

**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, 2019
and Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Cattaraugus, New York (the "County"), as of and for the year ended December 31, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pines Machias Campus and Pines Olean Campus (collectively known as the "Pines"), the Cattaraugus County Land Bank Corporation (the "Land Bank") and Cattaraugus County Economic Sustainability and Growth Corporation (the "Sustainability and Growth Corporation"), which represent 93.6%, 0.5%, and 1.4% of the assets, respectively, and 94.9%, 2.7%, and 0.1% of the operating revenues, respectively, of the business-type activities. We also did not audit the financial statements of the County of Cattaraugus Industrial Development Agency (the "CCIDA"), which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pines, the Land Bank, the Sustainability and Growth Corporation, and the CCIDA, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Pines, the Land Bank, and the Sustainability and Growth Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2019, 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's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 20, 2020 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the County's internal control over financial reporting and compliance.



July 20, 2020

COUNTY OF CATTARAUGUS, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2019

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, 2019. 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 liabilities and deferred inflows of resources of the County's primary government exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$122,341,339 (*net position*). This consists of \$135,369,135 net investment in capital assets and \$6,343,617 restricted for specific purposes, offset by an unrestricted net position of \$(264,054,091).
- The County's primary government net position increased by \$7,175,629. Governmental activities increased the County's net position by \$4,945,957, while business-type activities increased the County's net position by \$2,229,672.
- At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$60,430,096, an increase of \$2,980,602 in comparison with the prior year's fund balance of \$57,449,494. Approximately 62.7 percent, \$37,867,657 of the combined fund balances is unassigned.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$37,867,657, or approximately 20.7 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 78.2 percent of the General Fund's total fund balance of \$48,448,407.
- The County's primary government net bonded indebtedness increased by \$2,907,670 as a result of a serial bond issuance of \$7,890,651, with a premium of \$116,035, offset by principal payments of \$4,995,000 and amortization of bond premiums of \$104,016.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Nonfinancial factors, such as changes in the County's property tax base and the condition of the County's roads, should also be considered to assess the overall health of the County.

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

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate development agency (County of Cattaraugus Industrial Development Agency) for which the County is financially accountable. Financial information presented for this discretely presented component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

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

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

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

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

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

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

Proprietary funds—The County maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Pines Olean and Pines Machias nursing homes, Onoville Marina, the Land Bank, and the Sustainability and Growth Corporation. When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in Proprietary Funds.

The County's Enterprise Funds represent its Business-type Activities, reported in the Government-wide financial statements but provides more detail and additional information, such as cash flows for Proprietary Funds.

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

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

The Agency Fund reports resources held by the County in custodial capacity for individual, private organizations and other governments.

The Agency Fund fund financial statement can be found on page 24 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-61 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's net pension liability, the changes in the County's total other postemployment benefits ("OPEB") obligation and the County's budgetary comparison schedule for the General Fund. Required supplementary information and the related notes can be found on pages 62-66 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 67-70.

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 71-75 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 76-87 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the County's primary government, liabilities and deferred inflows of resources exceeded assets and deferred outflows resulting in a net position of \$(122,341,091) at the close of the most recent fiscal year, as compared to \$(128,796,510) at the close of the fiscal year ended December 31, 2018.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets	\$ 89,790,348	\$ 90,749,420	\$ 32,675,884	\$ 30,918,363	\$ 122,466,232	\$ 121,667,783
Noncurrent assets	-	-	591,551	1,096,068	591,551	1,096,068
Capital assets	162,927,912	150,695,647	11,896,655	11,154,629	174,824,567	161,850,276
Total assets	252,718,260	241,445,067	45,164,090	43,169,060	297,882,350	284,614,127
Deferred outflows of resources	12,988,523	18,475,758	2,619,961	3,732,601	15,608,484	22,208,359
Liabilities:						
Current liabilities	24,110,647	23,097,134	1,589,500	1,633,361	25,700,147	24,730,495
Noncurrent liabilities	306,955,157	292,370,178	59,382,586	55,768,688	366,337,743	348,138,866
Total liabilities	331,065,804	315,467,312	60,972,086	57,402,049	392,037,890	372,869,361
Deferred inflows of resources	37,431,994	52,190,485	6,362,289	10,559,150	43,794,283	62,749,635
Net Position:						
Net investment in capital assets	130,725,656	121,325,150	4,643,479	3,359,629	135,369,135	124,684,779
Restricted	6,343,617	5,899,111	-	-	6,343,617	5,899,111
Unrestricted	(239,860,288)	(234,961,233)	(24,193,803)	(24,419,167)	(264,054,091)	(259,380,400)
Total net position	\$ (102,791,015)	\$ (107,736,972)	\$ (19,550,324)	\$ (21,059,538)	\$ (122,341,339)	\$ (128,796,510)

The largest portion of the County's net position at December 31, 2019, \$135,369,135, reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure and machinery and equipment), less any debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$6,343,617, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining portion of the County's net position, \$(264,054,091), is considered to be unrestricted. This deficit does not mean that the County does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the County's capital assets and are not expected to

be repaid from current resources. These long-term liabilities including compensated absences, other postemployment benefits (“OPEB”) obligation, and net pension liability, are funded annually within the funds.

Table 2, as presented below, shows the changes in net position for the year ended December 31, 2019 and December 31, 2018.

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

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>Year ended December 31,</u>		<u>Year ended December 31,</u>		<u>Year ended December 31,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues	\$ 68,162,102	\$ 67,316,808	\$ 31,674,002	\$ 30,928,142	\$ 99,836,104	\$ 98,244,950
General revenues	<u>108,156,858</u>	<u>103,944,893</u>	<u>23,697</u>	<u>28,212</u>	<u>108,180,555</u>	<u>103,973,105</u>
Total revenues	<u>176,318,960</u>	<u>171,261,701</u>	<u>31,697,699</u>	<u>30,956,354</u>	<u>208,016,659</u>	<u>202,218,055</u>
Total expenses	<u>171,373,003</u>	<u>169,390,275</u>	<u>29,468,027</u>	<u>28,104,666</u>	<u>200,841,030</u>	<u>197,494,941</u>
Change in net position	4,945,957	1,871,426	2,229,672	2,851,688	7,175,629	4,723,114
Net position—beginning	(107,736,972)	(109,608,398)	(21,779,996)	(23,911,226)	(129,516,968)	(133,519,624)
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>(720,458)</u>	<u>-</u>	<u>(720,458)</u>
Net position—ending	<u>\$ (102,791,015)</u>	<u>\$ (107,736,972)</u>	<u>\$ (19,550,324)</u>	<u>\$ (21,779,996)</u>	<u>\$ (122,341,339)</u>	<u>\$ (129,516,968)</u>

Governmental Activities—Governmental activities increased the County’s net position by \$4,945,957. A summary of revenues for governmental activities for the years ended December 31, 2019 and 2018 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	<u>Year Ended December 31,</u>		<u>Increase/(decrease)</u>	
	<u>2019</u>	<u>2018</u>	<u>Dollars</u>	<u>Percent %</u>
Charges for services	\$ 23,346,800	\$ 23,665,838	\$ (319,038)	(1.3)
Operating grants and contributions	36,726,944	37,612,764	(885,820)	(2.4)
Capital grants and contributions	8,088,358	6,038,206	2,050,152	34.0
Real property taxes and tax items	57,720,214	56,297,576	1,422,638	2.5
Non-property tax items	42,685,495	41,657,149	1,028,346	2.5
Unrestricted investment earnings	2,778,103	1,052,342	1,725,761	164.0
Miscellaneous	1,805,126	1,308,136	496,990	38.0
Sale of property and compensation for loss	<u>3,167,920</u>	<u>3,629,690</u>	<u>(461,770)</u>	<u>(12.7)</u>
Total revenues	<u>\$ 176,318,960</u>	<u>\$ 171,261,701</u>	<u>\$ 5,057,259</u>	<u>3.0</u>

The most significant source of revenues is property taxes and tax items, which account for \$57,720,214 or 32.7 percent of total government activities revenues. The next largest source of revenue is non-property tax items, which comprise \$42,685,495 or 24.2 percent for the year ended December 31, 2019. Similarly, for the year ended December 31, 2018, the most significant source of revenue was property taxes and tax items, which accounted for \$56,297,576 or 32.9 percent of total government activities revenues. The next largest source of revenue was non-property tax items, which comprised \$41,657,149 or 24.3 percent of total governmental activities revenues.

During the year ended December 31, 2019, total revenues for governmental activities increased by 3.0 percent, mainly due to increases in capital grants and contributions, unrestricted investment earnings, and property taxes and tax items. Capital grants and contributions increased due to the County utilizing its full allotment of Consolidated Highway Aid, unrestricted investment earnings increased due to strong investment performance and a favorable change in market value, and property taxes and tax items as planned within the budget.

A summary of program expenses of governmental activities for the years ended December 31, 2019 and December 31, 2018 is presented below in Table 4.

Table 4—Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2019	2018	Dollars	Percent %
General government support	\$ 28,722,722	\$ 27,340,206	\$ 1,382,516	5.1
Education	7,959,610	7,079,831	879,779	12.4
Public safety	24,370,884	24,104,378	266,506	1.1
Public health	21,664,448	21,786,118	(121,670)	(0.6)
Transportation	23,399,588	21,687,409	1,712,179	7.9
Economic assistance and opportunity	60,059,114	62,455,483	(2,396,369)	(3.8)
Culture and recreation	1,090,612	1,001,710	88,902	8.9
Home and community services	3,091,486	2,717,879	373,607	13.7
Interest and fiscal charges	1,014,539	1,217,261	(202,722)	(16.7)
Total program expenses	<u>\$ 171,373,003</u>	<u>\$ 169,390,275</u>	<u>\$ 1,982,728</u>	1.2

For the year ended December 31, 2019, the County’s most significant expense category for governmental activities is economic assistance and opportunity of \$60,059,114, or 35.0 percent of program expenses. The other significant expenses include general government support of \$28,722,722, or 16.8 percent of total expenses and public safety of \$24,370,884, or 14.2 percent of total expenses. Similarly, for the year ended December 31, 2018, the County’s most significant expense category for governmental activities was economic assistance and opportunity of \$62,455,483, or 36.9 percent of total expenses. The other significant expenses included general government support of \$27,340,206, or 16.1 percent of total expenses and public safety of \$24,104,378, or 14.2 percent of total expenses.

As shown above, total governmental activities program expenses increased 1.2 percent from the year ended December 31, 2018. This is primarily the result of increased transportation expenses due to increased road maintenance and repair costs as well as increased general government support expenses as a result of increased healthcare costs, offset by decreases in economic assistance and opportunity related to employee benefits.

Business-type Activities—Business-type activities increased the County’s net position by \$2,229,672. The major activities are for the Pines Machias Campus, the Pines Olean Campus, Onoville Marina, the Land Bank, and the Sustainability and Growth Corporation.

A summary of revenues and expenses for the County’s business-type activities for the years ended December 31, 2019 and 2018 is presented on the following page.

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

	Year Ended December 31,		Increase/(decrease)	
	2019	2018	Dollars	Percent %
Revenues:				
Service, property sales, and other operating revenue	\$ 23,296,067	\$ 22,632,823	\$ 663,244	2.9
Grants and intergovernmental transfer	8,377,935	8,207,839	170,096	2.1
Investment and miscellaneous income	41,371	118,162	(76,791)	(65.0)
Total revenues	<u>\$ 31,715,373</u>	<u>\$ 30,958,824</u>	<u>\$ 756,549</u>	2.4
Expenses:				
Nursing services	\$ 14,948,892	\$ 14,569,806	\$ 379,086	2.6
Ancillary	2,704,572	2,527,989	176,583	7.0
Dietary services	2,168,138	2,037,807	130,331	6.4
Administrative and general	8,043,956	7,325,112	718,844	9.8
Fringe benefits	46,914	39,775	7,139	17.9
Depreciation	1,177,207	1,272,665	(95,458)	(7.5)
Bad debt expense	86,083	901	85,182	9454.2
Interest expense	301,045	321,988	(20,943)	(6.5)
Amortization of bond issuance costs	7,697	7,697	-	0.0
Loss on disposal of capital assets	1,197	3,396	(2,199)	(64.8)
Total expenses	<u>\$ 29,485,701</u>	<u>\$ 28,107,136</u>	<u>\$ 1,378,565</u>	4.9

During the year ended December 31, 2019, total business-type activities revenues increased by 2.4 percent, mainly due to an increase in charges for services. The reduction was primarily due to an increase in patient service revenue.

As detailed above, the County's business-type activities total expenses for the year ended December 31, 2019 increased 4.9 percent from the previous year. The increase is primarily due to increased administrative and nursing service costs.

The County's business-type activities most significant expense items for the year ended December 31, 2019 are nursing and medical care, which accounts for \$14,948,892 or 50.7 percent of total expenses and administrative and general expenses which account for \$8,043,956 or 27.3 percent of total expenses. Similarly, for the year ended December 31, 2018, most significant expense items were nursing and medical care, which accounted for \$14,569,806 or 51.8 percent of total expenses and administrative and general expenses which accounted for \$7,325,110 or 26.1 percent of total expenses.

Financial Analysis of Governmental Funds

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

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

which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the County Legislature.

At December 31, 2019, the County's governmental funds reported combined ending fund balances of \$60,430,096, an increase of \$2,980,602 from the prior year. Approximately 62.7 percent of this amount, \$37,867,657, constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: (1) not in spendable form, \$1,689,430, (2) restricted for particular purposes, \$14,350,739, (3) committed for a particular purpose, \$315,478, or (4) assigned for particular purposes, \$6,206,792.

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 \$37,867,657, while total fund balance was \$48,448,407. The General Fund balance increased \$3,432,653 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both the *unassigned fund balance* and total fund balance to the total General Fund expenditures and transfers out. *Unassigned fund balance* represents approximately 20.7 percent of the total General Fund expenditures and transfers out, while total fund balance represents approximately 26.5 percent of that same amount.

The fund balance in the Capital Projects Fund decreased \$1,191,317 from December 31, 2018 due to capital outlay exceeding the serial bond issuance, state and federal aid, and transfers in from the General Fund. The ending fund balance in the Capital Projects Fund was \$9,376,025.

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

Overall net position of the proprietary funds increased \$2,229,672. This was primarily a result of increased service revenue, offset slightly by an increase in nursing service and administrative costs. The Pines Machias', the Pines Olean's, Land Bank's, and Sustainability and Growth Corporation's net position increased \$558,434, \$1,716,382, \$64,211, and \$6,772, respectively. The Onoville Marina's net position decreased by \$116,127.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2019 is presented in Table 6 on the following page.

Table 6—Summary of General Fund Results of Operations

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 181,183,555	\$ 186,934,760	\$ 186,063,445	\$ (871,315)
Expenditures and other financing uses	183,926,794	193,694,438	182,630,792	11,063,646
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (2,743,239)	\$ (6,759,678)	\$ 3,432,653	\$ 10,192,331

Original budget compared to final budget—During the year, the budget is modified, primarily to reflect the acceptance of new state and federal grants. These grants explain the majority of the increases in appropriations and revenue from the original adopted budget final budget. Additionally, in the current year there was a large increase in budgeted appropriations as a result of increased sales tax distributions related to increased sales tax collections.

Final budget compared to actual results—The General Fund had a favorable variance from the final budget of \$10,192,331. Positive revenue variances were realized primarily in sale of property and compensation for loss and use of money and property due to self-insurance stop-loss recoveries and investment performance, respectively. Positive expenditure variances were realized primarily in economic assistance and opportunity, general government support, and health due to lower than expected social service, employee wages and benefits, and program service costs, respectively.

