

**COUNTY OF CATTARAUGUS,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, Other Information, and Federal Awards
Information for the Year Ended December 31, 2014
and Independent Auditors' Reports*

COUNTY OF CATTARAUGUS, NEW YORK
Table of Contents
Year Ended December 31, 2014

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet—Governmental Funds	17
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds to the Government-wide Statement of Activities	20
Statement of Net Position—Proprietary Funds.....	21
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds	22
Statement of Cash Flows—Proprietary Funds.....	23
Statement of Net Position—Agency Fund.....	24
Notes to the Financial Statements	25
Required Supplementary Information:	
Schedule of Funding Progress—Other Postemployment Benefits Plan.....	53
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	54
Note to the Required Supplementary Information	55

(continued)

COUNTY OF CATTARAUGUS, NEW YORK
Table of Contents
Year Ended December 31, 2014

(concluded)

Supplementary Information:

Combining Balance Sheet—Nonmajor Governmental Funds.....	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds	57
Combining Balance Sheet—Nonmajor Special Revenue Funds.....	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Special Revenue Funds	59

Other Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Debt Service Fund	60
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—County Road Fund.....	61
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Road Machinery Fund	62
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Conewango Watershed Fund.....	63
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—Economic Development Fund	64

Federal Awards Information:

Schedule of Expenditures of Federal Awards	65
Schedule of Expenditures of Federal Awards—Subrecipients.....	68
Notes to the Schedule of Expenditures of Federal Awards	69
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>	71
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133.....	73
Schedule of Findings and Questioned Costs	75
Schedule of Prior Year Audit Findings	77

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Cattaraugus, New York (the "County"), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pines Machias Campus or the Pines Olean Campus (the "Pines") which collectively represent 91.6 percent and 97.9 percent, respectively of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pines, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Pines were not audited in accordance with *Government Auditing Standards*.

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Supplementary Information and Other Information, as listed in the table of contents is presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 10, 2015, 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.

Handwritten signature in black ink that reads "Dresher & Malachuk LLP".

June 10, 2015

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

As management of the County of Cattaraugus (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2014. This document should be read in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at December 31, 2014 by \$71,854,364 (*net position*) compared to \$70,097,109 at December 31, 2013. There is a deficit in unrestricted net position totaling \$23,040,910.
- The County's net position increased by \$1,757,255. Governmental Activities increased the County's net position by \$1,665,332, while Business-type Activities increased the County's net position by \$91,923.
- At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$56,625,496, a decrease of \$108,641 in comparison with the prior year's fund balance of \$56,734,137. Approximately 65.2 percent, \$36,912,672 of the combined fund balances is unassigned.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$36,912,672, or approximately 22.7 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 82.9 percent of the General Fund's total fund balance of \$44,522,427.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise 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 difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Nonfinancial factors, such as changes in the County's property tax base and the condition of the County's roads, should also be considered to assess the overall health of the County.

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

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

In the Statement of Net Position and the Statement of Activities, the County reports two kinds of activities:

Governmental Activities—As noted above, most of the County's services are reported in this category. Property and sales taxes, and state and federal grants finance most of these activities.

Business-type Activities—Activities that the County charges customers to provide. These include two nursing home facilities and a marina.

The government-wide financial statements can be found on pages 14-16 of this report.

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

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

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

The County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The County adopts an annual appropriated budget for its General Fund, Debt Service Fund, County Road Fund, Road Machinery Fund, Conewango Watershed Fund and Economic Development Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds—When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in Proprietary Funds.

Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The County's Enterprise Funds, is the same as the Business-type Activities, reported in the Government-wide financial statements but provides more detail and additional information, such as cash flows for Proprietary Funds.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the County's own programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County maintains one fiduciary fund, the Agency Fund.

The basic fiduciary fund financial statement can be found on page 24 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-52 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 schedule for the General Fund and for its other postemployment benefits obligation. Required supplementary information can be found on pages 53-55 of this report.

Supplemental schedules including the combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 56-59.

Other Information is included in these financial statements, specifically, the Schedules of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual for the County's nonmajor funds. The Other Information can be found on pages 60-64 of this report.

The Federal Awards Information section presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 65-77 of this report.

Government-wide Overall Financial Analysis

The County's combined net position for fiscal year ended December 31, 2014 increased from \$70,097,109 to \$71,854,364. By far, the largest portion of the County's net position, \$86,594,166, reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, the restricted net position of \$8,301,108, represents resources subject to external restrictions on how they may be used and are reported as restricted net position. The County maintains an unrestricted net position deficit of \$23,040,910.

Our analysis below focuses on the net position (Table 1), and changes in net position (Table 2 and Table 5), of the County's Governmental and Business-type Activities.

Table 1—Condensed Statements of Net Position—December 31, 2014 and December 31, 2013

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2014	2013	2014	2013	2014	2013
Assets:						
Current assets	\$ 91,702,560	\$ 99,712,674	\$ 9,677,757	\$ 9,408,322	\$ 101,380,317	\$ 109,120,996
Noncurrent assets	-	-	1,521,674	1,173,532	1,521,674	1,173,532
Capital assets	<u>110,520,360</u>	<u>105,627,118</u>	<u>13,966,586</u>	<u>14,358,521</u>	<u>124,486,946</u>	<u>119,985,639</u>
Total assets	<u>202,222,920</u>	<u>205,339,792</u>	<u>25,166,017</u>	<u>24,940,375</u>	<u>227,388,937</u>	<u>230,280,167</u>
Deferred outflows of resources:						
Deferred loss	<u>-</u>	<u>-</u>	<u>207</u>	<u>1,033</u>	<u>207</u>	<u>1,033</u>
Liabilities:						
Current liabilities	20,223,301	27,392,458	1,186,529	1,856,034	21,409,830	29,248,492
Noncurrent liabilities	<u>109,781,089</u>	<u>107,403,582</u>	<u>23,750,074</u>	<u>22,947,676</u>	<u>133,531,163</u>	<u>130,351,258</u>
Total liabilities	<u>130,004,390</u>	<u>134,796,040</u>	<u>24,936,603</u>	<u>24,803,710</u>	<u>154,940,993</u>	<u>159,599,750</u>
Deferred inflows of resources:						
State aid	<u>593,787</u>	<u>584,341</u>	<u>-</u>	<u>-</u>	<u>593,787</u>	<u>584,341</u>
Net Position:						
Net investment						
in capital assets	82,757,133	79,554,856	3,837,033	3,654,946	86,594,166	83,209,802
Restricted	8,301,108	7,210,785	-	-	8,301,108	7,210,785
Unrestricted	<u>(19,433,498)</u>	<u>(16,806,230)</u>	<u>(3,607,412)</u>	<u>(3,517,248)</u>	<u>(23,040,910)</u>	<u>(20,323,478)</u>
Total net position	<u>\$ 71,624,743</u>	<u>\$ 69,959,411</u>	<u>\$ 229,621</u>	<u>\$ 137,698</u>	<u>\$ 71,854,364</u>	<u>\$ 70,097,109</u>

Net position of the County's primary government increased from \$70,097,109 to \$71,854,364. The causes of the overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities.—Governmental activities increased the County's net position by \$1,665,332. Table 2, as presented below, shows the changes in net position for the years ended December 31, 2014 and December 31, 2013.

Table 2—Condensed Statement of Revenues, Expenses and Changes in Net Position—Governmental Activities—Years Ended December 31, 2014 and December 31, 2013

	Governmental activities		Increase/(decrease)	
	Year Ended December 31,		Dollars	Percent %
	2014	2013		
Revenues:				
Program revenues	\$ 64,975,766	\$ 62,431,872	\$ 2,543,894	4.1
General revenues	96,475,019	97,940,660	(1,465,641)	(1.5)
Total revenues	<u>161,450,785</u>	<u>160,372,532</u>	<u>1,078,253</u>	0.7
Total expenses	<u>157,371,337</u>	<u>150,014,999</u>	<u>7,356,338</u>	4.9
Transfers	<u>(2,414,116)</u>	-	<u>(2,414,116)</u>	n/a
Change in net position	1,665,332	10,357,533	(8,692,201)	(83.9)
Net position—beginning	<u>69,959,411</u>	<u>59,601,878</u>	<u>10,357,533</u>	17.4
Net position—ending	<u>\$ 71,624,743</u>	<u>\$ 69,959,411</u>	<u>\$ 1,665,332</u>	2.4

Revenues during the year ended December 31, 2014 increased \$1,078,253 from the year ended December 31, 2013 largely due to the fact that capital grant and contribution revenues increased \$1,734,948.

A summary of sources of revenues for the years ended December 31, 2014 and December 31, 2013 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2014	2013	Dollars	Percent %
Charges for services	\$ 22,610,926	\$ 21,888,334	\$ 722,592	3.3
Operating grants and contributions	35,339,742	35,253,388	86,354	0.2
Capital grants and contributions	7,025,098	5,290,150	1,734,948	32.8
Property taxes and tax items	53,541,900	52,419,065	1,122,835	2.1
Non-property tax items	38,133,477	37,450,673	682,804	1.8
Miscellaneous	2,495,373	6,306,345	(3,810,972)	(60.4)
Other general revenues	2,304,269	1,764,577	539,692	30.6
Total revenues	<u>\$ 161,450,785</u>	<u>\$ 160,372,532</u>	<u>\$ 1,078,253</u>	0.7

The most significant source of revenues is property taxes and tax items, which account for \$53,541,900 or 33.2 percent of total government activities revenues. The next largest source of revenue is non-property tax items, which comprise \$38,133,477 or 23.6 percent for the year ended December 31, 2014. Comparatively, for the year ended December 31, 2013, the most significant source of revenue was property taxes and tax items, which accounted for \$52,419,065 or 32.7 percent of total government activities revenues. The next largest source of revenue was non-property tax items, which comprised \$37,450,673 or 23.4 percent of total governmental activities revenues.

A summary of program expenses for the years ended December 31, 2014 and December 31, 2013 is presented below in Table 4.

Table 4—Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2014	2013	Dollars	Percent %
General government support	\$ 24,858,003	\$ 22,826,232	\$ 2,031,771	8.9
Education	6,769,610	6,577,067	192,543	2.9
Public safety	21,621,499	19,760,244	1,861,255	9.4
Public health	20,687,482	20,238,508	448,974	2.2
Transportation	20,117,441	20,553,035	(435,594)	(2.1)
Economic assistance and opportunity	57,257,782	55,187,043	2,070,739	3.8
Culture and recreation	1,324,896	903,645	421,251	46.6
Home and community services	3,573,002	2,207,867	1,365,135	61.8
Interest and fiscal charges	1,161,622	1,761,358	(599,736)	(34.0)
Total program expenses	<u>\$ 157,371,337</u>	<u>\$ 150,014,999</u>	<u>\$ 7,356,338</u>	4.9

As shown above, total governmental activities program expenses increased 4.9 percent from the year ended December 31, 2013. The most significant change in the County's expenses from 2013 to 2014 are the cost for economic assistance and opportunity and general government support, which increased by \$2,070,739 or 3.8 percent and \$2,031,771 or 8.9 percent, respectively.

Business-type Activities—Business-type activities increased the County's net position by \$91,923. The major activities are for the County's nursing home facilities and marina. Table 5, as presented on the following page, shows the changes in net position for the years ended December 31, 2014 and December 31, 2013.

Table 5—Condensed Statement of Revenues, Expenses and Changes in Net Position—Business-type Activities—Years Ended December 31, 2014 and December 31, 2013

	Business-type activities		Increase/(decrease)	
	Year Ended December 31,		Dollars	Percent %
	2014	2013		
Revenues:				
Program revenues:	\$ 25,299,298	\$ 25,340,160	\$ (40,862)	(0.2)
General revenues	59,098	45,507	13,591	29.9
Total revenues	<u>25,358,396</u>	<u>25,385,667</u>	<u>(27,271)</u>	(0.1)
Total expenses	<u>27,680,589</u>	<u>26,641,051</u>	<u>1,039,538</u>	3.9
Transfers	<u>2,414,116</u>	-	<u>2,414,116</u>	n/a
Change in net position	91,923	(1,255,384)	1,347,307	(107.3)
Net position—beginning	<u>137,698</u>	<u>1,393,082</u>	<u>(1,255,384)</u>	(90.1)
Net position—ending	<u>\$ 229,621</u>	<u>\$ 137,698</u>	<u>\$ 91,923</u>	66.8

A summary of sources of revenues and expenses for the County’s business-type activities for the years ended December 31, 2014 and December 31, 2013 is presented in Table 6.

Table 6—Summary of Sources of Revenues and Expenses—Business-type Activities

	Year Ended December 31,		Increase/(decrease)	
	2014	2013	Dollars	Percent %
Charges for services	\$ 20,674,588	\$ 19,608,132	\$ 1,066,456	5.4
Operating grants and contributions	4,624,710	5,732,028	(1,107,318)	(19.3)
General revenues	59,098	45,507	13,591	29.9
Total program revenues	<u>\$ 25,358,396</u>	<u>\$ 25,385,667</u>	<u>\$ (27,271)</u>	(0.1)
Nursing home expenses	\$ 27,126,011	\$ 25,946,776	\$ 1,179,235	4.5
Marina expenses	554,578	694,275	(139,697)	(20.1)
Total program expenses	<u>\$ 27,680,589</u>	<u>\$ 26,641,051</u>	<u>\$ 1,039,538</u>	3.9

Financial Analysis of the County’s Major Governmental Funds

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

Governmental funds—The focus of the County’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent a 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 use for particular purposes by the County’s Legislature.

