\$ 4,443,817	\$ 37,309,373
Operating expenses:						
Services provided	20,147,183	3,285,913	17,144	5,134,975	1,855,341	30,440,556
Depreciation	1,219,775	1,116,681	26,194	2,583,990	652,943	5,599,583
Operating income (loss)	91,527	(686,368)	17,867	(89,325)	1,935,533	1,269,234
Non operating revenues (expenses)	(323,130)	(79,009)	(5,257)	(99,627)	1,480,191	973,168
Transfers out	-	-	-	(163,200)	(1,414,177)	(1,577,377)
Change in net position	<u>\$ (231,603)</u>	<u>\$ (765,377)</u>	<u>\$ 12,610</u>	<u>\$ (352,152)</u>	<u>\$ 2,001,547</u>	<u>\$ 665,025</u>
Current assets	\$ 6,545,994	\$ 5,042,186	\$ 139,681	\$ 15,549,698	\$ 2,746,780	\$ 30,024,339
Current liabilities	2,485,537	421,238	13,034	844,931	833,367	4,598,107
Net working capital	<u>\$ 4,060,457</u>	<u>\$ 4,620,948</u>	<u>\$ 126,647</u>	<u>\$ 14,704,767</u>	<u>\$ 1,913,413</u>	<u>\$ 25,426,232</u>
Total assets	\$ 16,855,502	\$ 29,927,594	\$ 370,344	\$ 27,880,515	\$ 16,770,888	\$ 91,804,843
Total liabilities	13,839,531	1,888,461	49,209	23,690,283	12,928,647	52,396,131
Net position	<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>
Capital asset additions	<u>\$ 28,574</u>	<u>\$ 931,114</u>	<u>\$ -</u>	<u>\$ 953,195</u>	<u>\$ (11,021)</u>	<u>\$ 1,901,862</u>
Serial bonds payable - noncurrent	<u>\$ 6,580,000</u>	<u>\$ 100,800</u>	<u>\$ 36,000</u>	<u>\$ 1,365,000</u>	<u>\$ 12,095,280</u>	<u>\$ 20,177,080</u>

16. LABOR CONTRACTS

Five bargaining units represent the unionized County employees. Four contracts, CCSSA, CSEA – Unit 6300, DSACC and CSEA – Unit 6323 expired December 31, 2011, the fifth, CSEA – Unit 6322 expired December 31, 2012. At December 31, 2013 all contracts are in negotiations.

17. 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. Any disallowed expenditures resulting from such audits could become a liability of the County. 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 \$2,690,958, 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.

18. 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 \$6,173,472 as of December 31, 2013, and post closure care liability, projected at \$13,242,113 as of December 31, 2013 (totaling \$19,415,585), represent the cumulative amount reported to date based on the use of 84% 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 \$9,870,000) and total post-closure care cost is projected at \$15,880,000 (prior year projection of \$14,145,000), totaling \$23,976,000. The County will recognize the remaining projected closure cost of \$1,922,528 and the remaining projected post-closure care cost of \$2,637,887 (totaling \$4,560,415) 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 2013. The County currently projects a landfill life of 7 years and 8 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 \$19,415,585 liability is reported in that fund along with a \$634,942 reserve for post-closure costs pertaining to the methane gas collection system.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 10, 2014, 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, except for the following.

- On January 29, 2014, the County entered into an asset purchase agreement to sell and transfer the real, personal and intangible property of the Chautauqua County Home.
- As of July 10, 2014, the County has settled three of the labor contracts, including CSEA unit 6323, DSACC and CCSSA. Retroactive wages were paid for two of these contracts.

REQUIRED SUPPLEMENTARY
INFORMATION

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—General Fund
For the Year Ended December 31, 2013

