

COUNTY OF SCHUYLER

Watkins Glen, New York

EXECUTIVE SUMMARY

December 31, 2017

DRAFT

COUNTY OF SCHUYLER

SUMMARY OF 2017 AUDIT REPORT AND FINDINGS

Financial Statements

Independent Auditor's Report on Basic Financial Statements

Independent Auditor's 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*

Single Audit (Uniform Guidance) Report

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

Communication with Those Charged with Governance at the Conclusion of the Audit

Management Comment Letter

Description of Report and Findings

Unmodified opinion on the County of Schuyler's (the County) basic financial statements for the year ended December 31, 2017.

Report on the County's compliance with laws and regulations that may have a direct and material effect on the basic financial statements, and on the County's internal control structure policies and procedures based on the auditor's understanding of the internal control structure and assessment of control risk obtained as part of the audit of the basic financial statements. This report identified **no material weaknesses or significant deficiencies in internal control** over financial reporting at the financial statement level and **no material instances of noncompliance**.

Report on 1) the County's internal control structure policies and procedures used in administering federal award programs; and 2) compliance requirements with respect to its federal award programs. This report identified **no instances of noncompliance or material internal control weaknesses** regarding compliance in accordance with Uniform Guidance.

There are numerous federal award programs; expenditures amounted to \$4,968,724.

A letter that specifically addresses certain required communications to the Legislature in accordance with professional standards - there were **no comments of concern** related to:

- Qualitative Aspects of Accounting Practices
- Difficulties Encountered in Performing the Audit
- Corrected and Uncorrected Misstatements
- Disagreements with Management
- Management Representations
- Management Consultations with Other Independent Accountants
- Other Audit Findings or Issues
- Other Matters

A separate management comment letter dated May 9, 2017 has been issued that discusses certain accounting issues.

COUNTY OF SCHUYLER

COMPARATIVE BALANCE SHEET GENERAL FUND DECEMBER 31,

| ASSETS | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|----------------------|----------------------|----------------------|---------------------|---------------------|
| Unrestricted cash | \$ 4,874,214 | \$ 3,900,916 | \$ 1,723,089 | \$ 995,859 | \$ 202,077 |
| Restricted cash | 644,954 | 600,088 | 545,385 | 1,186,307 | 1,311,528 |
| Taxes receivable, net | 2,569,266 | 2,935,911 | 2,880,241 | 2,238,880 | 2,251,998 |
| Due from other funds | 956,236 | 825,278 | 804,037 | 844,056 | |
| Due from state and federal governments | 3,747,576 | 3,134,074 | 3,993,125 | 3,560,561 | 3,501,860 |
| Due from other governments | 13,151 | 9,813 | 36,660 | 35,104 | 36,291 |
| Other receivables, net | 2,129,615 | 2,264,473 | 1,912,449 | 265,509 | 1,195,533 |
| Prepaid expenses | 518,665 | 496,717 | 492,402 | 516,624 | 485,546 |
| Inventories | 6,457 | 9,589 | 6,931 | 6,659 | 7,433 |
| Total Assets | \$ 15,460,134 | \$ 14,176,859 | \$ 12,394,319 | \$ 9,649,559 | \$ 8,992,266 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 2,132,593 | \$ 2,063,869 | \$ 2,231,331 | \$ 1,017,975 | \$ 853,436 |
| Accrued liabilities | 223,780 | 190,119 | 163,799 | 504 | 72,761 |
| Due to other funds | 300,049 | 318,748 | 320,883 | 1,152,490 | 1,590,986 |
| Due to other governments | 2,142,606 | 2,547,202 | 2,276,391 | 1,860,471 | 2,039,833 |
| Unearned revenue/Other liabilities | 948,424 | 921,949 | 858,997 | 1,033,449 | 1,169,308 |
| Deferred Inflows of Resources | | | | | |
| Unavailable tax revenues | 733,798 | 598,599 | 902,910 | 902,910 | 902,910 |
| Total Liabilities and Deferred Inflows of Resources | 6,481,250 | 6,640,486 | 6,754,311 | 5,967,799 | 6,629,234 |
| Fund Balances | | | | | |
| Nonspendable | 525,122 | 506,306 | 499,333 | 523,283 | 492,979 |
| Restricted | 630,187 | 521,860 | 467,133 | 475,652 | 556,850 |
| Committed | 1,458,478 | 1,216,914 | 1,050,821 | 802,177 | 717,384 |
| Assigned | 17,585 | 497,051 | 514,931 | 516,859 | 41,776 |
| Unassigned | 6,347,512 | 4,794,242 | 3,107,790 | 1,363,789 | 554,043 |
| Total Fund Balance | 8,978,884 | 7,536,373 | 5,640,008 | 3,681,760 | 2,363,032 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | \$ 15,460,134 | \$ 14,176,859 | \$ 12,394,319 | \$ 9,649,559 | \$ 8,992,266 |

Data Presented is Extracted from the County's Independent Audit Reports for Purposes of Additional Analysis and is Not to be Used for Any Other Purpose.

Presented by: Inero & Co. CPAs, LLP

COUNTY OF SCHUYLER

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEARS ENDED DECEMBER 31,

| REVENUES | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Real property taxes | \$ 11,028,203 | \$ 11,445,979 | \$ 11,055,936 | \$ 10,994,593 | \$ 10,772,437 |
| PERCENT INCREASE (DECREASE) IN PROPERTY TAX | -3.6% | 3.5% | 0.6% | 2.1% | -0.5% |
| Real property tax items | 793,667 | 780,632 | 1,020,138 | 604,057 | 596,236 |
| Nonproperty tax items | 11,472,020 | 11,036,403 | 10,939,341 | 10,716,918 | 10,229,319 |
| Departmental income | 5,165,552 | 5,288,471 | 5,243,261 | 4,785,942 | 5,812,297 |
| Intergovernmental charges | 346,293 | 334,472 | 300,318 | 324,265 | 306,381 |
| Use of money and property | 569,260 | 664,010 | 641,985 | 611,310 | 607,167 |
| Fines and forfeitures | 33,252 | 31,991 | 38,439 | 70,814 | 44,768 |
| Sale of property and compensation for loss | 10,574 | 20,890 | 27,327 | 280,826 | 192,338 |
| Miscellaneous local sources | 198,131 | 221,293 | 88,543 | 60,152 | 14,141 |
| State sources | 7,233,720 | 6,799,436 | 7,409,588 | 6,429,331 | 5,549,547 |
| Federal sources | 4,020,127 | 4,161,793 | 4,311,621 | 3,736,640 | 4,066,765 |
| Total Revenues | 40,870,799 | 40,785,370 | 41,076,497 | 38,614,848 | 38,191,396 |
| PERCENT (DECREASE) INCREASE IN REVENUE | 0.2% | -0.7% | 6.4% | 1.1% | 4.2% |
| EXPENDITURES | | | | | |
| General governmental support | 7,308,865 | 6,963,477 | 6,948,525 | 6,807,083 | 6,915,755 |
| Education | 1,613,949 | 1,658,664 | 1,706,758 | 1,703,595 | 1,650,557 |
| Public safety | 4,511,791 | 4,051,396 | 5,721,993 | 4,642,491 | 4,157,911 |
| Public health | 3,536,135 | 4,111,183 | 3,677,833 | 3,396,246 | 3,431,118 |
| Transportation | 539,822 | 314,681 | 501,581 | 276,043 | 299,555 |
| Economic assistance and opportunity | 12,300,344 | 12,271,857 | 11,954,015 | 12,236,695 | 12,481,460 |
| Culture and recreation | 166,233 | 168,325 | 152,118 | 155,175 | 179,529 |
| Home and community services | 557,874 | 589,819 | 637,855 | 584,327 | 1,013,590 |
| Employee benefits | 5,598,413 | 5,256,486 | 5,342,544 | 5,326,809 | 5,182,560 |
| Debt service (principal and interest) | 242,381 | 260,477 | 173,321 | 157,656 | 208,855 |
| Total Expenditures | 36,375,807 | 35,646,365 | 36,816,543 | 35,286,120 | 35,520,890 |
| PERCENT (DECREASE) INCREASE IN EXPENDITURES | 2.0% | -3.2% | 4.3% | -0.7% | 3.5% |
| Other Uses | | | | | |
| Interfund transfers | 3,052,481 | 3,242,640 | 2,301,706 | 2,010,000 | 2,479,000 |
| Total Expenditures and Other Uses | 39,428,288 | 38,889,005 | 39,118,249 | 37,296,120 | 37,999,890 |
| Excess of Revenue | 1,442,511 | 1,896,365 | 1,958,248 | 1,318,728 | 191,506 |
| Fund Balance, Beginning of Year | 7,536,373 | 5,640,008 | 3,681,760 | 2,363,032 | 2,171,526 |
| Fund Balance, End of Year | \$ 8,978,884 | \$ 7,536,373 | \$ 5,640,008 | \$ 3,681,760 | \$ 2,363,032 |

Data Presented is Extracted from the County's Independent Audit Reports for Purposes of Additional Analysis and is Not to be Used for Any Other Purpose.

Presented by: Inero & Co. CPAs, LLP

COUNTY OF SCHUYLER

EXECUTIVE SUMMARY OF 2017 AUDIT

AUDIT FOCUS - REPORTING OBJECTIVES

1) Basic Financial Statements

- *Management's Discussion and Analysis
- *Government-wide Financial Statements
 - *Statement of Net Position
 - *Statement of Activities
- *Governmental Fund Financial Statements
- *Notes to Financial Statements
- *Supplemental Financial Information

Independent Auditor's Report

Report on Compliance and on Internal Control Over Financial Reporting

2) Single Audit (Uniform Guidance) Requirements for Federal Awards

- *Schedule of Federal Award Expenditures
- *Compliance with Applicable Requirements
- *Internal Control Over Compliance

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance

AUDIT APPROACH

- *Preliminary Planning
- *Consideration of Internal Control Over Financial Reporting
- *Tests of Controls
- *Tests of Compliance with Laws and Regulations
- *Substantive Testing of Financial Information (Includes Analytical Review)
- *Single Audit Tests of Compliance with Applicable Requirements
- *Consideration of Internal Control Over Compliance Requirements

UNDERSTANDING THE COUNTY'S OPERATIONS

- *Services Provided
- *Assessment of Accounting and Reporting System
- *Nature of Activities
- *Special Reporting Requirements
- *Nature of Compliance Requirements
- *Assessment of Management

FACTORS AFFECTING THE SCOPE OF THE AUDIT

- *Effectiveness of Overall Financial Controls
- *Qualifications of Key Personnel
- *Appropriate Segregation of Duties
- *Ability to Demonstrate Compliance with Laws and Regulations
- *Effectiveness of Budget Process Administration
- *Accuracy and Comprehensiveness of Internal Reporting
- *Existence of Adequate Policies and Procedures
- *Ability to Issue Timely and Accurate Financial Reports

COUNTY OF SCHUYLER

Watkins Glen, New York

FINANCIAL STATEMENTS

December 31, 2017

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COUNTY OF SCHUYLER

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INDEPENDENT AUDITOR'S REPORT

To the Chairperson and
Members of the Legislature
County of Schuyler
Watkins Glen, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, New York (the County) as of and for the year ended December 31, 2017, 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

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, New York, as of December 31, 2017, 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, Schedule of County's Contributions – NYSLRS Pension Plan, Schedule of the County's Proportionate Share of the Net Pension Liability, Budgetary Comparison Schedules, the Schedule of Funding Progress, and the related notes to required supplementary information on pages 4-4j and 52-59 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 financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2018 on our consideration of the County of Schuyler’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Schuyler’s internal control over financial reporting and compliance.

Respectfully Submitted,

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
May 9, 2018

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COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Our discussion and analysis of the financial performance of the County of Schuyler (the County) provides an overview of the County's financial activities for the fiscal year ended December 31, 2017. Please read this information in conjunction with the County's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,860,429 (net position). Of this amount, \$(18,081,357) is an unrestricted net deficit largely attributable to the recognition of the GASB Statement No. 45 other postemployment liability of \$21,236,845.
- The County's overall net position decreased by \$(737,258), or (6.36)% during 2017.
- The County's outstanding debt at year end was \$12,298,040, a net decrease of \$(221,838) from 2016, primarily as a result of serial bond repayments.
- Capital assets increased by \$572,349 in 2017, based on capital outlay exceeding depreciation expense.

GOVERNMENTAL FUNDS

- Revenues exceeded expenditures in the Governmental Funds by \$1,492,490, bringing fund balances to \$10,874,112 at December 31, 2017.
- The General Fund recorded an increase of \$1,442,511 in 2017, and ended the year with total fund balance of \$8,978,884. Of this fund balance, \$2,631,372 was reserved or allocated for future expenditures, and \$6,347,512 was unassigned.

COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 5 through 7) provide information about the County as a whole and present a longer-term view of the County's finances. Governmental Fund financial statements start on page 8. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in greater detail than the Government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's Major Fund budgets for the year, a Schedule of Funding Progress related to the County's other postemployment benefits, a Schedule of County's Contributions - NYSLRS Pension Plan, and a Schedule of the County's Proportionate Share of Net Pension Liability.

In addition to the basic financial statements, the annual report contains other information in the form of combining statements for those funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements.

Reporting the County as a Whole

Analysis of the County as a whole begins on page 5, with the Government-wide statements. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer the question of whether the County, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the County's net position and changes in it. The County's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. One needs to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

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

Governmental Activities: Most of the County's services are reported in this category, including public safety, public health, transportation, economic assistance and opportunity, culture and recreation, home and community services and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Component Units: The County includes four separate legal entities in its report - the Schuyler County Industrial Development Agency, the Soil and Water Conservation District, the Schuyler County Human Services Development Corporation (HSDC) and the Schuyler Tobacco Asset Securitization Corporation (STASC). STASC is reported as a blended component unit with the County's Governmental Activities. HSDC is reported as an Internal Service Fund and blended with the County's Governmental Activities. The other two component units are reported discretely. Although legally separate, these component units are important because the County is financially accountable for them. Complete financial statements for the Industrial Development Agency can be obtained from their administrative office at 910 South Decatur Street, Watkins Glen, New York 14891. Financial statements for STASC and HSDC can be obtained from Schuyler County, 105 9th Street, Watkins Glen, New York 14891. Soil and Water Conservation District financial information may be obtained from Schuyler County Soil and Water Conservation District, PO Box 326, Montour Falls, New York, 14865.