At December 31, 2014, the County's governmental funds reported combined fund balances of \$56,625,496 a decrease of \$108,641 in comparison with the prior year. Approximately 65.2 percent, \$36,912,672 of this amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Assigned fund balance of \$4,621,821 represents resources that are assigned for a particular purpose. Committed fund balance of \$122,500 represents resources that can only be used for specific purposes determined by a formal resolution of the Legislature. Restricted fund balance of \$12,882,392 represents resources that are restricted for a special purpose. 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 \$2,086,111 of prepaid items at December 31, 2014.

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 \$36,912,672, while total fund balance increased to \$44,522,427. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total general fund expenditures and transfers out. Unassigned fund balance represents approximately 22.7 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 27.3 percent of the same amount.

The General Fund increased fund balance by \$4,379,541. Contributing factors include an increase in non-property tax items and interfund revenues.

The Capital Projects Fund balance decreased by \$5,758,128 due to capital outlay exceeding revenues for the current year.

General Fund Budgetary Highlights

A summary of the General Fund results of operations for the year ended December 31, 2014 is presented in Table 7 as follows:

Table 7 – Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 166,963,535	\$ 169,447,750	\$ 167,310,013	\$ (2,137,737)
Expenditures and other financing uses	<u>171,857,159</u>	<u>177,522,730</u>	<u>162,930,472</u>	<u>(14,592,258)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (4,893,624)</u>	<u>\$ (8,074,980)</u>	<u>\$ 4,379,541</u>	<u>\$ 12,454,521</u>

Differences between the original budget and the final amended budget (the major components of the \$5,656,908 increase in appropriations) can be briefly summarized as follows:

- A \$2,197,439 increase in transfers out to the Capital Projects fund related to additional funds, not originally budgeted for, received within the General Fund and utilized to pay various outstanding Bond Anticipation Notes within the Capital Projects fund.
- A \$1,157,958 increase in economic assistance and opportunity and a \$1,026,219 increase in public safety due to additional funding that was not originally budgeted for.

Differences between the final amended budget and actual results can be briefly summarized as follows:

- General government support final expenditures fell \$2,556,566 below the final amended budget due to conservative spending.
- Economic assistance and opportunity final expenditures were \$3,827,024 below the final amended budget due to lower than anticipated spending on County assistance programs which offset related revenue estimates that were not obtained.
- Employee benefit expenditures fell \$2,681,096 below the final amended budget due to less than anticipated spending.

Capital Assets and Debt Administration

Capital assets—The County’s investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$124,486,946 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure assets.

Major capital asset events during the current fiscal year included the following:

- Addition of construction in progress assets amounted to \$7,798,292
- Machinery and equipment assets of \$2,166,736 were added during the year.

A summary of the County’s capital assets is shown below:

Table 8—Capital Assets, net of depreciation

	Governmental activities		Business-type activities		Total		% Change
	December 31,		December 31,		December 31,		
	2014	2013	2014	2013	2014	2013	
Land	\$ 1,902,934	\$ 1,902,934	\$ 813,215	\$ 813,215	\$ 2,716,149	\$ 2,716,149	0.0
Construction in progress	28,966,409	29,816,775	99,248	99,248	29,065,657	29,916,023	(2.8)
Infrastructure	58,608,265	52,241,969	-	-	58,608,265	52,241,969	12.2
Buildings and improvements	10,675,854	11,201,952	873,119	968,027	11,548,973	12,169,979	(5.1)
Machinery and equipment	10,157,406	10,166,335	25,884	35,826	10,183,290	10,202,161	(0.2)
The Pines	-	-	12,155,120	12,442,205	12,155,120	12,442,205	(2.3)
Books	209,492	297,153	-	-	209,492	297,153	(29.5)
Total	<u>\$ 110,520,360</u>	<u>\$ 105,627,118</u>	<u>\$ 13,966,586</u>	<u>\$ 14,358,521</u>	<u>\$ 124,486,946</u>	<u>\$ 119,985,639</u>	3.8

Additional information on the County’s capital assets can be found in Note 4 to the basic financial statements.

Long-Term Debt—At December 31, 2014, the County had long-term debt of \$133,531,163 outstanding which was an increase of \$3,179,905 over the previous year.

A summary of the County's long-term liabilities at December 31, 2014 and 2013 is presented in Table 9 below:

Table 9—Summary of Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds payable	\$ 32,254,695	\$ 36,805,672	\$ 10,030,305	\$ 10,604,327	\$ 42,285,000	\$ 47,409,999
Premium on serial bonds	506,512	606,883	217,557	240,366	724,069	847,249
Compensated absences	4,821,065	4,696,681	479,126	538,504	5,300,191	5,235,185
Capital leases	89,816	50,864	7,900	10,171	97,716	61,035
Landfill post closure	878,360	1,052,787	-	-	878,360	1,052,787
Health insurance	1,527,488	1,437,973	-	-	1,527,488	1,437,973
Other postemployment benefits	53,630,373	46,232,994	13,015,186	11,554,308	66,645,559	57,787,302
Workers' compensation	16,072,780	16,519,728	-	-	16,072,780	16,519,728
Total	\$ 109,781,089	\$ 107,403,582	\$ 23,750,074	\$ 22,947,676	\$ 133,531,163	\$ 130,351,258

Additional information on the County's long-term debt can be found in Note 11 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing Cattaraugus County's budget for the 2015 year included:

- Full-value assessments increased 1.4%.
- Total appropriations—all funds increased 2.11%.

Contacting the County's Financial Management

This financial report is designed to provide the County's citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives.

Questions about this report or additional financial information can be obtained from:

Joseph G. Keller
 County Treasurer
 303 Court Street
 Little Valley, New York 14755

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,523,102	\$ 7,056,790	\$ 22,579,892
Restricted cash and cash equivalents	10,968,724	-	10,968,724
Cash, resident funds	-	126,405	126,405
Investments	27,716,782	-	27,716,782
Receivables (net of allowances for estimated uncollectible amounts):			
Taxes receivable	13,463,372	-	13,463,372
Accounts receivable	7,493,884	2,045,973	9,539,857
Intergovernmental receivables	14,450,585	404,578	14,855,163
Inventories	-	42,914	42,914
Prepaid items	2,086,111	1,097	2,087,208
Total current assets	<u>91,702,560</u>	<u>9,677,757</u>	<u>101,380,317</u>
Noncurrent assets:			
Financing costs, net of accumulated depreciation	-	136,099	136,099
Intergovernmental receivables	-	1,385,575	1,385,575
Capital assets not being depreciated	30,869,343	912,463	31,781,806
Capital assets, net of accumulated depreciation	79,651,017	13,054,123	92,705,140
Total noncurrent assets	<u>110,520,360</u>	<u>15,488,260</u>	<u>126,008,620</u>
Total assets	<u>202,222,920</u>	<u>25,166,017</u>	<u>227,388,937</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	207	207
Total deferred outflows of resources	<u>-</u>	<u>207</u>	<u>207</u>

(continued)

(concluded)

LIABILITIES

Current liabilities:

Accounts payable	\$ 5,800,684	\$ 406,356	\$ 6,207,040
Accrued liabilities	1,952,846	534,740	2,487,586
Accrued interest payable	330,644	117,679	448,323
Intergovernmental payables	8,973,075	1,349	8,974,424
Unearned revenue	3,166,052	-	3,166,052
Resident funds held in trust	-	126,405	126,405
Total current liabilities	<u>20,223,301</u>	<u>1,186,529</u>	<u>21,409,830</u>

Noncurrent liabilities:

Due within one year	9,790,956	794,641	10,585,597
Due in more than one year	<u>99,990,133</u>	<u>22,955,433</u>	<u>122,945,566</u>
Total noncurrent liabilities	<u>109,781,089</u>	<u>23,750,074</u>	<u>133,531,163</u>
Total liabilities	<u>130,004,390</u>	<u>24,936,603</u>	<u>154,940,993</u>

DEFERRED INFLOWS OF RESOURCES

State aid	<u>593,787</u>	<u>-</u>	<u>593,787</u>
Total deferred inflows of resources	<u>593,787</u>	<u>-</u>	<u>593,787</u>

NET POSITION

Net investment in capital assets	82,757,133	3,837,033	86,594,166
Restricted for:			
MDLF loan fund	597,268	-	597,268
Insurance	1,436,574	-	1,436,574
Other	163,611	-	163,611
Capital projects	5,529,631	-	5,529,631
Debt	568,385	-	568,385
Trust accounts	5,639	-	5,639
Unrestricted	<u>(19,433,498)</u>	<u>(3,607,412)</u>	<u>(23,040,910)</u>
Total net position	<u>\$ 71,624,743</u>	<u>\$ 229,621</u>	<u>\$ 71,854,364</u>

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

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COUNTY OF CATTARAUGUS, NEW YORK
Statement of Activities
Year Ended December 31, 2014

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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government support	\$ 24,858,003	\$ 4,060,217	\$ 568,042	\$ -	\$ (20,229,744)	\$ -	\$ (20,229,744)
Education	6,769,610	-	2,715,333	-	(4,054,277)	-	(4,054,277)
Public safety	21,621,499	3,421,851	1,794,276	-	(16,405,372)	-	(16,405,372)
Public health	20,687,482	11,084,413	6,559,556	-	(3,043,513)	-	(3,043,513)
Transportation	20,117,441	579,565	21,041	7,025,098	(12,491,737)	-	(12,491,737)
Economic assistance and opportunity	57,257,782	2,209,769	23,110,146	-	(31,937,867)	-	(31,937,867)
Culture and recreation	1,324,896	432	465,465	-	(858,999)	-	(858,999)
Home and community services	3,573,002	1,254,679	-	-	(2,318,323)	-	(2,318,323)
Interest and fiscal charges	1,161,622	-	105,883	-	(1,055,739)	-	(1,055,739)
Total governmental activities	157,371,337	22,610,926	35,339,742	7,025,098	(92,395,571)	-	(92,395,571)
Business-type activities:							
The Pines Machias Campus	14,538,562	10,244,276	2,438,533	-	-	(1,855,753)	(1,855,753)
The Pines Olean Campus	12,587,449	9,860,129	2,186,177	-	-	(541,143)	(541,143)
Onoville Marina	554,578	570,183	-	-	-	15,605	15,605
Total business-type activities	27,680,589	20,674,588	4,624,710	-	-	(2,381,291)	(2,381,291)
Total primary government	\$ 185,051,926	\$ 43,285,514	\$ 39,964,452	\$ 7,025,098	(92,395,571)	(2,381,291)	(94,776,862)
General revenues:							
Property taxes, levied for general purpose					50,709,951	-	50,709,951
Property tax items					2,831,949	-	2,831,949
Non-property tax items					38,133,477	-	38,133,477
Unrestricted investment earnings					916,542	7,938	924,480
Miscellaneous					2,495,373	41,892	2,537,265
Sale of property and compensation for loss					1,509,560	-	1,509,560
Loss on sale of capital assets					(121,833)	9,268	(112,565)
Transfers					(2,414,116)	2,414,116	-
Total general revenues and transfers					94,060,903	2,473,214	96,534,117
Change in net position					1,665,332	91,923	1,757,255
Net position—beginning					69,959,411	137,698	70,097,109
Net position—ending					\$ 71,624,743	\$ 229,621	\$ 71,854,364

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

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 12,260,551	\$ -	\$ 3,262,551	\$ 15,523,102
Restricted cash and cash equivalents	2,197,453	8,218,552	552,719	10,968,724
Investments	27,345,898	-	370,884	27,716,782
Receivables (net of allowances for estimated uncollectible amounts):				
Taxes, Penalties, Interest and Liens	13,463,372	-	-	13,463,372
Accounts receivable	3,988,352	778	75,036	4,064,166
Due from other funds	370,884	-	-	370,884
Intergovernmental receivables	10,569,168	2,746,841	1,134,576	14,450,585
Prepaid items	2,086,111	-	-	2,086,111
Total assets	<u>\$ 72,281,789</u>	<u>\$ 10,966,171</u>	<u>\$ 5,395,766</u>	<u>\$ 88,643,726</u>
LIABILITIES				
Accounts payable	\$ 6,184,685	\$ 847,813	\$ 295,674	\$ 7,328,172
Accrued liabilities	4,670,882	7,443	274,521	4,952,846
Intergovernmental payables	8,973,075	-	-	8,973,075
Due to other funds	-	-	370,884	370,884
Unearned revenue	703,519	-	2,462,533	3,166,052
Total liabilities	<u>20,532,161</u>	<u>855,256</u>	<u>3,403,612</u>	<u>24,791,029</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes receivable	6,633,414	-	-	6,633,414
State aid	593,787	-	-	593,787
Total deferred inflows of resources	<u>7,227,201</u>	<u>-</u>	<u>-</u>	<u>7,227,201</u>
FUND BALANCES				
Nonspendable	2,086,111	-	-	2,086,111
Restricted	2,197,453	10,110,915	574,024	12,882,392
Committed	122,500	-	-	122,500
Assigned	3,203,691	-	1,418,130	4,621,821
Unassigned	36,912,672	-	-	36,912,672
Total fund balances	<u>44,522,427</u>	<u>10,110,915</u>	<u>1,992,154</u>	<u>56,625,496</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 72,281,789</u>	<u>\$ 10,966,171</u>	<u>\$ 5,395,766</u>	<u>\$ 88,643,726</u>