Capital Assets and Debt Administration

Capital assets—The County’s investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounts to \$174,824,567 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure assets.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets net of depreciation for the governmental activities and business-type activities at the years ended December 31, 2019 and December 31, 2018 are presented in Table 7 on the following page.

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,918,632	\$ 1,918,632	\$ 813,215	\$ 813,215	\$ 2,731,847	\$ 2,731,847
Construction in progress	41,072,715	31,229,320	-	-	41,072,715	31,229,320
Infrastructure	99,113,524	96,177,603	-	-	99,113,524	96,177,603
Buildings and improvements	7,955,767	8,745,344	536,627	686,400	8,492,394	9,431,744
Machinery and equipment	12,867,274	12,624,748	72,819	78,603	12,940,093	12,703,351
The Pines	-	-	10,473,994	9,576,411	10,473,994	9,576,411
Total	<u>\$ 162,927,912</u>	<u>\$ 150,695,647</u>	<u>\$ 11,896,655</u>	<u>\$ 11,154,629</u>	<u>\$ 174,824,567</u>	<u>\$ 161,850,276</u>

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

Long-term liabilities—The County currently has \$38,808,651 in total bonded debt for governmental activities.

The County's business-type activities, the Pines Machias, the Pines Olean and the Onoville Marina, also have issued bonded debt and recorded as a long-term liability. The amount outstanding consists of public improvement serial bonds totaling \$7,227,000 as of December 31, 2019.

The County carries an Aa3 rating from Moody's Investors Service.

A summary of the County's long-term liabilities at December 31, 2019 and December 31, 2018 are presented in Table 8 below:

Table 8—Summary of Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018
Serial bonds	\$ 38,808,651	\$ 35,345,000	\$ 7,227,000	\$ 7,795,000	\$ 46,035,651	\$ 43,140,000
Premium on serial bonds	458,977	433,826	127,794	149,242	586,771	583,068
Bonds payable	39,267,628	35,778,826	7,354,794	7,944,242	46,622,422	43,723,068
Compensated absences	6,120,632	5,910,621	543,680	493,877	6,664,312	6,404,498
Capital leases	1,015,511	787,580	26,176	-	1,041,687	787,580
Landfill post closure	-	201,461	-	-	-	201,461
OPEB obligation	236,370,070	228,114,062	49,018,172	46,195,552	285,388,242	274,309,614
Noncurrent workers' compensation	11,762,585	12,287,718	-	-	11,762,585	12,287,718
Net pension liability	12,418,731	5,589,017	2,439,764	1,135,017	14,858,495	6,724,034
Total	<u>\$ 306,955,157</u>	<u>\$ 288,669,285</u>	<u>\$ 59,382,586</u>	<u>\$ 55,768,688</u>	<u>\$ 366,337,743</u>	<u>\$ 344,437,973</u>

For additional information on the County's long-term liabilities, refer to Note 12 of this report.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing Cattaraugus County's budget for the 2020 year included:

- Full-value assessments increased 2.1%.
- Total appropriations—all funds increased 3.0%.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

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BASIC FINANCIAL STATEMENTS

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COUNTY OF CATTARAUGUS, NEW YORK
Statement of Net Position
December 31, 2019

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Industrial</u>
	<u>Activities</u>	<u>Activities</u>		<u>Development</u>
				<u>Agency</u>
ASSETS				
Cash and cash equivalents	\$ 4,758,251	\$ 30,537,470	\$ 35,295,721	\$ 192,780
Restricted cash and cash equivalents	11,749,389	146,366	11,895,755	-
Cash, resident funds	-	195,016	195,016	-
Investments	34,404,134	-	34,404,134	720,919
Restricted investments	4,509,456	-	4,509,456	-
Receivables (net of allowances):				
Taxes receivable	11,174,977	-	11,174,977	-
Accounts receivable	5,036,430	1,582,533	6,618,963	57,763
Intergovernmental receivables	16,468,281	151,968	16,620,249	-
Inventory	-	62,219	62,219	-
Prepaid items	1,689,430	312	1,689,742	7,350
Bond issuance costs, net of amortization	-	97,615	97,615	-
Intergovernmental receivables	-	-	-	-
Notes receivable	-	493,936	493,936	-
Capital assets not being depreciated	42,991,347	813,215	43,804,562	149,299
Capital assets, net of accumulated depreciation	<u>119,936,565</u>	<u>11,083,440</u>	<u>131,020,005</u>	<u>99,140</u>
Total assets	<u>252,718,260</u>	<u>45,164,090</u>	<u>297,882,350</u>	<u>1,227,251</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows—relating to pensions	10,397,951	2,042,767	12,440,718	44,166
Deferred outflows—relating to OPEB	2,516,811	577,194	3,094,005	-
Deferred charge on refunding	<u>73,761</u>	<u>-</u>	<u>73,761</u>	<u>-</u>
Total deferred outflows of resources	<u>12,988,523</u>	<u>2,619,961</u>	<u>15,608,484</u>	<u>44,166</u>
LIABILITIES				
Accounts payable	7,248,813	763,435	8,012,248	-
Retainages payable	410,325	-	410,325	-
Accrued liabilities	3,580,334	396,837	3,977,171	3,904
Accrued interest payable	300,627	84,970	385,597	-
Intergovernmental payables	10,039,521	2,876	10,042,397	-
Unearned revenue	2,531,027	146,366	2,677,393	-
Resident funds held in trust	-	195,016	195,016	-
Noncurrent liabilities:				
Due within one year	5,448,419	907,823	6,356,242	-
Due in more than one year	<u>301,506,738</u>	<u>58,474,763</u>	<u>359,981,501</u>	<u>48,470</u>
Total liabilities	<u>331,065,804</u>	<u>60,972,086</u>	<u>392,037,890</u>	<u>52,374</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows—relating to pensions	6,020,735	1,182,825	7,203,560	29,129
Deferred inflows—relating to OPEB	30,995,314	5,179,464	36,174,778	-
Deferred inflows—State aid	<u>415,945</u>	<u>-</u>	<u>415,945</u>	<u>-</u>
Total deferred inflows of resources	<u>37,431,994</u>	<u>6,362,289</u>	<u>43,794,283</u>	<u>29,129</u>
NET POSITION				
Net investment in capital assets	130,725,656	4,643,479	135,369,135	248,439
Restricted for:				
MDLF loan fund	210,919	-	210,919	-
Insurance	1,457,965	-	1,457,965	-
Workers' compensation	1,867,705	-	1,867,705	-
Other	972,867	-	972,867	-
Capital projects	1,368,903	-	1,368,903	-
Debt	459,572	-	459,572	-
Trust accounts	5,686	-	5,686	-
Unrestricted	<u>(239,860,288)</u>	<u>(24,193,803)</u>	<u>(264,054,091)</u>	<u>941,475</u>
Total net position	<u>\$(102,791,015)</u>	<u>\$(19,550,324)</u>	<u>\$(122,341,339)</u>	<u>\$ 1,189,914</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Statement of Activities
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Industrial Development Agency
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government support	\$ 28,722,722	\$ 5,302,676	\$ 890,533	\$ 54,203	\$ (22,475,310)	\$ -	\$ (22,475,310)	\$ -
Education	7,959,610	-	3,177,298	-	(4,782,312)	-	(4,782,312)	-
Public safety	24,370,884	2,530,754	2,122,312	726,536	(18,991,282)	-	(18,991,282)	-
Health	21,664,448	11,103,263	6,582,099	-	(3,979,086)	-	(3,979,086)	-
Transportation	23,399,588	518,565	-	7,307,619	(15,573,404)	-	(15,573,404)	-
Economic assistance and opportunity	60,059,114	2,684,622	23,445,035	-	(33,929,457)	-	(33,929,457)	-
Culture and recreation	1,090,612	247	378,118	-	(712,247)	-	(712,247)	-
Home and community services	3,091,486	1,206,673	40,448	-	(1,844,365)	-	(1,844,365)	-
Interest and fiscal charges	1,014,539	-	91,101	-	(923,438)	-	(923,438)	-
Total governmental activities	<u>171,373,003</u>	<u>23,346,800</u>	<u>36,726,944</u>	<u>8,088,358</u>	<u>(103,210,901)</u>	<u>-</u>	<u>(103,210,901)</u>	<u>-</u>
Business-type activities:								
The Pines Machias Campus	14,810,065	11,400,197	3,961,232	-	-	551,364	551,364	-
The Pines Olean Campus	13,378,113	11,271,908	3,821,388	-	-	1,715,183	1,715,183	-
Onoville Marina	676,495	560,368	-	-	-	(116,127)	(116,127)	-
Land Bank Corporation	584,575	63,594	585,192	-	-	64,211	64,211	-
Sustainability and Growth Corporation	18,779	-	10,123	-	-	(8,656)	(8,656)	-
Total business-type activities	<u>29,468,027</u>	<u>23,296,067</u>	<u>8,377,935</u>	<u>-</u>	<u>-</u>	<u>2,205,975</u>	<u>2,205,975</u>	<u>-</u>
Total primary government	<u>\$ 200,841,030</u>	<u>\$ 46,642,867</u>	<u>\$ 45,104,879</u>	<u>\$ 8,088,358</u>	<u>(103,210,901)</u>	<u>2,205,975</u>	<u>(101,004,926)</u>	<u>-</u>
Component unit:								
Cattaraugus County Industrial Development Agency	\$ 303,297	\$ 139,317	\$ -	\$ -				(163,980)
Total component unit	<u>\$ 303,297</u>	<u>\$ 139,317</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(163,980)</u>
General revenues:								
					55,313,609	-	55,313,609	-
					2,406,605	-	2,406,605	-
					42,685,495	-	42,685,495	-
					2,778,103	15,428	2,793,531	-
					1,805,126	8,269	1,813,395	5,904
					3,167,920	-	3,167,920	14,727
					<u>108,156,858</u>	<u>23,697</u>	<u>108,180,555</u>	<u>20,631</u>
					4,945,957	2,229,672	7,175,629	(143,349)
					(107,736,972)	(21,779,996)	(129,516,968)	1,333,263
					<u>\$ (102,791,015)</u>	<u>\$ (19,550,324)</u>	<u>\$ (122,341,339)</u>	<u>\$ 1,189,914</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,080,004	\$ -	\$ 1,678,247	\$ 4,758,251
Restricted cash and cash equivalents	1,590,716	8,369,276	1,789,397	11,749,389
Investments	34,404,134	-	-	34,404,134
Restricted investments	4,509,456	-	-	4,509,456
Receivables (net of allowances):				
Taxes receivable	11,174,977	-	-	11,174,977
Accounts receivable	3,826,800	-	40,833	3,867,633
Due from other funds	56,927	-	-	56,927
Intergovernmental receivables	13,442,406	1,796,428	1,229,447	16,468,281
Prepaid items	1,689,430	-	-	1,689,430
Total assets	<u>\$ 73,774,850</u>	<u>\$ 10,165,704</u>	<u>\$ 4,737,924</u>	<u>\$ 88,678,478</u>
LIABILITIES				
Accounts payable	\$ 5,940,748	\$ 787,721	\$ 520,344	\$ 7,248,813
Accrued liabilities	3,379,643	1,923	198,768	3,580,334
Intergovernmental payables	10,039,521	-	-	10,039,521
Due to other funds	-	-	56,927	56,927
Unearned revenue	1,174,771	35	1,356,221	2,531,027
Total liabilities	<u>20,534,683</u>	<u>789,679</u>	<u>2,132,260</u>	<u>23,456,622</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue—property taxes	4,375,815	-	-	4,375,815
Unavailable revenue—state aid	415,945	-	-	415,945
Total deferred inflows of resources	<u>4,791,760</u>	<u>-</u>	<u>-</u>	<u>4,791,760</u>
FUND BALANCES				
Nonspendable	1,689,430	-	-	1,689,430
Restricted	4,509,456	9,376,025	465,258	14,350,739
Committed	315,478	-	-	315,478
Assigned	4,066,386	-	2,140,406	6,206,792
Unassigned	37,867,657	-	-	37,867,657
Total fund balances	<u>48,448,407</u>	<u>9,376,025</u>	<u>2,605,664</u>	<u>60,430,096</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 73,774,850</u>	<u>\$ 10,165,704</u>	<u>\$ 4,737,924</u>	<u>\$ 88,678,478</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, 2019

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

Total fund balances—governmental funds (page 17)		\$ 60,430,096
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$318,308,867 and the accumulated depreciation is \$155,380,955.		162,927,912
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		73,761
Uncollected property taxes of \$4,375,815 are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		4,375,815
Deferred outflows and inflows of resources related to pensions and other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$ 4,759,190	
Deferred outflows related to experience and investment earnings	5,638,761	
Deferred inflows related to pension plans	(6,020,735)	
Deferred outflow related to OPEB	2,516,811	
Deferred inflows related to OPEB	<u>(30,995,314)</u>	(24,101,287)
Certain accrued revenues reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds.		1,168,797
Retained percentages are not a current liability and, therefore, are not reported in the funds.		(410,325)
Accrued interest expense for serial bonds and bond anticipation notes is not reported in the funds.		(300,627)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. The effect of these items are:		
Serial bonds	\$ (38,808,651)	
Premium on serial bonds	(458,977)	
Compensated absences	(6,120,632)	
Capital leases	(1,015,511)	
OPEB obligation	(236,370,070)	
Noncurrent workers' compensation	(11,762,585)	
Net pension liability	<u>(12,418,731)</u>	(306,955,157)
Total net position of governmental activities		<u>\$ (102,791,015)</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 55,953,868	\$ -	\$ -	\$ 55,953,868
Real property tax items	2,406,605	-	-	2,406,605
Non property tax items	31,049,004	-	11,636,491	42,685,495
Departmental income	17,278,088	-	24,160	17,302,248
Intergovernmental charges	5,284,005	-	506,165	5,790,170
Use of money and property	2,868,156	-	45,699	2,913,855
Licenses and permits	54,093	-	-	54,093
Fines and forfeitures	200,289	-	-	200,289
Sale of property and compensation for loss	2,857,420	291,500	19,000	3,167,920
Miscellaneous	1,721,527	143,500	123,379	1,988,406
Interfund revenues	28,678,763	-	4,104,647	32,783,410
State aid	18,248,800	7,488,491	54,872	25,792,163
Federal aid	18,237,576	414,622	370,941	19,023,139
Total revenues	<u>184,838,194</u>	<u>8,338,113</u>	<u>16,885,354</u>	<u>210,061,661</u>
EXPENDITURES				
Current:				
General government support	52,788,630	-	-	52,788,630
Education	7,959,519	-	-	7,959,519
Public safety	21,177,231	-	700,016	21,877,247
Health	20,252,552	-	-	20,252,552
Transportation	17,659	-	17,233,586	17,251,245
Economic assistance and opportunity	57,538,540	-	168,262	57,706,802
Culture and recreation	1,127,750	-	-	1,127,750
Home and community services	2,942,061	-	11,922	2,953,983
Employee benefits	6,120,443	-	-	6,120,443
Debt service:				
Principal	225,123	-	4,507,206	4,732,329
Interest and fiscal charges	22,190	-	951,094	973,284
Capital outlay	-	<u>21,877,221</u>	-	<u>21,877,221</u>
Total expenditures	<u>170,171,698</u>	<u>21,877,221</u>	<u>23,572,086</u>	<u>215,621,005</u>
Excess (deficiency) of revenues over expenditures	<u>14,666,496</u>	<u>(13,539,108)</u>	<u>(6,686,732)</u>	<u>(5,559,344)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	832,065	4,457,140	12,530,703	17,819,908
Transfers out	(12,459,094)	-	(5,360,814)	(17,819,908)
Issuance of serial bonds	-	7,890,651	-	7,890,651
Premium on bonds issued	-	-	116,035	116,035
Proceeds of capital leases	393,186	-	140,074	533,260
Total other financing sources (uses)	<u>(11,233,843)</u>	<u>12,347,791</u>	<u>7,425,998</u>	<u>8,539,946</u>
Net change in fund balances	3,432,653	(1,191,317)	739,266	2,980,602
Fund balances—beginning	45,015,754	10,567,342	1,866,398	57,449,494
Fund balances—ending	<u>\$ 48,448,407</u>	<u>\$ 9,376,025</u>	<u>\$ 2,605,664</u>	<u>\$ 60,430,096</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, 2019

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) \$ 2,980,602

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 loss on disposition of capital assets and depreciation in the current period.