Reporting the County's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the County's Major Funds begins on page 8. The Governmental Fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by state law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The County reports its activities in Governmental Funds.

Governmental Funds: With the exception of Internal Service Funds, the County's services are reported in the Governmental Funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund financial statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The relationship (or differences) between Governmental *Activities* (reported in the Government-wide financial statements) and Governmental *Funds* is explained in a reconciliation following the Governmental Fund financial statements.

Proprietary Funds: When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in Proprietary Funds. *Proprietary* Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. Internal Service Funds (a component of Proprietary Funds) are used to report activities that provide supplies and services for other programs and activities directly benefitting the County.

COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The County as Trustee: The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's Fiduciary Activities are reported in a separate Statement of Fiduciary Net Position on page 15. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's net position for the fiscal year ended December 31, 2017 decreased from \$11,597,687 to \$10,860,429. This compares with the fiscal year ended December 31, 2016, which recognized a decrease of \$(1,799,428).

The largest portion of the County's net position, \$27,607,944 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net position, \$1,333,842 represents resources subject to external restrictions on how they may be used and is reported as restricted net position. These net resources consist of unspent funds restricted for public safety, community development, and debt service.

The remaining category of total net position, unrestricted net (deficit) may generally be used to meet the government's ongoing obligations and services to creditors and citizens. Of this net (deficit), the County has designated \$3,272,804 for specific purposes.

Our analysis below focuses on the net position (Figure 1), and changes in net position (Figure 2), of the County's Governmental Activities.

Figure 1 - Net Position

| | Governmental Activities | | Dollar Change |
|---|-------------------------|----------------------|---------------------|
| | 2016 | 2017 | 2016 - 2017 |
| Current assets | \$ 15,882,646 | \$ 17,190,859 | \$ 1,308,213 |
| Capital assets, net | 34,270,936 | 34,843,285 | 572,349 |
| Other noncurrent assets | 413,000 | 413,000 | - |
| Total Assets | 50,566,582 | 52,447,144 | 1,880,562 |
| Pensions | 7,795,083 | 3,771,675 | (4,023,408) |
| Total Deferred Outflows of Resources | 7,795,083 | 3,771,675 | (4,023,408) |
| Current liabilities | 6,816,989 | 6,678,156 | (138,833) |
| Noncurrent liabilities | 38,672,468 | 37,548,448 | (1,124,020) |
| Total Liabilities | 45,489,457 | 44,226,604 | (1,262,853) |
| Pensions | 1,274,521 | 1,131,786 | (142,735) |
| Total Deferred Inflows of Resources | 1,274,521 | 1,131,786 | (142,735) |
| Net investment in capital assets | 26,770,558 | 27,607,944 | 837,386 |
| Restricted | 1,221,188 | 1,333,842 | 112,654 |
| Unrestricted | (16,394,059) | (18,081,357) | (1,687,298) |
| Total Net Position | \$ 11,597,687 | \$ 10,860,429 | \$ (737,258) |

COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The County's current asset increase was largely due to an increase in cash of \$1,295,729 which came from revenue exceeding expenditures by \$1,492,490 at the fund level. Capital assets, net, increased based on capital outlay for the Radio Tower Project, Bridge Project, and Jail Renovation Project, among others, which exceeded depreciation expense.

Deferred outflows of resources and deferred inflows of resources decreased based on actuarially determined amounts provided the NYSLRS.

Current liabilities decreased mainly because amounts due to school districts decreased over the prior year. The reduction in noncurrent liabilities stems from a decrease in the County's proportionate share of the NYSLRS net pension liability of \$(3,214,510) as well as the payment of debt, offset by an increase in the County's other postemployment benefits obligations of \$2,456,328.

Net investment in capital assets increased based on capital asset additions and payment of debt principal offset by depreciation expense.

Total revenues increased, while the total cost of all programs and services decreased. Our analysis in Figure 2 separately considers the operations of Governmental Activities.

Figure 2 - Changes in Net Position

| | Governmental Activities | | Dollar Change 2016 - 2017 |
|-------------------------------------|-------------------------|----------------------|------------------------------|
| | 2016 | 2017 | |
| REVENUES | | | |
| Program Revenues: | | | |
| Charges for services | \$ 6,959,067 | \$ 6,602,000 | \$ (357,067) |
| Operating grants and contributions | 11,128,058 | 11,288,892 | 160,834 |
| Capital grants | 1,160,146 | 1,408,615 | 248,469 |
| General Revenues: | | | |
| Property taxes and tax items | 11,684,080 | 11,670,905 | (13,175) |
| Sales and other taxes | 10,983,729 | 11,415,053 | 431,324 |
| Tobacco settlement | 312,175 | 188,201 | (123,974) |
| Use of money and property | 11,125 | 20,115 | 8,990 |
| Other | 360,338 | 268,516 | (91,822) |
| Total Revenues | \$ 42,598,718 | \$ 42,862,297 | \$ 263,579 |
| PROGRAM EXPENSES | | | |
| General government | \$ 10,050,866 | \$ 9,873,976 | \$ (176,890) |
| Education | 1,658,664 | 1,613,949 | (44,715) |
| Public safety | 6,236,773 | 6,604,596 | 367,823 |
| Public health | 5,561,165 | 5,139,653 | (421,512) |
| Transportation | 4,691,409 | 4,196,818 | (494,591) |
| Economic assistance and opportunity | 14,456,526 | 14,542,080 | 85,554 |
| Culture and recreation | 342,731 | 367,228 | 24,497 |
| Home and community services | 763,556 | 607,340 | (156,216) |
| Interest on long-term debt | 636,456 | 653,915 | 17,459 |
| Total Expenses | 44,398,146 | 43,599,555 | (798,591) |
| CHANGE IN NET POSITION | \$ (1,799,428) | \$ (737,258) | \$ 1,062,170 |

COUNTY OF SCHUYLER

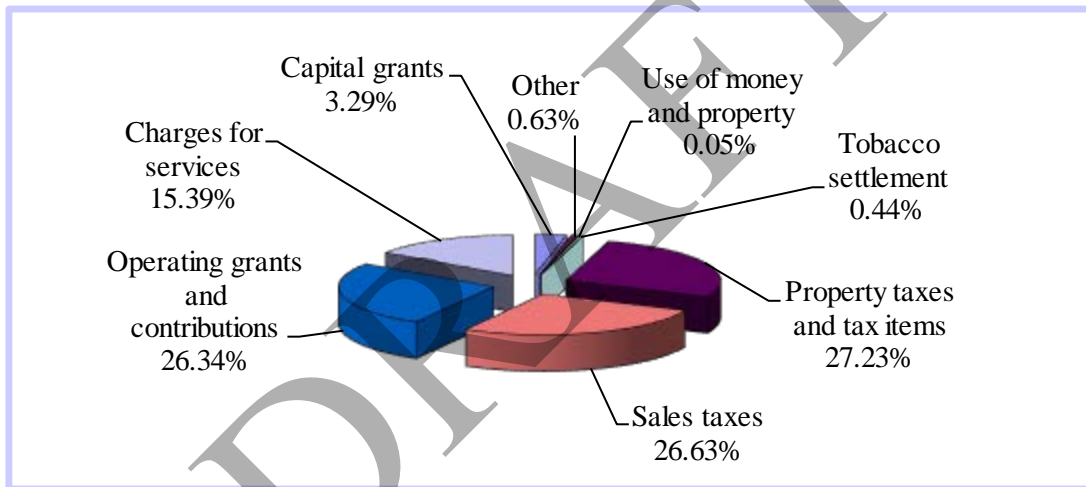
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Charges for services decreased largely due to a decrease of \$(97,161) in other health departmental income as well as decrease of \$(180,000) in transportation revenues. Capital grants increased as there was an increase in the extreme winter recovery allocation as well as more reimbursements for an increase in bridge project expenses compared to 2016. Sales and other taxes increased based on an increase in sales tax revenue of \$381,962.

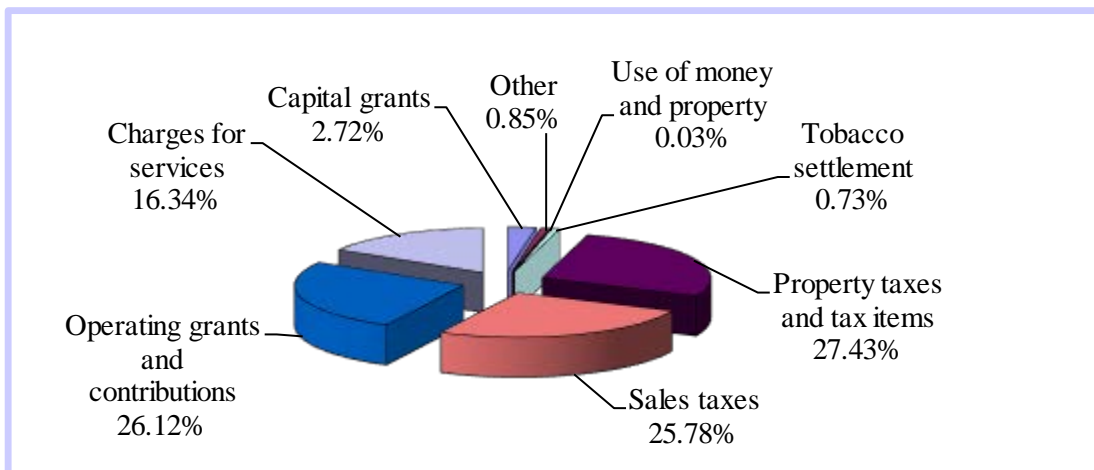
Expenses decreased largely due to a lower demand in general government, public health, transportation and home and community services. Increase in public safety expenses resulted from increases in emergency services over the prior year.

Figures 3 and 4 show the sources of revenue for 2017 and 2016.

**Figure 3 - Revenues by Source
Governmental Activities
2017**



**Figure 4 - Revenues by Source
Governmental Activities
2016**



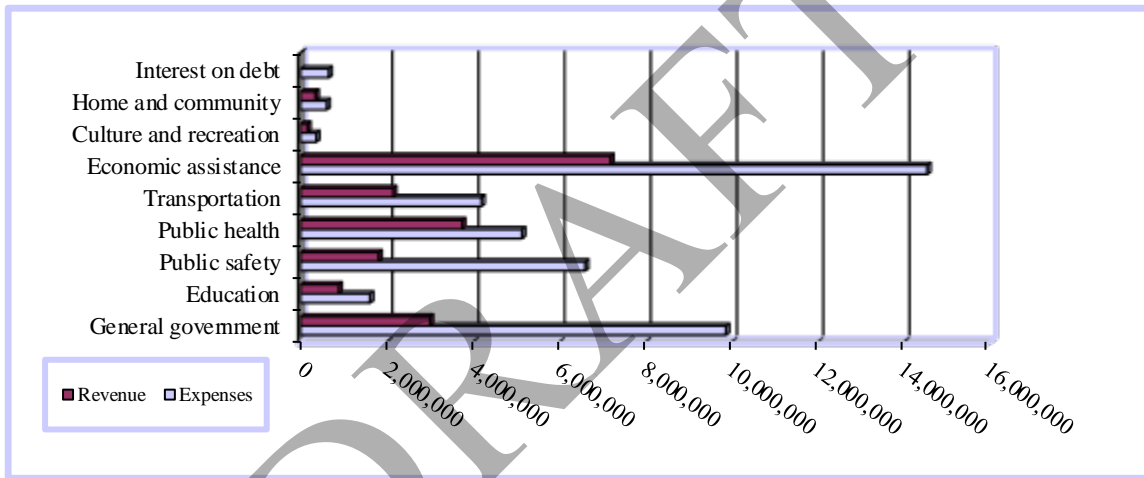
COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

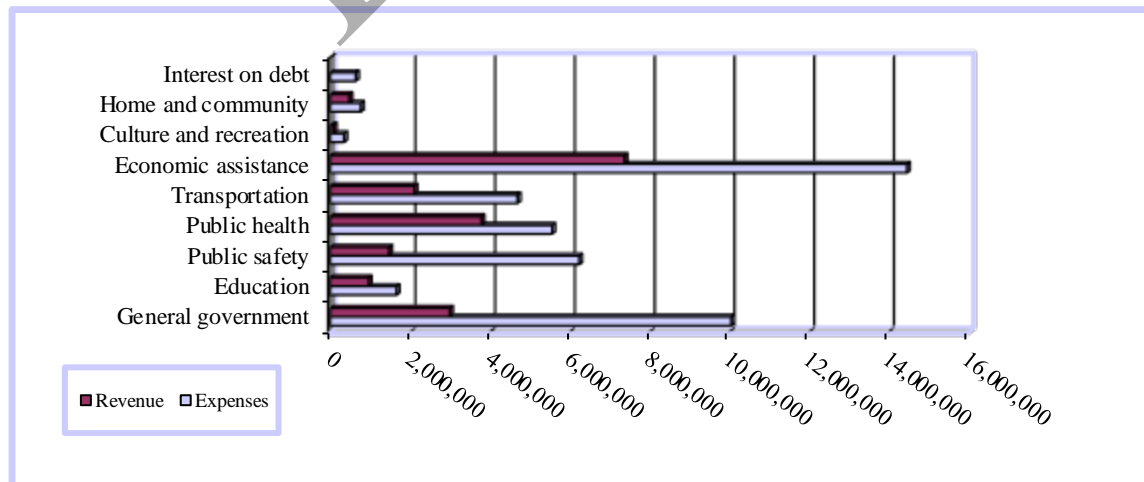
As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through county property and other tax revenues was \$24,649,212, as some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues were \$19,299,507.

The total cost versus revenue generated by activities for the County's largest programs is presented below. The difference between the cost and revenue shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Figure 5 - Net Program Cost
Governmental Activities - 2017**



**Figure 6 - Net Program Cost
Governmental Activities - 2016**



COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

THE COUNTY'S FUNDS

As the County completed the year, its Governmental Funds, as presented in the balance sheet on page 8 reported combined fund balances greater than the prior year's total fund balance. Of this amount, \$525,122 is nonspendable, \$1,253,796 is restricted for future expenditures, \$1,458,478 is committed for future expenditures and \$1,289,204 is assigned for 2018 expenditures, leaving \$6,347,512 in unassigned fund balance. Figure 7 shows the changes in fund balance for the County's Governmental Funds.