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

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

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

Total fund balances—governmental funds (page 17)	\$ 56,625,496
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$230,382,535 and the accumulated depreciation is \$119,862,175.	110,520,360
Uncollected property taxes of \$6,633,414 are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.	6,633,414
Certain accrued revenues reported in the Statement of Net Position are received after the availability period for recognition of revenue in the Governmental Funds.	3,429,718
Reclassification of accounts payable and accrued liabilities to long-term liabilities.	4,527,488
To recognize interest accrual on long term debt. Accrued interest for general long-term obligation bonds is \$330,644.	(330,644)
Long-term liabilities, including bonds payable, compensated absences, capital leases, landfill post closure costs, health insurance, other post-employment benefits ("OPEB"), and workers compensation are not due and payable in the current period and, therefore are not reported in the funds. Also, bond premiums and discounts are recorded as other financing sources in the fund financial statements and amortized over the life of the debt issuance. The effect of these items are:	
Bonds payable	\$ (32,254,695)
Premium on serial bonds	(506,512)
Compensated absences	(4,821,065)
Capital leases	(89,816)
Landfill post closure	(878,360)
Health insurance	(1,527,488)
Other post-employment benefits	(53,630,373)
Workers' compensation	(16,072,780)
	(109,781,089)
Total net position of governmental activities	\$ 71,624,743

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

COUNTY OF CATTARAUGUS, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
REVENUES				
Real property taxes	\$ 50,870,611	\$ -	\$ -	\$ 50,870,611
Real property tax items	2,831,949	-	-	2,831,949
Non property tax items	27,730,422	-	10,403,055	38,133,477
Departmental income	16,269,379	-	21,157	16,290,536
Intergovernmental charges	5,692,341	-	582,265	6,274,606
Use of money and property	1,009,495	-	3,127	1,012,622
Licenses and permits	49,559	-	-	49,559
Fines and forfeitures	269,085	-	-	269,085
Sale of property and compensation for loss	1,487,539	-	22,021	1,509,560
Miscellaneous	2,243,892	-	65,650	2,309,542
Interfund revenues	23,615,066	-	3,215,628	26,830,694
State aid	15,925,850	3,679,203	272,693	19,877,746
Federal aid	19,248,254	2,048,842	1,130,243	22,427,339
Total revenues	<u>167,243,442</u>	<u>5,728,045</u>	<u>15,715,839</u>	<u>188,687,326</u>
EXPENDITURES				
Current:				
General government support	43,428,107	-	3,000	43,431,107
Education	6,755,996	-	-	6,755,996
Public safety	19,424,737	-	536,814	19,961,551
Health	19,249,923	-	-	19,249,923
Transportation	17,000	-	15,266,099	15,283,099
Economic assistance and opportunity	55,306,612	-	44,692	55,351,304
Culture and recreation	1,392,094	-	-	1,392,094
Home and community services	2,117,876	-	1,155,947	3,273,823
Employee benefits	4,218,935	-	-	4,218,935
Debt service:				
Principal	14,860	-	4,550,978	4,565,838
Interest and fiscal charges	8,663	-	1,285,244	1,293,907
Capital outlay	-	11,670,845	-	11,670,845
Total expenditures	<u>151,934,803</u>	<u>11,670,845</u>	<u>22,842,774</u>	<u>186,448,422</u>
Excess (deficiency) of revenues over expenditures	<u>15,308,639</u>	<u>(5,942,800)</u>	<u>(7,126,935)</u>	<u>2,238,904</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	753,058	13,002,249	13,755,307
Transfers out	(10,995,669)	(568,386)	(4,605,368)	(16,169,423)
Capital lease	66,571	-	-	66,571
Total other financing sources (uses)	<u>(10,929,098)</u>	<u>184,672</u>	<u>8,396,881</u>	<u>(2,347,545)</u>
Net change in fund balances	4,379,541	(5,758,128)	1,269,946	(108,641)
Fund balances—beginning	40,142,886	15,869,043	722,208	56,734,137
Fund balances—ending	<u>\$ 44,522,427</u>	<u>\$ 10,110,915</u>	<u>\$ 1,992,154</u>	<u>\$ 56,625,496</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2014

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

Net change in fund balances—total governmental funds (page 19) \$ (108,641)

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	\$ 13,698,329	
Loss on disposition of capital assets	(121,833)	
Depreciation expense	<u>(8,683,254)</u>	4,893,242

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	\$ (167,879)	
Change in other receivables	<u>(582,402)</u>	(750,281)

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	\$ 4,550,977	
Amortization of premium on serial bonds	100,371	
Proceeds from capital lease	(66,571)	
Principal payments on capital lease	27,619	
Change in accrued interest	<u>118,742</u>	4,731,138

In the statement of activities, certain operating expenses—compensated absences (vacation & compensatory time), landfill post-closure costs, other post employment benefits ("OPEB"), and workers compensation—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	\$ (124,384)	
Landfill post closure	174,427	
Other postemployment benefits	(7,397,379)	
Workers' compensation	<u>247,210</u>	(7,100,126)

Change in net position of governmental activities		<u>\$ 1,665,332</u>
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The notes to financial statements are an integral part of this statement.

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COUNTY OF CATTARAUGUS, NEW YORK
Statement of Net Position—Proprietary Funds
December 31, 2014

	Business-type Activities			Total Enterprise Funds
	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,583,935	\$ 4,173,760	\$ 299,095	\$ 7,056,790
Cash, resident funds	68,689	57,716	-	126,405
Receivable, resident (net of allowance for uncollectible amounts)	951,341	1,094,632	-	2,045,973
Intergovernmental receivables	278,896	125,682	-	404,578
Inventory	22,398	15,307	5,209	42,914
Prepaid items	-	1,097	-	1,097
Total current assets	<u>3,905,259</u>	<u>5,468,194</u>	<u>304,304</u>	<u>9,677,757</u>
Noncurrent assets:				
Bond issuance costs, net of amortization	136,099	-	-	136,099
Intergovernmental receivable	1,169,575	216,000	-	1,385,575
Capital assets not being depreciated	-	-	912,463	912,463
Capital assets net, of accumulated depreciation	8,618,513	3,536,607	899,003	13,054,123
Total noncurrent assets	<u>9,924,187</u>	<u>3,752,607</u>	<u>1,811,466</u>	<u>15,488,260</u>
Total assets	<u>13,829,446</u>	<u>9,220,801</u>	<u>2,115,770</u>	<u>25,166,017</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	-	-	207	207
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>207</u>	<u>207</u>
LIABILITIES				
Current liabilities:				
Accounts payable	153,355	252,664	337	406,356
Accrued liabilities	277,120	252,473	5,147	534,740
Accrued interest payable	111,679	5,693	307	117,679
Intergovernmental payables	-	-	1,349	1,349
Resident funds held in trust	68,689	57,716	-	126,405
Total current liabilities	<u>610,843</u>	<u>568,546</u>	<u>7,140</u>	<u>1,186,529</u>
Noncurrent liabilities:				
Due within one year	600,094	169,242	25,305	794,641
Due in more than one year	16,048,697	6,758,067	148,669	22,955,433
Total noncurrent liabilities	<u>16,648,791</u>	<u>6,927,309</u>	<u>173,974</u>	<u>23,750,074</u>
Total liabilities	<u>17,259,634</u>	<u>7,495,855</u>	<u>181,114</u>	<u>24,936,603</u>
NET POSITION				
Net investment in capital assets	(881,487)	3,031,607	1,686,913	3,837,033
Unrestricted	(2,548,701)	(1,306,661)	247,950	(3,607,412)
Total net position	<u>\$(3,430,188)</u>	<u>\$ 1,724,946</u>	<u>\$ 1,934,863</u>	<u>\$ 229,621</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2014

	Business-type Activities			Total Enterprise Funds
	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	
Operating revenues:				
Net service revenue	\$ 10,229,648	\$ 9,849,218	\$ 570,183	\$ 20,649,049
Other operating revenue	14,628	10,911	-	25,539
Total operating revenues	<u>10,244,276</u>	<u>9,860,129</u>	<u>570,183</u>	<u>20,674,588</u>
Operating expenses:				
Nursing services	7,359,116	6,781,614	-	14,140,730
Ancillary services	874,126	1,041,989	-	1,916,115
Dietary services	1,189,786	781,831	-	1,971,617
Personnel services	-	-	380,520	380,520
Housekeeping	522,964	410,051	-	933,015
Laundry service	165,603	138,302	-	303,905
Maintenance and utilities	775,843	588,674	-	1,364,517
Fiscal services	530,988	516,814	-	1,047,802
Fringe benefits	-	-	67,130	67,130
Administrative services	1,229,989	1,196,123	-	2,426,112
Assessments	603,428	542,376	-	1,145,804
Depreciation, including indirect charges	873,047	527,476	104,850	1,505,373
Provision for bad debt	16,808	41,879	-	58,687
Total operating expenses	<u>14,141,698</u>	<u>12,567,129</u>	<u>552,500</u>	<u>27,261,327</u>
Operating income (loss)	<u>(3,897,422)</u>	<u>(2,707,000)</u>	<u>17,683</u>	<u>(6,586,739)</u>
Nonoperating revenues (expenses):				
Investment income	2,427	5,511	-	7,938
Interest expense	(389,167)	(20,320)	(2,078)	(411,565)
Intergovernmental transfers	2,438,533	2,186,177	-	4,624,710
Amortization of bond premium	22,809	-	-	22,809
Amortization of bond issuance costs	(7,697)	-	-	(7,697)
Transfers and donated services from County	2,414,116	-	-	2,414,116
Gain on disposal of capital assets	6,153	3,115	-	9,268
Other	15,798	3,285	-	19,083
Total nonoperating revenues (expenses)	<u>4,502,972</u>	<u>2,177,768</u>	<u>(2,078)</u>	<u>6,678,662</u>
Change in net position	605,550	(529,232)	15,605	91,923
Total net position—beginning	<u>(4,035,738)</u>	<u>2,254,178</u>	<u>1,919,258</u>	<u>137,698</u>
Total net position—ending	<u>\$ (3,430,188)</u>	<u>\$ 1,724,946</u>	<u>\$ 1,934,863</u>	<u>\$ 229,621</u>

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

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

	Business-type Activities			Total Enterprise Funds
	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from services provided	\$ 13,607,392	\$ 13,424,833	\$ 569,856	\$27,602,081
Payments to suppliers and service providers	(6,342,525)	(3,655,887)	(205,878)	(10,204,290)
Payments to employees for salaries and benefits	(8,505,839)	(7,719,449)	(225,947)	(16,451,235)
Other receipts	14,628	10,911	-	25,539
Net cash provided by (used for) operating activities	<u>(1,226,344)</u>	<u>2,060,408</u>	<u>138,031</u>	<u>972,095</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subsidy from County	2,414,116	-	-	2,414,116
Intergovernmental transfers	2,438,533	2,186,177	-	4,624,710
Net cash provided by noncapital financing activities	<u>4,852,649</u>	<u>2,186,177</u>	<u>-</u>	<u>7,038,826</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on serial bonds	(495,000)	(55,000)	(24,022)	(574,022)
Principal payments on capital lease	(2,270)	-	-	(2,270)
Proceeds from sale of equipment	6,153	3,115	-	9,268
Deferred loss	-	-	826	826
Interest paid on capital debt	(392,068)	(21,560)	(2,374)	(416,002)
Acquisition and construction of capital assets	(178,360)	(891,971)	-	(1,070,331)
Net cash used for capital and related financing activities	<u>(1,061,545)</u>	<u>(965,416)</u>	<u>(25,570)</u>	<u>(2,052,531)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	2,427	5,511	-	7,938
Other	15,798	3,285	-	19,083
Net cash provided by investing activities	<u>18,225</u>	<u>8,796</u>	<u>-</u>	<u>27,021</u>
Net increase (decrease) in cash and cash equivalents	2,582,985	3,289,965	112,461	5,985,411
Cash and cash equivalents—beginning	950	883,795	186,634	1,071,379
Cash and cash equivalents—ending	<u>\$ 2,583,935</u>	<u>\$ 4,173,760</u>	<u>\$ 299,095</u>	<u>\$ 7,056,790</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (3,897,422)	\$ (2,707,000)	\$ 17,683	\$ (6,586,739)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation expense	845,490	502,729	104,850	1,453,069
Bad debt expense	16,808	41,879	-	58,687
(Increase) decrease in accounts receivable	124,738	(162,424)	-	(37,686)
(Increase) decrease in inventories	3,584	(603)	9,514	12,495
Decrease in prepaid items	1,482	1,487	-	2,969
Decrease in intergovernmental receivables	3,529,093	4,012,006	-	7,541,099
(Decrease) in accounts payable	(89,814)	(2,902)	(236)	(92,952)
(Decrease) in intergovernmental payables	(2,522,528)	(268,473)	(327)	(2,791,328)
Increase in other post employment benefits	745,974	700,662	14,242	1,460,878
(Decrease) increase in accrued items	16,251	(56,953)	(7,695)	(48,397)
Total adjustments	<u>2,671,078</u>	<u>4,767,408</u>	<u>120,348</u>	<u>7,558,834</u>
Net cash provided by (used for) operating activities	<u>\$ (1,226,344)</u>	<u>\$ 2,060,408</u>	<u>\$ 138,031</u>	<u>\$ 972,095</u>

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

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

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 1,194,962
Total assets	<u>\$ 1,194,962</u>
LIABILITIES	
Agency liabilities	\$ 1,194,962
Total liabilities	<u>\$ 1,194,962</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

The government-wide financial statements (i.e. statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and 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. The County reports no component units.

Reporting Entity

The County was established in 1808 and is governed by the County Law and other laws of the State of New York. Independently elected officials of the County include the County Legislature, County Treasurer, County Clerk, Sheriff, and District Attorney. The Legislature is the governing body of the County. It consists of 21 members elected from 10 legislative districts for four-year terms. The County Legislature appoints a County Administrator to coordinate fiscal and operational functions.