Capital asset additions	\$ 23,527,135	
Loss on disposition of capital assets	(361,570)	
Depreciation expense	<u>(10,933,300)</u>	12,232,265

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 property taxes receivable	\$ (539,354)	
Change in other receivables	<u>(481,307)</u>	(1,020,661)

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

Direct pension contributions	\$ 4,759,190	
Cost of benefits earned net of employee contributions	<u>(5,572,002)</u>	(812,812)

Deferred inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization.

Change in OPEB assumptions	\$ 2,516,811	
Differences between expected and actual experience	<u>971,088</u>	3,487,899

Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues. (373,923)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (19,227)

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

Issuance of serial bonds	\$ (7,890,651)	
Principal payments on serial bonds	4,427,000	
Premiums on serial bonds	(116,035)	
Amortization of premiums on serial bonds	90,884	
Amortization of deferred charge on refunding	(22,028)	
Proceeds of capital leases	(533,260)	
Principal payments on capital leases	305,329	
Change in compensated absences	(210,011)	
Change in landfill post closure	201,461	
Change in OPEB obligation	(8,256,008)	
Change in noncurrent workers' compensation	<u>475,133</u>	<u>(11,528,186)</u>

Change in net position of governmental activities \$ 4,945,957

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

COUNTY OF CATTARAUGUS, NEW YORK
Statement of Net Position—Proprietary Funds
December 31, 2019

	Business-type Activities					Total Enterprise Funds
	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	Land Bank Corporation	Sustainability and Growth Corporation	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 12,043,672	\$ 17,695,010	\$ 553,354	\$ 93,392	\$ 152,042	\$ 30,537,470
Restricted cash and cash equivalents	-	-	18,075	128,291	-	146,366
Cash, resident funds	104,190	90,826	-	-	-	195,016
Receivable, resident (net of allowance)	834,742	747,791	-	-	-	1,582,533
Intergovernmental receivables	-	151,968	-	-	-	151,968
Inventory	24,470	20,670	17,079	-	-	62,219
Prepaid items	186	126	-	-	-	312
Total current assets	<u>13,007,260</u>	<u>18,706,391</u>	<u>588,508</u>	<u>221,683</u>	<u>152,042</u>	<u>32,675,884</u>
Noncurrent assets:						
Bond issuance costs, net of amortization	97,615	-	-	-	-	97,615
Intergovernmental receivables	-	-	-	-	-	-
Notes receivable	-	-	-	-	493,936	493,936
Capital assets not being depreciated	-	-	813,215	-	-	813,215
Capital assets, net of accumulated depreciation	6,542,845	3,931,149	609,446	-	-	11,083,440
Total noncurrent assets	<u>6,640,460</u>	<u>3,931,149</u>	<u>1,422,661</u>	<u>-</u>	<u>493,936</u>	<u>12,488,206</u>
Total assets	<u>19,647,720</u>	<u>22,637,540</u>	<u>2,011,169</u>	<u>221,683</u>	<u>645,978</u>	<u>45,164,090</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows—relating to pensions	1,080,935	924,510	37,322	-	-	2,042,767
Deferred outflows—relating to OPEB	339,392	200,611	37,191	-	-	577,194
Total deferred outflows of resources	<u>1,420,327</u>	<u>1,125,121</u>	<u>74,513</u>	<u>-</u>	<u>-</u>	<u>2,619,961</u>
LIABILITIES						
Current liabilities:						
Accounts payable	258,850	504,150	435	-	-	763,435
Accrued liabilities	211,351	182,228	3,258	-	-	396,837
Accrued interest payable	82,866	2,104	-	-	-	84,970
Intergovernmental payables	-	-	2,876	-	-	2,876
Unearned revenue	-	-	18,075	128,291	-	146,366
Resident funds held in trust	104,190	90,826	-	-	-	195,016
Total current liabilities	<u>657,257</u>	<u>779,308</u>	<u>24,644</u>	<u>128,291</u>	<u>-</u>	<u>1,589,500</u>
Noncurrent liabilities:						
Due within one year	675,490	229,127	3,206	-	-	907,823
Due in more than one year	34,620,607	23,198,142	656,014	-	-	58,474,763
Total noncurrent liabilities	<u>35,296,097</u>	<u>23,427,269</u>	<u>659,220</u>	<u>-</u>	<u>-</u>	<u>59,382,586</u>
Total liabilities	<u>35,953,354</u>	<u>24,206,577</u>	<u>683,864</u>	<u>128,291</u>	<u>-</u>	<u>60,972,086</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows—relating to pensions	625,894	535,320	21,611	-	-	1,182,825
Deferred inflows—relating to OPEB	2,721,488	2,359,306	98,670	-	-	5,179,464
Total deferred inflows of resources	<u>3,347,382</u>	<u>2,894,626</u>	<u>120,281</u>	<u>-</u>	<u>-</u>	<u>6,362,289</u>
NET POSITION						
Net investment in capital assets	(523,331)	3,744,149	1,422,661	-	-	4,643,479
Unrestricted	(17,709,358)	(7,082,691)	(141,124)	93,392	645,978	(24,193,803)
Total net position	<u>\$ (18,232,689)</u>	<u>\$ (3,338,542)</u>	<u>\$ 1,281,537</u>	<u>\$ 93,392</u>	<u>\$ 645,978</u>	<u>\$ (19,550,324)</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, 2019

	<u>Business-type Activities</u>					<u>Total Enterprise Funds</u>
	<u>The Pines Machias Campus</u>	<u>The Pines Olean Campus</u>	<u>Onoville Marina</u>	<u>Land Bank Corporation</u>	<u>Sustainability and Growth Corporation</u>	
Operating revenues:						
Net service revenue	\$ 11,144,279	\$ 11,074,047	\$ 560,368	\$ -	\$ -	\$ 22,778,694
Grants	-	-	-	585,192	10,123	595,315
Property sales	-	-	-	63,281	-	63,281
Other operating revenue	255,918	197,861	-	313	-	454,092
Total operating revenues	<u>11,400,197</u>	<u>11,271,908</u>	<u>560,368</u>	<u>648,786</u>	<u>10,123</u>	<u>23,891,382</u>
Operating expenses:						
Nursing services	7,624,822	7,324,070	-	-	-	14,948,892
Ancillary services	1,375,464	1,329,108	-	-	-	2,704,572
Dietary services	1,248,121	920,017	-	-	-	2,168,138
Personnel services	-	-	445,394	-	-	445,394
Housekeeping	528,120	406,269	-	-	-	934,389
Laundry service	203,173	184,379	-	-	-	387,552
Maintenance and utilities	808,805	627,249	-	-	-	1,436,054
Fiscal services	573,822	576,744	-	-	-	1,150,566
Fringe benefits	-	-	46,914	-	-	46,914
Administrative services	853,419	877,514	-	-	-	1,730,933
Assessments	731,258	624,456	-	-	-	1,355,714
Depreciation, including indirect charges	513,440	479,580	184,187	-	-	1,177,207
Provision for bad debt	61,462	24,621	-	-	-	86,083
Program services	-	-	-	523,990	-	523,990
Management and general	-	-	-	60,585	18,779	79,364
Total operating expenses	<u>14,521,906</u>	<u>13,374,007</u>	<u>676,495</u>	<u>584,575</u>	<u>18,779</u>	<u>29,175,762</u>
Operating gain (loss)	<u>(3,121,709)</u>	<u>(2,102,099)</u>	<u>(116,127)</u>	<u>64,211</u>	<u>(8,656)</u>	<u>(5,284,380)</u>
Nonoperating revenues (expenses):						
Investment income	-	-	-	-	15,428	15,428
Interest expense	(298,028)	(3,017)	-	-	-	(301,045)
Intergovernmental transfer	3,961,232	3,821,388	-	-	-	7,782,620
Amortization of bond premium	17,674	-	-	-	-	17,674
Amortization of bond issuance costs	(7,697)	-	-	-	-	(7,697)
Loss on disposal of capital assets	(108)	(1,089)	-	-	-	(1,197)
Other	7,070	1,199	-	-	-	8,269
Total nonoperating revenues (expenses)	<u>3,680,143</u>	<u>3,818,481</u>	<u>-</u>	<u>-</u>	<u>15,428</u>	<u>7,514,052</u>
Change in net position	558,434	1,716,382	(116,127)	64,211	6,772	2,229,672
Total net position—beginning	<u>(18,791,123)</u>	<u>(5,054,924)</u>	<u>1,397,664</u>	<u>29,181</u>	<u>639,206</u>	<u>(21,779,996)</u>
Total net position—ending	<u>\$ (18,232,689)</u>	<u>\$ (3,338,542)</u>	<u>\$ 1,281,537</u>	<u>\$ 93,392</u>	<u>\$ 645,978</u>	<u>\$ (19,550,324)</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, 2019

	Business-type Activities					Total Enterprise Funds
	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	Land Bank Corporation	Sustainability and Growth Corporation	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from services provided	\$ 12,052,737	\$ 11,020,411	\$ 545,328	\$ -	\$ -	\$ 23,618,476
Receipts from grants	-	-	-	348,843	10,123	358,966
Receipts from property sales	-	-	-	63,281	-	63,281
Payments to suppliers and service providers	(4,158,144)	(3,514,117)	(227,822)	(584,575)	(18,779)	(8,503,437)
Payments to employees for salaries and benefits	(9,656,070)	(7,867,418)	(278,436)	-	-	(17,801,924)
Other receipts	255,918	197,861	-	313	15,428	469,520
Net cash provided by (used for) operating activities	<u>(1,505,559)</u>	<u>(163,263)</u>	<u>39,070</u>	<u>(172,138)</u>	<u>6,772</u>	<u>(1,795,118)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental transfers	3,961,232	3,821,388	-	-	-	7,782,620
Rental of real property	7,070	-	-	-	-	7,070
Other	-	1,199	-	-	-	1,199
Net cash provided by noncapital financing activities	<u>3,968,302</u>	<u>3,822,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,790,889</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments on serial bonds	(505,000)	(63,000)	-	-	-	(568,000)
Proceeds of capital lease	31,835	-	-	-	-	31,835
Principal payments on capital lease	(5,659)	-	-	-	-	(5,659)
Increase in net pension liability	693,913	584,414	-	-	-	1,278,327
Net change in deferred inflows/outflows related to pensions	(630,215)	(541,678)	-	-	-	(1,171,893)
Increase in OPEB liability	1,482,738	-	-	-	-	1,482,738
Net change in deferred inflows related to OPEB	(1,119,951)	(773,908)	-	-	-	(1,893,859)
Interest paid on capital debt	(313,923)	(6,701)	-	-	-	(320,624)
Acquisition and construction of capital assets	(839,166)	(1,039,306)	(28,630)	-	-	(1,907,102)
Net cash used for capital and related financing activities	<u>(1,205,428)</u>	<u>(1,840,179)</u>	<u>(28,630)</u>	<u>-</u>	<u>-</u>	<u>(3,074,237)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments on notes receivable	-	-	-	-	(260,345)	(260,345)
Receipts from notes receivable	-	-	-	-	35,909	35,909
Net cash used for investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224,436)</u>	<u>(224,436)</u>
Net change in cash and cash equivalents	1,257,315	1,819,145	10,440	(172,138)	(217,664)	2,697,098
Cash and cash equivalents—beginning	10,786,357	15,875,865	560,989	393,821	369,706	27,986,738
Cash and cash equivalents—ending	<u>\$ 12,043,672</u>	<u>\$ 17,695,010</u>	<u>\$ 571,429</u>	<u>\$ 221,683</u>	<u>\$ 152,042</u>	<u>\$ 30,683,836</u>
Reconciliation of operating gain (loss) to net cash provided by (used for) operating activities:						
Operating gain (loss)	\$ (3,121,709)	\$ (2,102,099)	\$ (116,127)	\$ 64,211	\$ 6,772	\$ (5,268,952)
Adjustments to reconcile operating gain (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	506,979	473,512	184,187	-	-	1,164,678
Bad debt expense	61,462	24,621	-	-	-	86,083
Increase in accounts receivable	541,090	20,660	-	-	-	561,750
(Increase) in inventories	(604)	(5,890)	(1,923)	-	-	(8,417)
Decrease in prepaid items	37,928	5,606	-	-	-	43,534
Decrease in intergovernmental receivables	367,368	-	-	-	-	367,368
(Increase) in deferred outflows of resources	-	-	(14,809)	-	-	(14,809)
Increase (decrease) in accounts payable	30,370	90,729	(69)	-	-	121,030
Increase in accrued items	71,557	42,034	2,069	-	-	115,660
(Decrease) in intergovernmental payables	-	-	(215)	-	-	(215)
(Decrease) increase in due to third-party payors	-	(74,296)	-	-	-	(74,296)
(Decrease) in unearned revenue	-	-	(14,825)	(236,349)	-	(251,174)
Increase (decrease) in other postemployment benefits	-	1,361,860	(21,978)	-	-	1,339,882
Increase in net pension liability	-	-	26,420	-	-	26,420
(Decrease) in deferred inflows of resources	-	-	(3,660)	-	-	(3,660)
Total adjustments	<u>1,616,150</u>	<u>1,938,836</u>	<u>155,197</u>	<u>(236,349)</u>	<u>-</u>	<u>3,473,834</u>
Net cash provided by (used for) operating activities	<u>\$ (1,505,559)</u>	<u>\$ (163,263)</u>	<u>\$ 39,070</u>	<u>\$ (172,138)</u>	<u>\$ 6,772</u>	<u>\$ (1,795,118)</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, 2019

	<u>Agency Fund</u>
ASSETS	
Restricted cash and cash equivalents	\$ 1,402,012
Total assets	<u>\$ 1,402,012</u>
LIABILITIES	
Agency liabilities	<u>\$ 1,402,012</u>
Total liabilities	<u>\$ 1,402,012</u>

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

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COUNTY OF CATTARAUGUS, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

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

Reporting Entity

The County was established in 1808 and is governed by the County Law and other laws of the State of New York. Independently elected officials of the County include the County Legislature, County Treasurer, County Clerk, Sheriff, and District Attorney. The Legislature is the governing body of the County. It consists of 17 members elected from 8 legislative districts for four-year terms. The County Legislature appoints a County Administrator to coordinate fiscal and operational functions.