*Figure 7
Governmental Funds
Fund Balances*

| | 2016 | 2017 | Dollar Change 2016 - 2017 |
|-------------------------|---------------------|----------------------|------------------------------|
| Major Funds: | | | |
| General Fund | \$ 7,536,373 | \$ 8,978,884 | \$ 1,442,511 |
| Special Revenue Fund: | | | |
| County Road Fund | 1,191,354 | 1,058,351 | (133,003) |
| STASC Debt Service Fund | 634,066 | 606,417 | (27,649) |
| Nonmajor Funds: | | | |
| Capital Projects Fund | (363,555) | - | 363,555 |
| Special Revenue Funds: | | | |
| Special Grant Fund | 17,192 | 17,192 | - |
| Road Machinery Fund | 366,192 | 213,268 | (152,924) |
| Totals | \$ 9,381,622 | \$ 10,874,112 | \$ 1,492,490 |

General Fund Budgetary Highlights

Over the course of the year, the County Legislature revised the County budget several times. These budget amendments consist of budget transfers between functions, which did not increase the overall budget. In addition to these transfers, the County Legislature increased the overall budget to provide for unspent appropriations from the previous year (encumbrances) and various grants where the majority of the funding came from federal and state sources.

Actual charges to appropriations (expenditures) were below final budgeted amounts. The most significant positive variances occurred in the County's general government, public safety, public health, economic assistance and opportunity and employee benefits functions. These significant variances are due to cross period grants included in the budget for which no expenditures have been made as well as increased efforts to curtail spending in the current year. Resources available for appropriation were under the final budgeted amount primarily due to departmental income not received as well as revenue related to the aforementioned cross period grants.

COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

*Figure 8
Budgetary Comparison Schedule - General Fund
December 31, 2017*

| | Original Budget | Final Budget | Actual w/ Encumbrances | Variance Fav.(Unfav.) |
|---|----------------------|----------------------|---------------------------|--------------------------|
| REVENUES AND OTHER FINANCING SOURCES | | | | |
| Real property taxes and tax items | \$ 11,966,027 | \$ 11,966,027 | \$ 11,821,870 | \$ (144,157) |
| Nonproperty tax items | 11,087,000 | 11,087,000 | 11,472,020 | 385,020 |
| Departmental income and intergovernmental charges | 6,683,043 | 7,177,400 | 5,511,845 | (1,665,555) |
| Use of money and property | 670,096 | 670,096 | 569,260 | (100,836) |
| State sources | 6,421,720 | 7,578,949 | 7,233,720 | (345,229) |
| Federal sources | 4,147,847 | 4,647,965 | 4,020,127 | (627,838) |
| Other revenues and financing sources | 302,339 | 303,213 | 241,957 | (61,256) |
| Total Revenues and Other Financing Sources | \$ 41,278,072 | \$ 43,430,650 | \$ 40,870,799 | \$ (2,559,851) |
| Appropriated Reserves and Fund Balance | | | | |
| | \$ | \$ (18,936) | | |
| EXPENDITURES AND OTHER FINANCING USES | | | | |
| General government | \$ 7,818,122 | \$ 7,940,178 | \$ 7,313,443 | \$ 626,735 |
| Education | 1,710,000 | 1,710,000 | 1,613,975 | 96,025 |
| Public safety | 3,902,016 | 5,066,883 | 4,516,378 | 550,505 |
| Public health | 3,943,827 | 4,468,689 | 3,540,774 | 927,915 |
| Transportation | 430,000 | 556,376 | 539,822 | 16,554 |
| Economic assistance and opportunity | 13,034,930 | 13,038,632 | 12,302,802 | 735,830 |
| Culture and recreation | 168,891 | 220,031 | 167,250 | 52,781 |
| Home and community services | 607,180 | 612,513 | 558,132 | 54,381 |
| Employee benefits | 6,547,000 | 6,547,000 | 5,598,435 | 948,565 |
| Debt service | 107,075 | 242,381 | 242,381 | - |
| Other financing uses | 3,009,031 | 3,009,031 | 3,052,481 | (43,450) |
| Total Expenditures and Other Financing Uses | \$ 41,278,072 | \$ 43,411,714 | \$ 39,445,873 | \$ 3,965,841 |
| Excess of Revenues and Other Financing Sources | \$ - | \$ - | \$ 1,424,926 | \$ 1,405,990 |

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2017, the County had capital assets of \$75,611,058, net of accumulated depreciation of \$(40,767,773). This amount represents an investment in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges.

COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

*Figure 9
Capital Assets, Net of Depreciation*

| | Governmental Activities | | Dollar Change |
|----------------------------|-------------------------|----------------------|-------------------|
| | 2016 | 2017 | 2016 - 2017 |
| Land | \$ 374,839 | \$ 374,839 | \$ - |
| Construction-in-progress | - | 379,548 | 379,548 |
| Buildings and improvements | 12,745,626 | 12,467,939 | (277,687) |
| Land improvements | 2,399,526 | 2,326,905 | (72,621) |
| Machinery and equipment | 2,066,124 | 2,533,898 | 467,774 |
| Infrastructure | 16,684,821 | 16,760,156 | 75,335 |
| Totals | \$ 34,270,936 | \$ 34,843,285 | \$ 572,349 |

This year's additions consisted of:

| | | |
|--------------------------------------|-----------|----------------|
| Radio Tower Project - Decatur Street | \$ | 559,439 |
| Jail Renovation Project | | 30,384 |
| County bridge projects | | 349,164 |
| County road projects | | 1,249,919 |
| Machinery and equipment | | 1,218,472 |
| Total Additions | | 3,407,378 |
| Less: Depreciation | | (2,600,734) |
| HSDC depreciation | | (130,277) |
| Net book value of disposed assets | | (104,018) |
| Total Net Change | \$ | 572,349 |

Debt Administration

Of the total outstanding debt, \$2,853,745 was subject to the constitutional debt limit and represented 3.05% of the County's statutory debt limit.

Tobacco settlement pass-through bonds are debt of STASC, under which the County's future tobacco settlement proceeds were securitized. The County is not responsible for this debt in the event the STASC were to default in repayment of the bonds. The HSDC bonds are debt of the Human Services Corporation. The County is not responsible in the event the HSDC were to default in repayment of the bonds.

COUNTY OF SCHUYLER

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

*Figure 10
Outstanding Debt at Years Ended*

| | Governmental Activities | | Dollar Change |
|---|-------------------------|----------------------|---------------------|
| | 2016 | 2017 | 2016 - 2017 |
| Bonds | \$ 10,460,326 | \$ 10,073,588 | \$ (386,738) |
| Capital lease | 357,586 | 308,745 | (48,841) |
| Tobacco settlement pass-through bonds accrued interest | 1,701,966 | 1,915,707 | 213,741 |
| Totals | \$ 12,519,878 | \$ 12,298,040 | \$ (221,838) |

The County's Moody's bond rating is currently A, which did not change from the prior year. More detailed information about the County's noncurrent liabilities is presented in Note 10 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Schuyler County continues to experience an improving financial and liquidity position subsequent to implementation of additional accounting and management protocols and efficiency initiatives. It is expected this will continue in 2018 as the full effect of departmental consolidations and shared services is realized, coupled with a local economy that has the potential for above average expansion. The County will continue to make adjustments in spending as necessary should revenue sources be diminished and will seek to fund mandated increases in expenditures without proportionately increasing property taxes. Uncertainty with respect to federal budget and policy changes, and the potential negative financial impact associated with same drive a continued conservative approach to budgeting and spending by the County. County administration has successfully reduced the local tax burden by securing state and federal funding opportunities through grants and maximization of cost sharing. Should those funding sources be reduced, corresponding reductions in expenditures will also occur.

Effective January 1, 2016 the County enacted a change in sales tax distribution, capping the amount of revenue shared with local municipalities, reserving a greater portion for County purposes. New York State pension contributions are leveling off and are expected to remain stable in 2018 and beyond. This, coupled with continued conservative fiscal management should result in future tax levies that not only stay within the New York State tax cap legislative mandate but result in tax reductions to our property tax payers.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact the County Treasurer, Schuyler County, 105 9th Street, Watkins Glen, New York 14891.

COUNTY OF SCHUYLER

STATEMENT OF NET POSITION DECEMBER 31, 2017

| | <u>Primary Government</u> | <u>Component Units</u> | |
|---|------------------------------------|---|--|
| | <u>Governmental Activities</u> | <u>Soil and Water Conservation District</u> | <u>Industrial Development Agency</u> |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 6,970,693 | \$ 585,703 | \$ 847,138 |
| Restricted cash | 920,842 | 1,346,953 | |
| Temporary investments | 48,105 | 31,322 | |
| Taxes receivable, net | 2,569,266 | | |
| Accounts receivable, net | 2,396,104 | 804 | 4,595 |
| Loans receivable, current portion | | | 25,392 |
| Due from state and federal governments | 3,747,576 | 138,405 | |
| Due from other governments | 13,151 | | |
| Prepaid expenses | 518,665 | 5,133 | |
| Inventories | 6,457 | | |
| Total Current Assets | 17,190,859 | 2,108,320 | 877,125 |
| Noncurrent Assets | | | |
| Restricted cash and cash equivalents | 413,000 | | 344,972 |
| Loans receivable, long-term portion | | | 107,785 |
| Land and construction-in-progress | 754,387 | 37,000 | |
| Depreciable capital assets, net | 34,088,898 | 502,336 | |
| Total Noncurrent Assets | 35,256,285 | 539,336 | 452,757 |
| Total Assets | 52,447,144 | 2,647,656 | 1,329,882 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions | 3,771,675 | 57,167 | |
| Total Deferred Outflows of Resources | 3,771,675 | 57,167 | - |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 2,226,099 | 132,371 | 4,595 |
| Accrued liabilities | 242,762 | 3,824 | |
| Interest payable | 80,524 | | |
| Due to other governments | 2,142,606 | | |
| Unearned revenue | 948,424 | 630,472 | |
| Long-term obligations due within one year: | | | |
| Lease payable | 102,282 | | |
| Bonds payable | 868,255 | | |
| Compensated absences | 67,204 | | |
| Total Current Liabilities | 6,678,156 | 766,667 | 4,595 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

STATEMENT OF NET POSITION DECEMBER 31, 2017

| | <u>Primary Government</u> | <u>Component Units</u> | |
|---|------------------------------------|---|--|
| | <u>Governmental Activities</u> | <u>Soil and Water Conservation District</u> | <u>Industrial Development Agency</u> |
| Total current liabilities brought forward | \$ 6,678,156 | \$ 766,667 | \$ 4,595 |
| Noncurrent Liabilities | | | |
| Long-term obligations due after one year: | | | |
| Accreted interest payable | 1,915,707 | | |
| Lease payable | 206,463 | | |
| Bonds payable | 9,205,333 | | |
| Other postemployment benefits payable | 21,236,845 | | |
| Compensated absences | 604,834 | 18,949 | |
| Net pension liability - Proportionate share | 4,379,266 | 73,109 | |
| Total Noncurrent Liabilities | 37,548,448 | 92,058 | - |
| Total Liabilities | 44,226,604 | 858,725 | 4,595 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pensions | 1,131,786 | 16,896 | |
| Total Deferred Inflows of Resources | 1,131,786 | 16,896 | - |
| NET POSITION | | | |
| Net investment in capital assets | 27,607,944 | 539,336 | |
| Restricted for: | | | |
| Community development | 17,192 | | |
| Debt service | 686,463 | | |
| Public safety | 578,318 | | |
| Home and community services | 51,869 | 1,346,953 | |
| Unrestricted (Deficit) | (18,081,357) | (57,087) | 1,325,287 |
| Total Net Position | \$ 10,860,429 | \$ 1,829,202 | \$ 1,325,287 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

| FUNCTIONS/PROGRAMS | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|-------------------------|--|--|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities | Soil and Water Conservation District | Component Units Industrial Development Agency |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General governmental support | \$ 9,873,976 | \$ 2,623,393 | \$ 378,379 | \$ _____ | \$ (6,872,204) | \$ _____ | \$ _____ |
| Education | 1,613,949 | 452,814 | 431,572 | _____ | (729,563) | _____ | _____ |
| Public safety | 6,604,596 | 625,871 | 1,184,943 | _____ | (4,793,782) | _____ | _____ |
| Public health | 5,139,653 | 1,883,704 | 1,868,263 | _____ | (1,387,686) | _____ | _____ |
| Transportation | 4,196,818 | 231,626 | 509,208 | 1,408,615 | (2,047,369) | _____ | _____ |
| Economic assistance and opportunity | 14,542,080 | 582,682 | 6,609,639 | _____ | (7,349,759) | _____ | _____ |
| Culture and recreation | 367,228 | 47,224 | 112,758 | _____ | (207,246) | _____ | _____ |
| Home and community services | 607,340 | 154,686 | 194,130 | _____ | (258,524) | _____ | _____ |
| Interest on debt | 653,915 | _____ | _____ | _____ | (653,915) | _____ | _____ |
| Total Governmental Activities | \$ 43,599,555 | \$ 6,602,000 | \$ 11,288,892 | \$ 1,408,615 | (24,300,048) | _____ | _____ |
| Component Units | | | | | | | |
| Soil and Water Conservation District | 2,009,717 | \$ 194,235 | 1,852,274 | _____ | _____ | 36,792 | _____ |
| Industrial Development Agency | 96,285 | 10,808 | _____ | _____ | _____ | _____ | (85,477) |
| Total Component Units | \$ 2,106,002 | \$ 205,043 | \$ 1,852,274 | \$ - | _____ | 36,792 | (85,477) |
| Net (Expense) and Changes in Net Position brought forward | | | | | (24,300,048) | 36,792 | (85,477) |
| GENERAL REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Property taxes, levied for general purposes | _____ | _____ | _____ | _____ | 11,053,431 | _____ | _____ |
| Property tax items | _____ | _____ | _____ | _____ | 617,474 | _____ | _____ |
| Sales and other taxes | _____ | _____ | _____ | _____ | 11,415,053 | _____ | _____ |
| Tobacco settlement payments | _____ | _____ | _____ | _____ | 188,201 | _____ | _____ |
| Use of money and property | _____ | _____ | _____ | _____ | 20,115 | 1,625 | 8,694 |
| Miscellaneous | _____ | _____ | _____ | _____ | 196,989 | 81,320 | 97 |
| Sale of property and compensation for loss | _____ | _____ | _____ | _____ | 71,527 | 10,834 | _____ |
| Total General Revenues | _____ | _____ | _____ | _____ | 23,562,790 | 93,779 | 8,791 |
| Change in Net Position | | | | | (737,258) | 130,571 | (76,686) |
| Net Position - Beginning | | | | | 11,597,687 | 1,698,631 | 1,401,973 |
| Net Position - Ending | | | | | \$ 10,860,429 | \$ 1,829,202 | \$ 1,325,287 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2017