Units of local government, which operate within the boundaries of the County, include the cities of Olean and Salamanca, as well as 32 towns and 9 villages. Public education is provided by the various city and other school districts.

The scope of activities included within the accompanying financial statements are those transactions which comprise County operations, and are governed by, or significantly influenced by, the County Legislature. The County provides mandated social service programs such as Medicaid, food stamps and other public assistance. Additionally, the County provides services and facilities in the areas of culture, recreation, police, youth, health, senior services and roads. The County also operates the Pines Healthcare and Rehabilitation Centers (Machias and Olean Campuses) and the Onoville Marina.

The County does not have any component units, thus there are no component unit financial statements included in the government-wide financial statements.

Basis of Presentation—Government-wide Financial Statements

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

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

Basis of Presentation—Fund Financial Statements

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

The County reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the County and includes all operations not required to be recorded in other funds.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by enterprise funds.

The government reports the following major enterprise funds:

- *The Pines Healthcare and Rehabilitation Center Fund—Machias Campus*—Nursing facility delivering long-term care and short-term rehabilitation services to the citizens of Cattaraugus County and neighboring communities.
- *The Pines Healthcare and Rehabilitation Center Fund—Olean Campus*—Nursing facility delivering long-term care and short-term rehabilitation services to the citizens of Cattaraugus County and neighboring communities.
- *Onoville Marina*—Marina maintained and operated by the Cattaraugus County Department of Public Works.

These entities are financed and operated in a manner similar to a private business enterprise. The intent of the County is that the operating expenses (including depreciation and amortization expense) of providing goods or services to the general public on a continuous basis are to be financed or recovered primarily through user charges. The County may provide administrative, legal and

operational assistance to the proprietary funds, which are not charged. Additionally, the General Fund periodically provides advances to the proprietary funds for operational needs.

Additionally, the government reports the following fund types:

- *Special Revenue Funds*—The Special Revenue Funds are used to group operating funds for which the use of revenues is restricted. These funds include County Road, Road and Machinery (which is funded primarily through interfund revenues), Conewango Watershed and Economic Development.
- *Debt Service Fund*—The County maintains a Debt Service Fund for recording payment of its general long-term debt principal, interest and related costs.
- *Permanent Funds*—The Permanent Fund is classified as a governmental fund type and is used to account for all trust assets, liabilities, fund balances, revenues and distributions to beneficiaries on the full accrual basis of accounting. The Permanent Fund represents the historic dollar value of the permanent fund assets, along with certain additions, and must be maintained in perpetuity.
- *Agency Fund*—The Agency Fund is a fiduciary fund used to account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

During the course of operations the 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 preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

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

Cash and Cash Equivalents and Investments—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 for the County are classified as held-to-maturity and valued at amortized cost.

Inventories and Prepaid Items—Inventories of the County's enterprise funds are valued at the lower of cost or market on the first in, first out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Receivables—Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost as defined on the following page and an estimated useful life in excess of one year.

As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenances and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Major outlays for capital assets and improvements are capitalized as projects are incurred. Expenditures reported in the Capital Project Fund are classified as capital outlays. Routine capital expenditures in other 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 outlays in the Capital Projects Fund includes certain non-capitalized costs (i.e. furnishings below the capitalization threshold). Capital outlay as reported in the capital Project Fund is classified in the following functional categories:

<u>Functional Category</u>	
General Government Support	\$ 753,986
Public Safety	904,597
Transportation	9,525,437
Culture and recreation	3,659
Home and community services	483,166
Total	<u>\$ 11,670,845</u>

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the County are depreciated using a straight line method over the estimated useful lives presented below:

<u>Class of Assets</u>	<u>Governmental Activities (years)</u>	<u>Business-type Activities (years)</u>	<u>Capitalization Threshold</u>
Land & land improvements	None	None	\$ 5,000
Buildings & building improvements	40	40	50,000
Facilities & other improvements	30-40	30-40	50,000
Infrastructure	10-40	10-40	50,000
Computers	5	5	Capitalize All
Software	3	3	5,000
Equipment & vehicles	3-20	2-20	1,000
Construction in progress	None	None	50,000
Library books & materials	5	5	Capitalize All

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.

The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the proprietary fund's statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items which qualify for reporting in this category. The first item, taxes receivable, arises only under a modified accrual basis of accounting. Accordingly, a deferred inflow of resources for taxes receivable is reported only on the governmental funds balance sheet. The second item reports deferred inflows related to State aid on both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal resolution of the Legislature. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

Revenues and Expenditures/Expenses

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish *operating* revenues and expense from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Pines and Onoville Marina are elderly assistance and healthcare related services and dock and marina charges, respectively. Operating expenses for the Pines are nursing, dietary, ancillary, housekeeping, laundry, maintenance, fiscal, assessments and administrative services. Operating expenses for the Onoville Marina include contractual services and fringe benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Taxes—The Countywide property tax is levied by the County upon the taxable real property, in the towns and cities in the County. Town taxes are levied along with the County tax except in the cities. The levy is effective January 1st, the lien date, on the assessed valuation of property located in the County as of the preceding March 1st. The respective collection officers in each town and city collect such taxes.

County taxes are payable through January 31st without interest. After that, penalties are imposed on unpaid taxes by charging 1% interest in February, and an additional 1% interest in March. Unpaid taxes are returned to the County for collection April 1st. At that time, a return penalty of 5% is added to the original tax amount with 3% interest for the month of April. An additional 1% interest is added each month that the tax remains unpaid. County taxes within the City of Salamanca do not get returned to the County for collection. The City of Salamanca guarantees collection of all County taxes. Town taxes, levied along with the County tax, include special district, fire district and highway taxes. All towns first retain their share of taxes from collection and then remit the balance to the County. The City of Olean levies a city tax May 1st. Unpaid City of Olean taxes are returned to the County for collection on November 1st. The City of Salamanca taxes are levied and collected only by the city. Cattaraugus County does not collect City of Salamanca taxes. The County levies taxes for school districts throughout the County and is responsible for uncollected school district taxes. Additionally, at the option of the villages within the County, the County is responsible for uncollected village taxes. Therefore, if there are any unpaid and returned school, City of Olean, or village taxes, they will be relieved onto the County tax.

A petition and notice of foreclosure is filed in the Cattaraugus County Clerk's office in October for any property that has an unpaid tax lien at least thirty-three (33) months old. A judgment of Foreclosure is obtained if the property is not redeemed by a date in January, a date that is fixed and identified in the petition and notice of foreclosure. A property tax auction is held, usually in May, following that judgment of foreclosure. All actions, along with necessary notices and advertisements are carried out according to Article 11 of the Real Property Tax Law.

Compensated Absences—The County’s union contracts and agreements permit employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Pensions—The majority of the County employees are members of the New York State Employees' Retirement System. The County is invoiced annually by the state system 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. This can affect the reported amounts of revenues, expenditures, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

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

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015, No. 72, *Fair Value Measurement and Application*, effective for the year ending December 31, 2016, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ending December 31, 2016, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending December 31, 2017, and No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2018. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 68, 71, 72, 73, 74 and 75 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets

Budgets and Budgetary Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, County Road Fund, Road Machinery Fund, Conewango Watershed Fund and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The County’s department heads may make transfers of appropriations within a department. The Administrator’s Office is authorized by the County Legislature to transfer up to a total of \$10,000 per year into any budgetary account, with the following exceptions: (1) Departments of Social Services and Public Works, transfers can be made in excess of \$10,000 with the approval of the 28 Chairman of the Finance Committee and the County Administrator, (2) transfers without limitation for the purpose of budgeting or amending appropriations and revenues for the Workforce Investment Board, upon notification from the federal government of the grant amount, and (3) transfers within the budget in connection with settlements of collective bargaining agreements. After November 1 of each budget year, the Administrator’s Office is authorized to transfer without limitations for the purpose of closure of the County’s financial books for the fiscal year, with the approval of the Chairman of the Finance Committee and the County Administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The County deposits cash into a number of bank accounts. Various statutes require some of these accounts and borrowing restrictions for specific funds, while the remainder is used for a combination of pooled County operating cash and investment purposes. Cash and cash equivalents represent demand deposits with banks and certificates of deposit held by financial institutions all having original maturities of less than one year. The Pines Machias and Olean campus hold patient funds in trust. Those amounts totaled \$68,689 and \$57,716 at December 31, 2014, respectively. Management is responsible for accounting and safeguarding the patient trust funds, however the funds are not accessible by the County.

The County’s investment policies are governed by State statutes. In addition, the County has its own written investment policy. Collateral is required for time deposits and certificates of deposit in excess of the amount not covered by the federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and towns.

Cash and cash equivalents at December 31, 2014, are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 55,937	\$ -	\$ -	\$ 55,937
Cash and cash equivalents	26,435,889	7,056,790	1,194,962	34,687,641
Total	<u>\$ 26,491,826</u>	<u>\$ 7,056,790</u>	<u>\$ 1,194,962</u>	<u>\$ 34,743,578</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2014 as follows:

	December 31, 2014	
	Carrying Amount	Bank Balance
FDIC Insured	\$ 3,000,000	\$ 3,000,000
Uninsured:		
Collateral held by bank's agent in the County's name	31,685,384	40,468,740
Uncollateralized	<u>2,257</u>	<u>7,958</u>
Total	<u>\$ 34,687,641</u>	<u>\$ 43,468,740</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2014, with the exception of \$7,958, the County's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the County's name.

Investments—All investments are valued at amortized cost. As of December 31, 2014, the County had the following investments: Government National Mortgage Association investments amounting to \$27,716,782 with average maturities of 7 years.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of deposits and investments. The County's investment policy minimizes the risk by structuring the investment portfolio so that the deposits and investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell deposits and investments on the open market prior to maturity. Deposits are primarily invested in short-term securities or similar investment pools with maturities less than one year. Investments are invested in long-term securities or similar investment pools with maturities greater than one year.

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

Concentration of Credit Risk—concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy places limits on the amount the County may invest in any one issuer of \$20 million. As of December 31, 2014, the County's investments in any single issuer do not exceed the limit established by its policy. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement.

Restricted Cash and Cash Equivalents—The County reports amounts to support restricted fund balance and unspent proceeds of bonds as restricted cash and cash equivalents. At December 31, 2014, the County reported \$10,968,724 of restricted cash and cash equivalents within its governmental activities.

3. RECEIVABLES

Major revenues accrued by the County at December 31, 2014 consisted of the following:

Accounts Receivable—Represents amounts due from various sources. The County's accounts receivable at December 31, 2014 are as follows:

Governmental Funds:		
General Fund:		
Various fees and charges	\$ 3,739,754	
Other	<u>248,598</u>	\$ 3,988,352
Capital Projects Fund:		
Other		778
Nonmajor Governmental Funds:		
County road	1,345	
Road machinery	52,386	
Debt service	<u>21,305</u>	<u>75,036</u>
Total governmental funds		<u>\$ 4,064,166</u>
Enterprise Funds:		
Resident accounts receivable, net		<u>\$ 2,045,973</u>
Total enterprise funds		<u>\$ 2,045,973</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State, or other local municipalities. Intergovernmental receivables at December 31, 2014 are shown on the following page.

Governmental Funds:			
General Fund:			
Due From New York State and Federal Government	\$ 10,203,610		
Due from Local	<u>365,558</u>	\$	10,569,168
Capital Projects Fund:			
Due From New York State and Federal Government			2,746,841
Nonmajor Governmental Funds:			
County road	1,125,309		
Road machinery	<u>9,267</u>		<u>1,134,576</u>
Total governmental funds		\$	<u><u>14,450,585</u></u>
Enterprise Funds:			
Due From New York State and Federal Government		\$	<u>3,431,548</u>
Total enterprise funds		\$	<u><u>3,431,548</u></u>

4. CAPITAL ASSETS

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

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014
Capital assets, not being depreciated:				
Land	\$ 1,902,934	\$ -	\$ -	\$ 1,902,934
Construction in progress	<u>29,816,775</u>	<u>7,798,292</u>	<u>(8,648,658)</u>	<u>28,966,409</u>
Total capital assets not being depreciated	<u>31,719,709</u>	<u>7,798,292</u>	<u>(8,648,658)</u>	<u>30,869,343</u>
Capital assets, being depreciated:				
Infrastructure	132,138,486	12,359,123	-	144,497,609
Buildings and improvements	27,139,578	22,836	(505)	27,161,909
Machinery and equipment	25,906,620	2,166,736	(739,092)	27,334,264
Books	<u>519,410</u>	<u>-</u>	<u>-</u>	<u>519,410</u>
Total capital assets being depreciated	<u>185,704,094</u>	<u>14,548,695</u>	<u>(739,597)</u>	<u>199,513,192</u>
Less accumulated depreciation for:				
Infrastructure	79,896,517	5,992,827	-	85,889,344
Buildings and improvements	15,937,626	548,429	-	16,486,055
Machinery and equipment	15,740,285	2,054,337	(617,764)	17,176,858
Books	<u>222,257</u>	<u>87,661</u>	<u>-</u>	<u>309,918</u>
Total accumulated depreciation	<u>111,796,685</u>	<u>8,683,254</u>	<u>(617,764)</u>	<u>119,862,175</u>
Total capital assets, being depreciated, net	<u>73,907,409</u>	<u>5,865,441</u>	<u>(121,833)</u>	<u>79,651,017</u>
Governmental activities capital assets, net	<u>\$ 105,627,118</u>	<u>\$ 13,663,733</u>	<u>\$ (8,770,491)</u>	<u>\$ 110,520,360</u>