	<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	\$ 62,135,666	\$ 62,135,666	\$ 63,570,680	\$ 1,435,014
Real property tax items	6,995,015	7,095,015	8,422,776	1,327,761
Non property tax items	53,350,303	53,350,303	52,874,138	(476,165)
Departmental income	21,146,209	21,146,209	18,213,215	(2,932,994)
Intergovernmental charges	5,378,376	5,811,554	4,064,264	(1,747,290)
Use of money and property	4,644,963	4,659,020	1,504,764	(3,154,256)
Licenses and permits	140,400	210,819	241,518	30,699
Fines and forfeitures	549,721	549,721	387,065	(162,656)
Sale of property and compensation for loss	35,409	58,290	186,420	128,130
Miscellaneous	253,212	288,212	1,450,550	1,162,338
State aid	20,726,077	20,992,295	22,660,964	1,668,669
Federal aid	39,653,202	42,439,308	38,456,476	(3,982,832)
Total revenues	<u>215,008,553</u>	<u>218,736,412</u>	<u>212,032,830</u>	<u>(6,703,582)</u>
EXPENDITURES				
Current:				
General government support	45,593,799	46,312,190	45,303,571	1,008,619
Education	11,400,173	10,752,921	9,695,106	1,057,815
Public safety	25,922,953	27,366,510	26,681,881	684,629
Health	20,141,980	21,357,652	18,313,655	3,043,997
Transportation	4,134,084	4,134,084	4,004,767	129,317
Economic assistance and opportunity	100,639,306	102,006,602	95,994,568	6,012,034
Culture and recreation	308,482	316,330	304,488	11,842
Home and community services	1,077,500	1,083,172	640,433	442,739
Debt service:				
Principal	2,287,000	2,377,000	2,377,000	-
Interest	1,326,493	1,236,493	1,165,000	71,493
Total expenditures	<u>212,831,770</u>	<u>216,942,954</u>	<u>204,480,469</u>	<u>12,462,485</u>
Excess of revenues over expenditures	<u>2,176,783</u>	<u>1,793,458</u>	<u>7,552,361</u>	<u>5,758,903</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	913,200	963,200	1,627,377	664,177
Transfers out	(15,181,016)	(15,974,720)	(16,563,695)	(588,975)
Total other financing sources (uses)	<u>(14,267,816)</u>	<u>(15,011,520)</u>	<u>(14,936,318)</u>	<u>75,202</u>
Net change in fund balances*	(12,091,033)	(13,218,062)	(7,383,957)	5,834,105
Fund balances—beginning, as restated	44,460,290	44,460,290	44,460,290	-
Fund balances—ending	<u>\$ 32,369,257</u>	<u>\$ 31,242,228</u>	<u>\$ 37,076,333</u>	<u>\$ 5,834,105</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.

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—County Road Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 13,000	\$ 15,934	\$ 15,934	\$ -
Use of money and property	214,700	214,700	(159,138)	(373,838)
Miscellaneous	895,100	979,807	988,495	8,688
State aid	3,116,770	4,234,367	4,075,401	(158,966)
Federal aid	-	2,931,529	2,043,386	(888,143)
Total revenues	<u>4,239,570</u>	<u>8,376,337</u>	<u>6,964,078</u>	<u>(1,412,259)</u>
EXPENDITURES				
Current:				
Transportation	14,851,395	19,216,709	17,898,498	1,318,211
Total expenditures	<u>14,851,395</u>	<u>19,216,709</u>	<u>17,898,498</u>	<u>1,318,211</u>
Excess of revenues over expenditures	<u>(10,611,825)</u>	<u>(10,840,372)</u>	<u>(10,934,420)</u>	<u>(94,048)</u>
OTHER FINANCING USES				
Transfers in	10,611,825	10,776,209	10,776,209	-
Transfers out	-	(329,845)	(329,845)	-
Total other financing uses	<u>10,611,825</u>	<u>10,446,364</u>	<u>10,446,364</u>	<u>-</u>
Net change in fund balances	-	(394,008)	(488,056)	(94,048)
Fund balances—beginning	<u>2,580,021</u>	<u>2,580,021</u>	<u>2,580,021</u>	<u>-</u>
Fund balances—ending	<u>\$ 2,580,021</u>	<u>\$ 2,186,013</u>	<u>\$ 2,091,965</u>	<u>\$ (94,048)</u>

COUNTY OF CHAUTAUQUA, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund Balances—
Budget and Actual—Road Machinery Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 214,500	\$ 530,500	\$ 530,500	\$ -
Use of money and property	148,500	148,500	(95,065)	(243,565)
Sale of property and compensation for loss	30,000	30,000	45,828	15,828
Miscellaneous	399,000	480,109	484,556	4,447
Total revenues	<u>792,000</u>	<u>1,189,109</u>	<u>965,819</u>	<u>(223,290)</u>
EXPENDITURES				
Current:				
Transportation	3,896,320	4,292,968	4,211,576	81,392
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	6,535	6,535	3,181	3,354
Total expenditures	<u>3,922,855</u>	<u>4,319,503</u>	<u>4,234,757</u>	<u>84,746</u>
Excess of revenues over expenditures	<u>(3,130,855)</u>	<u>(3,130,394)</u>	<u>(3,268,938)</u>	<u>(138,544)</u>
OTHER FINANCING USES				
Transfers in	2,870,891	2,870,891	2,870,891	-
Total other financing uses	<u>2,870,891</u>	<u>2,870,891</u>	<u>2,870,891</u>	<u>-</u>
Net change in fund balances*	(259,964)	(259,503)	(398,047)	(138,544)
Fund balances—beginning	4,133,484	4,133,484	4,133,484	-
Fund balances—ending	<u>\$ 3,873,520</u>	<u>\$ 3,873,981</u>	<u>\$ 3,735,437</u>	<u>\$ (138,544)</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.