| | Major Funds | | | | Total Governmental Funds |
|--|----------------------|--|----------------------------------|--------------------|--------------------------------|
| | General Fund | Special Revenue Fund County Road Fund | STASC Debt Service Fund | Non-Major Funds | |
| ASSETS | | | | | |
| Cash and cash equivalents - Unrestricted | \$ 4,874,214 | \$ 1,878,914 | \$ 59,849 | \$ 135,195 | \$ 6,948,172 |
| Cash and cash equivalents - Restricted | 644,954 | | 273,463 | 2,425 | 920,842 |
| Temporary investments - Unrestricted | | | 48,105 | | 48,105 |
| Taxes receivable, net | 2,569,266 | | | | 2,569,266 |
| Due from other funds | 956,236 | 134,576 | | 686,528 | 1,777,340 |
| Due from state and federal governments | 3,747,576 | | | | 3,747,576 |
| Due from other governments | 13,151 | | | | 13,151 |
| Other receivables, net | 2,129,615 | 1,147 | 225,000 | 39,805 | 2,395,567 |
| Prepaid expenses | 518,665 | | | | 518,665 |
| Inventories | 6,457 | | | | 6,457 |
| Total Assets | \$ 15,460,134 | \$ 2,014,637 | \$ 606,417 | \$ 863,953 | \$ 18,945,141 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 2,132,593 | \$ 26,724 | \$ - | \$ 66,782 | \$ 2,226,099 |
| Accrued liabilities | 223,780 | 14,871 | | 4,111 | 242,762 |
| Due to other funds | 300,049 | 914,691 | | 562,600 | 1,777,340 |
| Due to other governments | 2,142,606 | | | | 2,142,606 |
| Unearned revenue | 948,424 | | | | 948,424 |
| Total Liabilities | 5,747,452 | 956,286 | - | 633,493 | 7,337,231 |
| Deferred Inflows of Resources | | | | | |
| Unavailable tax revenue | 733,798 | | | | 733,798 |
| Fund Balances | | | | | |
| Nonspendable | 525,122 | | | | 525,122 |
| Restricted | 630,187 | | 273,463 | 17,192 | 920,842 |
| Committed | 1,458,478 | | | | 1,458,478 |
| Assigned | 17,585 | 1,058,351 | 332,954 | 213,268 | 1,622,158 |
| Unassigned | 6,347,512 | | | | 6,347,512 |
| Total Fund Balances | 8,978,884 | 1,058,351 | 606,417 | 230,460 | 10,874,112 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 15,460,134 | \$ 2,014,637 | \$ 606,417 | \$ 863,953 | \$ 18,945,141 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2017

Total Governmental Fund Balances **\$ 10,874,112**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets of the Governmental Funds, net of accumulated depreciation used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. 31,149,432

The County's proportion of the collective net pension liability is not reported in the funds. (4,379,266)

Certain accrued expenses, such as interest on debt, reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

| | | |
|----------------------------------|--------------------|-------------|
| Accrued interest payable | \$ (36,241) | |
| Accrued interest payable - STASC | (8,783) | |
| Accreted interest payable | <u>(1,915,707)</u> | (1,960,731) |

Deferred outflows of resources represent a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.

| | | |
|----------------------------------|------------------|-----------|
| Unavailable tax revenue | \$ 733,798 | |
| ERS deferred inflows - Pensions | (1,131,786) | |
| ERS deferred outflows - Pensions | <u>3,771,675</u> | 3,373,687 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

| | | |
|---------------------------------------|------------------|--------------|
| Serial bonds payable | \$ (2,545,000) | |
| Leases payable | (308,745) | |
| Tobacco settlement pass-through bonds | (3,146,992) | |
| Other postemployment benefits payable | (21,236,845) | |
| Compensated absences | <u>(672,038)</u> | (27,909,620) |

The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Position. (287,185)

Net Position of Governmental Activities **\$ 10,860,429**

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

| | Major Funds | | | Non-Major Funds | Total Governmental Funds |
|---|---------------------|--|----------------------------------|--------------------|--------------------------------|
| | General Fund | Special Revenue Fund County Road Fund | STASC Debt Service Fund | | |
| REVENUES | | | | | |
| Real property taxes | \$ 11,028,203 | \$ | \$ | \$ | \$ 11,028,203 |
| Real property tax items | 793,667 | | | | 793,667 |
| Nonproperty tax items | 11,472,020 | | | | 11,472,020 |
| Departmental income | 5,165,552 | 30,852 | | | 5,196,404 |
| Intergovernmental charges | 346,293 | | | 199,531 | 545,824 |
| Use of money and property | 569,260 | 1,416 | 3,173 | 221 | 574,070 |
| Fines and forfeitures | 33,252 | 536 | | | 33,788 |
| Sale of property and compensation for loss | 10,574 | 3,585 | | 17,246 | 31,405 |
| Miscellaneous local sources | 198,131 | | 188,201 | | 386,332 |
| State sources | 7,233,720 | 1,207,664 | | | 8,441,384 |
| Federal sources | 4,020,127 | 200,951 | | | 4,221,078 |
| Total Revenues | 40,870,799 | 1,445,004 | 191,374 | 216,998 | 42,724,175 |
| EXPENDITURES | | | | | |
| General governmental support | 7,308,865 | | 49,821 | | 7,358,686 |
| Education | 1,613,949 | | | | 1,613,949 |
| Public safety | 4,511,791 | | | | 4,511,791 |
| Public health | 3,536,135 | | | | 3,536,135 |
| Transportation | 539,822 | 2,673,778 | | 1,227,262 | 4,440,862 |
| Economic assistance and opportunity | 12,300,344 | | | | 12,300,344 |
| Culture and recreation | 166,233 | | | | 166,233 |
| Home and community services | 557,874 | | | | 557,874 |
| Employee benefits | 5,598,413 | 444,135 | | 98,176 | 6,140,724 |
| Debt service - Principal and interest | 242,381 | 126,759 | 169,202 | | 538,342 |
| Capital outlay | | | | 139,679 | 139,679 |
| Total Expenditures | 36,375,807 | 3,244,672 | 219,023 | 1,465,117 | 41,304,619 |
| Excess of Revenues (Expenditures) | 4,494,992 | (1,799,668) | (27,649) | (1,248,119) | 1,419,556 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund transfers in | | 2,233,473 | | 1,385,816 | 3,619,289 |
| Interfund transfers (out) | (3,052,481) | (566,808) | | | (3,619,289) |
| Proceeds of obligations | | | | 72,934 | 72,934 |
| Total Other Financing (Uses) Sources | (3,052,481) | 1,666,665 | - | 1,458,750 | 72,934 |
| Excess of Revenues (Expenditures) and Other Financing Sources (Uses) | 1,442,511 | (133,003) | (27,649) | 210,631 | 1,492,490 |
| Fund Balances, Beginning | 7,536,373 | 1,191,354 | 634,066 | 19,829 | 9,381,622 |
| Fund Balances, Ending | \$ 8,978,884 | \$ 1,058,351 | \$ 606,417 | \$ 230,460 | \$ 10,874,112 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ 1,492,490**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded the net book value of disposed assets and depreciation expense in the current period.

| | | |
|-----------------------------------|--------------|---------|
| Capital outlay | \$ 3,407,378 | |
| Net book value of disposed assets | (104,018) | |
| Depreciation expense | (2,600,734) | 702,626 |
| | | |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable taxes 135,199

Proceeds of long-term debt are recognized as revenue in Governmental Funds, but increase liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Amortization of bond discounts reduces expenditures in the Statement of Activities and increases liabilities.

| | | |
|--|-------------|---------|
| Proceeds of long-term obligations | \$ (72,934) | |
| Bond, BAN and capital lease repayments | 316,775 | |
| Amortization of bond discounts | (6,745) | 237,096 |
| | | |

Net revenue of the Internal Service Fund component unit is reported with Governmental Activities. 69,316

Changes in the County's proportionate share of net pension liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the County's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds. (666,163)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds. These expenses include changes in compensated absences, other postemployment benefits, and interest payable.

| | | |
|---------------------------------------|-------------|-------------|
| Compensated absences | \$ (43,151) | |
| Other postemployment benefits payable | (2,456,328) | |
| Change in accrued interest payable | 5,398 | |
| Change in accreted interest payable | (213,741) | (2,707,822) |
| | | |

Change in Net Position of Governmental Activities **\$ (737,258)**

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

STATEMENT OF NET POSITION PROPRIETARY FUND DECEMBER 31, 2017

| | | Internal Service Fund Component Unit HSDC Fund |
|---|-----------|---|
| | | <u> </u> |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents - Unrestricted | \$ | 22,521 |
| Accounts receivable | | 537 |
| Total Current Assets | | <u>23,058</u> |
| Noncurrent Assets | | |
| Capital Assets: | | |
| Nondepreciable capital assets | | 40,639 |
| Depreciable capital assets, net of accumulated depreciation | | 3,653,214 |
| Total Capital Assets, Net | | <u>3,693,853</u> |
| Cash - Restricted | | 413,000 |
| Total Noncurrent Assets | | <u>4,106,853</u> |
| Total Assets | | <u>4,129,911</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accrued interest payable | | 35,500 |
| Current portion of noncurrent liabilities: | | |
| Bonds payable | | 200,000 |
| Unamortized bond premium | | 8,483 |
| Total Current Liabilities | | <u>243,983</u> |
| Noncurrent Liabilities | | |
| Bonds payable | | 4,060,000 |
| Unamortized bond premium | | 113,113 |
| Total Noncurrent Liabilities | | <u>4,173,113</u> |
| Total Liabilities | | <u>4,417,096</u> |
| NET POSITION | | |
| Net investment in capital assets (deficit) | | (687,743) |
| Restricted | | 413,000 |
| Unrestricted (deficit) | | (12,442) |
| Total Net Position (Deficit) | \$ | <u>(287,185)</u> |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND FOR THE YEAR ENDED DECEMBER 31, 2017

| | Internal Service Fund Component Unit HSDC Fund |
|---|---|
| Operating Revenues | |
| Rent | \$ 415,493 |
| In-kind contribution | 2,437 |
| Total Operating Revenues | <u>417,930</u> |
| Operating Expenses | |
| Contractual expenses | 8,320 |
| In-kind administrative expense <input type="checkbox"/> | 2,437 |
| Depreciation expense | 130,277 |
| Total Operating Expenses | <u>141,034</u> |
| Operating Income | <u>276,896</u> |
| Nonoperating Income (Expense) | |
| Interest and dividends | 1,197 |
| Amortization of bond premium | 8,483 |
| Interest (expense) | (217,260) |
| Total Nonoperating (Expense) | <u>(207,580)</u> |
| Total Net Income - Revenues over (Expenses) | 69,316 |
| Net Position (Deficit), January 1, | <u>(356,501)</u> |
| Net Position (Deficit), December 31, | <u><u>\$ (287,185)</u></u> |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED DECEMBER 31, 2017

| | Internal Service Fund Component Unit HSDC Fund |
|--|---|
| Cash Flows from Operating Activities | |
| Cash received from providing services | \$ 414,415 |
| Cash payments - Contractual expenses | (8,320) |
| | 406,095 |
| Net Cash Provided by Operating Activities | 406,095 |
| Cash Flows from Noncapital Financing Activities | - |
| Cash Flows from Capital and Related Financing Activities | |
| Cash payments - Bond principal | (190,000) |
| Cash payments - Interest expense | (217,750) |
| | (407,750) |
| Net Cash (Used) by Capital and Related Financing Activities | (407,750) |
| Cash Flows from Investing Activities | |
| Interest and dividend income received | 1,197 |
| | 1,197 |
| Net Cash Provided by Investing Activities | 1,197 |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (458) |
| Cash and Cash Equivalents, January 1, | 435,979 |
| Cash and Cash Equivalents, December 31, | \$ 435,521 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating income | \$ 276,896 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| (Decrease) in unearned rent | (1,078) |
| Depreciation expense | 130,277 |
| | 130,277 |
| Net Cash Provided by Operating Activities | \$ 406,095 |
| Supplemental Disclosures | |
| Noncash Operating Activities | |
| In-kind contributions | \$ 2,437 |
| In-kind administrative expenses | 2,437 |

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND DECEMBER 31, 2017

| | <u>Agency Funds</u> |
|--|-----------------------------------|
| ASSETS | |
| Cash and cash equivalents - Unrestricted | \$ 1,591,628 |
| - Restricted | 56,016 |
| Due from other governments | <u>1,141,710</u> |
| Total Assets | <u><u>\$ 2,789,354</u></u> |
| LIABILITIES | |
| Agency liabilities | \$ 983,349 |
| Due to other governments | <u>1,806,005</u> |
| Total Liabilities | <u><u>\$ 2,789,354</u></u> |

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See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies**

The financial statements of the County of Schuyler (the County) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the County's accounting policies are described below.

Financial Reporting Entity

The County, which was incorporated in 1854, is governed by County Law and other laws of the State of New York and various local laws and ordinances. The County Legislature, which is the legislative body responsible for the overall operation of the County, consists of eight legislators. The Chairman of the Legislature serves as Chief Executive Officer of the County and the Treasurer serves as Chief Fiscal Officer.

The County provides the following basic services: public safety (including district attorney, assigned counsel, sheriff, probation, and jail), education (partial tuition to community colleges and tuition and transportation of handicapped children), public health, mental health, social services, highway maintenance, culture, and recreation programs.

All Governmental Activities and functions performed for the County are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is the County, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's statements to be misleading or incomplete, as set forth in GASB Statement No. 14, "The Financial Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an Amendment to GASB Statements No. 14 and No. 34.

The decision to include a component unit in the County's reporting entity is based on several criteria set forth in GASB Statement No. 14, "The Financial Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County's reporting entity.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Included in the Reporting Entity

Based on the foregoing criteria and the significant factors presented below, the following organizations are included in the reporting entity.