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

Governmental activities:	
General government support	\$ 866,209
Education	173
Public safety	606,557
Health	78,689
Transportation	6,843,667
Economic assistance and opportunity	52,565
Culture and recreation	777
Home and community services	<u>234,617</u>
Total depreciation expense—governmental activities	<u>\$ 8,683,254</u>

Business-type activities—Onoville Marina—Capital assets for the primary government’s business-type activities—Onoville Marina— for fiscal year ending December 31, 2014, was as follows:

	<u>Business-type Activities—Onoville Marina</u>			
	<u>Balance</u> <u>1/1/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2014</u>
Capital assets, not being depreciated:				
Land	\$ 813,215	\$ -	\$ -	\$ 813,215
Construction in progress	<u>99,248</u>	<u>-</u>	<u>-</u>	<u>99,248</u>
Total capital assets not being depreciated	<u>912,463</u>	<u>-</u>	<u>-</u>	<u>912,463</u>
Capital assets, being depreciated:				
Buildings and improvements	2,384,359	-	-	2,384,359
Machinery and equipment	<u>217,897</u>	<u>-</u>	<u>-</u>	<u>217,897</u>
Total capital assets being depreciated	<u>2,602,256</u>	<u>-</u>	<u>-</u>	<u>2,602,256</u>
Less accumulated depreciation for:				
Buildings and improvements	1,416,332	94,908	-	1,511,240
Machinery and equipment	<u>182,071</u>	<u>9,942</u>	<u>-</u>	<u>192,013</u>
Total accumulated depreciation	<u>1,598,403</u>	<u>104,850</u>	<u>-</u>	<u>1,703,253</u>
Total capital assets, being depreciated, net	<u>1,003,853</u>	<u>(104,850)</u>	<u>-</u>	<u>899,003</u>
Onoville Marina capital assets, net	<u>\$ 1,916,316</u>	<u>\$ (104,850)</u>	<u>-</u>	<u>\$ 1,811,466</u>

Business-type activities— The Pines Healthcare and Rehabilitation Center Funds—Capital assets for the primary government’s business-type activities— The Pines Healthcare and Rehabilitation Center Funds— for fiscal year ending December 31, 2014, was as follows:

Business-type Activities The Pines Machias Campus		Business-type Activities The Pines Olean Campus	
	Balance 12/31/2014		Balance 12/31/2014
Capital assets		Capital assets	
Land, building and improvements	\$ 15,953,239	Land, building and improvements	\$ 9,301,403
Fixed and movable equipment	2,152,791	Fixed and movable equipment	3,401,644
Total capital assets being depreciated	18,106,030	Total capital assets being depreciated	12,703,047
Less accumulated depreciation for:	(9,487,517)	Less accumulated depreciation for:	(9,166,440)
Total capital assets, net	\$ 8,618,513	Total capital assets, net	\$ 3,536,607

5. ACCRUED LIABILITIES

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

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 1,668,274	\$ 7,443	\$ 274,521	\$ 1,950,238
Workers' compensation	3,000,000	-	-	3,000,000
Other	2,608	-	-	2,608
Total accrued liabilities	\$ 4,670,882	\$ 7,443	\$ 274,521	\$ 4,952,846

6. RETIREMENT PLANS

Plan Description—The County of Cattaraugus participates in the New York State and Local Employee's Retirement System (“ERS”). This is a cost-sharing multiple-employer retirement system. The system provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (“NYSRSSL”) govern 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 serves as sole trustee and administrative head of the system. The comptroller shall adopt and may amend rules and regulations for the administration of the business of the system and for custody and control for their funds. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12236.

Funding Policy—The System is noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 who generally contribute three percent (3%) of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute three percent (3%) of their annual salary until March 31, 2013, after which the contribution percentage will be based on salary. Under

the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the New York State Local Retirement System's fiscal year ending March 31.

The County of Cattaraugus is required to contribute at an actuarially determined rate. The required contribution for the current year and two preceding years were:

	ERS
2014	\$ 9,055,794
2013	9,221,894
2012	9,426,798

The County's contributions made to the systems were equal to 100 percent of the contributions required for each year.

7. OTHER POSTEMPLOYMENT BENEFITS

Plan description—Cattaraugus County administers the Cattaraugus County Retiree Health Insurance Plan (the "Plan") as a single-employer defined benefit other postemployment benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the County subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of December 31, 2014, follows. There have been no significant changes in the number covered or the type of coverage since that date.

Active employees	734
Retired employees	510

Funding policy—The obligations of the plan members, employers and other entities are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The County currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the County.

Accounting policy—The accrual basis of accounting is used. The fair market value of plan assets is determined by the market value of assets paid by a willing buyer to a willing seller.

The County's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The table on the following page shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the County's net OPEB obligation.

	2014	2013
Annual required contribution	\$ 14,789,319	\$ 14,789,326
Interest on net OPEB obligation	2,311,492	1,972,367
Adjustment to annual required contribution	<u>(2,851,554)</u>	<u>(2,851,554)</u>
Annual OPEB costs (expense)	14,249,257	13,910,139
Contributions made	<u>(5,391,000)</u>	<u>(5,432,000)</u>
Increase in net OPEB obligation	8,858,257	8,478,139
Net OPEB obligation - beginning of year	<u>57,787,302</u>	<u>49,309,163</u>
Net OPEB obligation - end of year	<u>\$ 66,645,559</u>	<u>\$ 57,787,302</u>

Funding status and funding progress—As of January 1, 2013, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$157,834,473.

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

As of December 31, 2014, the County's most recent valuation date is January 1, 2013. Accordingly, information for the year ending December 31, 2014 has been estimated, information from the study is presented in the County's Schedule of Funding Progress, within the required supplementary information. The Schedule of the County's Contributions is show below.

Year Ended December 31,	Annual Required Contribution	Annual OPEB Cost	Contributions Made	Percentage Contributed
2014	\$ 14,789,319	\$ 14,249,257	\$ 5,391,000	37.8%
2013	14,789,326	13,910,139	5,432,000	39.1%
2012	12,566,129	12,296,787	3,984,000	32.4%

Actuarial methods and assumptions—The actuarial cost method used to calculate the costs of the Plan for age, disability, and vested and surviving spouse's benefits is known as the Projected Unit Credit Actuarial Cost Method. Under this method, each Participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, the Actuarial Accrued Liability is determined by pro-rating the projected benefit base upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The Normal Cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility. Contributions are made on a pay-as-you-go basis sufficient to fund current benefit payments only. There are no accumulated assets legally segregated for the sole purposes of paying the OPEB benefits valued in this Report, nor are there any assets earmarked for this purpose. In general, the Unfunded Actuarial Liability is amortized as a level dollar amount over a 30-year period. A single amortization base is re-amortized each year (open basis, as defined under GASB 45). All employees who are eligible for participation in the plan as of the valuation date are included in the calculations. Former employees, or their beneficiaries or contingent annuitants, where applicable, are also included if the employee data indicates that they are

entitled to an immediate or deferred benefit under the provisions of the plan. No liability is held for non-vested, inactive employees who have a break-in-service, or for employees who have quit or been terminated even if a break-in-service had not occurred as of the valuation date. The plan is open to new entrants. The plan is subject to good faith collective bargaining between the County and covered employees.

Measurement date—January 1, 2013

Discount Rate as of January 1, 2013—Four percent (4%) per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars.

Mortality table—The RP 2000 mortality tables for Male and Female Healthy Employees and Male and Female Healthy Retirees, projected to 2013 using Scale AA and no further improvements beyond 2013, are used. In the prior valuation, no mortality improvement was assumed for the RP 2000 tables.

Withdrawal from service—Employees are assumed to withdraw from service in accordance with the 2010 New York State pension valuation rates.

Opt-out rates—It is assumed that all active employees will elect medical coverage in retirements regardless of their participation while actively employed. Actual elections for retirees are used.

Salary scale—No salary increases were assumed since benefits are not based on compensation.

Health care trend factors—Health care costs are assumed to increase in accordance with the separate trends for pre 65 and post 65 retirees.

Retiree contribution rates—The employee contribution rate is assumed to increase.

Medicare—Medicare is expected to continue to cover the same portion of costs as it currently does. Although we understand that the County has filed to receive the 28% Retiree Drug Subsidy for Medicare-eligible retirees, these requirements are not valued under GASB 45 in accordance with GASB Technical Bulletin 2006-1.

Marriage rates—75% of employees were assumed to be electing spousal coverage at retirement and females are assumed to be three years younger than males. Actual data is used for retirees.

Retirement rates—Employees other than Sheriff Supervisors and Sheriff Deputies are assumed to retire in accordance with the 2010 New York State Retirement System valuation based on attained age. Sheriff Supervisors and Sheriff Deputies are assumed to retire in accordance with the 2010 New York State Police and Fire Retirement valuation based on years of service.

Net annual medical and prescription claim costs—Net Annual Experience-Rated Claims Cost for medical and prescription coverage were based on January 1, 2013 premiums and participant data. As retiree claim cost information for the Cattaraugus County medical plan was not sufficiently credible, experience from other medical studies with similar plan designs was used to develop reasonable assumptions for estimating current retiree costs.

Change in assumptions—Mortality probabilities were updated to project improvements in mortality from the base year of the RP 200 tables to the valuation year (200 to 2013). The medical trend rates were updated to reflect future increases in medical costs. The estimated increases in the bi-weekly employee contribution were similarly updated.

Change in plan provisions—No changes

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

Governmental Activities:	
General government	\$ 9,138,227
Education	86,102
Public Safety	10,059,270
Public Health	8,613,766
Transportation	9,696,390
Economic Assistance and Opportunity	14,611,548
Culture and Recreation	227,142
Home and Community Services	<u>1,197,928</u>
Total Government Activities	<u>\$ 53,630,373</u>
Business-Type Activities:	
The Pines Machias Campus	\$ 6,661,183
The Pines Olean Campus	6,240,524
Onoville Marina	<u>113,479</u>
Total Business-Type Activities	<u>\$ 13,015,186</u>
Total	<u>\$ 66,645,559</u>

8. RISK MANAGEMENT

The County records its risk management activities in the General Fund. The County assumes the liability for most risk including, but not limited to workers' compensation, property damage, and personal injury liability. The insurance policies obtained at this time include: property; boiler and machinery; faithful performance bonds; and auto liability on specific vehicles of the sheriff's department. For these insurance policies, no amount of settlements exceeded the insurance coverage during the past three years. In order to control losses due to risk exposure, the risk management department has developed a program to identify, evaluate, control and fund various municipal exposures.

Risk Management—The County carries commercial excess liability insurance of \$10,000,000 per occurrence with a \$10,000,000 aggregate annual limit for its government operations. The County carries commercial property coverage insurance subject to a maximum limit of any one occurrence of \$140,000,000. The County is self-insured for workers' compensation and employers' liability with a specific excess maximum limit of indemnity per occurrence of \$1,000,000 and an aggregate maximum limit of liability with respect to all occurrences taking place within the liability period of \$1,000,000. The county also carried employee dishonest coverage and commercial crime coverage insurance at varying limits dependent on the type of claim.

Litigation/claims payable—The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently able to be determined, in the opinion of the County's attorney and outside legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Cattaraugus County health plan—As of April 1, 1998, the County established a self-insured health plan for its eligible employees and retirees. The County's departments pay a "premium" to the plan based on the estimated costs, which is used to fund claims as they are incurred. The plan claims incurred but not reported is \$1,527,488 as of December 31, 2014, which is recorded as a liability.

Worker's compensation plan—The County established a self-insured plan for worker's compensation by a local law on January 1, 1990. The plan is administered by the risk manager. The County is a participant in the plan and the Cities of Olean and Salamanca, the towns and villages located within the County and other eligible public entities may elect to become a participant. The annual estimate of expense is apportioned among the participant's based on the total value of the participant's taxable real property bears to the aggregate full valuation of all participants. Since the County is the predominant participant in the plan, this is not considered a public entity risk pool per GASB. The worker's compensation activities of the County are recorded in the General Fund.

All employees of the County participate in this program based on estimates of the amounts needed to pay prior and current year claims. During the year 2014, an actuarial study estimated the plan's liability to be \$16,072,780, discounted at 1.5 percent. Changes in the claims liability in fiscal years 2012, 2013, and 2014 were as follows:

	<u>Beginning of Year</u>	<u>Changes in</u> <u>Estimates</u>	<u>Claims Payments</u>	<u>End of Year</u>
2014	\$ 16,519,728	\$ 1,274,955	\$ 1,721,903	\$ 16,072,780
2013	20,796,795	(880,067)	3,397,000	16,519,728
2012	18,450,110	4,586,445	2,239,760	20,796,795

Non-County participating employers (Cities, Towns, and Villages) accounts receivables of \$4,018,573 are due to the County for their share of this liability.

9. LEASE OBLIGATIONS

Capital leases—The County has recorded capital leases for various equipment in long-term liabilities in the Governmental and Proprietary Funds. The County's imputed interest for its capitalized lease obligations are deemed immaterial. Of the \$89,816 in remaining payments, \$27,619 are due during the year ending December 31, 2015.