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

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

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

County of Cattaraugus Industrial Development Agency—The County of Cattaraugus Industrial Development Agency (the “CCIDA”) was created in 1971 by the Cattaraugus County Legislature under the provisions of Chapter 536 of the laws of New York State for the purpose of encouraging economic growth in Cattaraugus County. CCIDA is exempt from federal and state income taxes. CCIDA’s annual financial report can be obtained by writing the County of Cattaraugus Industrial Development Agency, 9 East Washington Street, P.O. Box 1749, Ellicottville, New York 14731.

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

Cattaraugus County Land Bank Corporation—The Cattaraugus County Land Bank Corporation (the “Land Bank”) was created in September of 2016 by the Cattaraugus County Board of Legislature under the provisions of the 1973 Laws of New York State. The Land Bank is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Land Bank is a blended component unit because the County is the sole corporate member of the Land Bank. The Land Bank’s annual financial report can be obtained by writing the Cattaraugus County Land Bank Corporation, 303 Court Street, Little Valley, NY 14755.

Cattaraugus County Economic Sustainability and Growth Corporation—The Cattaraugus County Economic Sustainability and Growth Corporation (the “Sustainability and Growth Corporation”) was created in April of 2015 by the Cattaraugus County Legislature under the provisions of Section 201 of the Not-for-Profit Corporation Law of New York. The Sustainability and Growth Corporation is a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The general purposes of the Sustainability and Growth Corporation are the planning and implementation of programs, projects, and activities designed to create or stimulate economic and community development in the County of Cattaraugus. The Sustainability and Growth Corporation is a blended component unit because the County is the sole corporate member of the Sustainability and Growth Corporation. Further information can be obtained by writing the Cattaraugus County Economic Sustainability and Growth Corporation, 303 Court Street, Little Valley, New York 14755.

Excluded from the Financial Reporting Entity—Although the following are related to the County, they are not included in the County reporting entity.

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

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

Basis of Presentation—Government-wide Financial Statements

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

As discussed earlier, the County has one discretely presented component unit. While the CCIDA is not considered to be a major component unit, it is shown in a separate column in the government-wide statements.

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

Basis of Presentation—Fund Financial Statements

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

The County reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the County and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The principal sources of revenue for the General Fund are property taxes and sales tax.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by enterprise funds.

The County reports the following major enterprise funds:

- *The Pines Healthcare and Rehabilitation Center Fund*—Machias Campus—(“The Pines Machias Campus”) Nursing facility delivering long-term care and short-term rehabilitation services to the citizens of Cattaugus County and neighboring communities.
- *The Pines Healthcare and Rehabilitation Center Fund*—Olean Campus—(“The Pines Olean Campus”) Nursing facility delivering long-term care and short-term rehabilitation services to the citizens of Cattaugus County and neighboring communities.
- *Onoville Marina*—Marina maintained and operated by the Cattaugus County Department of Public Works.
- *Land Bank Corporation*—The Cattaugus County Land Bank, a blended component unit, is used to account for operations aimed to help communities recover from the effects of foreclosures.
- *Economic Sustainability and Growth Corporation*—The Cattaugus County Economic Sustainability and Growth Corporation, a blended component unit, was formed to promote economic growth and attract new business to the County.

These entities are financed and operated in a manner similar to a private business enterprise. The intent of the County is that the operating expenses (including depreciation and amortization expense) of providing goods or services to the general public on a continuous basis are to be financed or recovered primarily through user charges. The County may provide administrative, legal and operational assistance to the proprietary funds, which are not charged. Additionally, the General Fund periodically provides advances to the proprietary funds for operational needs.

Additionally, the County reports the following fund type:

- *Fiduciary Fund*—The Agency Fund is a fiduciary fund used to account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

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

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

included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Cash and Cash Equivalents and Investments—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have maturities of three months or less from the date of acquisition. The County's investments are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents and Investments—Restricted cash and cash equivalents and investments represent amounts to support fund balance restrictions, unspent proceeds of debt, and resources received in advance relating to unearned revenue and deferred inflows of resources.

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

Inventory—Inventory, which is comprised of gasoline, is valued at the lower of cost using the first in, first out (FIFO) method or market value.

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

Notes Receivable—The Sustainability and Growth Corporation, a blended component unit of the County, records a note receivable at year-end. This note receivable represents a loan that is operated by the Sustainability and Growth Corporation for the purpose of making operating and capital loans to existing and potential companies located or locating operations within the County. These loans are made to create or retain jobs.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements, as well as within the individual proprietary fund. Capital assets are defined by the County as assets with an initial, individual cost as defined below and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of acquisition.

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

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

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

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

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

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2019, the County reported \$1,174,771 of unearned revenues in the General Fund, \$35 in the Capital Projects Fund, \$1,356,221 in other governmental funds, and \$146,366 in business-type activities. These funds receive overpayments and grant money in advance but has not performed the related services, and therefore recognizes a liability.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2019, the County has three items that qualified for reporting in this category. The first item is related to pensions reported in the government-wide financial statements, as well as within individual proprietary funds. This represents the effect of the net change in the County's proportion of the collective net pension liability, the difference during the measurement period between the County's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension system made subsequent to the measurement date. The second item is related to OPEB and is reported in the government-wide financial statements and represents the effects of the change in the County's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The third item is related to a deferred charge on refunding, which the County reports within its governmental activities.

In addition to liabilities, the statement of financial position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has four 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 and balance sheet and the statement of net position. The third item represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement periods between the County's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements, as well as within the individual proprietary funds. The final item represents the effects of the change in the County's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability and is reported on the government-wide financial statements, as well as within the individual proprietary funds.

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

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

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

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

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

Revenues and Expenditures/Expenses

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses—Proprietary funds distinguish *operating* revenues and expense from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues for the Pines, Onoville Marina, Land Bank, and Sustainability and Growth Corporation are elderly assistance and healthcare related services, dock and marina charges, property grants, and economic development grants, respectively. Operating expenses for the Pines are nursing, dietary, ancillary, housekeeping, laundry, maintenance, fiscal, assessments and administrative services. Operating expenses for the Onoville Marina include contractual services and fringe benefits. Operating expenses for the Land Bank include program services and management and general expenses. 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 while cities are levied separately. The levy is effective January 1st, the lien date, on the assessed valuation of property located in the County as of the preceding March 1st. The respective collection officers in each town and city collect such taxes.

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

A petition and notice of foreclosure is filed in the Cattaraugus County Clerk’s office in October for any property that has an unpaid tax lien at least twenty-one (21) months old. A judgment of Foreclosure is obtained if the property is not redeemed by a date in January, a date that is fixed and identified in the petition and notice of foreclosure. A property tax auction is held, usually in May, following that judgment of foreclosure. All actions, along with necessary notices and advertisements are carried out according to Article 11 of the Real Property Tax Law.

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

Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payment becomes due.

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

Other Postemployment Benefits—In addition to providing pension benefits, the County provides payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 8.

Other

Estimates—The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that can affect the reported amounts of revenues, expenditures, assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2019, the County implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*; No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (“AROs”). GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The implementation of GASB Statements No. 83, 88, 90 and 95 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. 84, *Fiduciary Activities*, effective for the year ending December 31, 2020, No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2021, No. 87, *Leases*, No. 91, *Conduit Debt Obligations*, No. 92, *Omnibus 2020*, No. 93, *Replacement of Interbank Offered Rates*, and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32*, effective for the year ending December 31, 2022, No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending December 31, 2023. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 84, 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—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 Chairman of the Finance Committee and the County Administrator, (2) transfers without limitation for the purpose of budgeting or amending appropriations and revenues for the Workforce Investment Board, upon notification from the federal government of the grant amount, and (3) transfers within the budget in connection with settlements of collective bargaining agreements. After November 1 of each budget year, the Administrator’s Office is authorized to transfer without limitations for the purpose of closure of the County’s financial books for the fiscal year, with the approval of the Chairman of the Finance Committee and the County Administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Deficit Net Position—The Pines Machias Campus and the Pines Olean Campus Proprietary Funds reported net position deficits of \$18,232,689 and \$3,338,542. The County anticipates that this deficit will be remedied through enhanced operations or future subsidies from the County.

2. RESTATEMENT OF NET POSITION

During the year ended December 31, 2019, the Pines Machias Campus restated net position to reflect a reduction in the intergovernmental receivable for unreimbursed depreciation on a nursing home building which was demolished in 2003. This amount has been determined to be uncollectible due to changes in Medicaid reimbursement methodology and a shift to Medicaid managed care.

The effect of the aforementioned restatement to the County’s business-type activities is summarized below:

	<u>Business-type Activities</u>
Net position—December 31, 2018, as previously stated	\$ (21,059,538)
Uncollectible intergovernmental receivable	<u>(720,458)</u>
Net position—December 31, 2018, as restated	<u>\$ (21,779,996)</u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The County deposits cash into a number of bank accounts. Various statutes require some of these accounts and borrowing restrictions for specific funds, while the remainder is used for a combination of pooled County operating cash and investment purposes. Cash and cash equivalents represent demand deposits with banks and certificates of deposit held by financial institutions all having original maturities of less than three months. The Pines Machias and Olean campus hold patient funds in trust. Those amounts totaled \$104,190 and \$90,826 at December 31, 2019, respectively and are

FDIC insured. Management is responsible for accounting and safeguarding the patient trust funds, however the funds are not accessible by the County.

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

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

Cash and cash equivalents at December 31, 2019, are as follows:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 56,212	\$ -	\$ -	\$ 56,212
Cash and cash equivalents	<u>16,451,428</u>	<u>30,878,852</u>	<u>1,402,012</u>	<u>48,732,292</u>
Total	<u>\$ 16,507,640</u>	<u>\$ 30,878,852</u>	<u>\$ 1,402,012</u>	<u>\$ 48,788,504</u>

Deposits—All deposits are carried at fair value and are classified by custodial credit risk at December 31, 2019 as follows:

	December 31, 2018	
	Bank Balance	Carrying Amount
FDIC Insured	\$ 3,510,885	\$ 3,460,842
Uninsured:		
Collateral held by bank's agent in the County's name	<u>47,016,663</u>	<u>45,271,450</u>
Total	<u>\$ 50,527,548</u>	<u>\$ 48,732,292</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, 2019, the County’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the County’s name.

Restricted Cash and Cash Equivalents—The County reports restricted cash and cash equivalents for certain fund balance restrictions, unspent proceeds of debt and resources received in advance relating to unearned revenue and unavailable revenue—state aid, and amounts held on behalf of others. At December 31, 2019, the County reported \$11,749,389 of restricted cash and cash equivalents within its governmental activities, \$195,016 within in its business-type activities, and \$1,402,012 within its Agency Fund.

Restricted Investments—The County reports certain fund balance restrictions as restricted investments. At December 31, 2019, the County reported \$4,509,456 of restricted investments within its governmental activities.

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

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

Investments reported within governmental activities at December 31, 2019 are as follows:

	12/31/19	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
GNMA bonds	\$ 30,671,204	\$ 30,671,204	\$ -	\$ -
U.S. Treasury notes	8,242,386	8,242,386	-	-
	<u>\$ 38,913,590</u>	<u>\$ 38,913,590</u>	<u>\$ -</u>	<u>\$ -</u>

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 counterpart 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. GNMA bonds and U.S. Treasury notes are backed by the full faith and credit of the U.S. government and are considered to be of the highest 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 \$35 million. As of December 31, 2019, the County's investments in any single issuer do not exceed the limit established by its policy. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement.

County of Cattaraugus Industrial Development Agency

The carrying amount and bank balance of cash and investments held by the CCIDA at December 31, 2019 was \$913,699. The CCIDA's deposits were either fully covered by FDIC insurance or collateralized with securities held by the pledging bank's agent in CCIDA's name at December 31, 2019.

4. RECEIVABLES

Major revenues accrued by the County at December 31, 2019:

Taxes Receivable—Represents unpaid county, school, and village taxes. At December 31, 2019, the General Fund reported taxes receivable of \$11,174,977.

Accounts Receivable—Represents amounts due from various sources. The County's accounts receivable at December 31, 2019 are presented below:

General Fund:			
Various fees and charges			\$ 3,826,800
Nonmajor Governmental Funds:			
County road	\$ 1,972		
Road machinery	6,779		
Debt service	<u>32,082</u>	<u>40,833</u>	
Total governmental funds			<u>\$ 3,867,633</u>
Proprietary Funds:			
Resident accounts receivable, net			<u>\$ 1,582,533</u>
Total proprietary funds			<u>\$ 1,582,533</u>

At December 31, 2019, the Statement of Net Position presents an additional \$1,168,797 of accounts receivable that are received after the availability period for recognition of revenue in the governmental funds' financial statements. \$963,521 represents amounts due from other members of the workers' compensation pool that will be used to pay future claims included within the long-term workers' compensation liability, \$337,879 represents amounts associated with economic development loans, and \$118,327 represents interest associated with back taxes, offset by allowances for doubtful accounts of \$250,930.

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, 2019 are presented on the following page.

Governmental Funds:		
General Fund:		
Due From New York State and Federal government		\$ 13,442,406
Capital Projects Fund:		
Due From New York State and Federal government		1,796,428
Nonmajor Governmental Funds:		
County road	\$ 1,173,302	
Road machinery	48,645	
Conewango watershed	<u>7,500</u>	<u>1,229,447</u>
Total governmental funds		<u>\$ 16,468,281</u>
Proprietary Funds:		
Due From New York State and Federal government		<u>\$ 151,968</u>
Total proprietary funds		<u>\$ 151,968</u>

Cattaraugus County Sustainability and Growth Corporation

The Sustainability and Growth Corporation has two notes receivable in the amount of \$248,019 and \$245,916 due from local companies. The terms of the notes call for monthly payments of principal and interest totaling \$2,602 and \$2,829, respectively. The final payments of the notes are due in April 2022 and September 2027, respectively. Future principal and interest payments are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 65,172
2021	65,172
2022	219,519
2023	33,948
2024	33,948
2025-2027	<u>76,176</u>
	<u>\$ 493,935</u>

5. CAPITAL ASSETS

Governmental activities—Capital asset activity for governmental activities for fiscal year ending December 31, 2019 was as follows:

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	\$ 1,918,632	\$ -	\$ -	\$ 1,918,632
Construction in progress	31,229,320	14,394,554	(4,551,159)	41,072,715
Total capital assets, not being depreciated	<u>33,147,952</u>	<u>14,394,554</u>	<u>(4,551,159)</u>	<u>42,991,347</u>
Capital assets, being depreciated:				
Infrastructure	207,296,473	10,799,883	-	218,096,356
Buildings and improvements	27,162,409	-	-	27,162,409
Machinery and equipment	27,573,200	2,883,857	(903,960)	29,553,097
Books	505,658	-	-	505,658
Total capital assets, being depreciated	<u>262,537,740</u>	<u>13,683,740</u>	<u>(903,960)</u>	<u>275,317,520</u>
Less accumulated depreciation for:				
Infrastructure	111,118,870	7,863,962	-	118,982,832
Buildings and improvements	18,417,065	789,577	-	19,206,642
Machinery and equipment	14,948,452	2,279,761	(542,390)	16,685,823
Books	505,658	-	-	505,658
Total accumulated depreciation	<u>144,990,045</u>	<u>10,933,300</u>	<u>(542,390)</u>	<u>155,380,955</u>
Total capital assets, being depreciated, net	<u>117,547,695</u>	<u>2,750,440</u>	<u>(361,570)</u>	<u>119,936,565</u>
Governmental activities capital assets, net	<u>\$ 150,695,647</u>	<u>\$ 17,144,994</u>	<u>\$ (4,912,729)</u>	<u>\$ 162,927,912</u>

Construction in progress at December 31, 2019 is comprised primarily of County roads, bridges, culverts, and building projects in which the project was not complete at year end.