The Schuyler County Industrial Development Agency

The Schuyler County Industrial Development Agency (the Agency) was created in 1971 by the Schuyler County Legislature under the provisions of Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth in Schuyler County. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the Schuyler County Legislature, is a separate entity and operates independently of the County. A separate audit report dated February 28, 2018 has been issued for the Agency for the year ended December 31, 2017. The Agency is considered a component unit of the County and is discretely presented. Complete financial statements for the Schuyler County Industrial Development Agency may be obtained by writing their administrative office at 910 South Decatur Street, Watkins Glen, New York 14891.

Section 870 of General Municipal Law indicates that the bonds or notes and other obligations of the Agency are not the debt of the County, and the payment of such is payable out of the funds of the Agency.

The Schuyler County Soil and Water Conservation District

The Schuyler County Soil and Water Conservation District (the District) was established in October, 1940, in accordance with the Soil and Water Conservation District's Law, to provide for the conservation of soil and water resources. Members of the District's Board of Directors are appointed by the County Board of Supervisors and 10% of the District's General Fund revenue is provided via County appropriation. The District is considered a component unit of the County and is discretely presented. Complete financial information for the Schuyler County Soil and Water Conservation District may be obtained by writing their administrative office at P.O. Box 326, Montour Falls, New York 14865.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

The Schuyler Tobacco Asset Securitization Corporation

The Schuyler Tobacco Asset Securitization Corporation (STASC) is a local development corporation organized pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York. STASC is one of 17 New York County TASC's created in 2000 for the purpose of purchasing the tobacco settlement rights from each respective county with the net proceeds of bonds issued to the New York Counties Tobacco Trust I (NYCTT). The trust in-turn issued \$227,130,000 aggregate principal amounts of Tobacco Settlement Pass-Through Bonds - Series 2000, dated December 7, 2000. The Trust bonds represent a direct, pass-through interest in the corresponding TASC bonds. All payments of the TASC bonds will be made directly by the Trust with the future proceeds of the Tobacco Settlement Revenues (TSRs).

STASC, along with 23 other TASCs, created a trust known as the New York Counties Tobacco Trust V (NYCTTV) in order to issue \$199,375,348 aggregate principal amount of Tobacco Settlement Pass-Through Bonds (Series 2005 NYCTT Bonds). Series 2005 NYCTT Bonds, issued on November 29, 2005, represent a direct, pass-through interest in corresponding TASC bonds held by the trust and are subordinate to the prior bonds issued. The Series 2005 TASC bonds are subject to the rights of holders of the prior bonds, payable solely from, and secured solely by, the Collections and the funds and accounts pledged by the respective TASC Indenture. The Collections of the STASC will be comprised of the TSRs remaining after payment of the prior bonds and investment earnings on funds and accounts established under the STASC's Indenture. The STASC Series 2005 TASC Bonds are also payable from certain amounts released from Liquidity Reserve Accounts upon retirement of the prior bonds and amounts released from Trapping Accounts.

STASC is controlled by a group of four directors who are appointed by the Chair of the Schuyler County Legislature. At this time, two directors are members of the County Legislature, one of whom is a member of the management team of the County and one who has no affiliation with the County. STASC is deemed to be a component unit of the County and is presented in the annual financial statements of the County as a blended component unit, reported as a Major Debt Service Fund. A separate audit report dated March 8, 2018 has been issued for the STASC for the year ended December 31, 2017. Complete financial statements for Schuyler Tobacco Asset Securitization Corporation may be obtained from Schuyler County, 105 9th Street, Watkins Glen, New York 14891.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

The Schuyler County Human Services Development Corporation

The Schuyler County Human Services Development Corporation (HSDC) was created in 2006 by the Schuyler County Legislature under the provisions of Section 1411 of the Not-For-Profit Corporation Law of the State of New York for the purpose of encouraging economic growth in Schuyler County. HSDC is exempt from federal, state, and local income taxes. HSDC, although established by the Schuyler County Board of Legislators, is a separate entity and operates independently of the County. HSDC is considered a component unit of the County and is presented in the annual financial statements of the County as an internal service fund. A separate audit report dated March 14, 2018 has been issued for the HSDC for the year ended December 31, 2017. Complete financial statements for Human Services Development Corporation may be obtained from Schuyler County, 105 9th Street, Watkins Glen, New York 14891.

Excluded from the Reporting Entity

The Counties of Steuben, Chemung, and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that each county's share of the cost shall be prorated as agreed upon by the member counties. In 2017 the County's share aggregated \$35,000. As none of the member counties have sole control over the Board's operation, the activity of the Board is excluded from the reporting entity of all member counties. Complete financial statements for the Southern Tier Central Regional Planning and Development Board may be obtained by writing their administrative office at 8 Denison Parkway East, Suite 310, Corning, New York 14830.

Basic Financial Statements

The County's basic financial statements include both Government-wide (reporting the County as a whole) and Governmental Fund financial statements (reporting the County's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either governmental or business type. The County's general governmental support, education, public safety, public health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. The County currently has no funds classified as Business-type Activities.

Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government and for the County's discretely presented component units.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Government-wide Financial Statements - Continued

Government-wide financial statements do not include the activities reported in the Fiduciary Funds or fiduciary component units. This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

In the Government-wide Statement of Net Position, the Governmental Activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: net investment in capital assets, restricted, and unrestricted. The County first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports both the gross and net cost for each of the County's functions or programs. Gross expenses are direct expenses, including depreciation, specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the County. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Governmental Fund Financial Statements

The financial transactions of the County are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Governmental Funds

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following are the County's Governmental Funds.

Major Funds

- General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.
- **Special Revenue Fund**
 - County Road Fund - Accounts for expenditures for highway purposes authorized by §114 of the Highway Law.
- **Debt Service Fund**
 - STASC Debt Service Fund - Accounts for accumulation of resources from tobacco settlement payments and payment of principal and interest on the tobacco settlement pass-through bonds.

Non-Major Funds

- Capital Projects Fund - Accounts for financial resources to be used for the acquisition, construction, or renovation of major capital assets.
- **Special Revenue Funds**
 - Road Machinery Fund - Accounts for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to §133 of the Highway Law.
 - Special Grant Fund - Accounts for activities under the Housing and Community Development Act of 1974.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Proprietary Fund

- **Internal Service Fund:**

- HSDC Internal Service Fund - Accounts for accumulation of rent and interest revenue and payment of principal and interest on Human Services Development Corporation bonds.

Fiduciary Funds

- Agency Funds - Account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Funds are custodial in nature and do not involve measurement of results of operations. The most significant of the County's Agency Funds are mortgage tax and social service trust funds.

Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

Accrual Basis

The Government-wide financial statements and the Proprietary and Fiduciary Fund financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Modified Accrual Basis

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The County considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

Property Taxes

The authority of levying taxes for the support of County and town governments, inclusive of special districts, and for re-levying unpaid school taxes, has been delegated by the State Legislature to the governing board of the County through various provisions of the Real Property Tax Law. For purposes of both county and town taxes, the value of real property is listed and established by the towns for each parcel of real property therein. Amounts to be raised by tax are determined from balanced budgets of towns and the County and levied on or before December 31, each year. Unpaid school taxes are purchased from each school district and added to tax levies and, until paid, are counted among the assets of the County; the County thus acquires all rights, title, and interest in any unpaid school taxes. Any such taxes remaining unpaid at the time of the tax sale are sold along with any other unpaid taxes subject to County enforcement.

Property taxes are levied each December 31, on the assessed value of all real property located within the County and become a lien on January 1. Taxes are payable during January without penalty. Beginning in February a 1% penalty is added. Property tax payments may be made in installments, which carry a 1% fee, payable on January 30, and on or before July 1. The initial responsibility of collecting County property taxes rests with the towns located within the County. The tax rolls are delivered to the Treasurer on or before the 15th of April at which time a 5% fee plus 12% per annum from February 1, to date of payment are added. The towns retain the full amount of their related town levy and remit the balance of collected taxes to the County. Responsibility for collection of delinquent taxes is then transferred to the County.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 **Summary of Significant Accounting Policies - Continued**

Property taxes are recorded as receivables and revenues at the time the tax levy is billed. Uncollected amounts estimated to be collected subsequent to the first 60 days after year end are recorded as deferred inflows of resources.

Non-city school district taxes are turned over to the County for enforcement on November 15. The County collects the second installment of school taxes on or before November 30. Payment to school districts for second installments is required to be remitted within ten days of collection. On December 1, any such taxes remaining unpaid are relieved as County taxes in the subsequent year. The balance of uncollected school taxes is required to be remitted by April 1.

Corning City school taxes are turned over to the County for enforcement on April 15, and are enforced as a separate tax until the time of tax sale at which time they become part of the County's lien. The balance of uncollected city school taxes is remitted by December 31.

Constitutional Tax Limit

The amount that may be raised by the County-wide tax levy on real estate in any fiscal year (for purposes other than debt service on County indebtedness) is limited to one and one-half per centum (subject to increase up to two per centum by resolution of the County Legislature) of the five-year average full valuation of taxable real estate of the County, per New York State statutes.

The County's constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2017 is computed as follows:

| | |
|--|-----------------------------------|
| Five-Year Average Full Valuation of Taxable Real Estate (2013-2017) | \$ 1,338,498,166 |
| Tax limit @ 1.5% | 20,077,472 |
| Less : | |
| Tax levy | 10,918,232 |
| Less exclusions | - |
| Tax levy subject to tax limit | <u>10,918,232</u> |
| Tax Margin | <u><u>\$ 9,159,240</u></u> |

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Receivables

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. Other receivables represent amounts owed to the County for billed services, health insurance, and medical loans. No provision has been made for uncollectible accounts for amounts reported as Other Receivables, as it is believed such amounts would be immaterial.

Vacation, Sick Leave and Compensatory Absences

Pursuant to contractual agreements, County employees are entitled to accrue a maximum of 250 days of sick leave and 50 days of vacation leave. An individual who leaves County employment is entitled to be paid for unused vacation leave credits.

Estimated vacation accumulated by Governmental Fund type employees has been recorded in the Government-wide financial statements.

Payment of vacation recorded in the Government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes sufficient resources will be made available when such payment becomes due.

Cash and Cash Equivalents

For financial statement purposes, the County considers all highly liquid investments of three months or less as cash equivalents.

Investments

Investments are valued at fair value.

Inventory

Inventory is recorded at cost on a first-in, first-out basis.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Capital Assets - Continued

Governmental capital assets purchased or acquired with minimum value of \$1,000 for equipment; \$5,000 for land, buildings and building improvements; and \$10,000 for infrastructure and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

| | |
|---------------------------|----------|
| Real Property (Buildings) | 50 years |
| Machinery and equipment | 10 years |
| Infrastructure | 10 years |
| Vehicles | 5 years |
| Police vehicles | 3 years |
| Computers | 5 years |

Postemployment Benefits

In addition to providing pension benefits, the County provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County offers the benefit, with related premiums funded 50% by participating retirees. The retiree also pays 65% of the premium covering the retiree's spouse. See more detailed information in Note 7.

Sales Tax

Pursuant to local law, the County levies a 4% tax in accordance with the Tax Law, Section 1210. The County retains 80% of such taxes for County purposes and distributes the remainder to the towns and villages in the County.

Unearned Revenues

The County reports unearned revenues on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the County before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the County has legal claim to resources, the liability is removed and revenue is recognized.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports deferred outflows related to pensions in the Statement of Net Position. The types of deferred outflows related to pensions are described in Note 6.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Deferred Outflows and Deferred Inflows of Resources - Continued

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 reports deferred inflows of resources related to unavailable revenues in the Balance Sheet. The County reports deferred inflows related to pensions in the Statement of Net Position which are further described in Note 6.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the County's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between Governmental and Proprietary Funds are netted as part of the reconciliation to the Government-wide financial statements.

Insurance

The County assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Equity Classifications - Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Government-wide Financial Statements - Continued

- Unrestricted - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

The County follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Terminology and classification of fund balance reflect spending constraints on resources, rather than availability for appropriation, which provides users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Governmental Fund Financial Statements - Continued

Currently, the County does not have a policy stating the highest level of authority able to assign fund balance. The Legislature, by resolution, approves fund balance appropriations for next year's budget. Expenditures which affect more than one fund balance type are applied against fund balance in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, then unassigned fund balance, respectively.

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. With the exception of the encumbrance reserve, reserve funds are established through Legislative action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Reserves currently in use by the County include the following:

- Miscellaneous Special Reserve - Accounts for funds restricted for miscellaneous projects, as authorized by County Resolution.
- Mandatory Reserve for Debt Service - Used to establish a reserve for the purpose of retiring outstanding obligations upon the sale of County property or capital improvements financed by obligations which remain outstanding at the time of sale (GMC§ 6-1). The funding of the reserve is from the proceeds of the sale of County property or capital improvements. This reserve is accounted for in the HSDC Fund and STASC Debt Service Fund.

New Accounting Standards

The County adopted and implemented the following current Statements of the Governmental Accounting Standards Board (GASB) effective for the year ended December 31, 2017:

- GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ended December 31, 2017.
- GASB has issued Statement No. 80, "Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14," effective for the year ended December 31, 2017.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Summary of Significant Accounting Policies - Continued

New Accounting Accounting Standards - Continued

- GASB has issued Statement No. 81, “Irrevocable Split-Interest Agreements,” effective for the year ended December 31, 2017.
- GASB has issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73,” effective for the year ended December 31, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Future Changes in Accounting Standards

- GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for the year ending December 31, 2018. This Statement replaces the requirements of Statements No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions,” as amended, and No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.”
- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending December 31, 2019.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending December 31, 2019. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ending December 31, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ending December 31, 2018.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending December 31, 2020.

The County will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 2* Cash and Investments**

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. While the County does not have a specific policy for custodial credit risk, New York State statutes govern the County's investment policies. The County has its own written investment policy. The County's monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. Collateral (security) is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts, obligations of Puerto Rico, obligations of municipalities of other states, obligations of domestic corporations, mortgage related securities, commercial paper and bankers acceptances, and zero coupon obligations of the United States.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits were either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County's aggregate bank balances of \$10,696,805 are either insured or collateralized with securities held by the pledging financial institution in the County's name.

Total financial institution (bank) balances of the HSDC and STASC at December 31, 2017, per the bank, were \$435,521 and \$381,417, respectively, and were fully collateralized.

Total bank balances of SCIDA, including long-term certificates of deposit, totaled \$1,192,292 at December 31, 2017 and were entirely insured or collateralized with securities held by SCIDA's agent in the Agency's name.