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Funding Progress—
Other Post-Employment Benefits Obligations
For the Year Ended December 31, 2013

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 12/31/2013	\$ -	\$ 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%
As of 12/31/2011	-	49,391,594	49,391,594	0.0%	55,106,715	89.6%

SUPPLEMENTAL INFORMATION

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Net Position—Internal Service Funds
For the Year Ended December 31, 2013

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,249,493	\$ -	\$ 5,249,493
Accounts receivable	31,915	3,315	35,230
Intergovernmental receivable	8,461,844	-	8,461,844
Total assets	<u>13,743,252</u>	<u>3,315</u>	<u>13,746,567</u>
LIABILITIES			
Current liabilities:			
Accounts payable	358,169	1,620	359,789
Due to other funds	-	421,024	421,024
Accrued expenses	-	132,343	132,343
Non current liabilities:			
Workers' compensation liability	<u>16,360,759</u>	<u>-</u>	<u>16,360,759</u>
Total liabilities	<u>16,718,928</u>	<u>554,987</u>	<u>17,273,915</u>
NET POSITION			
Unrestricted	<u>(2,975,676)</u>	<u>(551,672)</u>	<u>(3,527,348)</u>
Total net position	<u>(2,975,676)</u>	<u>(551,672)</u>	<u>(3,527,348)</u>
Total liabilities and net position	<u>\$ 13,743,252</u>	<u>\$ 3,315</u>	<u>\$ 13,746,567</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, 2013

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Charges for service	\$ 6,518,344	\$ 22,426,422	\$ 28,944,766
Total operating revenues	<u>6,518,344</u>	<u>22,426,422</u>	<u>28,944,766</u>
OPERATING EXPENSES			
Insurance claims and expenses	<u>7,490,557</u>	<u>22,486,787</u>	<u>29,977,344</u>
Total operating expenses	<u>7,490,557</u>	<u>22,486,787</u>	<u>29,977,344</u>
Operating loss	(972,213)	(60,365)	(1,032,578)
NON-OPERATING REVENUES (EXPENSES)			
Interest expense	(143,479)	-	(143,479)
Other miscellaneous	<u>358,400</u>	<u>-</u>	<u>358,400</u>
Total non operating revenues (expenses)	<u>214,921</u>	<u>-</u>	<u>214,921</u>
Change in net position	(757,292)	(60,365)	(817,657)
Total net position—beginning	<u>(2,218,384)</u>	<u>(491,307)</u>	<u>(2,709,691)</u>
Total net position—ending	<u>\$ (2,975,676)</u>	<u>\$ (551,672)</u>	<u>\$ (3,527,348)</u>

COUNTY OF CHAUTAUQUA, NEW YORK
Combining Statement of Cash Flows—Internal Service Funds
For the Year Ended December 31, 2013

	Workers'	Health	Total
	Compensation	Insurance	
CASH FLOWS FROM OPERATING ACTIVITIES			
Charges for services	\$ 4,655,317	\$ 22,555,874	\$ 27,211,191
Contractual services, supplies and materials	<u>(4,784,301)</u>	<u>(22,550,268)</u>	<u>(27,334,569)</u>
Net cash used for operating activities	<u>(128,984)</u>	<u>5,606</u>	<u>(123,378)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	-	(5,606)	(5,606)
Other income	<u>214,921</u>	<u>-</u>	<u>214,921</u>
Net cash provided by noncapital financing activities	<u>214,921</u>	<u>(5,606)</u>	<u>209,315</u>
Net change in cash	85,937	-	85,937
Cash—beginning	<u>5,163,556</u>	<u>-</u>	<u>5,163,556</u>
Cash—ending	<u>\$ 5,249,493</u>	<u>\$ -</u>	<u>\$ 5,249,493</u>
RECONCILIATION OF OPERATING LOSS USED FOR OPERATING ACTIVITIES			
Operating loss	<u>\$ (972,213)</u>	<u>\$ (60,365)</u>	<u>\$ (1,032,578)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:			
Decrease in accounts receivable	55,317	129,452	184,769
Increase in intergovernmental receivables	(1,918,344)	-	(1,918,344)
Increase (decrease) in accounts payable	27,121	(511)	26,610
Increase (decrease) in other accrued expenses	<u>2,679,135</u>	<u>(62,970)</u>	<u>2,616,165</u>
Total adjustments	<u>843,229</u>	<u>65,971</u>	<u>909,200</u>
Net cash used for operating activities	<u>\$ (128,984)</u>	<u>\$ 5,606</u>	<u>\$ (123,378)</u>