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

Governmental activities:	
General government support	\$ 1,064,315
Education	91
Public safety	578,156
Health	63,356
Transportation	8,955,885
Economic assistance and opportunity	59,040
Culture and recreation	5,240
Home and community services	<u>207,217</u>
Total depreciation expense—governmental activities	<u>\$ 10,933,300</u>

Business-type activities—The Pines Funds—Capital assets for the primary government’s business-type activities—The Pines Funds—at December 31, 2019 are presented below:

The Pines Machias Campus		The Pines Olean Campus	
	Balance <u>12/31/2019</u>		Balance <u>12/31/2019</u>
Capital assets		Capital assets	
Land, building and improvements	\$ 16,894,908	Land, building and improvements	\$ 6,389,958
Fixed and movable equipment	2,659,500	Fixed and movable equipment	8,068,989
Construction in progress	<u>117,611</u>	Construction in progress	<u>921,391</u>
Total capital assets, being depreciated	<u>19,672,019</u>	Total capital assets, being depreciated	<u>15,380,338</u>
Less accumulated depreciation:	<u>(13,129,174)</u>	Less accumulated depreciation for:	<u>(11,449,189)</u>
Total capital assets, net	<u>\$ 6,542,845</u>	Total capital assets, net	<u>\$ 3,931,149</u>

Business-type activities—Onoville Marina—Capital assets for the primary government’s business-type activities—Onoville Marina—for the year ended December 31, 2019 as presented below:

	Balance <u>1/1/2019</u>	Increases	Decreases	Balance <u>12/31/2019</u>
Capital assets, not being depreciated:				
Land	\$ 813,215	\$ -	\$ -	\$ 813,215
Total capital assets, not being depreciated	<u>813,215</u>	<u>-</u>	<u>-</u>	<u>813,215</u>
Capital assets, being depreciated:				
Buildings and improvements	2,550,759	5,916	-	2,556,675
Machinery and equipment	<u>297,114</u>	<u>22,714</u>	<u>-</u>	<u>319,828</u>
Total capital assets, being depreciated	<u>2,847,873</u>	<u>28,630</u>	<u>-</u>	<u>2,876,503</u>
Less accumulated depreciation for:				
Buildings and improvements	1,864,359	155,689	-	2,020,048
Machinery and equipment	<u>218,511</u>	<u>28,498</u>	<u>-</u>	<u>247,009</u>
Total accumulated depreciation	<u>2,082,870</u>	<u>184,187</u>	<u>-</u>	<u>2,267,057</u>
Total capital assets, being depreciated, net	<u>765,003</u>	<u>(155,557)</u>	<u>-</u>	<u>609,446</u>
Onoville Marina capital assets, net	<u>\$ 1,578,218</u>	<u>\$ (155,557)</u>	<u>\$ -</u>	<u>\$ 1,422,661</u>

County of Cattaraugus Industrial Development Agency

Capital asset activity for the CCIDA for the year ended December 31, 2019 was as follows:

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	\$ 149,299	\$ -	\$ -	\$ 149,299
Total capital assets, not being depreciated	<u>149,299</u>	<u>-</u>	<u>-</u>	<u>149,299</u>
Capital assets, being depreciated:				
Improvements	929,373	-	-	929,373
Furniture and equipment	<u>38,424</u>	<u>-</u>	<u>-</u>	<u>38,424</u>
Total capital assets, being depreciated	<u>967,797</u>	<u>-</u>	<u>-</u>	<u>967,797</u>
Less accumulated depreciation	<u>(867,565)</u>	<u>(1,092)</u>	<u>-</u>	<u>(868,657)</u>
CCIDA capital assets, net	<u>\$ 249,531</u>	<u>\$ (1,092)</u>	<u>\$ -</u>	<u>\$ 248,439</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by the governmental funds at December 31, 2019, were as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Salary and employee benefits	\$ 1,129,643	\$ 1,923	\$ 198,768	\$ 1,330,334
Workers' compensation	<u>2,250,000</u>	<u>-</u>	<u>-</u>	<u>2,250,000</u>
Total accrued liabilities	<u>\$ 3,379,643</u>	<u>\$ 1,923</u>	<u>\$ 198,768</u>	<u>\$ 3,580,334</u>

Accrued liabilities reported by the proprietary funds at December 31, 2019, were as follows:

	The Pines Machias Campus	The Pines Olean Campus	Onoville Marina	Total Proprietary Funds
Salary and employee benefits	\$ 211,351	\$ 182,228	\$ 3,258	\$ 396,837
Total accrued liabilities	<u>\$ 211,351</u>	<u>\$ 182,228</u>	<u>\$ 3,258</u>	<u>\$ 396,837</u>

7. RETIREMENT SYSTEM PENSION PLAN

Plan Descriptions and Benefits Provided

New York State and Local Employees' Retirement System ("ERS")—The County participates in the ERS (the "System"). The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to

participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

The system is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2019, the County reported the following liabilities for its proportionate share of the net pension liabilities for ERS. The net pension liabilities were measured as of March 31, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of April 1, 2018, with update procedures used to roll forward the total net pension liabilities to the measurement date. The County's proportion of the net pension liabilities were based on projections of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the County.

	ERS	
	Governmental Activities	Business-type Activities
Measurement date	March 31, 2019	March 31, 2019
Net pension liability	\$ 12,418,731	\$ 2,439,764
County's portion of the Plan's total net pension liability	0.1752744%	0.0344342%

For the year ended December 31, 2019, the County recognized pension expense of \$7,046,884 and \$1,384,420 for governmental and business-type activities, respectively. The deferred outflows of resources and deferred inflows of resources related to pensions reported at December 31, 2019 are presented on the following page.

	ERS			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experiences	\$ 2,445,506	\$ 480,441	\$ 833,646	\$ 163,777
Changes in assumption	3,121,561	613,257	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	3,187,332	626,179
Changes in proportion and differences between the County's contributions and proportionate share of contributions	71,694	14,085	1,999,757	392,869
County contributions subsequent to the measurement date	4,759,190	934,984	-	-
Total	<u>\$ 10,397,951</u>	<u>\$ 2,042,767</u>	<u>\$ 6,020,735</u>	<u>\$ 1,182,825</u>

The County's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the year ending December 31, 2020. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	ERS	
	Governmental Activities	Business-type Activities
2020	\$ 1,758,058	\$ 345,386
2021	(3,058,204)	(600,810)
2022	(606,930)	(119,237)
2023	1,525,102	299,619

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

	ERS
Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Interest rate	7.00%
Salary scale	4.20%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.50%
Cost-of-living adjustments	1.30%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Measurement date	March 31, 2019	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
Total	<u>100.0 %</u>	

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental Activities:			
Employer's proportionate share of the net pension liability/(asset)	\$ 54,296,670	\$ 12,418,731	\$ (22,761,710)
Business-type Activities:			
Employer's proportionate share of the net pension liability/(asset)	\$ 10,667,041	\$ 2,439,764	\$ (4,471,731)

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

	(Dollars in Thousands)
	ERS
Valuation date	April 1, 2018
Employers' total pension liability	\$ 189,803,429
Plan fiduciary net position	182,718,124
Employers' net pension liability	<u>\$ 7,085,305</u>
System fiduciary net position as a percentage of total pension liability	96.3%

County of Cattaraugus Industrial Development Agency

Pension obligations for the CCIDA for the year ended December 31, 2019 are as follows:

At December 31, 2019, the CCIDA reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The CCIDA's long-term share of contributions to the System relative to the projection of the CCIDA's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSLRS in a report provided to the CCIDA.

	ERS
Actuarial Valuation Date	April 1, 2018
Net pension liability	\$ 48,470
CCIDA's portion of the Plan's total net pension liability	0.0006841%

For the year ended December 31, 2019 the CCIDA recognized pension expense of \$24,576. The CCIDA's deferred outflows of resources related to pensions reported at December 31, 2019 are presented on the following page.

	ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,545	\$ 3,254
Changes of Assumptions	12,183	-
Net difference between projected and actual earnings on pension investments	-	12,440
Changes in proportion and differences between the CCIDA's contributions and proportionate share of contributions	22,438	13,435
Total	<u>\$ 44,166</u>	<u>\$ 29,129</u>

The CCIDA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	ERS
2020	\$ 4,448
2021	(13,721)
2022	(3,447)
2023	5,319

8. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATION

Plan description—The 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.

Benefit provisions are based on individual contracts with the County, as negotiated from time to time. The Plan does not issue a publically available financial report. The County recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider.

Employees Covered by Benefit Terms—At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	536
Active employees	<u>844</u>
	<u>1,380</u>

Total OPEB Liability

The County’s total OPEB liability of \$236,370,070 for governmental activities and \$48,244,956 for business-type activities was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2019.

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

In the January 1, 2019 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 3.71% effective January 1, 2019 to 2.75% effective December 31, 2019. The salary scale remained unchanged at 2.00%. Mortality assumption was reviewed as of December 31, 2019 to the sex-distinct and job category-specific headcount-weighted Pub-2010 Public Retirement Mortality Tables for employees and health retirees. The annual rate of increase in healthcare costs was developed based on a review of published national trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trends Model v2019_c.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2018 to December 31, 2018.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability	
	Governmental Activities	Business-type Activities
Balances at December 31, 2018	\$ 228,114,062	\$ 46,195,552
Changes for the year:		
Service cost	7,707,571	1,340,056
Interest	7,869,201	1,612,686
Differences between expected and actual experience	(35,493,908)	(6,045,688)
Changes of assumptions or other inputs	34,008,103	6,901,140
Benefit payments	(5,834,959)	(985,574)
Net changes	8,256,008	2,822,620
Balances at December 31, 2019	\$ 236,370,070	\$ 49,018,172

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have a profound impact on total liabilities. The table below presents the effect of a 1% change in the discount rate assumption would have on the total OPEB liability.

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Governmental Activities:			
Net OPEB Liability	\$ 278,729,935	\$ 236,370,070	\$ 202,582,044
Business-type Activities:			
Net OPEB Liability	\$ 56,890,931	\$ 49,018,172	\$ 41,348,559

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the net OPEB liability of a 1% change in the initial (4.50%)/ultimate (3.78%) healthcare cost trend rates.

	1% Decrease (3.50%/2.78%)	Healthcare Cost Trend Rates (4.50%/3.78%)	1% Increase (5.50%/4.78%)
Governmental Activities:			
Net OPEB Liability	\$ 196,739,322	\$ 236,370,070	\$ 287,839,140
Business-type Activities:			
Net OPEB Liability	\$ 40,156,014	\$ 49,018,172	\$ 58,750,191

Funding Policy—Authorization for the County to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the County Legislature. The County recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. County governmental and business-type activities contributed \$5,834,959 and \$985,574 for the fiscal year ended December 31, 2019, respectively. The County's contributions to the OPEB plan are based on negotiated contracts with three bargaining units, as discussed in Note 16. Any amendments to the employer's contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The County reports deferred outflows and inflows of resources due to differences during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the County's deferred inflows of resources at December 31, 2019.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ -	\$ -	\$ 30,995,314	\$ 5,179,464
Changes of assumptions	2,516,811	577,194	-	-
Total	<u>\$ 2,516,811</u>	<u>\$ 577,194</u>	<u>\$ 30,995,314</u>	<u>\$ 5,179,464</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2020	\$ 4,973,704	\$ 1,035,839
2021	4,973,704	1,022,348
2022	4,973,704	998,354
2023	4,973,704	998,354
2024	4,973,704	587,501
Thereafter	3,609,983	(40,126)

9. RISK MANAGEMENT

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

Risk Management—The County carries commercial excess liability insurance of \$10,000,000 per occurrence with a \$20,000,000 aggregate annual limit for its government operations. The County carries commercial property coverage insurance subject to a maximum limit of any one occurrence of \$10,000,000. The County is self-insured for workers' compensation and employers' liability with a specific excess maximum limit of indemnity per occurrence of \$1,000,000 and an aggregate maximum limit of liability with respect to all occurrences taking place within the liability period of \$1,000,000. The County also carries 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's current claims outstanding of \$1,465,660 are recorded within the General Fund as of December 31, 2019.

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. At December 31, 2019, \$2,250,000 is reported as a liability in the General Fund as it is expected the claims will be paid within a reasonable time from yearend.

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 2019, an actuarial study estimated the plan's noncurrent liability to be \$11,762,585, discounted at 1.5 percent. Changes in the claims liability in fiscal years 2017, 2018, and 2019 are presented below:

	Beginning of Year	Changes in Estimates	Claims Payments	End of Year
2019	\$ 12,287,718	\$ 1,685,860	\$ 2,210,993	\$ 11,762,585
2018	13,486,521	1,071,553	2,270,356	12,287,718
2017	13,661,619	2,093,308	2,268,406	13,486,521

A receivable of \$963,521 is due to the County for the non-County participating employers' (Cities, Towns, and Villages) share of this liability.

10. LEASE OBLIGATIONS

Capital leases—The County has recorded capital leases for various equipment in long-term liabilities of governmental and business-type activities. Of the \$1,089,600 and \$28,562 in remaining payments for governmental and business-type activities, respectively, \$289,752 for governmental activities and \$7,188 for business-type activities is due during the year ending December 31, 2020.

The following table summarizes the requirements of the capital leases:

Year Ending December 31,	Governmental Activities	Business-Type Activities
2020	\$ 289,752	\$ 7,188
2021	289,752	6,969
2022	289,752	6,749
2023	114,003	6,530
2024	106,341	1,126
Total minimum lease payments	\$ 1,089,600	\$ 28,562
Less: amount representing interest	(74,089)	(2,386)
Present value of minimum lease payments	\$ 1,015,511	\$ 26,176

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Machinery and equipment	\$ 1,396,388	\$ 31,835
Less: Accumulated depreciation	(437,065)	(437,065)
Total	\$ 959,323	\$ (405,230)

Operating leases—The County has entered into a number of operating leases. Lease expenditures for the year ended December 31, 2019, amounted to \$520,893. Future minimum payments under operating leases at December 31, 2019 were as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2020	\$ 311,911
2021	165,877
2022	162,355
2023	48,764
2024	19,300
2025	19,655
	<u>\$ 727,862</u>

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of the permanent financing, provided that annual reductions of principal are made.

A summary of the County’s short-term debt for the fiscal year ended December 31, 2019 is presented below:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 1/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2019</u>
Bond anticipation notes:						
Bridge, road, and culvert improvements	4/3/2019	2.75%	<u>\$ 1,936,600</u>	<u>\$ -</u>	<u>\$ 1,936,600</u>	<u>\$ -</u>
Total			<u>\$ 1,936,600</u>	<u>\$ -</u>	<u>\$ 1,936,600</u>	<u>\$ -</u>

12. LONG-TERM LIABILITIES

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

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

The County’s outstanding long-term liabilities include bonds payable, compensated absences, capital leases, landfill post closure, OPEB obligation, noncurrent workers’ compensation, and net pension liability.