The Soil and Water Conservation District's aggregate bank balances of \$2,038,153 were either insured or collateralized with securities held by the pledging financial institution in the District's name.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 2 Cash and Investments - Continued

Restricted cash and cash equivalents of the primary government at December 31, 2017 consisted of the following:

| <u>Purpose</u> | <u>Amount</u> |
|------------------------------------|----------------------------|
| Public safety funds | \$ 578,318 |
| Lamoka-Waneta Lakes District Funds | 51,869 |
| Community Development Fund | 17,192 |
| STASC Debt Service Fund | 273,463 |
| HSDC funds | <u>413,000</u> |
| Total | \$ <u>1,333,842</u> |

Note 3 Property Taxes

Property taxes levied for 2017 are recorded as revenue and receivables, net of estimated uncollectible amounts. In the fund financial statements, the net receivables collected during 2017 and expected to be collected within the first 60 days of 2018 are recognized as revenues in 2017.

Net receivables estimated to be collectible subsequent to the first 60 days of 2018 are reflected as deferred revenue. At December 31, 2017, the County recognized \$733,798 of unavailable tax revenue.

Taxes receivable at December 31, 2017 are summarized as follows:

| | |
|-----------------------------------|----------------------------|
| Returned school taxes receivable | \$ 1,601,306 |
| Taxes receivable - Overdue | 1,006,710 |
| Other | 15,708 |
| Allowance for uncollectible taxes | <u>(54,458)</u> |
| Total | \$ <u>2,569,266</u> |

Uncollected school taxes assumed by the County as a result of settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable that represents taxes re-levied for schools in the amount of \$1,601,306 is reflected as part of a liability, due to other governments, in the accompanying basic financial statements.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 4 State and Federal Aid Receivables

Other receivables at December 31, 2017 consisted of the following, which are stated at net realizable value. The County has deemed the amounts to be fully collectible.

| Description | Amount |
|-----------------|---------------------|
| Social Services | \$ 1,743,264 |
| Sales Tax | 599,246 |
| Public Defender | 300,963 |
| Preschool | 223,241 |
| STOA | 68,818 |
| Other | 812,044 |
| Total | \$ 3,747,576 |

Note 5 Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

| | Balance at 12/31/2016 | Additions | Disposals/ Re-classifications | Balance at 12/31/2017 |
|---|--------------------------|-------------------|----------------------------------|--------------------------|
| Governmental Activities | | | | |
| Land | \$ 334,200 | \$ | \$ | \$ 334,200 |
| Construction in progress | | 379,548 | | 379,548 |
| Total Non-depreciable Capital Assets | 334,200 | 379,548 | - | 713,748 |
| Buildings | 16,175,426 | 559,439 | (99,639) | 16,635,226 |
| Machinery and equipment | 10,410,105 | 1,218,472 | (346,144) | 11,282,433 |
| Land improvements | 3,418,083 | | | 3,418,083 |
| Infrastructure | 37,285,351 | 1,249,919 | | 38,535,270 |
| Total Depreciable Capital Assets | 67,288,965 | 3,027,830 | (445,783) | 69,871,012 |
| Total Historical Cost | 67,623,165 | 3,407,378 | (445,783) | 70,584,760 |
| Less Accumulated Depreciation: | | | | |
| Buildings | (7,100,710) | (617,916) | | (7,718,626) |
| Machinery and equipment | (8,343,981) | (746,319) | 341,765 | (8,748,535) |
| Land improvements | (1,131,138) | (61,915) | | (1,193,053) |
| Infrastructure | (20,600,530) | (1,174,584) | | (21,775,114) |
| Total Accumulated Depreciation | (37,176,359) | (2,600,734) | 341,765 | (39,435,328) |
| Governmental Activities | \$ | \$ | \$ | \$ |
| Capital Assets, Net | \$ 30,446,806 | \$ 806,644 | \$ (104,018) | \$ 31,149,432 |

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 5 Capital Assets - Continued

Depreciation expense was charged to functions as follows:

| Governmental Activities | |
|-------------------------------------|-----------------------------------|
| General government support | \$ 541,031 |
| Public safety | 421,566 |
| Public health | 31,259 |
| Transportation | 1,450,217 |
| Economic assistance and opportunity | 31,980 |
| Culture and recreation | 124,418 |
| Home and community | <u>263</u> |
| Total | <u><u>\$ 2,600,734</u></u> |

| | <u>Balance at 12/31/2016</u> | <u>Additions</u> | <u>Disposals/ Reclassifications</u> | <u>Balance at 12/31/2017</u> |
|---|-----------------------------------|-----------------------------------|---|-----------------------------------|
| HSDC Fund | | | | |
| Land | \$ 40,639 | \$ - | \$ - | \$ 40,639 |
| Total Non-depreciable Capital Assets | <u>40,639</u> | <u>-</u> | <u>-</u> | <u>40,639</u> |
| Buildings | 4,775,409 | - | 187 | 4,775,596 |
| Land improvements | 209,851 | - | 212 | 210,063 |
| Total Depreciable Capital Assets | <u>4,985,260</u> | <u>-</u> | <u>399</u> | <u>4,985,659</u> |
| Total Historical Cost | <u>5,025,899</u> | <u>-</u> | <u>399</u> | <u>5,026,298</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | (1,104,499) | (119,572) | (186) | (1,224,257) |
| Land improvements | (97,270) | (10,705) | (213) | (108,188) |
| Total Accumulated Depreciation | <u>(1,201,769)</u> | <u>(130,277)</u> | <u>(399)</u> | <u>(1,332,445)</u> |
| HSDC Fund | | | | |
| Capital Assets, Net | <u><u>\$ 3,824,130</u></u> | <u><u>\$ (130,277)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,693,853</u></u> |

Depreciation expense for the year ended December 31, 2017 for HSDC totaled \$130,277, and was charged to economic assistance and opportunity in the Statement of Activities.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)

Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan 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 (RSSL). 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 County also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. 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 System, 110 State Street, Albany, New York 12244.

ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 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. For ERS, 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.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
- Continued**

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required under the program, and were as follows:

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----|--------------|--------------|--------------|
| ERS | \$ 1,653,496 | \$ 1,920,310 | \$ 1,921,917 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the County 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, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The County's proportionate share of the net pension liability was based on a projection 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 derived from a report provided to the County by the ERS System.

| | <u>ERS</u> |
|---|------------------|
| Actuarial valuation date | April 1, 2016 |
| Net pension liability | \$ 9,396,223,126 |
| County's proportionate share of the Plan's total net pension liability | 4,379,266 |
| County's share of the net pension liability | 0.0466067% |

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
- Continued**

For the year ended December 31, 2017, the County recognized pension expense of \$2,355,108 for ERS in the financial statements. At December 31, 2017 the County's reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

| | <u>ERS</u> |
|---|-------------------------------------|
| Deferred Outflows of Resources: | |
| Differences between expected and actual experience | \$ 109,740 |
| Changes of assumptions | 1,496,118 |
| Net differences between projected and actual earnings on pension plan investments | 874,717 |
| Changes in proportion and differences between the County's contributions and proportionate share of contributions | 22,836 |
| County's contributions subsequent to the measurement date | <u>1,268,264</u> |
| Total | <u><u>\$ 3,771,675</u></u> |
| Deferred Inflows of Resources: | |
| Differences between expected and actual experience | \$ (665,016) |
| Changes in proportion and differences between the County's contributions and proportionate share of contributions | <u>(466,770)</u> |
| Total | <u><u>\$ (1,131,786)</u></u> |

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
- Continued**

County contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended</u> | <u>ERS</u> |
|-------------------|------------|
| 2018 | \$ 675,472 |
| 2019 | 675,472 |
| 2020 | 659,227 |
| 2021 | (638,546) |
| 2022 | |
| Thereafter | |

Actuarial Assumptions

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

| | <u>ERS</u> |
|----------------------------|----------------|
| Measurement date | March 31, 2017 |
| Actuarial valuation date | April 1, 2016 |
| Interest rate of return | 7.0% |
| Salary increases | 3.8% |
| Cost of living adjustments | 1.3% |
| Inflation rate | 2.5% |

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
- Continued**

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:

| | <u>ERS</u> |
|--|----------------|
| Measurement date | March 31, 2017 |
| Asset Type: | |
| Domestic equities | 4.55% |
| International equities | 6.35% |
| Real estate | 5.80% |
| Private equity/Alternative investments | 7.75% |
| Absolute return strategies | 4.00% |
| Opportunistic portfolio | 5.89% |
| Real assets | 5.54% |
| Cash | -0.25% |
| Inflation-indexed bonds | 1.50% |
| Mortgages and bonds | 1.31% |

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on 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.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

| ERS | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|-------------------------------|--|-------------------------------|
| County's proportionate share of the net pension liability | \$ 13,986,509 | \$ 4,379,266 | \$ (3,743,639) |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation dates were as follows:

| | Dollars in Thousands | |
|---|-----------------------------|------------------|
| | ERS | |
| Measurement date | March 31, 2017 | |
| Employers' total pension liability | \$ | 177,400,586 |
| Plan net position | | (168,004,363) |
| Employers' Net Pension Liability | \$ | 9,396,223 |
| Ratio of Plan Net Position to the Employers' Total Pension Liability | | 94.7% |

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2017 represent the projected employer contribution for the period of April 1, 2017 through December 31, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2017 amounted to \$-0-.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

**Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS)
- Continued**

Effect on Net Position

Changes in the net pension liability and deferred outflows and deferred inflows of resources for the year ended December 31, 2017 resulted in the following effect on net position:

| | Beginning Balance | Change | Ending Balance |
|-------------------------------------|------------------------------|---------------------|---------------------------|
| ERS: | | | |
| Net pension liability | \$ (7,593,776) | \$ 3,214,510 | \$ (4,379,266) |
| Deferred outflows of resources | 7,795,083 | (4,023,408) | 3,771,675 |
| Deferred inflows of resources | (1,274,521) | 142,735 | (1,131,786) |
| | \$ (1,073,214) | \$ (666,163) | \$ (1,739,377) |
| Total Effect on Net Position | \$ (1,073,214) | \$ (666,163) | \$ (1,739,377) |

Note 7 Other Postemployment Benefits

The County has adopted GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the County reported the cost of retiree health care on a "pay-as-you-go" basis.

An actuarial valuation of the Schuyler County Postretirement Medical Plan (Plan) was performed as of January 1, 2017 for the fiscal year ending December 31, 2017. The Plan is a single-employer defined benefit Other Postemployment Benefit Plan administered by the County. The Plan provides for the continuation of medical insurance benefits for certain retirees and their spouses. The County assigns the authority to establish and amend benefit provisions to the County Legislature. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 7 Other Postemployment Benefits - Continued

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation to the County of Schuyler Postretirement Medical Plan:

| | | |
|---|-----------|-------------------|
| Normal cost | \$ | 1,775,899 |
| Amortization of UAAL | | 1,601,286 |
| Total Annual Required Contribution | | 3,377,185 |
| Interest on net OPEB obligation | | 751,221 |
| Adjustment to annual required contribution | | (1,086,079) |
| Annual OPEB Cost (Expense) | | 3,042,327 |
| Estimated contributions made on behalf of 75 retirees | | (585,999) |
| Increase in Net OPEB Obligation | | 2,456,328 |
| Net OPEB Obligation - January 1, 2017 | | 18,780,517 |
| Net OPEB Obligation - December 31, 2017 | \$ | 21,236,845 |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB obligation for fiscal year 2017 and two prior years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| 12/31/2017 | \$ 3,042,327 | 19.26% | \$ 21,236,845 |
| 12/31/2016 | 3,079,808 | 19.42% | 18,780,517 |
| 12/31/2015 | 2,894,053 | 19.70% | 16,298,834 |

As of December 31, 2017, the Plan was not funded. The actuarial accrued liability for benefits was \$29,975,275; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$11,771,340 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 254.6%.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 7 Other Postemployment Benefits - Continued

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the most recently completed full valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 7.25% initially reduced by decrements to an ultimate rate of 3.89% in 2075. The rate included a 2.25% inflation assumption.

Note 8 Constitutional Debt Limit

At December 31, 2017, the total outstanding indebtedness of the County aggregated \$2,853,745. Of this amount, \$2,853,745 was subject to constitutional limitations on indebtedness and represented 3.05% of the County's statutory debt limit.

Note 9 Short-term Debt

The County may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. During the year ended December 31, 2017 the County did not issue or redeem any short-term RANs or TANs.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 10* Noncurrent Liabilities**

Serial Bonds

The County borrows money in order to acquire land or equipment or construct 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, which are full faith and credit debt of the local government, are recorded in the Statement of Net Position.

Bond Anticipation Notes

Bond Anticipation Notes (BAN)s are reflected as current or long-term liabilities depending on the refinancing status. For Governmental Funds, if all legal steps have been taken to refinance the BANs, the intent is supported by an ability to consummate refinancing the short-term note on a long-term basis in the operating statement of the recipient fund. Such notes are recorded as liabilities in the Government-wide financial statements.

State law requires BANs issued for capital purposes be converted to long-term obligations or paid off within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

The County did not issue or redeem and BANs during the year ended December 31, 2017.