Operating leases—The County has entered into a number of operating leases. Lease expenditures for the year ended December 31, 2014, amounted to \$243,471. Future minimum payments under operating leases at December 31, 2014 are as follows:

<u>Year</u>	<u>Amount</u>
2015	127,492
2016	46,022
2017	40,775
2018	35,851
2019	<u>120,758</u>
	<u>\$ 370,898</u>

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BAN’s”) are generally accounted for in the capital projects funds. Principal payments on BAN’s must be made annually. State law requires that BAN’s issued for capital purposes, be converted to long-term obligations within five years after the original issue date. However, BAN’s issued for assessable improvement projects may be renewed for a period equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The following is a summary of changes in the County’s short-term debt during the year ended December 31, 2014 for governmental activities:

	<u>Issue/ Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 1/1/2014</u>	<u>Issues</u>	<u>Redemptions</u>	<u>Balance 12/31/2014</u>
Capital Projects Fund:						
Various Capital Projects	2013/2014	0.53%	<u>\$ 1,634,500</u>	<u>\$ -</u>	<u>\$ 1,634,500</u>	<u>\$ -</u>

11. LONG-TERM LIABILITIES

Summary of changes in long-term debt—The following is a summary of changes in long-term debt for the year ended December 31, 2014:

	Balance 1/1/2014	Increases	Decreases	Balance 12/31/2014	Due Within One Year
Governmental activities:					
Bonds payable	\$ 36,805,672	\$ -	\$ (4,550,977)	\$ 32,254,695	\$ 4,454,696
Premium on serial bonds	606,883	-	(100,371)	506,512	100,370
Compensated absences	4,696,681	228,572	(104,188)	4,821,065	680,783
Capital leases	50,864	66,571	(27,619)	89,816	27,619
Landfill post closure	1,052,787	1,246	(175,673)	878,360	-
Health insurance	1,437,973	15,475,660	(15,386,145)	1,527,488	1,527,488
Other post-employment benefits	46,232,994	11,899,311	(4,501,932)	53,630,373	-
Workers' compensation	16,519,728	1,274,955	(1,721,903)	16,072,780	3,000,000
Total governmental activities	<u>\$ 107,403,582</u>	<u>\$ 28,946,315</u>	<u>\$ (26,568,808)</u>	<u>\$ 109,781,089</u>	<u>\$ 9,790,956</u>
Business type activities:					
Bonds payable	10,604,327	-	(574,022)	10,030,305	570,305
Premium on serial bonds	240,366	-	22,809	217,557	-
Compensated absences	538,504	-	59,378	479,126	221,893
Capital leases	10,171	-	2,271	7,900	2,443
Other post-employment benefits	11,554,308	2,216,991	(756,113)	13,015,186	-
Total business-type activities	<u>\$ 22,947,676</u>	<u>\$ 2,216,991</u>	<u>\$ (1,245,677)</u>	<u>\$ 23,750,074</u>	<u>\$ 794,641</u>

Advance and current refunding—On November 12, 2004, the County issued \$8,860,000 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt payments of \$8,670,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government activities column of the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$90,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total service payments over the next 12 years by \$187,920 and resulted in an economic gain of \$241,501.

On October 10, 2006, the County issued \$4,450,000 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt payments of \$4,159,290 of general obligation bonds. As a result, the refunded portions of the bonds are considered to be defeased and the liability for that portion has been removed from the government activities column of the Statement of Net Position. The reacquisition of price exceeded the net carrying amount of the refunded portion of the old debt by \$290,710. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The advanced refunding was undertaken to reduce total service payments over the next 11 years by \$129,489 and resulted in an economic gain of \$73,509.

On September 1, 2011, the County issued \$14,155,000 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purposes of generating resources for future debt payments of \$14,075,000 of general obligation bonds. As a result, the refunding portions of the bonds are considered to be defeased and the liability for that portion has been removed from the government activities column of the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the refunded portion of the old debt by \$80,000. This amount is being netted against the new debt and amortized over the remaining life of the new debt issued. The advanced refunding was undertaken to reduce total service payments over the next 19 years by \$1.2 million and resulted in an economic gain of \$877,322.

On January 23, 2013, the County issued \$7,210,000 of general obligation refunding bonds to provide resources to purchase U.S. Governmental Securities that were placed in an irrevocable trust for the purposes of generating resources for future debt payments of \$6,875,000 of general obligation bonds. As a result, the refunding portions of the bonds are considered to be defeased and the liability for that portion has been removed from the government activities column of the Statement of Net Position. The reacquisition of price exceeded the net carrying amount of the refunded portion of the old debt by \$335,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The advanced refunding was undertaken to reduce total service payments over the next 8 years by \$251,610 and resulted in an economic gain of \$217,659.

In-substance defeasance-prior years—In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements.

Bonds payable—The County borrows money in order to acquire land or equipment or construction of buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government.

A listing of bonded indebtedness transactions for the year ended December 31, 2014 follows:

Purpose	Issue/ Maturity Date	Interest Rate	Principal Outstanding 1/1/2014	Issued	Redeemed	Principal Outstanding 12/31/2014
Governmental activities						
Public Improvement	1999/2014	4.30-4.50%	\$ 275,000	\$ -	\$ 275,000	\$ -
Public Improvement	2004/2017	2.50-5.00%	1,095,000	-	275,000	820,000
Public Improvement	2005/2014	3.80-3.90%	275,000	-	275,000	-
Public Improvement	2006/2015	4.00%	500,000	-	250,000	250,000
Public Improvement	2006/2018	4.00-4.20%	2,055,672	-	440,977	1,614,695
Public Improvement	2007/2022	3.85%	2,065,000	-	220,000	1,845,000
Public Improvement	2008/2023	3.25-4.30%	3,400,000	-	325,000	3,075,000
Public Improvement	2010/2024	2.11-6.75%	6,720,000	-	485,000	6,235,000
Public Improvement	2011/2017	2.00-4.13%	1,425,000	-	360,000	1,065,000
Public Improvement	2012/2027	2.00-2.50%	5,815,000	-	365,000	5,450,000
Public Improvement	2013/2021	1.50-4.00%	6,720,000	-	985,000	5,735,000
Public Improvement	2013/2028	2.25-3.00%	6,460,000	-	295,000	6,165,000
Total governmental activities			<u>\$ 36,805,672</u>	<u>\$ -</u>	<u>\$ 4,550,977</u>	<u>\$ 32,254,695</u>
Business-type activities						
Public Improvement - Marina	2007/2015	4.00-4.20%	\$ 49,327	\$ -	\$ 24,022	\$ 25,305
Public Improvement - Pines	2007/2022	3.85%	560,000	-	55,000	505,000
Public Improvement - Pines	2011/2032	2.00-4.125%	9,995,000	-	495,000	9,500,000
Total business-type activities			<u>\$ 10,604,327</u>	<u>\$ -</u>	<u>\$ 574,022</u>	<u>\$ 10,030,305</u>

Annual debt service requirements to maturity are as follows:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 4,454,695	\$ 1,106,115	\$ 5,560,810	\$ 570,305	\$ 401,358	\$ 971,663
2016	4,215,000	955,785	5,170,785	545,000	379,126	924,126
2017	3,920,000	811,593	4,731,593	540,000	357,416	897,416
2018	2,925,000	681,426	3,606,426	570,000	335,906	905,906
2019	2,775,000	578,185	3,353,185	570,000	313,204	883,204
2020 - 2024	10,650,000	1,444,381	12,094,381	2,825,000	1,222,584	4,047,584
2025 - 2029	3,315,000	115,831	3,430,831	2,730,000	671,569	3,401,569
2030 - 2033	-	-	-	1,680,000	137,482	1,817,482
Total	<u>\$ 32,254,695</u>	<u>\$ 5,693,316</u>	<u>\$ 37,948,011</u>	<u>\$ 10,030,305</u>	<u>\$ 3,818,645</u>	<u>\$ 13,848,950</u>

Compensated absences— The County records the value of compensated absences (primarily accrued vacation and sick time benefits) in long-term liabilities in the governmental and proprietary fund types. The annual budget of the operating funds provides funding for the current portion of these benefits. The value recorded at December 31, 2014 for governmental activities is \$4,821,065.

The value of compensated absences for the Pines Healthcare and Rehabilitation Centers (Machias and Olean Campus) and Onoville Marina is recorded as accrued liabilities in the proprietary funds. The amount recorded at December 31, 2014 is \$479,126.

In the governmental fund financial statements, none of the liability is reported, as it is not expected to be paid using expendable available resources. In proprietary funds, the entire amount of compensated absences related to employees of those funds is reported as a fund liability.

Landfill post closure—The County tests and maintains certain landfill sites. Estimated long-term costs associated with future maintenance and testing total \$878,360. Further discussion of the County's post closure obligation can be found in Note 18.

Health, worker's compensation insurance and judgments and claims—The County's liability related to its health insurance plan totaled \$1,527,488 at December 31, 2014. The liability of the County's workers' compensation totaled \$16,072,780 at December 31, 2014. There was no liability related to the County's judgments and claims at December 31, 2014. Further discussion of the County's risk management programs can be found in Note 8.

OPEB obligation—As explained in Note 7, the County provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for services rendered. An employee's total compensation package includes not only the salaries and benefits received during service, but all compensation and benefits received for their services during postemployment. The County's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The estimated OPEB liability for governmental and business-type activities is estimated to be \$53,630,373 and \$13,015,186, respectively, at December 31, 2014.

12. NET POSITION AND FUND BALANCE

Net position—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		\$ 110,520,360
Related debt:		
Serial bonds issued	(32,254,695)	
Capital leases	(89,816)	
Unspent proceeds reported within Capital Projects Fund	<u>4,581,284</u>	
Debt issued for capital assets		<u>(27,763,227)</u>
Net investment in capital assets		<u>\$ 82,757,133</u>

- **Restricted amounts**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted amounts**—This category represents net position of the County not restricted for any project or other purpose.

Fund balance—GASB defines the different types of fund balances that a governmental entity must use for financial reporting purposes as the fund balance categories listed below:

- **Nonspendable**—Amount of assets that cannot be spent in the current period because of their form or because they must be maintained intact. As of December 31, 2014, the County had \$2,086,111 of prepaid expenditures that were classified as nonspendable funds.
- **Restricted**—Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. Restrictions of the County at December 31, 2014 are as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
MDLF loan fund	\$ 597,268	\$ -	\$ -	\$ 597,268
Insurance	1,436,574	-	-	1,436,574
Other	163,611	-	-	163,611
Capital projects	-	10,110,915	-	10,110,915
Debt	-	-	568,385	568,385
Trust accounts	-	-	5,639	5,639
Total restricted fund balance	<u>\$ 2,197,453</u>	<u>\$ 10,110,915</u>	<u>\$ 574,024</u>	<u>\$ 12,882,392</u>

Committed—Amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority, or by their designated body or official. As of December 31, 2014, Cattaraugus County had committed fund balance of \$122,500, which represents funds accumulated to be used for economic development, planning and tourism.

Assigned—Amounts that are subject to a purpose constraint that represents an intended use established by the County Legislator. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2014, the balances presented on the following page were considered to be assigned.

	General	Nonmajor	Total
	Fund	Governmental Funds	
Subsequent years' expenditures	\$ 2,290,172	\$ 14,800	\$ 2,304,972
Encumbrances	913,519	1,039,373	1,952,892
Home and community services	-	17,989	17,989
Economic assistance and opportunity	-	345,968	345,968
Total assigned fund balance	<u>\$ 3,203,691</u>	<u>\$ 1,418,130</u>	<u>\$ 4,621,821</u>

Unassigned—Represents the residual classification of the government’s General Fund, and could report a surplus or deficit. As of December 31, 2014, the unassigned fund balance was \$36,912,672.

The County will spend the most restricted dollars before less restricted where such spending is appropriate and the legal restriction does not limit the use of such restricted amount for the particular purpose in question in the following order: Nonspendable (if funds become spendable), Restricted, Committed, Assigned, and Unassigned.

13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the fund making payments when due, and (3) move residual cash from closed projects.

Interfund receivables, payables, and transfers of the County as of, and for the year ended December 31, 2014 are presented as follows:

Fund	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
Governmental Funds:				
General Fund	\$ 370,884	\$ -	\$ -	\$ 10,995,669
Capital Projects Fund	-	-	753,058	568,386
Other governmental funds	-	370,884	13,002,249	4,605,368
Business-type Activities:				
The Pines Olean Campus	-	-	2,414,116	-
Total	<u>\$ 370,884</u>	<u>\$ 370,884</u>	<u>\$ 16,169,423</u>	<u>\$ 16,169,423</u>

14. DEFERRED COMPENSATION PLAN

The County offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All assets at December 31, 2014 were held by a third-party in trust for the exclusive benefit of participants.

15. LABOR RELATIONS

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

16. CONTINGENCIES

Litigation—Various legal actions are pending against the County. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or result of operation of the County.

Grant programs—The County receives significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit. Any disallowed expenditure resulting from such audits could become a liability of the governmental funds. The amount, if any, of expenditures, which may be disallowed, cannot be determined at this time although the County expects such amounts to be immaterial.

Sales tax—The State of New York periodically audits its distribution of sales tax revenues to counties throughout the state. Thus, revenues recorded as the fiscal year end are subject to revision should such an audit take place.

17. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Open encumbrances are reported as an assignment of fund balance since such commitments will be honored through budget appropriations in the subsequent year. The County considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. Significant encumbrances as of December 31, 2014, are as listed below:

Fund	Purpose	Amount Encumbered
General	JCC Capital Project	392,177
General	Expansion Project	171,655
General	Zoar Valley Gateway Park	203,952
County Road	Round Concrete Pipe & Elliptical Concrete Pipe	301,880
Road Machinery	Tandem Axle Trucks	395,250
Road Machinery	Axle Truck Tractor	139,720

18. LANDFILL POST CLOSURE COSTS

State and Federal laws required the County to cap and close the Farwell and Five Points Landfills and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. The capping and closing of the Five Points Landfill was completed in 1988. The Farewell Landfill capping and closure was completed in 1989. Environmental and facility monitoring continues at both landfills including routine monitoring of groundwater, surface water and leachate samples.