A summary of changes in the County's long-term liabilities for the year ended December 31, 2019 is presented below:

	Balance 1/1/2019	Additions	Reductions	Balance 12/31/2019	Due Within One Year
Governmental activities:					
Serial bonds	\$ 35,345,000	\$ 7,890,651	\$ (4,427,000)	\$ 38,808,651	\$ 4,787,651
Premium on serial bonds	433,826	116,035	(90,884)	458,977	96,409
Bonds payable	35,778,826	8,006,686	(4,517,884)	39,267,628	4,884,060
Compensated absences*	5,910,621	210,011	-	6,120,632	306,032
Capital leases	787,580	533,260	(305,329)	1,015,511	258,327
Landfill post closure	201,461	-	(201,461)	-	-
OPEB obligation	228,114,062	49,584,875	(41,328,867)	236,370,070	-
Noncurrent workers' compensation	12,287,718	1,685,860	(2,210,993)	11,762,585	-
Net pension liability*	5,589,017	6,829,714	-	12,418,731	-
Total governmental activities	<u>\$ 288,669,285</u>	<u>\$ 66,850,406</u>	<u>\$ (48,564,534)</u>	<u>\$ 306,955,157</u>	<u>\$ 5,448,419</u>
Business type activities:					
Serial bonds	\$ 7,795,000	\$ -	\$ (568,000)	\$ 7,227,000	\$ 568,000
Premium on serial bonds	149,242	-	(21,448)	127,794	21,448
Bonds payable	7,944,242	-	(589,448)	7,354,794	589,448
Compensated absences*	493,877	49,803	-	543,680	312,103
Capital leases	-	31,835	(5,659)	26,176	6,272
OPEB obligation	46,195,552	9,853,882	(7,031,262)	49,018,172	-
Net pension liability*	1,135,017	1,304,747	-	2,439,764	-
Total business-type activities	<u>\$ 55,768,688</u>	<u>\$ 11,240,267</u>	<u>\$ (7,626,369)</u>	<u>\$ 59,382,586</u>	<u>\$ 907,823</u>

*Increases to the compensated absences liability and net pension liability are shown net of reductions.

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

In the current year, the County issued \$7,890,651 in public improvement Serial Bonds for County bridge, road, and culvert improvements. The interest rate ranges from 2.0% to 3.0% and the bonds will mature on April 1, 2040.

A listing of bonded indebtedness transactions for the year ended December 31, 2019 is presented below:

Purpose	Issue/ Maturity Date	Interest Rate	Balance 1/1/2019	Additions	Reductions	Balance 12/31/2019
Governmental activities:						
Public improvement	2010/2024	2.11-6.75%	\$ 4,035,000	\$ -	\$ 615,000	\$ 3,420,000
Public improvement	2012/2027	2.00-2.50%	3,910,000	-	405,000	3,505,000
Public improvement	2013/2021	1.50-4.00%	2,030,000	-	410,000	1,620,000
Public improvement	2013/2028	2.25-3.00%	4,200,000	-	785,000	3,415,000
Public improvement	2015/2025	2.00%	2,740,000	-	365,000	2,375,000
Public improvement	2016/2023	2.00%	2,495,000	-	552,000	1,943,000
Public improvement	2016/2026	1.50%	3,715,000	-	425,000	3,290,000
Public improvement	2017/2032	2.00-3.00%	12,220,000	-	870,000	11,350,000
Public improvement	2019/2040	2.00-3.00%	-	7,890,651	-	7,890,651
Total governmental activities			<u>\$ 35,345,000</u>	<u>\$ 7,890,651</u>	<u>\$ 4,427,000</u>	<u>\$ 38,808,651</u>
Business-type activities						
Public improvement - Pines	2011/2032	2.00-4.13%	\$ 7,545,000	\$ -	\$ 505,000	\$ 7,040,000
Public improvement - Pines	2016/2023	2.00%	250,000	-	63,000	187,000
Total business-type activities			<u>\$ 7,795,000</u>	<u>\$ -</u>	<u>\$ 568,000</u>	<u>\$ 7,227,000</u>

Annual debt service interest requirements on bonds payable are as follows:

Year	Governmental Activities	Business-type Activities	Total
2020	\$ 1,106,801	\$ 288,604	\$ 1,395,405
2021	887,153	266,514	1,153,667
2022	745,375	243,454	988,829
2023	611,125	220,594	831,719
2024	478,780	199,594	678,374
2025-2029	1,243,789	671,569	1,915,358
2030-2034	343,875	137,481	481,356
2035-2039	107,550	-	107,550
2040	3,225	-	3,225
Total	<u>\$ 5,527,673</u>	<u>\$ 2,027,810</u>	<u>\$ 7,555,483</u>

Amortization of bond premium—Bond premiums are being amortized on a straight-line basis over the life of the bonds. In the current year, the County’s serial bond issuance resulted in a premium of \$116,035. The unamortized premium as of December 31, 2019 was \$458,977.

Compensated absences—As explained in Note 1, the County records the value of compensated absences (primarily accrued vacation and sick time benefits) in long-term liabilities in the governmental and proprietary fund types. The annual budget of the operating funds provides funding for the current portion of these benefits. The value recorded at December 31, 2019 for governmental activities is \$6,120,632.

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, 2019 is \$543,680.

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.

Capital leases—The County enters into long-term leases for various pieces of machinery and equipment. The outstanding balance at December 31, 2019 for governmental and business-type activities was \$1,015,511 and \$26,176, respectively. Refer to Note 10 for additional information related to the County’s leases.

Landfill post closure—The County tests and maintains certain landfill sites. The liability was liquidated during the year ended December 31, 2019. Further discussion of the County's post closure obligation can be found in Note 19.

Workers’ compensation and judgments and claims—The liability of the County's noncurrent workers' compensation totaled \$11,762,585 at December 31, 2019. There was no liability related to the County's judgments and claims at December 31, 2019. Further discussion of the County's risk management programs can be found in Note 9.

OPEB obligation—As explained in Note 8, the County provides medical and prescription drug insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The estimated OPEB liability for governmental and business-type activities is estimated to be \$236,370,070 and \$49,018,172, respectively, at December 31, 2019.

Net Pension Liability—The County reports a liability for its proportionate share of the net pension liability for the Employees’ Retirement System. The net pension liability for governmental and business-type activities is \$12,418,731 and \$2,439,764, respectively, at December 31, 2019. Refer to Note 7 for additional information related to the County’s net pension liability.

The following is a maturity schedule of the County’s governmental activities’ indebtedness:

Year ending December 31,	Serial Bonds	Premium on Serial Bonds	Compensated Absences	Capital Leases
2020	\$ 4,787,651	\$ 96,409	\$ 306,032	\$ 258,327
2021	4,673,000	96,410	-	267,515
2022	4,493,000	77,909	-	277,029
2023	4,375,000	53,103	-	108,287
2024	4,175,000	27,060	-	104,353
2025-2029	12,075,000	47,305	-	-
2030-2034	3,035,000	27,627	-	-
2035-2039	980,000	27,627	-	-
2040	215,000	5,527	-	-
Thereafter	-	-	5,814,600	-
Total	<u>\$ 38,808,651</u>	<u>\$ 458,977</u>	<u>\$ 6,120,632</u>	<u>\$ 1,015,511</u>

(continued)

(concluded)

Year ending December 31,	OPEB Obligation	Workers' Compensation	Net Pension Liability	Total
2020	\$ -	\$ -	\$ -	\$ 5,448,419
2021	-	-	-	5,036,925
2022	-	-	-	4,847,938
2023	-	-	-	4,536,390
2024	-	-	-	4,306,413
2025-2029	-	-	-	12,122,305
2030-2034	-	-	-	3,062,627
2035-2039	-	-	-	1,007,627
2040	-	-	-	220,527
Thereafter	236,370,070	11,762,585	12,418,731	266,365,986
Total	<u>\$ 236,370,070</u>	<u>\$ 11,762,585</u>	<u>\$ 12,418,731</u>	<u>\$ 306,955,157</u>

The following is a maturity schedule of the County's business-type activities' indebtedness:

Year ending December 31,	Serial Bonds	Premium on Serial Bonds	Compensated Absences	Capital Lease	OPEB Obligation	Net Pension Liability	Total
2020	\$ 568,000	\$ 21,448	\$ 312,103	\$ 6,272	\$ -	\$ -	\$ 907,823
2021	592,000	21,448	-	6,272	-	-	619,720
2022	587,000	21,448	-	6,272	-	-	614,720
2023	525,000	21,448	-	6,272	-	-	552,720
2024	545,000	21,448	-	1,088	-	-	567,536
2025-2029	2,730,000	20,554	-	-	-	-	2,750,554
2030-2033	1,680,000	-	-	-	-	-	1,680,000
Thereafter	-	-	231,577	-	49,018,172	2,439,764	51,689,513
Total	<u>\$ 7,227,000</u>	<u>\$ 127,794</u>	<u>\$ 543,680</u>	<u>\$ 26,176</u>	<u>\$ 49,018,172</u>	<u>\$ 2,439,764</u>	<u>\$ 59,382,586</u>

County of Cattaraugus Industrial Development Agency

Long-term liabilities for the CCIDA for the year ended December 31, 2019 consisted of a net pension liability of \$48,470. Refer to Note 7 for additional information.

12. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation		\$ 162,927,912
Related debt:		
Serial bonds issued	\$ (38,808,651)	
Unamortized bond premium	(458,977)	
Capital leases	(1,015,511)	
Deferred charge on refunding	73,761	
Unspent proceeds reported within Capital Projects Fund	<u>8,007,122</u>	
Debt issued for capital assets		<u>(32,202,256)</u>
Net investment in capital assets		<u>\$ 130,725,656</u>

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

Capital assets, net of accumulated depreciation		\$ 11,896,655
Related debt:		
Serial bonds issued	\$ (7,227,000)	
Capital leases	<u>(26,176)</u>	
Debt issued for capital assets		<u>(7,253,176)</u>
Net investment in capital assets		<u>\$ 4,643,479</u>

- **Restricted Net Position**—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 Net Position**—This category represents net position of the County not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. As of December 31, 2019, the County reported nonspendable fund balance of \$1,689,430 for prepaid items within the General Fund.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. As of December 31, 2019, the County had the restricted funds as shown on the following page.

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
MDLF loan fund	\$ 210,919	\$ -	\$ -	\$ 210,919
Insurance	1,457,965	-	-	1,457,965
Workers' compensation	1,867,705	-	-	1,867,705
Other	972,867	-	-	972,867
Capital projects	-	9,376,025	-	9,376,025
Debt	-	-	459,572	459,572
Trust accounts	-	-	5,686	5,686
Total restricted fund balance	<u>\$ 4,509,456</u>	<u>\$ 9,376,025</u>	<u>\$ 465,258</u>	<u>\$ 14,350,739</u>

- ***Restricted for MDLF loan fund***—Represents funds required to be used for economic development loans.
- ***Restricted for insurance***—Represents resources that have been legally restricted for payments under the County’s self-insured healthcare program.
- ***Restricted for workers’ compensation***—Represents resources that have been legally restricted for payments under the County’s self-insured workers’ compensation program.
- ***Restricted for Other***—Represents miscellaneous funds that are legally required to be used for specific purposes.
- ***Restricted for capital projects***—Represents funds accumulated to finance all or part of the cost of construction, reconstruction, or acquisition of specific items.
- ***Restricted for debt***—Represents funds restricted for future debt service payments.
- ***Restricted for trust accounts***—Represents funds accumulated through the County’s Private Purpose Trust.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority, or by its designated body or official. As of December 31, 2019, the County Legislature had committed \$315,478 for economic development.

In the fund financial statements, assigned fund balances are amounts that are subject to a purpose constraint established by the County Legislature, or by the County Treasurer. 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, 2019, the following balances were considered to be assigned:

	General Fund	Nonmajor Governmental Funds	Total
Subsequent year's expenditures	\$ 3,830,516	\$ 16,800	\$ 3,847,316
Encumbrances	235,870	226,880	462,750
Home and community services	-	1,166,151	1,166,151
Economic assistance and opportunity	-	730,575	730,575
Total assigned fund balance	<u>\$ 4,066,386</u>	<u>\$ 2,140,406</u>	<u>\$ 6,206,792</u>

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 BALANCES AND ACTIVITY

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 and (2) move receipts restricted to debt service from the funds collecting the receipts to the fund making payments when due.

Interfund receivables, payables, and transfers of the County as of, and for the year ended December 31, 2019 are presented below:

Fund	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
Governmental funds:				
General Fund	\$ 56,927	\$ -	\$ 832,065	\$ 12,459,094
Capital Projects Fund	-	-	4,457,140	-
Nonmajor funds:				
County Road Fund	-	56,927	7,551,418	4,528,749
Road Machinery Fund	-	-	-	832,065
Conewango Watershed Fund	-	-	7,500	-
Debt Service Fund	-	-	4,971,785	-
Total governmental funds	<u>\$ 56,927</u>	<u>\$ 56,927</u>	<u>\$ 17,819,908</u>	<u>\$ 17,819,908</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, 2019 were held by a third-party in trust for the exclusive benefit of participants.

15. LABOR RELATIONS

The County's employees operate under seven collective bargaining units, the Civil Service Employees Association, Civil Service Employees Association Part-Time Employee Unit, Civil Service Employees Association Sheriff's Department Employees Unit, and the Deputy Sheriff's Supervisory Unit have contracts were settled through December 31, 2021. The Civil Service Employees Association Supervisory Unit, the Deputies Association, and the Corrections Supervisory Unit have contracts settled through December 31, 2022.

16. CONTINGENCIES

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

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

County of Cattaraugus Industrial Development Agency

The Agency is exposed to various risks of loss such as torts, theft, injuries, errors, omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Any settled claims from these risks have not exceeded commercial insurance coverage for the past four years. In management's opinion, there are no material contingencies required to be accrued or disclosed.

17. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Open encumbrances are reported as an assignment of fund balance since such commitments will be honored through budget appropriations in the subsequent year. The County considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000. Significant encumbrances as of December 31, 2019, are as listed below:

<u>Fund</u>	<u>Purpose</u>	<u>Amount Encumbered</u>
County Road	Construction services	\$ 134,242

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. At December 31, 2019, the County has fulfilled its thirty-year obligation and no longer reports a liability for post closure costs.

19. TAX ABATEMENTS

The County is subject to tax abatements granted by the County of Cattaraugus Industrial Development Agency (“CCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the County, the abatements have resulted in reductions of property taxes, which the County administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by CCIDA, the County collected \$211,736 during 2019 in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$302,418 in property taxes.

20. SUBSEQUENT EVENTS

On May 27, 2020, the County issued \$3,511,494 in serial bonds with interest rates ranging from 0.8 to 2.0 percent for bridge, road, and culvert improvements. These bonds mature on May, 2024.