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

**FEDERAL AWARDS
SCHEDULES AND REPORTS**

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

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Schools and Roads - Grants to Counties	10.666	N/A	\$ 713
Passed through NYS Department of Education:			
National School Lunch Program	10.555	60503950001	2,199
Passed Through NYS Department of Health:			
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	C-025376	767,179
Child and Adult Care Food Program	10.558	CACFP	56,554
Passed Through NYS Office of Temporary and Disability Assistance:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>1,329,825</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>2,156,470</u>
U.S. DEPARTMENT OF COMMERCE:			
Direct Programs:			
Investments for Public Works and Economic Development Facilities	11.300	01-01-08679	<u>1,335,000</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			<u>1,335,000</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Programs:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NYLHB0451-09	930,799
Passed through NYS Office of Community Renewal:			
Community Development Block Grant/Entitlement Grants	14.228	222HR96-11	159,003
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	222ED752-11	(4,276)
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	222HR78-11	400,000
Passed through NYS Housing Agencies:			
Multifamily Housing Service Coordinators	14.191	RES ADV	<u>44,014</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,529,540</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through NYS Office of Victim Services:			
Crime Victim Assistance/Discretionary Grants	16.582	C-501027	92,419
Passed through NYS Department of Family Assistance:			
Supervised Visitation, Safe Havens for Children	16.527	N/A	1
Direct Programs:			
Corrections - Training and Staff Development	16.601	10K120GKB8	4,478
State Criminal Alien Assistance Program	16.606	11-06-07	4,708
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0176	38,442

(continued)

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

JAG Program Cluster:

Direct Program:

Edward Byrne Memorial Justice Assistance Grant Program	16.738	C632616 C632669	23,112
Passed through NYS Division of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	T-637058	<u>30,000</u>
<i>Total JAG Program Cluster</i>			<u>53,112</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>193,160</u>

U.S. DEPARTMENT OF LABOR

Passed through Senior Services America Inc:

Senior Community Service Employment Program	17.235	SSAI	284,304
Passed through NYS Office for the Aging:			
Senior Community Service Employment Program	17.235	V-SOFA	<u>47,756</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>332,060</u>

U.S. DEPARTMENT OF TRANSPORTATION

Passed through NYS Department of Transportation:

Formula Grants for Rural Areas	20.509	C-003655	333,000
Formula Grants for Rural Areas	20.509	C-003872	<u>(25,839)</u>
<i>Total Formula Grants for Rural Areas</i>			<u>307,161</u>

Highway Planning and Construction Cluster

Highway Planning and Construction Projects	20.205	D-033476	123,275
Highway Planning and Construction Projects	20.205	D-033513	194,560
Highway Planning and Construction Projects	20.205	D-033440	122,964
Highway Planning and Construction Projects	20.205	D-033948	210,139
Highway Planning and Construction Projects	20.205	D-031605	905,005
Highway Planning and Construction Projects	20.205	D-033857	(322)
Highway Planning and Construction Projects	20.205	D-030061	(265)
Highway Planning and Construction Projects	20.205	D-032559	73,848
Highway Planning and Construction Projects	20.205	D-031561	238,474
Highway Planning and Construction Projects	20.205	D-030062	98,809
Highway Planning and Construction Projects	20.205	D-024752	<u>2,284,332</u>
<i>Total Highway Planning and Construction Cluster</i>			<u>4,250,819</u>

Passed through NYS Sheriff's Association:

Highway Safety Cluster

Passed thru NYS Governors Traffic Safety Committee

State and Community Highway Safety	20.600	SO-00333-007	16,755
State and Community Highway Safety	20.600	SO-00274-007	5,355
State and Community Highway Safety	20.600	T-523653	<u>22,703</u>
<i>Total Highway Safety Cluster</i>			<u>44,813</u>

Direct Programs:

Airport Improvement Program	20.106	3-36-0022-44-11	16,497
Airport Improvement Program	20.106	3-36-0022-45-12	2,043,300
Airport Improvement Program	20.106	3-36-0022-46-13	53,257
Airport Improvement Program	20.106	3-36-0022-47-13	36,671
Airport Improvement Program	20.106	3-36-0048-40-12	174,626
Airport Improvement Program	20.106	3-36-0048-41-13	<u>17,158</u>
Total Airport Improvement Program			<u>2,341,509</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>6,944,302</u>

(continued)

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

U.S. APPALACHIAN REGIONAL COMMISSION

Direct Programs:

Appalachian Regional Development	23.001	N/A	<u>4,193</u>
----------------------------------	--------	-----	--------------

TOTAL U.S. APPALACHIAN REGIONAL COMMISSION			<u>4,193</u>
---	--	--	--------------

U.S. ENVIRONMENTAL PROTECTION AGENCY

Passed through NYS Department of Health:

Great Lakes Program	66.469	HRI 4163-01	29,076
---------------------	--------	-------------	--------

Beach Monitoring and Notification Program Implementation Grants	66.472	T-024965	<u>17,736</u>
--	--------	----------	---------------

TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>46,812</u>
---	--	--	---------------

U.S. DEPARTMENT OF ENERGY

Passed through NYS Energy Research Development Authority:

Energy Efficiency and Conservation Block Grant Program (EECBG) ARRA	81.128	23400	<u>14,227</u>
--	--------	-------	---------------

TOTAL U.S. DEPARTMENT OF ENERGY			<u>14,227</u>
--	--	--	---------------

U.S. DEPARTMENT OF EDUCATION

Passed through NYS Department of Health:

Special Education - Grants for Infants and Families	84.181	C-027469	<u>62,077</u>
---	--------	----------	---------------

TOTAL U.S. DEPARTMENT OF EDUCATION			<u>62,077</u>
---	--	--	---------------

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through Health Research Inc:

Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	HRI 3496-04 3496-05	42,051
---	--------	---------------------	--------

Public Health Emergency Preparedness	93.069	HRI 1587-09 1587-10	96,143
--------------------------------------	--------	---------------------	--------

PPHF 2012: Community Transformation Grants - Small Communities Program financed solely by 2012 Public Prevention and Health Funds	93.737	HRI 4517-01	155,036
---	--------	-------------	---------

Injury Prevention and Control Research and State and Community Based Programs	93.136	FP: SDOH	18,000
--	--------	----------	--------

Passed through NYS Department of Health:

Family Planning - Services	93.217	C-027015 (2/3)	120,491
----------------------------	--------	----------------	---------

Immunization Cooperative Agreements	93.268	C-023237	59,532
-------------------------------------	--------	----------	--------

Maternal and Child Health Services Block Grant to the States	93.994	C-026498	66,347
--	--------	----------	--------

Maternal and Child Health Services Block Grant to the States	93.994	C-024606	22,339
--	--------	----------	--------

Maternal and Child Health Services Block Grant to the States	93.994	C-027015 (1/3)	60,245
--	--------	----------------	--------

Medical Assistance Program	93.778	C-028959	5,169
----------------------------	--------	----------	-------

Medical Assistance Program	93.778	N/A	4,097,858
----------------------------	--------	-----	-----------

Passed through NYS Office of Temporary and Disability Assistance:

Temporary Assistance for Needy Families	93.558		14,757,477
---	--------	--	------------

Child Support Enforcement	93.563		824,203
---------------------------	--------	--	---------

Low-Income Home Energy Assistance	93.568		6,046,408
-----------------------------------	--------	--	-----------

Passed through the NYS Office of the Aging:

Low-Income Home Energy Assistance	93.568		22,122
-----------------------------------	--------	--	--------

(continued)

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

Passed through NYS Office of Children and Family Services:

Child Care and Development Block Grant	93.575		4,191,241
Foster Care, Title IV-E	93.658		2,328,074
Social Services Block Grant	93.667		887,430
Chafee Foster Care Independence Program	93.674		27,959

Passed through NYS Office for the Aging:

Aging Cluster

Special Programs for the Aging, Title III Part B	93.044	III-B	159,621
Special Programs for the Aging, Title III Part C	93.045	III-C	338,003
Nutrition Services Incentive Program	93.053	NSIP	<u>133,587</u>