In addition to the above debt, the County had the following noncurrent liabilities:

- **Compensated Absences** - Represents the unfunded value of the liability for accumulated vacation. This liability is liquidated from the General, County Road and Road Machinery Funds.
- **Capital Leases** - Represents principal balance of equipment leases. This liability is liquidated from the General Fund.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 10 Noncurrent Liabilities - Continued

Summary of Debt

The following is a summary of serial bonds and capital leases payable:

| Description | Original Date of Issue | Original Amount | Interest Rate | Date of Final Maturity | Balance December 31, 2017 |
|-------------------------------------|------------------------------|--------------------|------------------|------------------------------|---------------------------------|
| Serial Bonds: | | | | | |
| Shared Services Construction | 1/2010 | \$ 1,500,000 | 3.50-5.00% | 1/2034 | \$ 1,230,000 |
| Shared Services Construction | 5/2016 | 1,405,000 | 1.50-2.00% | 5/2028 | 1,315,000 |
| STASC Pass-through Bonds: | | | | | |
| Tobacco Settlement Bonds (2000) | 12/2000 | 3,280,000 | 5.25-6.30% | 6/2023 | 1,715,000 |
| Less: Unamortized bond discount | | | | | (40,617) |
| Carrying Value of Series 2000 Bonds | | | | | <u>1,674,383</u> |
| Tobacco Settlement Bonds (2005) | 11/2005 | 1,573,852 | 6.00-7.85% | 6/2037 | 1,497,013 |
| Less: Unamortized bond discount | | | | | (24,404) |
| Add: Interest accretion | | | | | 1,915,707 |
| Carrying Value of Series 2005 Bonds | | | | | <u>3,388,316</u> |
| HSDC 2007 Tax-exempt Revenue Bonds | 4/2007 | 5,725,000 | 3.50-5.00% | 5/2032 | 4,260,000 |
| Add: Unamortized bond premium | | | | | 121,596 |
| Carrying Value of HSDC Bonds | | | | | <u>4,381,596</u> |
| Capital Lease | 7/2017 | 46,524 | 6.00% | 7/2019 | 30,104 |
| Capital Lease | 5/2017 | 26,410 | 5.95% | 5/2021 | 20,500 |
| Capital Lease | 5/2016 | 67,906 | 5.75% | 5/2020 | 40,653 |
| Capital Lease | 4/2016 | 386,171 | 3.19% | 5/2020 | <u>217,488</u> |
| Total | | | | | \$ <u>12,298,040</u> |

Change in Indebtedness

The following represents changes in the County's indebtedness during the year ended December 31, 2017:

| | Balance December 31, 2016 | Additions | Deletions | Balance December 31, 2017 | Amount Due Within One Year |
|---------------------------------|---------------------------------|--------------------------|----------------------------|---------------------------------|----------------------------------|
| Serial Bonds | \$ 2,685,000 | \$ - | \$ (140,000) | \$ 2,545,000 | \$ 155,000 |
| STASC Bonds | 3,267,013 | | (55,000) | 3,212,013 | 520,000 |
| Add: Accreted interest payable | 1,701,966 | 213,741 | | 1,915,707 | |
| Less: Unamortized bond discount | (71,766) | 6,745 | | (65,021) | (6,745) |
| HSDC Bonds | 4,450,000 | | (190,000) | 4,260,000 | 200,000 |
| Add: Unamortized bond premium | 130,079 | | (8,483) | 121,596 | 8,483 |
| Capital lease | 357,586 | 72,934 | (121,775) | 308,745 | 102,282 |
| Compensated absences | 628,887 | 43,151 | | 672,038 | 67,204 |
| Totals | \$ <u>13,148,765</u> | \$ <u>336,571</u> | \$ <u>(515,258)</u> | \$ <u>12,970,078</u> | \$ <u>1,046,224</u> |

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 10 Noncurrent Liabilities - Continued

Additions and deletions to compensated absences are shown net, as it is impractical to determine these amounts separately. The County paid \$107,365 in interest on bonds and capital leases during the year ended December 31, 2017. STASC paid \$114,202 in interest on bonds during the year. HSDC paid \$217,750 in interest on bonds during the year. Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

| | | |
|--|-----------|------------------------------|
| Cash paid | \$ | 439,317 |
| Less interest accrued in prior year | | (86,412) |
| Add interest accrued in current year | | 80,524 |
| Less prior year accreted interest | | (1,701,966) |
| Add current year accreted interest | | 1,915,707 |
| Less amortization of bond discount/(premium) | | <u>6,745</u> |
| Total | \$ | <u><u>653,915</u></u> |

Debt Service Requirements

The following tables summarize the County's future debt service requirements as of December 31, 2017:

Governmental Funds

| Year | County Serial Bonds | | HSDC Fund | | STASC Bonds | | Total Bonds | |
|---------------|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 155,000 | \$ 78,413 | \$ 200,000 | \$ 208,000 | \$ 520,000 | \$ 309,272 | \$ 875,000 | \$ 595,685 |
| 2019 | 155,000 | 74,713 | 205,000 | 197,875 | 530,894 | 152,907 | 890,894 | 425,495 |
| 2020 | 165,000 | 70,737 | 220,000 | 187,250 | 304,398 | 143,728 | 689,398 | 401,715 |
| 2021 | 170,000 | 66,576 | 230,000 | 176,000 | 315,130 | 137,839 | 715,130 | 380,415 |
| 2022 | 175,000 | 61,975 | 240,000 | 164,250 | 284,758 | 127,069 | 699,758 | 353,294 |
| 2023-2027 | 970,000 | 229,700 | 1,390,000 | 624,250 | 754,497 | 1,424,603 | 3,114,497 | 2,278,553 |
| 2028-2032 | 560,000 | 99,263 | 1,775,000 | 230,375 | 305,312 | 1,701,759 | 2,640,312 | 2,031,397 |
| 2033-2037 | 195,000 | 9,875 | | | 197,024 | 1,673,450 | 392,024 | 1,683,325 |
| Totals | \$ 2,545,000 | \$ 691,252 | \$ 4,260,000 | \$ 1,788,000 | \$ 3,212,013 | \$ 5,670,627 | \$ 10,017,013 | \$ 8,149,879 |

Capital Leases

| Year | Principal | Interest | Total |
|---------------|-------------------|------------------|-------------------|
| 2018 | \$ 102,282 | \$ 12,477 | \$ 114,759 |
| 2019 | 106,466 | 10,991 | 117,457 |
| 2020 | 94,421 | 3,918 | 98,339 |
| 2021 | 5,576 | | 5,576 |
| Totals | \$ 308,745 | \$ 27,386 | \$ 336,131 |

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 10 Noncurrent Liabilities - Continued

Capital Leases - Installment Purchase Debt

The following presents additional information related to the County's installment purchase debt at December 31, 2017.

| Installment Purchase Debt: | Issued | Interest | Maturity | Amount |
|--|---------------|-----------------|-----------------|-------------------|
| 2016 Sheriff Vehicles Lease | 05/31/2016 | 5.95% | 05/31/2020 | \$ 40,653 |
| Telephone System | 04/01/2016 | 3.19% | 05/01/2020 | 217,488 |
| 2017 Sheriff Vehicles Lease | 07/12/2017 | 6.00% | 7/12/2019 | 30,104 |
| 2017 Sheriff Vehicles Lease | 05/31/2017 | 5.95% | 05/31/2021 | 20,500 |
| Total Installment Purchase Debt | | | | \$ 308,745 |

The cost of capital assets procured through capital leases amounts to \$539,933, with a net book value of \$419,037.

| | |
|--------------------------|-------------------|
| Cost | \$ 539,933 |
| Accumulated depreciation | (120,896) |
| Net Book Value | \$ 419,037 |

STASC Bonds

The County's future right, title, and interest in the Tobacco Settlement Revenues were financed through the issuance of bonds in the amount of \$3,280,000 and bearing interest rates ranging from 5.25% to 6.3% in December 2000. STASC elected the 25 year flexible amortization option.

STASC Series 2005 bonds are capital appreciation bonds, upon which the investment return on the initial principal amount is reinvested at a compounded rate until maturity. There are no scheduled principal and interest payments on the Series 2005 bonds other than on their respective maturity dates, at which time a single payment is made representing both the initial principal amount and the total investment return.

The Series 2005 bonds are subject to redemption prior to maturity through turbo redemption payments which are to be made from surplus collections on deposit, as provided in the Bond Indenture. The amounts and timing of the turbo redemption payments are based on projections of future tobacco settlement receipts less amounts needed to satisfy debt service on the Series 2000 bonds and to satisfy operating requirements. Failure to make such turbo redemption payments will not, however, constitute an event of default.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 11 Interfund Receivables and Payables

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to subsidize other funds. The Governmental Funds financial statements generally reflect such transactions as transfers. Interfund receivables and payables and interfund transfer revenues and expenditures at December 31, 2017 were as follows:

| | Interfund Receivables | Interfund Payables |
|------------------|----------------------------------|-------------------------------|
| General Fund | \$ 956,236 | \$ 300,049 |
| County Road Fund | 134,576 | 914,691 |
| Non-Major Funds | 686,528 | 562,600 |
| Totals | \$ 1,777,340 | \$ 1,777,340 |

| | Interfund Revenues | Interfund Expenditures |
|------------------|-------------------------------|-----------------------------------|
| General Fund | \$ - | \$ 3,052,481 |
| County Road Fund | 2,233,473 | 566,808 |
| Non-Major Funds | 1,385,816 | - |
| Totals | \$ 3,619,289 | \$ 3,619,289 |

Note 12 Summary of Significant Commitments and Contingencies

State and Federally Assisted Programs

The County receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory, and/or contractual requirements. The County makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the County will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. County officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the financial statements.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 13* Other Litigation**

The County and/or its agencies are named in several minor lawsuits arising in the ordinary course of the County's operations. These claims and lawsuits, in the opinion of management, are either adequately covered by insurance or will not result in a material impact on the financial position of the County and therefore, are not reflected in the accompanying financial statements. In the past three years, no settlements exceeded insurance coverage.

***Note 14* Other Disclosures**

Schuyler County Community Services Board

The Schuyler County Community Services Board was formed under Mental Hygiene Law, Section 41, to enable and encourage the County to develop preventive, rehabilitative, and treatment services for the mentally ill, the mentally retarded and the developmentally disabled, and those suffering from the diseases of alcoholism and substance abuse in the community.

The Board was formed to be a policy-making body with regards to the services provided to the community. During 1996, the Board applied for and received funding to build a new building. Bonding was obtained through the Local Government Services Corporation (LGSC) and various other state grants were received to supplement the funding stream. Because the bonding was obtained through the LGSC, the LGSC will retain title to the building for the life of the bonds. Therefore, no asset has been recorded on the County's fixed asset records.

***Note 15* Transactions with Component Units**

Schuyler County Soil and Water Conservation District

The County contributed \$145,000 for operating assistance and \$20,000 for stream stabilization services to the Soil and Water Conservation District during the year ended December 31, 2017.

Schuyler County Human Services Development Corporation

The HSDC leases office space to Schuyler County. During the year ended December 31, 2017, the County paid \$292,271 and owed \$537 on their lease rental commitment. In addition, the Corporation's records are maintained by County employees at no charge to the Corporation for these services. In addition, the County maintains the records for the HSDC at no charge. In-kind contributions total \$2,437 for the year ended December 31, 2017.

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 16 Fund Balance Detail

At December 31, 2017, fund balance in the governmental funds was comprised of the following:

| | General Fund | County Road Fund | STASC Debt Service Fund | Non-Major Funds |
|--|-------------------------|-----------------------------|--|----------------------------|
| Nonspendable | | | | |
| Prepaid expenses | \$ 518,665 | \$ | \$ | \$ |
| Inventory | 6,457 | | | |
| Total Nonspendable Fund Balance | \$ 525,122 | \$ - | \$ - | \$ |
| Restricted | | | | |
| E-911 Reserve | \$ 456,448 | \$ | \$ | \$ |
| Sheriff seized assets | 20,586 | | | |
| DA seized assets | 58,108 | | | |
| Stop-DWI Reserve | 43,176 | | | |
| Lamoka/Waneta Lakes Reserve | 51,869 | | | |
| Debt service | | | 273,463 | |
| Community development | | | | 17,192 |
| Total Restricted Fund Balance | \$ 630,187 | \$ - | \$ 273,463 | \$ 17,192 |
| Committed | | | | |
| Facilities and Grounds Capital Reserve | \$ 821,578 | \$ | \$ | \$ |
| Voice and Data Reserve | 426,841 | | | |
| Economic Development Reserve | 210,059 | | | |
| Total Committed Fund Balance | \$ 1,458,478 | \$ - | \$ - | \$ - |
| Assigned | | | | |
| Encumbered for: | | | | |
| General support | \$ 4,578 | \$ | \$ | \$ |
| Education | 26 | | | |
| Public safety | 4,587 | | | |
| Public health | 4,639 | | | |
| Economic assistance and opportunity | 2,458 | | | |
| Culture and recreation | 1,017 | | | |
| Home and community services | 258 | | | |
| Employee benefits | 22 | | | |
| TASC Debt Service | | | 332,954 | |
| Transportation | | 1,058,351 | | 213,268 |
| Total Assigned Fund Balance | \$ 17,585 | \$ 1,058,351 | \$ 332,954 | \$ 213,268 |
| Unassigned | \$ 6,347,512 | \$ - | \$ - | \$ - |
| Total Fund Balances | \$ 8,978,884 | \$ 1,058,351 | \$ 606,417 | \$ 230,460 |

COUNTY OF SCHUYLER

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 17 Tax Abatements

For the year ended December 31, 2017, the County was subject to tax abatements negotiated by the Schuyler County Industrial Development Agency (SCIDA), a discretely presented component unit, Town of Montour Falls, New York (the Town) and the Village of Montour Falls, New York (the Village).

Under SCIDA, companies from outside the County can apply for sales tax exemptions under eligible spending related to relocating to the County. Companies accepted into the program document the sales tax paid on eligible spending and receive a rebate up to a maximum of 100%. Through this program, companies promise to expand or maintain facilities or employment in the County, to establish new business in the County, or to relocate an existing business to the County. Economic development agreements entered into by SCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which SCIDA 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%.