Management has evaluated subsequent events through July 20, 2020, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Plan fiduciary net position as a percentage of the total pension liability	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
Governmental Activities:						
County's proportion of the net pension liability	0.1752744%	0.1731715%	0.1809586%	0.1876835%	0.1812710%	0.1828785%
County's proportionate share of the net pension liability	<u>\$ 12,418,731</u>	<u>\$ 5,589,017</u>	<u>\$ 17,003,277</u>	<u>\$ 30,123,714</u>	<u>\$ 6,123,777</u>	<u>\$ 8,264,025</u>
County's covered payroll	\$ 43,165,559	\$ 40,315,085	\$ 37,291,706	\$ 39,168,416	\$ 38,596,795	\$ 38,036,952
County's proportionate share of the net pension liability as a percentage of its covered payroll	28.8%	13.9%	45.6%	76.9%	15.9%	21.7%
Business-type Activities:						
County's proportion of the net pension liability	0.0344342%	0.0351677%	0.0355250%	0.0357492%	0.0373089%	0.0357014%
County's proportionate share of the net pension liability	<u>\$ 2,439,764</u>	<u>\$ 1,135,017</u>	<u>\$ 3,338,004</u>	<u>\$ 5,737,850</u>	<u>\$ 1,260,387</u>	<u>\$ 1,613,295</u>
County's covered payroll	\$ 8,480,236	\$ 8,187,183	\$ 7,320,934	\$ 7,460,650	\$ 7,943,937	\$ 7,425,539
County's proportionate share of the net pension liability as a percentage of its covered payroll	28.8%	13.9%	45.6%	76.9%	15.9%	21.7%
Discretely Presented Component Unit						
Cattaraugus County Industrial Development Agency (the "Agency")						
Agency's proportion of the net pension liability	0.0006841%	0.0007056%	0.0007131%	0.0007382%		
Agency's proportionate share of the net pension liability	<u>\$ 48,470</u>	<u>\$ 22,774</u>	<u>\$ 67,000</u>	<u>\$ 118,480</u>		
Agency's covered payroll	\$ 148,003	\$ 143,813	\$ 140,006	\$ 137,781		
Agency's proportionate share of the net pension liability as a percentage of its covered payroll	32.7%	15.8%	47.9%	86.0%		

*Information prior to the year ended December 31, 2014 is not available for governmental and business-type activities. Information prior to the year ended December 31, 2016 is not available for the Agency.

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

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Governmental Activities:						
Contractually required contribution	\$ 6,059,572	\$ 6,075,650	\$ 6,183,891	\$ 7,019,630	\$ 7,510,080	\$ 7,715,652
Contributions in relation to the contractually required contribution	<u>(6,059,572)</u>	<u>(6,075,650)</u>	<u>(6,183,891)</u>	<u>(7,019,630)</u>	<u>(7,510,080)</u>	<u>(7,715,652)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$43,940,579	\$42,421,513	\$37,778,925	\$39,351,687	\$39,890,619	\$38,563,706
Contributions as a percentage of covered payroll	13.8%	14.3%	16.4%	17.8%	18.8%	20.0%
Business-type Activities:						
Contractually required contribution	\$ 1,190,454	\$ 1,233,842	\$ 1,213,993	\$ 1,337,072	\$ 1,545,714	\$ 1,506,242
Contributions in relation to the contractually required contribution	<u>(1,190,454)</u>	<u>(1,233,842)</u>	<u>(1,213,993)</u>	<u>(1,337,072)</u>	<u>(1,545,714)</u>	<u>(1,506,242)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 8,632,496	\$ 8,614,956	\$ 7,416,582	\$ 7,495,559	\$ 8,210,230	\$ 7,528,371
Contributions as a percentage of covered payroll	13.8%	14.3%	16.4%	17.8%	18.8%	20.0%
Discretely Presented Component Unit						
Cattaraugus County Industrial Development Agency (the "Agency")						
Contractually required contribution	\$ 22,438	\$ 21,901	\$ 21,594	\$ 20,971		
Contributions in relation to the contractually required contribution	<u>(22,438)</u>	<u>(21,901)</u>	<u>(21,594)</u>	<u>(20,971)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Agency's covered payroll	\$ 148,003	\$ 143,813	\$ 140,006	\$ 137,781		
Contributions as a percentage of covered payroll	15.2%	15.2%	15.4%	15.2%		

*Information prior to the year ended December 31, 2014 is not available for governmental and business-type activities. Information prior to the year ended December 31, 2016 is not available for the Agency.

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Changes in the County's Total OPEB Liability and Related Ratios
Last Two Fiscal Years*

	Year Ended December 31,	
	2019	2018
Governmental activities:		
Total OPEB Liability		
Service cost	\$ 7,707,571	\$ 9,756,513
Interest	7,869,201	8,572,210
Differences between actual and expected experience	(35,493,908)	-
Changes of assumptions or other inputs	34,008,103	(36,751,791)
Benefit payments	<u>(5,837,959)</u>	<u>(5,371,060)</u>
Net change in total OPEB liability	<u>8,253,008</u>	<u>(23,794,128)</u>
Total OPEB liability—beginning	<u>228,114,062</u>	<u>251,908,190</u>
Total OPEB liability—ending	<u>\$ 236,367,070</u>	<u>\$ 228,114,062</u>
Covered employee payroll	41,614,410	38,221,648
County's net OPEB liability as a percentage of covered employee payroll	568.0%	596.8%
 Business-type activities:		
Total OPEB Liability		
Service cost	\$ 1,340,056	\$ 1,730,340
Interest	1,612,686	1,735,391
Differences between actual and expected experience	(6,045,688)	-
Changes of assumptions	6,901,140	(7,365,565)
Benefit payments	<u>(1,475,415)</u>	<u>(1,206,026)</u>
Net change in total OPEB liability	<u>2,332,779</u>	<u>(5,105,860)</u>
Total OPEB liability—beginning	<u>45,912,177</u>	<u>51,301,412</u>
Total OPEB liability—ending	<u>\$ 48,244,956</u>	<u>\$ 46,195,552</u>
Covered employee payroll	8,921,328	8,019,185
County's net OPEB liability as a percentage of covered employee payroll	540.8%	576.1%

*Information prior to the year ended December 31, 2018 is not available.

The notes to the required supplementary information are 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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 55,175,000	\$ 55,175,000	\$ 55,953,868	\$ 778,868
Real property tax items	2,279,375	2,398,375	2,406,605	8,230
Non property tax items	29,321,009	30,717,175	31,049,004	331,829
Departmental income	15,976,899	16,185,530	17,278,088	1,092,558
Intergovernmental charges	5,523,230	5,570,103	5,284,005	(286,098)
Use of money and property	1,224,494	1,224,494	2,868,156	1,643,662
Licenses and permits	65,200	65,200	54,093	(11,107)
Fines and forfeitures	200,550	209,493	200,289	(9,204)
Sale of property and compensation for loss	1,129,046	1,170,807	2,857,420	1,686,613
Miscellaneous	1,467,054	1,477,549	1,721,527	243,978
Interfund revenues	28,541,309	28,726,666	28,678,763	(47,903)
State aid	20,431,093	22,619,488	18,248,800	(4,370,688)
Federal aid	19,849,296	20,169,629	18,237,576	(1,932,053)
Total revenues	<u>181,183,555</u>	<u>185,709,509</u>	<u>184,838,194</u>	<u>(871,315)</u>
EXPENDITURES				
Current:				
General government support	53,461,783	55,177,392	52,788,630	2,388,762
Education	7,313,133	8,009,421	7,959,519	49,902
Public safety	21,799,934	22,182,231	21,177,231	1,005,000
Health	21,242,178	21,959,593	20,252,552	1,707,041
Transportation	17,659	17,659	17,659	-
Economic assistance and opportunity	60,662,241	62,228,598	57,538,540	4,690,058
Culture and recreation	891,276	1,147,958	1,127,750	20,208
Home and community services	2,998,040	3,104,737	2,942,061	162,676
Employee benefits	6,864,448	6,580,622	6,120,443	460,179
Debt service:				
Principal	16,351	225,123	225,123	-
Interest and fiscal charges	22,502	22,502	22,190	312
Total expenditures	<u>175,289,545</u>	<u>180,655,836</u>	<u>170,171,698</u>	<u>10,484,138</u>
Excess of revenues over expenditures	<u>5,894,010</u>	<u>5,053,673</u>	<u>14,666,496</u>	<u>9,612,823</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	832,065	832,065	-
Transfers out	(8,637,249)	(13,038,602)	(12,459,094)	579,508
Proceeds of capital lease	-	393,186	393,186	-
Total other financing sources (uses)	<u>(8,637,249)</u>	<u>(11,813,351)</u>	<u>(11,233,843)</u>	<u>579,508</u>
Net change in fund balances*	(2,743,239)	(6,759,678)	3,432,653	10,192,331
Fund balances—beginning	45,015,754	45,015,754	45,015,754	-
Fund balances—ending	<u>\$ 42,272,515</u>	<u>\$ 38,256,076</u>	<u>\$ 48,448,407</u>	<u>\$ 10,192,331</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 notes to the required supplementary information are an integral part of this schedule.

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COUNTY OF CATTARAUGUS, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2019

1. OPEB LIABILITY

Changes in Assumptions—Changes in assumptions reflect the effects of changes in the long-term discount rate, the mortality rate, and the healthcare trend rate. The discount changes from 3.71% effective January 1, 2019 to 2.75% effective December 31, 201, mortality rates were updated to Pub-2010 Public Retirement Mortality Tables, and the healthcare trend rate was updated to the Society of Actuaries Long Term Healthcare Cost Trends Model v2019_c.

2. BUDGETARY INFORMATION

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

The appropriated budget is prepared by fund, function, and department. 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 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.

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

Actual results of operations presented in accordance with GAAP and the County's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements. The General Fund original budget for the year ended December 31, 2019 includes encumbrances from the prior year of \$828,248.

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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, 2019

	Special Revenue	Debt Service	Permanent	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,678,247	\$ -	\$ -	\$ 1,678,247
Restricted cash and cash equivalents	1,356,221	427,490	5,686	1,789,397
Accounts receivable	8,751	32,082	-	40,833
Intergovernmental receivables	1,229,447	-	-	1,229,447
Total assets	\$ 4,272,666	\$ 459,572	\$ 5,686	\$ 4,737,924
LIABILITIES				
Accounts payable	\$ 520,344	\$ -	\$ -	\$ 520,344
Accrued liabilities	198,768	-	-	198,768
Due to other funds	56,927	-	-	56,927
Unearned revenue	1,356,221	-	-	1,356,221
Total liabilities	2,132,260	-	-	2,132,260
FUND BALANCES				
Restricted	-	459,572	5,686	465,258
Assigned	2,140,406	-	-	2,140,406
Total fund balances	2,140,406	459,572	5,686	2,605,664
Total liabilities and fund balances	\$ 4,272,666	\$ 459,572	\$ 5,686	\$ 4,737,924

COUNTY OF CATTARAUGUS, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2019

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Non property tax items	\$ 11,311,570	\$ 324,921	\$ -	\$ 11,636,491
Departmental income	24,160	-	-	24,160
Intergovernmental charges	506,165	-	-	506,165
Use of money and property	34,493	11,201	5	45,699
Sale of property and compensation for loss	19,000	-	-	19,000
Miscellaneous	123,379	-	-	123,379
Interfund revenues	4,104,647	-	-	4,104,647
State aid	54,872	-	-	54,872
Federal aid	279,840	91,101	-	370,941
Total revenues	<u>16,458,126</u>	<u>427,223</u>	<u>5</u>	<u>16,885,354</u>
EXPENDITURES				
Current:				
Public safety	700,016	-	-	700,016
Transportation	17,233,586	-	-	17,233,586
Economic assistance and opportunity	168,262	-	-	168,262
Home and community services	11,922	-	-	11,922
Debt service:				
Principal	80,206	4,427,000	-	4,507,206
Interest and fiscal charges	12,189	938,905	-	951,094
Total expenditures	<u>18,206,181</u>	<u>5,365,905</u>	<u>-</u>	<u>23,572,086</u>
Excess (deficiency) of revenues over expenditures	<u>(1,748,055)</u>	<u>(4,938,682)</u>	<u>5</u>	<u>(6,686,732)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,558,918	4,971,785	-	12,530,703
Transfers out	(5,360,814)	-	-	(5,360,814)
Premium on bonds issued	-	116,035	-	116,035
Proceeds of capital lease	140,074	-	-	140,074
Total other financing sources (uses)	<u>2,338,178</u>	<u>5,087,820</u>	<u>-</u>	<u>7,425,998</u>
Net change in fund balances	590,123	149,138	5	739,266
Fund balances—beginning	<u>1,550,283</u>	<u>310,434</u>	<u>5,681</u>	<u>1,866,398</u>
Fund balances—ending	<u>\$ 2,140,406</u>	<u>\$ 459,572</u>	<u>\$ 5,686</u>	<u>\$ 2,605,664</u>

COUNTY OF CATTARAUGUS, NEW YORK
Combining Balance Sheet—Nonmajor Special Revenue Funds
December 31, 2019

	County Road	Road Machinery	Conewango Watershed	Economic Development	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 879,128	\$ 68,529	\$ 730,590	\$ 1,678,247
Restricted cash and cash equivalents	-	3,150	900	1,352,171	1,356,221
Accounts receivable	1,972	6,779	-	-	8,751
Intergovernmental receivables	1,173,302	48,645	7,500	-	1,229,447
Total assets	<u>\$ 1,175,274</u>	<u>\$ 937,702</u>	<u>\$ 76,929</u>	<u>\$ 2,082,761</u>	<u>\$ 4,272,666</u>
LIABILITIES					
Accounts payable	\$ 419,329	\$ 96,000	\$ 5,000	\$ 15	\$ 520,344
Accrued liabilities	179,051	19,717	-	-	198,768
Due to other funds	56,927	-	-	-	56,927
Unearned revenue	-	3,150	900	1,352,171	1,356,221
Total liabilities	<u>655,307</u>	<u>118,867</u>	<u>5,900</u>	<u>1,352,186</u>	<u>2,132,260</u>
FUND BALANCES					
Assigned	<u>519,967</u>	<u>818,835</u>	<u>71,029</u>	<u>730,575</u>	<u>2,140,406</u>
Total fund balances	<u>519,967</u>	<u>818,835</u>	<u>71,029</u>	<u>730,575</u>	<u>2,140,406</u>
Total liabilities and fund balances	<u>\$ 1,175,274</u>	<u>\$ 937,702</u>	<u>\$ 76,929</u>	<u>\$ 2,082,761</u>	<u>\$ 4,272,666</u>

COUNTY OF CATTARAUGUS, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Special Revenue Funds
Year Ended December 31, 2019