Total Aging Cluster

631,211

Special Programs for the Aging, Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	OMBUD	2,428
Special Programs for the Aging, Title III, Part D - Disease Prevention and Health Promotion Services	93.043	III-D	9,727
National Family Caregiver Support, Title III, Part E	93.052	III-E	110,104
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HIICAP	50,160

Passed through NYS Department of Family Assistance:

Family Violence Prevention and Services/Battered Womens' Shelters - Grants to State Domestic Violence Coalitions	93.591		103,671
Adoption Incentive Payments	93.603		771,267

Passed through NYS Office of Alcoholism and Substance Abuse Services:

Block Grants for Prevention and Treatment of Substance Abuse	93.959		447,212
--	--------	--	---------

Direct Programs:

Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	N/A	<u>857,223</u>
--	--------	-----	----------------

TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

36,811,128

(continued)

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

(concluded)

U.S. DEPARTMENT OF HOMELAND SECURITY

Passed through Schoharie County, NY:

Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4020-DR-NY	34,444
Passed through NYS Division of Homeland Security and Emergency Services:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4129-DR-NY	4,281
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4129-DR-NY / PA # 013-99013-02	76,899
Emergency Management Performance Grants	97.042	LEMPG FY 2011	112
Emergency Management Performance Grants	97.042	C-182425	54,280
Assistance to Firefighters Grant	97.044	W494332N	22,060
Pre-Disaster Mitigation	97.047	T-000549	43,688
Pre-Disaster Mitigation	97.047	C-174795	134,215
Citizens-Community Resilience Innovation Challenge	97.053	C-000410	27,133
Citizens-Community Resilience Innovation Challenge	97.053	C-000469	44,574
Port Security Grant Program	97.056	C-182494	461,797
Homeland Security Grant Program		C-174701 C-174711 C-174721 C-174791	47,906
Homeland Security Grant Program	97.067		
Homeland Security Grant Program	97.067	T-174709 T-174729	19,944
Homeland Security Grant Program	97.067	C-182409 C-192419	133,876
Homeland Security Grant Program	97.067	C-835680	21,361
Homeland Security Grant Program	97.067	C-835690	52,667
Homeland Security Grant Program	97.067	C-835694	2,568
Homeland Security Grant Program	97.067	C-835600	104,021
Homeland Security Grant Program	97.067	C-835602C-969510T-969522	120,322
Homeland Security Grant Program	97.067	C-969510	73,957
Homeland Security Grant Program	97.067	C-969520	84,980
Homeland Security Grant Program	97.067	C-969530	6,295
Homeland Security Grant Program	97.067	C-182419	6,000
Homeland Security Grant Program	97.067	T-192429	47,000

TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY

1,624,380

TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ 51,053,349

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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

1. BASIS OF PRESENTATION

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

2. INDIRECT COSTS

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

3. MATCHING COSTS

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

4. NON-MONETARY FEDERAL PROGRAM

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." During the year ended December 31, 2013, \$121,014,897 of medical services and goods were received by participants in the Medical Assistance Program (CFDA Number 93.778), which are excluded in the amounts presented in the schedule of expenditures of federal awards.

For the year ended December 31, 2013, the County distributed \$42,680,301 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). \$6,046,408 in direct payments was received by participants, which is included in the amounts presented on the schedule of expenditures of federal awards.

5. RECONCILIATION

A reconciliation to the basic financial statements is available.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 10, 2014. Our report includes an emphasis of matter paragraph regarding a restatement of Governmental Activities and Business-type Activities net position and General Fund fund balance and a reference to other auditors who audited the financial statements of the Chautauqua County Industrial Development Agency and the Chautauqua County Land Bank 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 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.

 Duesch & Malach LLP

July 10, 2014

Certified Public Accountants

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

Honorable County Executive and County Legislature
County of Chautauqa, 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, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

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

 Duesch & Melch LLP

July 10, 2014

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

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 and fund balance

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>
Airport Improvement Program	20.106
Energy Efficiency Grant	81.128
Temporary Assistance for Needy Families	93.558
Low Income Home Energy Assistance Program	93.568
Child Care and Development Block Grant	93.575
Medical Assistance Program	93.778

8. Dollar threshold used to distinguish between Type A and Type B programs? \$ 1,545,792

COUNTY OF CHAUTAUQUA, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

9. Auditee qualified as low-risk auditee?

 ✓ Yes No

Part II. Financial statement findings section

No findings reported.

Part III. Federal award findings and questioned costs section

No findings reported.

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

No findings were noted as reportable.

**** THIS PAGE INTENTIONALLY LEFT BLANK ****