The costs for testing and maintenance are estimated annually based on historical data and are included in the current year's budget. The estimates are subject to change due to inflation or deflation, technology, or changes in applicable laws and regulations. The liability for the long-term portion of the liability is recorded in the long-term liabilities of the governmental fund types. The balance as of December 31, 2014, is \$878,360.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2015, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefit Plan
Year Ended December 31, 2014

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
December 31, 2014	\$ -	\$ 157,834,473	\$ 157,834,473	0.0%	N/A	N/A
December 31, 2013	-	157,834,473	157,834,473	0.0%	N/A	N/A
December 31, 2012	-	132,361,582	132,361,582	0.0%	49,812,322	265.7%

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

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures and Changes in
Fund Balance—Budget and Actual—General Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Real property taxes	\$50,342,822	\$50,342,822	\$ 50,870,611	\$ 527,789
Real property tax items	2,604,982	2,754,982	2,831,949	76,967
Non property tax items	26,430,004	26,817,047	27,730,422	913,375
Departmental income	16,181,941	16,261,136	16,269,379	8,243
Intergovernmental charges	6,873,388	6,965,947	5,692,341	(1,273,606)
Use of money and property	1,017,154	1,017,154	1,009,495	(7,659)
Licenses and permits	45,200	45,200	49,559	4,359
Fines and forfeitures	300,518	328,616	269,085	(59,531)
Sale of property and compensation for loss	1,226,550	1,226,550	1,487,539	260,989
Miscellaneous	2,089,304	2,094,606	2,243,892	149,286
Interfund revenues	24,135,762	24,416,114	23,615,066	(801,048)
State aid	15,775,869	16,322,909	15,925,850	(397,059)
Federal aid	19,940,041	20,854,667	19,248,254	(1,606,413)
Total revenues	<u>166,963,535</u>	<u>169,447,750</u>	<u>167,243,442</u>	<u>(2,204,308)</u>
EXPENDITURES				
Current:				
General government support	45,813,551	45,984,673	43,428,107	2,556,566
Education	7,259,872	7,381,359	6,755,996	625,363
Public safety	18,885,741	19,911,960	19,424,737	487,223
Health	19,889,462	20,672,729	19,249,923	1,422,806
Transportation	23,341	17,000	17,000	-
Economic assistance and opportunity	57,975,678	59,133,636	55,306,612	3,827,024
Culture and recreation	1,240,648	1,674,852	1,392,094	282,758
Home and community services	2,382,007	2,311,404	2,117,876	193,528
Employee benefits	7,048,791	6,900,031	4,218,935	2,681,096
Debt service:				
Principal	18,684	18,263	14,860	3,403
Interest and fiscal charges	8,663	8,663	8,663	-
Total expenditures	<u>160,546,438</u>	<u>164,014,570</u>	<u>151,934,803</u>	<u>12,079,767</u>
Excess of revenues over expenditures	<u>6,417,097</u>	<u>5,433,180</u>	<u>15,308,639</u>	<u>9,875,459</u>
OTHER FINANCING USES				
Transfers out	(11,310,721)	(13,508,160)	(10,995,669)	2,512,491
Capital lease	-	-	66,571	66,571
Total other financing uses	<u>(11,310,721)</u>	<u>(13,508,160)</u>	<u>(10,929,098)</u>	<u>2,579,062</u>
Net change in fund balances*	(4,893,624)	(8,074,980)	4,379,541	12,454,521
Fund balances—beginning	<u>40,142,886</u>	<u>40,142,886</u>	<u>40,142,886</u>	<u>-</u>
Fund balances—ending	<u>\$35,249,262</u>	<u>\$32,067,906</u>	<u>\$ 44,522,427</u>	<u>\$ 12,454,521</u>

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

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

COUNTY OF CATTARAUGUS, NEW YORK
Note to the Required Supplementary Information
Year Ended December 31, 2014

1. BUDGETARY INFORMATION

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

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

The budget of the County is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget utilizes the modified accrual method of accounting and includes:

- The programs, projects, services and activities to be carried on during the fiscal year.
- The estimated revenue available to finance the operating plan.
- The estimated spending requirements of the operating plan.

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SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS AND SCHEDULES OF NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

County Road Fund—required by Highway Law Section 114 and accounts for salaries and expenses of the county highway office, maintenance of county roads and bridges, snow removal and construction and reconstruction of county roads.

Road Machinery Fund—required by Highway Law Section 133 and accounts for purchases, repairs and maintenance of highway machinery, tools and equipment; for construction, purchase and maintenance of buildings for the storage and repair of highway machinery and equipment; and for the purchase of materials and supplies to provide an adequate central stockpile for highway, snow removal and bridge purposes.

Conewango Watershed Fund—provides for the maintenance of the Conewango Creek Watershed.

Economic Development Fund—provides for economic development opportunities, job expansion programs and support services of treatment programs for persons suffering from gaming addictions.

Debt Service Fund

To account for the accumulation of resources for the payment of principal and interest on the County's general obligation bonds.

Permanent Funds

Trust funds are used to account for assets held by the County in a trustee capacity.

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COUNTY OF CATTARAUGUS, NEW YORK
Combining Balance Sheet— Nonmajor Governmental Funds
December 31, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,262,551	\$ -	\$ -	\$ 3,262,551
Restricted cash and cash equivalents	-	547,080	5,639	552,719
Investments	370,884	-	-	370,884
Accounts receivable	53,731	21,305	-	75,036
Intergovernmental receivables	<u>1,134,576</u>	<u>-</u>	<u>-</u>	<u>1,134,576</u>
Total assets	<u>\$ 4,821,742</u>	<u>\$ 568,385</u>	<u>\$ 5,639</u>	<u>\$ 5,395,766</u>
LIABILITIES				
Accounts payable	\$ 295,674	\$ -	\$ -	\$ 295,674
Accrued liabilities	274,521	-	-	274,521
Due to other funds	370,884	-	-	370,884
Unearned revenue	<u>2,462,533</u>	<u>-</u>	<u>-</u>	<u>2,462,533</u>
Total liabilities	<u>3,403,612</u>	<u>-</u>	<u>-</u>	<u>3,403,612</u>
FUND BALANCES				
Restricted	-	568,385	5,639	574,024
Assigned	<u>1,418,130</u>	<u>-</u>	<u>-</u>	<u>1,418,130</u>
Total fund balances	<u>1,418,130</u>	<u>568,385</u>	<u>5,639</u>	<u>1,992,154</u>
Total liabilities and fund balances	<u>\$ 4,821,742</u>	<u>\$ 568,385</u>	<u>\$ 5,639</u>	<u>\$ 5,395,766</u>

COUNTY OF CATTARAUGUS, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2014

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Non property tax items	\$ 10,143,910	\$ 259,145	\$ -	\$ 10,403,055
Departmental income	21,157	-	-	21,157
Intergovernmental charges	582,265	-	-	582,265
Use of money and property	137	2,972	18	3,127
Sale of property and compensation for loss	22,021	-	-	22,021
Miscellaneous	51,413	14,237	-	65,650
Interfund revenues	3,215,628	-	-	3,215,628
State aid	272,693	-	-	272,693
Federal aid	<u>1,024,360</u>	<u>105,883</u>	<u>-</u>	<u>1,130,243</u>
Total revenues	<u>15,333,584</u>	<u>382,237</u>	<u>18</u>	<u>15,715,839</u>
EXPENDITURES				
Current:				
General government support	-	3,000	-	3,000
Public safety	536,814	-	-	536,814
Transportation	15,266,099	-	-	15,266,099
Economic assistance and opportunity	44,692	-	-	44,692
Home and community services	1,155,947	-	-	1,155,947
Debt service:				
Principal	-	4,550,978	-	4,550,978
Interest and fiscal charges	<u>-</u>	<u>1,285,244</u>	<u>-</u>	<u>1,285,244</u>
Total expenditures	<u>17,003,552</u>	<u>5,839,222</u>	<u>-</u>	<u>22,842,774</u>
Excess (deficiency) of revenues over expenditures	<u>(1,669,968)</u>	<u>(5,456,985)</u>	<u>18</u>	<u>(7,126,935)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,079,192	5,923,057	-	13,002,249
Transfers out	<u>(4,605,368)</u>	<u>-</u>	<u>-</u>	<u>(4,605,368)</u>
Total other financing sources (uses)	<u>2,473,824</u>	<u>5,923,057</u>	<u>-</u>	<u>8,396,881</u>
Net change in fund balances	803,856	466,072	18	1,269,946
Fund balances—beginning	<u>614,274</u>	<u>102,313</u>	<u>5,621</u>	<u>722,208</u>
Fund balances—ending	<u>\$ 1,418,130</u>	<u>\$ 568,385</u>	<u>\$ 5,639</u>	<u>\$ 1,992,154</u>

COUNTY OF CATTARAUGUS, NEW YORK
Combining Balance Sheet—Nonmajor Special Revenue Funds
December 31, 2014

	<u>County Road</u>	<u>Road Machinery</u>	<u>Conewango Watershed</u>	<u>Economic Development</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS					
Cash (overdraft) and cash equivalents	\$ (370,620)	\$ 788,733	\$ 32,789	\$ 2,811,649	\$ 3,262,551
Investments	370,884	-	-	-	370,884
Accounts receivable	1,345	52,386	-	-	53,731
Intergovernmental receivables	1,125,309	9,267	-	-	1,134,576
Total assets	<u>\$ 1,126,918</u>	<u>\$ 850,386</u>	<u>\$ 32,789</u>	<u>\$ 2,811,649</u>	<u>\$ 4,821,742</u>
LIABILITIES					
Accounts payable	\$ 106,837	\$ 185,689	\$ -	\$ 3,148	\$ 295,674
Accrued liabilities	239,693	34,828	-	-	274,521
Due to other funds	370,884	-	-	-	370,884
Unearned revenue	-	-	-	2,462,533	2,462,533
Total liabilities	<u>717,414</u>	<u>220,517</u>	<u>-</u>	<u>2,465,681</u>	<u>3,403,612</u>
FUND BALANCES					
Assigned	<u>409,504</u>	<u>629,869</u>	<u>32,789</u>	<u>345,968</u>	<u>1,418,130</u>
Total fund balances	<u>409,504</u>	<u>629,869</u>	<u>32,789</u>	<u>345,968</u>	<u>1,418,130</u>
Total liabilities and fund balances	<u>\$ 1,126,918</u>	<u>\$ 850,386</u>	<u>\$ 32,789</u>	<u>\$ 2,811,649</u>	<u>\$ 4,821,742</u>

COUNTY OF CATTARAUGUS, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Special Revenue Funds
Year Ended December 31, 2014

	<u>County Road</u>	<u>Road Machinery</u>	<u>Conewango Watershed</u>	<u>Economic Development</u>	<u>Total Nonmajor Special Revenue Funds</u>
REVENUES					
Non property tax items	\$ 9,671,634	\$ 472,276	\$ -	\$ -	\$ 10,143,910
Departmental income	21,041	-	-	116	21,157
Intergovernmental charges	146,995	432,570	2,700	-	582,265
Use of money and property	-	-	137	-	137
Sale of property and compensation for loss	20,111	1,910	-	-	22,021
Miscellaneous	6,837	-	-	44,576	51,413
Interfund revenues	-	3,215,628	-	-	3,215,628
State aid	272,693	-	-	-	272,693
Federal aid	1,024,360	-	-	-	1,024,360
Total revenues	<u>11,163,671</u>	<u>4,122,384</u>	<u>2,837</u>	<u>44,692</u>	<u>15,333,584</u>
EXPENDITURES					
Current:					
Public safety	536,814	-	-	-	536,814
Transportation	11,311,930	3,954,169	-	-	15,266,099
Economic assistance and opportunity	-	-	-	44,692	44,692
Home and community services	1,145,955	-	9,992	-	1,155,947
Total expenditures	<u>12,994,699</u>	<u>3,954,169</u>	<u>9,992</u>	<u>44,692</u>	<u>17,003,552</u>
Excess (deficiency) of revenues over expenditures	<u>(1,831,028)</u>	<u>168,215</u>	<u>(7,155)</u>	<u>-</u>	<u>(1,669,968)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	6,482,917	250,307	-	345,968	7,079,192
Transfers out	(4,376,508)	(228,860)	-	-	(4,605,368)
Total other financing sources (uses)	<u>2,106,409</u>	<u>21,447</u>	<u>-</u>	<u>345,968</u>	<u>2,473,824</u>
Net change in fund balances	275,381	189,662	(7,155)	345,968	803,856
Fund balances—beginning	134,123	440,207	39,944	-	614,274
Fund balances—ending	<u>\$ 409,504</u>	<u>\$ 629,869</u>	<u>\$ 32,789</u>	<u>\$ 345,968</u>	<u>\$ 1,418,130</u>