	County Road	Road Machinery	Conewango Watershed	Economic Development	Total Nonmajor Special Revenue Funds
REVENUES					
Non property tax items	\$ 10,808,807	\$ 502,763	\$ -	\$ -	\$ 11,311,570
Departmental income	19,900	-	-	4,260	24,160
Intergovernmental charges	241,359	257,306	7,500	-	506,165
Use of money and property	-	-	-	34,493	34,493
Sale of property and compensation for loss	-	19,000	-	-	19,000
Miscellaneous	-	456	-	122,923	123,379
Interfund revenues	-	4,104,647	-	-	4,104,647
State aid	45,000	-	9,872	-	54,872
Federal aid	279,840	-	-	-	279,840
Total revenues	<u>11,394,906</u>	<u>4,884,172</u>	<u>17,372</u>	<u>161,676</u>	<u>16,458,126</u>
EXPENDITURES					
Current:					
Public safety	700,016	-	-	-	700,016
Transportation	13,265,611	3,967,975	-	-	17,233,586
Economic assistance and opportunity	-	-	-	168,262	168,262
Home and community services	-	-	11,922	-	11,922
Debt service:					
Principal	-	80,206	-	-	80,206
Interest and fiscal charges	-	12,189	-	-	12,189
Total expenditures	<u>13,965,627</u>	<u>4,060,370</u>	<u>11,922</u>	<u>168,262</u>	<u>18,206,181</u>
Excess (deficiency) of revenues over expenditures	<u>(2,570,721)</u>	<u>823,802</u>	<u>5,450</u>	<u>(6,586)</u>	<u>(1,748,055)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	7,551,418	-	7,500	-	7,558,918
Transfers out	(4,528,749)	(832,065)	-	-	(5,360,814)
Proceeds of capital lease	-	140,074	-	-	140,074
Total other financing sources (uses)	<u>3,022,669</u>	<u>(691,991)</u>	<u>7,500</u>	<u>-</u>	<u>2,338,178</u>
Net change in fund balances	451,948	131,811	12,950	(6,586)	590,123
Fund balances—beginning	68,019	687,024	58,079	737,161	1,550,283
Fund balances—ending	<u>\$ 519,967</u>	<u>\$ 818,835</u>	<u>\$ 71,029</u>	<u>\$ 730,575</u>	<u>\$ 2,140,406</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Non property tax items	\$ 280,000	\$ 280,000	\$ 324,921	\$ 44,921
Use of money and property	8,000	8,000	11,201	3,201
Federal aid	90,712	90,712	91,101	389
Total revenues	<u>378,712</u>	<u>378,712</u>	<u>427,223</u>	<u>48,511</u>
EXPENDITURES				
Current:				
General government support	1,500	1,500	-	1,500
Debt service:				
Principal	4,427,000	4,427,000	4,427,000	-
Interest and fiscal charges	938,916	938,916	938,905	11
Total expenditures	<u>5,367,416</u>	<u>5,367,416</u>	<u>5,365,905</u>	<u>1,511</u>
Deficiency of revenues over expenditures	<u>(4,988,704)</u>	<u>(4,988,704)</u>	<u>(4,938,682)</u>	<u>50,022</u>
OTHER FINANCING SOURCES				
Transfers in	4,976,860	4,976,860	4,971,785	(5,075)
Premium on bonds issued	-	-	116,035	116,035
Total other financing sources	<u>4,976,860</u>	<u>4,976,860</u>	<u>5,087,820</u>	<u>110,960</u>
Net change in fund balances*	(11,844)	(11,844)	149,138	160,982
Fund balances—beginning	<u>310,434</u>	<u>310,434</u>	<u>310,434</u>	<u>-</u>
Fund balances—ending	<u>\$ 298,590</u>	<u>\$ 298,590</u>	<u>\$ 459,572</u>	<u>\$ 160,982</u>

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

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—County Road Fund
Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Non property tax items	\$ 10,403,000	\$ 10,788,000	\$ 10,808,807	\$ 20,807
Departmental income	19,500	19,500	19,900	400
Intergovernmental charges	165,000	165,000	241,359	76,359
State aid	-	45,000	45,000	-
Federal aid	460,000	460,000	279,840	(180,160)
Total revenues	<u>11,047,500</u>	<u>11,477,500</u>	<u>11,394,906</u>	<u>(82,594)</u>
EXPENDITURES				
Current:				
Public safety	717,632	755,637	700,016	55,621
Transportation	13,950,766	14,305,462	13,265,611	1,039,851
Total expenditures	<u>14,668,398</u>	<u>15,061,099</u>	<u>13,965,627</u>	<u>1,095,472</u>
Deficiency of revenues over expenditures	<u>(3,620,898)</u>	<u>(3,583,599)</u>	<u>(2,570,721)</u>	<u>1,012,878</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	8,081,628	8,051,766	7,551,418	(500,348)
Transfers out	(4,528,749)	(4,528,749)	(4,528,749)	-
Total other financing sources (uses)	<u>3,552,879</u>	<u>3,523,017</u>	<u>3,022,669</u>	<u>(500,348)</u>
Net change in fund balances*	(68,019)	(60,582)	451,948	512,530
Fund balances—beginning	<u>68,019</u>	<u>68,019</u>	<u>68,019</u>	<u>-</u>
Fund balances—ending	<u>\$ -</u>	<u>\$ 7,437</u>	<u>\$ 519,967</u>	<u>\$ 512,530</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Non property tax items	\$ 480,000	\$ 480,000	\$ 502,763	\$ 22,763
Intergovernmental charges	180,000	195,804	257,306	61,502
Sale of property and compensation for loss	-	-	19,000	19,000
Miscellaneous	-	-	456	456
Interfund revenues	<u>3,174,561</u>	<u>4,108,772</u>	<u>4,104,647</u>	<u>(4,125)</u>
Total revenues	<u>3,834,561</u>	<u>4,784,576</u>	<u>4,884,172</u>	<u>99,596</u>
EXPENDITURES				
Current:				
Transportation	3,938,806	4,000,240	3,967,975	32,265
Debt service:				
Principal	-	80,206	80,206	-
Interest and fiscal charges	<u>-</u>	<u>12,189</u>	<u>12,189</u>	<u>-</u>
Total expenditures	<u>3,938,806</u>	<u>4,092,635</u>	<u>4,060,370</u>	<u>32,265</u>
Excess (deficiency) of revenues over expenditures	<u>(104,245)</u>	<u>691,941</u>	<u>823,802</u>	<u>131,861</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,010	50	-	(50)
Transfers out	-	(832,065)	(832,065)	-
Proceeds of capital lease	<u>-</u>	<u>140,074</u>	<u>140,074</u>	<u>-</u>
Total other financing sources (uses)	<u>100,010</u>	<u>(691,941)</u>	<u>(691,991)</u>	<u>(50)</u>
Net change in fund balances*	(4,235)	-	131,811	131,811
Fund balances—beginning	<u>687,024</u>	<u>687,024</u>	<u>687,024</u>	<u>-</u>
Fund balances—ending	<u>\$ 682,789</u>	<u>\$ 687,024</u>	<u>\$ 818,835</u>	<u>\$ 131,811</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental charges	\$ 7,500	\$ 7,500	\$ 7,500	\$ -
State aid	-	-	9,872	9,872
Total revenues	<u>7,500</u>	<u>7,500</u>	<u>17,372</u>	<u>9,872</u>
EXPENDITURES				
Current:				
Home and community services	<u>34,500</u>	<u>34,500</u>	<u>11,922</u>	<u>22,578</u>
Total expenditures	<u>34,500</u>	<u>34,500</u>	<u>11,922</u>	<u>22,578</u>
Excess (deficiency) of revenues over expenditures	<u>(27,000)</u>	<u>(27,000)</u>	<u>5,450</u>	<u>32,450</u>
OTHER FINANCING SOURCES				
Transfers in	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Total other financing sources	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Net change in fund balances*	(19,500)	(19,500)	12,950	32,450
Fund balances—beginning	<u>58,079</u>	<u>58,079</u>	<u>58,079</u>	<u>-</u>
Fund balances—ending	<u>\$ 38,579</u>	<u>\$ 38,579</u>	<u>\$ 71,029</u>	<u>\$ 32,450</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Departmental income	\$ -	\$ -	\$ 4,260	\$ 4,260
Use of money and property	-	-	34,493	34,493
Miscellaneous	-	1,212,304	122,923	(1,089,381)
Total revenues	<u>-</u>	<u>1,212,304</u>	<u>161,676</u>	<u>(1,050,628)</u>
EXPENDITURES				
Current:				
Economic assistance and opportunity	-	1,949,465	168,262	1,781,203
Total expenditures	<u>-</u>	<u>1,949,465</u>	<u>168,262</u>	<u>1,781,203</u>
Net change in fund balances	-	(737,161)	(6,586)	(730,575)
Fund balances—beginning	<u>737,161</u>	<u>737,161</u>	<u>737,161</u>	<u>-</u>
Fund balances—ending	<u>\$ 737,161</u>	<u>\$ -</u>	<u>\$ 730,575</u>	<u>\$ (730,575)</u>

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FEDERAL AWARDS INFORMATION

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE				
Passed through NYS Department of Agriculture and Markets:				
Commodity Loans and Loan Deficiency Payments	10.051	N/A	\$ -	\$ 104,615
Passed Through NYS Department of Health:				
Special Supplemental Nutrition Program for Women Infants, and Children	10.557	63405	147,471	572,923
Child and Adult Care Food Program	10.558	N/A	-	40,406
Passed Through NYS Office of Temporary and Disability Assistance:				
<i>Snap Cluster</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	-	1,221,192
<i>Total Snap Cluster</i>				
			-	1,221,192
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>147,471</u>	<u>1,939,136</u>
U.S. DEPARTMENT OF DEFENSE				
Direct Program:				
Procurement Technical Assistance for Business Firms	12.002	N/A	-	120,670
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>-</u>	<u>120,670</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	199HR36-13/H344-16	-	428,217
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>-</u>	<u>428,217</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through NYS Office of Victim Services:				
Juvenile Justice and Delinquency Prevention	16.540	66101	-	23,260
Violence Against Women Formula Grants	16.588	N/A	-	20,726
Passed through NYS Division of Criminal Justice:				
Bullet Proof Vest Partnership Program	16.607	N/A	-	395
Passed through Council on Addiction Recovery Services, Inc.:				
Enforcing Underage Drinking Laws Program	16.727	N/A	-	14,454
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>-</u>	<u>58,835</u>
U.S. DEPARTMENT OF LABOR				
Passed through Cattaraugus-Allegany Workforce Investment Board Inc.:				
<i>WIOA Cluster:</i>				
WIOA Adult Program	17.258	N/A	-	211,023
WIOA Youth Activities	17.259	N/A	-	179,924
WIOA Dislocated Worker Formula Grants	17.278	N/A	-	103,938
<i>Total WIOA Cluster</i>				
			-	494,885
TOTAL U.S. DEPARTMENT OF LABOR			<u>-</u>	<u>494,885</u>

(continued)

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through NYS Department of Transportation:				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	N/A	-	694,463
<i>Total Highway Planning and Construction Cluster</i>			-	694,463
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	69970	-	10,703
Child Safety and Child Booster Seat Incentive Grants	20.613	N/A	-	2,601
<i>Total Highway Safety Cluster</i>			-	13,304
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	707,767
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed through NYS Department of Health:				
Water Quality Management Planning	66.454	N/A	-	3,882
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			-	3,882
U.S. DEPARTMENT OF EDUCATION				
Passed through NYS Department of Health:				
Special Education-Grants for Infants and Families with Disabilities	84.181	N/A	-	48,702
TOTAL U.S. DEPARTMENT OF EDUCATION			-	48,702
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	-	5,626
<i>Aging Cluster:</i>				
Special Programs for the Aging Title III, Part B - Grants for Supportive Service and Senior centers	93.044	69404	-	77,351
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	69423	-	158,922
<i>Total Aging Cluster</i>			-	236,273
National Family Caregiver Support, Title III, Part E	93.052	N/A	-	47,082
Medicare Enrollment Assistance Program	93.071	N/A	-	13,778
Centers for Medicare and Medicaid Services (CMS)				
Research, Demonstrations and Evaluations	93.779	N/A	6,055	41,195

(continued)

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

(concluded)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
Passed through NYS Department of Health:				
Family Planning - Services	93.217	63402	107,020	117,920
Immunization Cooperative Agreements	93.268	N/A	-	38,533
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	-	94,512
<i>Medicaid Cluster:</i>				
Medical Assistance Program	93.778	62101	9,953	1,639,947
<i>Total Medicaid Cluster</i>			<u>9,953</u>	<u>1,639,947</u>
Maternal and Child Health Services Block Grant to the States	93.994	63491	2,618	23,995
Passed through NYS Office of Temporary and Disability Assistance:				
<i>TANF Cluster:</i>				
Temporary Assistance For Needy Families	93.558	N/A	519,268	2,775,246
<i>Total TANF Cluster</i>			<u>519,268</u>	<u>2,775,246</u>
Child Support Enforcement	93.563	62501	-	678,146
Low-Income Home Energy Assistance	93.568	69412	-	4,515,574
Passed through NYS Office of Children and Family Services:				
<i>CCDF Cluster:</i>				
Child Care and Development Block Grant	93.575	62702	-	567,226
<i>Total CCDF Cluster</i>			<u>-</u>	<u>567,226</u>
Community-Based Child Abuse Prevention Grants	93.590	N/A	-	64,952
Foster Care - Title IV-E	93.658	62401	-	971,523
Adoption Assistance	93.659	62402	-	599,085
Social Services Block Grant	93.667	62302	1,003,616	1,560,616
Chafee Foster Care Independence Program	93.674	N/A	-	2,795
Passed through Millennium Collaborative Care:				
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	N/A	-	83,500
Passed through NYS Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	64805	463,208	463,208
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,111,738</u>	<u>14,540,732</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Direct Program:				
Retired and Senior Volunteer Program	94.002	N/A	-	45,750
TOAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>-</u>	<u>45,750</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through NYS Department of Homeland Security and Emergency Services:				
Emergency Management Performance Grants	97.042	N/A	-	26,262
Homeland Security Grant Program	97.067	N/A	-	182,276
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>-</u>	<u>208,538</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ 2,259,209</u>	<u>\$ 18,597,114</u>

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

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COUNTY OF CATTARAUGUS, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Cattaraugus, New York, (the "County") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. MATCHING COSTS

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

4. NON-MONETARY FEDERAL PROGRAM

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." New York State makes payments of benefits directly to vendors, primarily utility companies on behalf of eligible persons participating in Low-Income Home Energy Assistance Program (CFDA Number 93.568). \$4,221,106 in direct payments were received by participants, which is included in the amount presented on the schedule of expenditures of federal awards.

5. AMOUNTS PROVIDED TO SUBRECIPIENTS

Certain program funds are passed through the County to subrecipient organizations. The County identifies, to the extent practical, the total amount provided to subrecipients from each federal program, however, the schedule does not contain separate schedules disclosing how the subrecipients outside of the County's control utilize the funds. The County requires subrecipients receiving funds to submit separate audit reports disclosing the use of the program funds.

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 Legislature and County Administrator
County of Cattaraugus, New York

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Cattaraugus, New York (the "County") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 20, 2020. Our report includes a reference to other auditors who audited the financial statements of the Pines Machias Campus, the Pines Olean Campus (collectively the "Pines"), the County of Cattaraugus Industrial Development Agency (the "CCIDA"), the Cattaraugus County Land Bank (the "Land Bank"), and the Cattaraugus County Sustainability and Growth Corporation (the "Sustainability and Growth Corporation") as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Pines, the Land Bank, and the Sustainability and Growth Corporation 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.

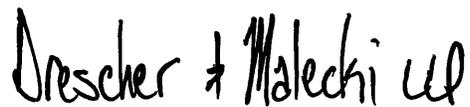
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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



July 20, 2020

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Cattaraugus, New York's (the "County") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Pines Machias Campus and Pines Olean Campus (collectively the "Pines"), the County of Cattaraugus Industrial Development Agency (the "CCIDA"), the Cattaraugus County Land Bank Corporation (the "Land Bank"), and the Cattaraugus County Sustainability and Growth Corporation (the "Sustainability and Growth Corporation"), which are not included in the County's schedule of expenditures of federal awards for the year ended December 31, 2019. Our compliance audit, described below, did not include the operations of the Pines, the CCIDA, the Land Bank, or the Sustainability and Growth Corporation.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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



July 20, 2020

COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I. Summary of Auditors' Results

Financial Statements:

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

Internal control over financial reporting:

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

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____	Yes	_____	✓	No
Significant deficiency(ies) identified?	_____	Yes	_____	✓	None reported

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.258/17.259/17.278	WIOA Cluster
93.558	Temporary Assistance for Needy Families
93.658	Foster Care Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Auditee qualified as low-risk auditee?	_____	✓	Yes	_____	No
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COUNTY OF CATTARAUGUS, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section II. Financial statement findings section

No findings noted.

Section III. Federal award findings and questioned costs section

No findings noted.

COUNTY OF CATTARAUGUS, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019
(Follow Up on December 31, 2018 Findings)

No findings noted.

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