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OTHER INFORMATION

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Debt Service Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Non property tax items	\$ 325,000	\$ 310,000	\$ 259,145	\$ (50,855)
Use of money and property	3,000	3,000	2,972	(28)
Miscellaneous	-	-	14,237	14,237
Federal aid	114,098	114,098	105,883	(8,215)
Total revenues	<u>442,098</u>	<u>427,098</u>	<u>382,237</u>	<u>(44,861)</u>
EXPENDITURES				
Current:				
General government support	2,500	3,000	3,000	-
Debt service:				
Principal	4,550,978	4,550,978	4,550,978	-
Interest	1,285,265	1,285,265	1,285,244	21
Total expenditures	<u>5,838,743</u>	<u>5,839,243</u>	<u>5,839,222</u>	<u>21</u>
Deficiency of revenues (under) expenditures	<u>(5,396,645)</u>	<u>(5,412,145)</u>	<u>(5,456,985)</u>	<u>(44,840)</u>
OTHER FINANCING SOURCES				
Transfers in	5,340,135	5,355,635	5,923,057	567,422
Total other financing sources	<u>5,340,135</u>	<u>5,355,635</u>	<u>5,923,057</u>	<u>567,422</u>
Net change in fund balances*	(56,510)	(56,510)	466,072	522,582
Fund balances—beginning	<u>102,313</u>	<u>102,313</u>	<u>102,313</u>	<u>-</u>
Fund balances—ending	<u>\$ 45,803</u>	<u>\$ 45,803</u>	<u>\$ 568,385</u>	<u>\$ 522,582</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—County Road Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Non-property tax items	\$ 9,050,000	\$ 9,050,000	\$9,671,634	\$ 621,634
Departmental income	13,000	13,000	21,041	8,041
Intergovernmental charges	80,000	105,000	146,995	41,995
Sale of property and compensation for loss	-	9,631	20,111	10,480
Miscellaneous	-	-	6,837	6,837
State aid	99,144	93,144	272,693	179,549
Federal aid	504,000	587,989	1,024,360	436,371
Total revenues	<u>9,746,144</u>	<u>9,858,764</u>	<u>11,163,671</u>	<u>1,304,907</u>
EXPENDITURES				
Current:				
Public safety	552,747	567,451	536,814	30,637
Transportation	13,178,077	12,066,433	11,311,930	754,503
Home and community services	-	1,145,956	1,145,955	1
Total expenditures	<u>13,730,824</u>	<u>13,779,840</u>	<u>12,994,699</u>	<u>785,141</u>
Deficiency of revenues over expenditures	<u>(3,984,680)</u>	<u>(3,921,076)</u>	<u>(1,831,028)</u>	<u>2,090,048</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,227,065	8,164,962	6,482,917	(1,682,045)
Transfers out	<u>(4,376,508)</u>	<u>(4,376,508)</u>	<u>(4,376,508)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,850,557</u>	<u>3,788,454</u>	<u>2,106,409</u>	<u>(1,682,045)</u>
Net change in fund balances*	(134,123)	(132,622)	275,381	408,003
Fund balances—beginning	<u>134,123</u>	<u>134,123</u>	<u>134,123</u>	<u>-</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ 1,501</u>	<u>\$ 409,504</u>	<u>\$ 408,003</u>

*The net change in fund balances was included in the budget as a re-appropriation of prior year encumbrances.

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Road Machinery Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Non property tax items	\$ 475,000	\$ 475,000	\$ 472,276	\$ (2,724)
Intergovernmental charges	360,000	360,000	432,570	72,570
Sale of property and compensation for loss	-	-	1,910	1,910
Interfund revenues	2,884,963	3,192,313	3,215,628	23,315
Total revenues	<u>3,719,963</u>	<u>4,027,313</u>	<u>4,122,384</u>	<u>95,071</u>
EXPENDITURES				
Current:				
Transportation	<u>4,416,924</u>	<u>4,705,403</u>	<u>3,954,169</u>	<u>751,234</u>
Total expenditures	<u>4,416,924</u>	<u>4,705,403</u>	<u>3,954,169</u>	<u>751,234</u>
Excess (deficiency) of revenues over expenditures	<u>(696,961)</u>	<u>(678,090)</u>	<u>168,215</u>	<u>846,305</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	485,614	473,004	250,307	(222,697)
Transfers out	<u>(228,860)</u>	<u>(228,860)</u>	<u>(228,860)</u>	<u>-</u>
Total other financing sources (uses)	<u>256,754</u>	<u>244,144</u>	<u>21,447</u>	<u>(222,697)</u>
Net change in fund balances*	(440,207)	(433,946)	189,662	623,608
Fund balances—beginning	<u>440,207</u>	<u>440,207</u>	<u>440,207</u>	<u>-</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ 6,261</u>	<u>\$ 629,869</u>	<u>\$ 623,608</u>

*The net change in fund balances was included in the budget as a re-appropriation of prior year encumbrances.

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Conewango Watershed Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 2,700	\$ 2,700	\$ 2,700	\$ -
Use of money and property	-	-	137	137
Total revenues	<u>2,700</u>	<u>2,700</u>	<u>2,837</u>	<u>137</u>
EXPENDITURES				
Current:				
Home and community services	<u>32,500</u>	<u>32,500</u>	<u>9,992</u>	<u>22,508</u>
Total expenditures	<u>32,500</u>	<u>32,500</u>	<u>9,992</u>	<u>22,508</u>
Net change in fund balances*	(29,800)	(29,800)	(7,155)	22,645
Fund balances—beginning	<u>39,944</u>	<u>39,944</u>	<u>39,944</u>	<u>-</u>
Fund balances—ending	<u>\$ 10,144</u>	<u>\$ 10,144</u>	<u>\$ 32,789</u>	<u>\$ 22,645</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—Economic Development Fund
Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ -	\$ 75	\$ 116	\$ 41
Miscellaneous	-	<u>2,491,858</u>	<u>44,576</u>	<u>(2,447,282)</u>
Total revenues	<u>-</u>	<u>2,491,933</u>	<u>44,692</u>	<u>(2,447,241)</u>
EXPENDITURES				
Current:				
Culture and recreation	-	<u>2,837,750</u>	<u>44,692</u>	<u>2,793,058</u>
Total expenditures	<u>-</u>	<u>2,837,750</u>	<u>44,692</u>	<u>2,793,058</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(345,817)</u>	<u>-</u>	<u>345,817</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	<u>345,968</u>	<u>345,968</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>345,968</u>	<u>345,968</u>
Net change in fund balances	-	<u>(345,817)</u>	<u>345,968</u>	<u>691,785</u>
Fund balances—beginning	-	-	-	-
Fund balances—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,968</u>	<u>\$ 691,785</u>

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FEDERAL AWARDS
INFORMATION

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

Federal Grantor/Pass-Through Grantor/Program Title (1)	Federal CFDA Number (2)	Federal Grantor/ Pass-Through Number	Federal Expenditures (3)
U.S. DEPARTMENT OF AGRICULTURE			
Passed through NYS Department of Education:			
Commodity Loans and Loan Deficiency Payments	10.051	N/A	\$ 107,290
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	61501	1,825
National School Lunch Program	10.555	61501	2,850
Total Child Nutrition Cluster			<u>4,675</u>
Passed Through NYS Department of Health:			
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	63405	2,279,919
Child and Adult Care Food Program	10.558	N/A	44,654
Passed Through NYS Office of Temporary and Disability Assistance:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	1,604,549
Watershed Rehabilitation Program	10.916	N/A	<u>344,000</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>4,385,087</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Programs:			
Procurement Technical Assistance for Business Firms	12.002	N/A	<u>121,025</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>121,025</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through NYS Office of Community Renewal:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	199HR95-11/ 199ME722-11	<u>38,550</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>38,550</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through NYS Office of Victim Services:			
Juvenile Justice and Delinquency Prevention	16.540	66101	95
Violence Against Women Formula Grants	16.588	N/A	17,692
Passed through NYS Division of Criminal Justice:			
Bullet Proof Vest Partnership Program	16.607	N/A	4,046
State and Local Anti-Terrorism Training	16.614	N/A	191,188
Passed through Council on Addiction Recovery Services, Inc.:			
Enforcing Underage Drinking Laws Program	16.727	N/A	<u>17,179</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>230,200</u>

(continued)

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

Federal Grantor/Pass-Through Grantor/Program Title (1)	Federal CFDA Number (2)	Federal Grantor/ Pass-Through Number	Federal Expenditures (3)
U.S. DEPARTMENT OF LABOR			
Passed through NYS Department of Labor:			
<i>WIA Cluster:</i>			
WIA Adult Program	17.258	N/A	135,549
WIA Youth Activities	17.259	N/A	174,635
ARRA - WIA Youth Activities	17.259	N/A	15,530
WIA Dislocated Workers	17.260	N/A	164,764
Total WIA Cluster			<u>490,478</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>490,478</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through NYS Department of Transportation:			
Highway Planning and Construction	20.205	N/A	1,603,038
State and Community Highway Safety	20.600	69970	13,472
Child Safety and Child Booster Seat Incentive Grants	20.613	N/A	15,508
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	69920	(840)
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,631,178</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through NYS Department of Health:			
State - Water Quality Management Planning	66.454	N/A	3,546
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>3,546</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through NYS Department of Health:			
Grants for Infants and Families	84.181	N/A	31,177
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>31,177</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through NYS Office of the Aging:			
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	93.043	69434	5,176
<i>Aging Cluster:</i>			
Title III, Part B - Grants for Supportive Service and Senior centers	93.044	69404	90,459
Title III, Part C - Nutrition Services	93.045	69423	161,134
Total Aging Cluster			<u>251,593</u>

(continued)

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

(concluded)

Federal Grantor/Pass-Through Grantor/Program Title (1)	Federal CFDA Number (2)	Federal Grantor/ Pass-Through Number	Federal Expenditures (3)
Special Programs for the Aging - Title IV and Title II - Discretionary Grants	93.048	N/A	11,040
National Family Caregiver Support, Title III, Part E	93.052	N/A	37,640
Medicare Enrollment Assistance Program	93.071	N/A	10,698
Centers for Medicare and Medicaid Services (CMS)			
Research, Demonstrations and Evaluations	93.779	N/A	51,425
Passed through NYS Department of Health:			
Family Planning - Services	93.217	63402	136,638
Immunization Grants	93.268	N/A	44,057
ARRA—Immunization Grants	93.268	N/A	14,621
Centers for Disease Control and Prevention - Investigations and			
Technical Assistance	93.283	N/A	74,315
Medical Assistance Program	93.778	62101	2,876,184
Grant to States for Operation of Qualified High Risk Pools	93.780	N/A	2,906
Assistance Programs for Chronic Disease Prevention and Control	93.945	N/A	214,876
Maternal and Child Health Services Block Grant to the States	93.994	63491	48,771
Passed through NYS Office of Temporary and Disability Assistance:			
Temporary Assistance For Needy Families	93.558	N/A	6,158,895
Child Support Enforcement	93.563	62501	753,740
Low-Income Home Energy Assistance	93.568	62210	5,141,155
Passed through NYS Office of Children and Family Services:			
Child Care and Development Block Grant	93.575	62702	1,960,327
Foster Care - Title IV-E	93.658	62401	2,149,536
Adoption Assistance	93.659	62402	12,961
Social Services Block Grant	93.667	62302	200,939
Chafee Foster Care Independence Program	93.674	N/A	148,756
Passed through NYS Office of Alcoholism and Substance Abuse Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	64805	633,897
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>20,940,146</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct Programs:			
Retired and Senior Volunteer Program	94.002	N/A	38,000
AmeriCorps	94.006	N/A	161,089
TOAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>199,089</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through NYS Emergency Management Office:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	1,160,643
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>1,160,643</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 29,231,119</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Expenditures of Federal Awards—Subrecipients
Year Ended December 31, 2014

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Commodity Loans and Loan Deficiency Payments	10.551	\$ 147,469
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	162,349
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	44,698
Centers for Disease Control and Prevention - Investigations and Technical Assitance	93.283	58,483
Temporary Assitance For Needy Families	93.558	978,370
Low-Income Home Energy Assitance	93.568	12,230
Social Services Block Grant	93.667	529,039
Community Transformation Grants - Small Communities	93.737	146,399
Medical Assitance Program	93.778	51,940
Block Grants for Prevention and Treatment of Substance Abuse	93.959	656,590
Maternal and Child Health Services Block Grant to the States	93.994	391
Various	Various	<u>112,547</u>
Total		<u>\$ 2,900,505</u>

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of County under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (1) Includes all federal award programs of the County of Cattaraugus, New York.
- (2) Source: Catalog of Federal Domestic Assistance.
- (3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principle contained in OMB Circular A-87, *Cost Principles for State, Local & Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. MATCHING COSTS

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

4. 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.

5. NON-MONETARY FEDERAL PROGRAM

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." During the year ended December 31, 2014, \$74,227,377 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, 2014, the County distributed \$16,379,259 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.

6. RECONCILIATION

A reconciliation to the basic financial statements is available.

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Cattaraugus, New York (the "County") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 10, 2015. Our report includes a reference to other auditors who audited the financial statements of the Pines Machias Campus and the Pines Olean Campus (the "Pines"), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Pines were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 10, 2015

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Cattaraugus, New York's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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.



June 10, 2015

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

Part I. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued: Unmodified*
 * (which report refers to other auditors)

Internal control over financial reporting:

- 1. Material weakness(es) identified? _____ Yes ✓ No
- 2. Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes ✓ None reported
- 3. Is any noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major programs:

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

Internal control over major programs:

- 4. Material weakness(es) identified? _____ Yes ✓ No
- 5. Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes ✓ None reported
- 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? _____ Yes ✓ No

7. The County's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Special Supplemental Nutrition Program for Women Infants, and Children	10.557
Watershed Rehabilitation Program	10.916
Low-Income Home Energy Assistance	93.568
Medical Assistance Program	93.778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

8. Dollar threshold used to distinguish between Type A and Type B programs? \$876,934

9. Auditee qualified as low-risk auditee? ✓ Yes No

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

Part II. Financial statement findings section

No findings noted.

Part III. Federal award findings and questioned costs section

No findings noted.

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Prior Year Audit Findings
Year Ended December 31, 2014
(Follow Up on December 31, 2013 Findings)

No matters were reported.

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