Information relevant to disclosure of the program for the year ended December 31, 2017 is as follows:

| <u>Tax Abatement Program</u> | <u>Amount of Taxes Abated</u> |
|------------------------------|-------------------------------|
| Economic Development: | |
| Real Property Tax | \$ 378,212 |
| Sales Tax | 31,194 |
| Total | \$ 409,406 |

The Town and the Village entered into a property tax abatement agreement with a local business under Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth. Under the Act, localities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town or Village. Under this program, the Town and Village abated taxes by 95% to an apartment complex.

| <u>Tax Abatement Program</u> | <u>Amount of Taxes Abated</u> |
|------------------------------|-------------------------------|
| Economic Development: | |
| Real Property Tax | \$ 6,040 |
| Total | \$ 6,040 |

COUNTY OF SCHUYLER

BUDGETARY COMPARISON SCHEDULE (NON-GAAP) GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budget | Final Budget | Actual | Encumbrances | Variance Favorable- (Unfavorable) |
|---|--------------------|-----------------|---------------|--------------|---|
| REVENUES | | | | | |
| Real property taxes | \$ 11,158,970 | \$ 11,158,970 | \$ 11,028,203 | \$ | \$ (130,767) |
| Real property tax items | 807,057 | 807,057 | 793,667 | | (13,390) |
| Nonproperty tax items | 11,087,000 | 11,087,000 | 11,472,020 | | 385,020 |
| Departmental income | 6,334,070 | 6,828,427 | 5,165,552 | | (1,662,875) |
| Intergovernmental charges | 348,973 | 348,973 | 346,293 | | (2,680) |
| Use of money and property | 670,096 | 670,096 | 569,260 | | (100,836) |
| Fines and forfeitures | 79,889 | 79,889 | 33,252 | | (46,637) |
| Sale of property and compensation for loss | 10,000 | 10,000 | 10,574 | | 574 |
| Miscellaneous local sources | 212,450 | 213,324 | 198,131 | | (15,193) |
| State sources | 6,421,720 | 7,578,949 | 7,233,720 | | (345,229) |
| Federal sources | 4,147,847 | 4,647,965 | 4,020,127 | | (627,838) |
| Total Revenues | 41,278,072 | 43,430,650 | 40,870,799 | - | (2,559,851) |
| EXPENDITURES | | | | | |
| General governmental support | 7,818,122 | 7,940,178 | 7,308,865 | 4,578 | 626,735 |
| Education | 1,710,000 | 1,710,000 | 1,613,949 | 26 | 96,025 |
| Public safety | 3,902,016 | 5,066,883 | 4,511,791 | 4,587 | 550,505 |
| Public health | 3,943,827 | 4,468,689 | 3,536,135 | 4,639 | 927,915 |
| Transportation | 430,000 | 556,376 | 539,822 | | 16,554 |
| Economic assistance and opportunity | 13,034,930 | 13,038,632 | 12,300,344 | 2,458 | 735,830 |
| Culture and recreation | 168,891 | 220,031 | 166,233 | 1,017 | 52,781 |
| Home and community services | 607,180 | 612,513 | 557,874 | 258 | 54,381 |
| Employee benefits | 6,547,000 | 6,547,000 | 5,598,413 | 22 | 948,565 |
| Debt service - Principal and interest | 107,075 | 242,381 | 242,381 | | - |
| Total Expenditures | 38,269,041 | 40,402,683 | 36,375,807 | 17,585 | 4,009,291 |
| Excess of Revenues | 3,009,031 | 3,027,967 | 4,494,992 | (17,585) | 1,449,440 |
| OTHER FINANCING (USES) | | | | | |
| Interfund transfers (out) | (3,009,031) | (3,009,031) | (3,052,481) | | 43,450 |
| Total Other Financing (Uses) | (3,009,031) | (3,009,031) | (3,052,481) | - | 43,450 |
| Excess of Revenues (Expenditures) and Other Financing Sources (Uses) | - | 18,936 | 1,442,511 | \$ (17,585) | \$ 1,492,890 |
| Appropriated reserves | | (30,145) | | | |
| Encumbrances carried forward from prior year | | 11,209 | | | |
| Net Increase | \$ - | \$ - | | | |
| Fund Balance, Beginning | | | 7,536,373 | | |
| Fund Balance, Ending | | | \$ 8,978,884 | | |

See Independent Auditor's Report and Notes to Required Supplementary Information

COUNTY OF SCHUYLER

BUDGETARY COMPARISON SCHEDULE (NON-GAAP) COUNTY ROAD FUND FOR THE YEAR ENDED DECEMBER 31, 2017

| | Original Budget | Final Budget | Actual | Encumbrances | Variance Favorable- (Unfavorable) |
|---|--------------------|-----------------|---------------------|--------------|---|
| REVENUES | | | | | |
| Departmental income | \$ 26,000 | \$ 26,000 | \$ 30,852 | \$ | \$ 4,852 |
| Use of money and property | 600 | 600 | 1,416 | | 816 |
| Fines and forfeitures | 500 | 500 | 536 | | (36) |
| Sale of property and compensation for loss | 4,000 | 4,000 | 3,585 | | (415) |
| State sources | 1,087,567 | 1,087,567 | 1,207,664 | | 120,097 |
| Federal sources | 160,000 | 160,000 | 200,951 | | 40,951 |
| Total Revenues | 1,278,667 | 1,278,667 | 1,445,004 | - | 166,265 |
| EXPENDITURES | | | | | |
| Transportation | 2,931,982 | 2,931,982 | 2,673,778 | | 258,204 |
| Employee benefits | 453,398 | 453,398 | 444,135 | | 9,263 |
| Debt service - Principal and interest | 126,760 | 126,760 | 126,759 | | 1 |
| Total Expenditures | 3,512,140 | 3,512,140 | 3,244,672 | - | 267,468 |
| Excess of (Expenditures) | (2,233,473) | (2,233,473) | (1,799,668) | - | 433,733 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Interfund transfers in | 2,233,473 | 2,233,473 | 2,233,473 | | |
| Interfund transfers (out) | | | (566,808) | | 566,808 |
| Total Other Financing Sources (Uses) | 2,233,473 | 2,233,473 | 1,666,665 | - | 566,808 |
| Excess of (Expenditures) Revenues and Other Financing (Uses) Sources | - | - | (133,003) | \$ - | \$ 1,000,541 |
| Appropriated fund balances | | | | | |
| Net Increase | \$ - | \$ - | | | |
| Fund Balance, Beginning | | | 1,191,354 | | |
| Fund Balance, Ending | | | \$ 1,058,351 | | |

See Independent Auditor's Report and Notes to Required Supplementary Information

COUNTY OF SCHUYLER

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED DECEMBER 31, 2017

| Actuarial Valuation Date | Fiscal Year End | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|-----------------------|---------------------------------|--|---------------------------|-----------------|--------------------|--|
| 1/1/2017 | 12/31/2017 | - | \$ 29,975,257 | \$ 29,975,257 | 0.0% | \$ 11,771,340 | 254.6% |
| 1/1/2015 | 12/31/2016 | - | 30,443,092 | 30,443,092 | 0.0% | 11,197,310 | 271.9% |
| 1/1/2015 | 12/31/2015 | - | 25,862,547 | 25,862,547 | 0.0% | 11,025,699 | 234.6% |
| 1/1/2012 | 12/31/2014 | - | 23,809,557 | 23,809,557 | 0.0% | 9,963,996 | 239.0% |
| 1/1/2012 | 12/31/2013 | - | 22,132,637 | 22,132,637 | 0.0% | 9,825,282 | 225.3% |
| 1/1/2011 | 12/31/2012 | - | 22,199,170 | 22,199,170 | 0.0% | 9,650,709 | 230.0% |

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See Independent Auditor's Report and Notes to Required Supplementary Information

COUNTY OF SCHUYLER

SCHEDULE OF COUNTY'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|--------------|--------------|
| Contractually required contribution | \$ 1,653,496 | \$ 1,920,310 | \$ 1,921,917 |
| Contributions in relation to the contractually required contribution | (1,653,496) | (1,920,310) | (1,921,917) |
| Contribution deficiency (excess) | - | - | - |
| County's covered - employee payroll | 10,305,437 | 9,787,386 | 9,516,886 |
| Contributions as a percentage of covered - employee payroll | 16.0% | 19.6% | 20.2% |

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See Independent Auditor's Report and Notes to Required Supplementary Information

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| \$ 1,880,372 | \$ 1,918,030 | \$ 1,123,331 | \$ 1,228,568 | \$ 791,787 | \$ 838,337 | \$ 860,169 |
| (1,880,372) | (1,918,030) | (1,123,331) | (1,228,568) | (791,787) | (838,337) | (860,169) |
| - | - | - | - | - | - | - |
| 9,336,382 | 9,561,026 | 8,120,917 | 9,295,102 | 9,659,619 | 9,213,511 | 8,726,579 |
| 20.1% | 20.1% | 13.8% | 13.2% | 8.2% | 9.1% | 9.9% |

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COUNTY OF SCHUYLER

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED DECEMBER 31,

| | 2017 | 2016 | 2015 |
|--|---------------------|--------------|--------------|
| County's proportion of the net pension liability | 0.0660670% | 0.0473124% | 0.0458941% |
| County's proportionate share of the net pension liability | \$ 4,379,266 | \$ 7,593,776 | \$ 1,550,413 |
| County's covered-employee payroll during the measurement period | 10,115,611 | 9,677,978 | 9,463,189 |
| County's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 43.30% | 78.50% | 16.38% |
| Plan fiduciary net position as a percentage of the total pension liability | 94.7% | 90.7% | 97.9% |

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See Independent Auditor's Report and Notes to Required Supplementary Information

COUNTY OF SCHUYLER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Budgetary Data

Budget Policies

Budget policies are as follows:

1. No later than November 15, the budget officer submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the following funds:
 - General Fund
 - County Road Fund
 - Road Machinery Fund
2. After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.
3. All modifications of the budget must be approved by the County Legislature. During 2017, the budget was modified for unanticipated grants and revenues, use of reserve funds and carryover encumbrances.
4. Appropriations are adopted at the functional level by department.
5. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the project.
6. An annual legal budget is not adopted for the STASC, which is a debt service fund and Special Grant Fund, which is a Special Revenue Fund. Budgetary controls for the STASC and Special Grant Fund are established in accordance with the applicable debt service schedules and grant agreements.
7. Appropriations lapse at year end.

Encumbrances

Encumbrances are recorded to reserve a portion of fund balance for outstanding commitments to be financed from current appropriations. Encumbrance accounting, under which contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the General and Special Revenue Funds. Encumbrances are reported as assignments of fund balances, as they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

COUNTY OF SCHUYLER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Budgetary Data - Continued**

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America for the General, County Road, and Road Machinery Funds. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered disbursements in the financial plan or expenditures in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded. The accompanying Budgetary Comparison Schedules for the budgeted major Governmental Funds, General and County Road Fund, present comparisons of the legally adopted budget with actual data.

***Note 2* Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

***Note 3* Schedule of Funding Progress**

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

***Note 4* Schedule of County's Proportionate Share of the Net Pension Liability**

The Schedule of the County's Proportionate Share of the Net Pension Liability, presented as required supplementary information, presents three years of information. This schedule will present ten years of information as it becomes available from the pension plan.

COUNTY OF SCHUYLER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Note 5 Schedules of County Contributions - NYSLRS Pension Plan and Schedule of the County's Proportionate Share of the Net Pension Liability

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2015 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2015 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

| | |
|----------------------------|---|
| Actuarial cost method | The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort. |
| Asset valuation period | 5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return. |
| Inflation | 2.5% |
| Salary scale | 3.8% in ERS, indexed by service. |
| Investment rate of return | 7.0% compounded annually, net of investment expenses, including inflation. |
| Cost of living adjustments | 1.3% annually |

COUNTY OF SCHUYLER

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2017

| | <u>Special Revenue Funds</u> | | | <u>Total Non-Major Governmental Funds</u> |
|--|-----------------------------------|------------------------------------|-------------------------|---|
| | <u>Special Grant Fund</u> | <u>Road Machinery Fund</u> | <u>Capital Fund</u> | |
| ASSETS | | | | |
| Cash and cash equivalents - Unrestricted | \$ | \$ 135,195 | \$ | \$ 135,195 |
| - Restricted | 2,425 | | | 2,425 |
| Due from other funds | 14,767 | 671,761 | | 686,528 |
| Other receivables, net | | 39,805 | | 39,805 |
| Total Assets | \$ 17,192 | \$ 846,761 | \$ - | \$ 863,953 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ | \$ 66,782 | \$ | \$ 66,782 |
| Accrued liabilities | | 4,111 | | 4,111 |
| Due to other funds | | 562,600 | | 562,600 |
| Total Liabilities | - | 633,493 | - | 633,493 |
| Fund Balances | | | | |
| Restricted | 17,192 | | | 17,192 |
| Assigned | | 213,268 | | 213,268 |
| Total Fund Balances | 17,192 | 213,268 | | 230,460 |
| Total Liabilities and Fund Balances | \$ 17,192 | \$ 846,761 | \$ - | \$ 863,953 |

See Independent Auditor's Report

COUNTY OF SCHUYLER

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2017

| | Special Revenue Funds | | | Total Non-Major Governmental Funds |
|---|--------------------------|---------------------------|-----------------|---|
| | Special Grant Fund | Road Machinery Fund | Capital Fund | |
| REVENUES | | | | |
| Intergovernmental charges | \$ | \$ 199,531 | \$ | \$ 199,531 |
| Use of money and property | | 179 | 42 | 221 |
| Sale of property and compensation for loss | | 17,246 | | 17,246 |
| Total Revenues | - | 216,956 | 42 | 216,998 |
| EXPENDITURES | | | | |
| Transportation | | 1,227,262 | | 1,227,262 |
| Employee benefits | | 98,176 | | 98,176 |
| Capital outlay | | | 139,679 | 139,679 |
| Total Expenditures | - | 1,325,438 | 139,679 | 1,465,117 |
| Excess of (Expenditures) | - | (1,108,482) | (139,637) | (1,248,119) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers in | | 955,558 | 430,258 | 1,385,816 |
| Proceeds of obligations | | | 72,934 | 72,934 |
| Total Other Financing Sources | | 955,558 | 503,192 | 1,458,750 |
| Excess of Revenues (Expenditures) and Other Financing Sources (Uses) | - | (152,924) | 363,555 | 210,631 |
| Fund Balances, Beginning | 17,192 | 366,192 | (363,555) | 19,829 |
| Fund Balances, Ending | \$ 17,192 | \$ 213,268 | \$ - | \$ 230,460 |

See Independent Auditor's Report

**INDEPENDENT AUDITOR’S 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***

To the County of Schuyler Legislature
Watkins Glen, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, New York (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated May 9, 2018.

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 by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 County’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
May 9, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

County Legislature
County of Schuyler
Watkins Glen, New York

Report on Compliance for Each Major Federal Program

We have audited the County of Schuyler, New York's (the County) compliance with the types of compliance requirements described in the *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, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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, 2017.

Report on Internal Control Over Compliance

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

Respectfully Submitted,

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
May 9, 2018

COUNTY OF SCHUYLER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

| Federal Grantor/ Pass - Through Grantor/ Program Title | Federal Catalog # | Pass- Grantor # | Passed Through to Subrecipients | Expenditures |
|--|----------------------|--------------------|---------------------------------------|----------------|
| Department of Agriculture | | | | |
| Passed Through NYS Department of Social Services: | | | | |
| SNAP Cluster: | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | (1) | \$ | \$ 368,410 |
| Total SNAP Cluster | | | | <u>368,410</u> |
| Total Department of Agriculture | | | - | <u>368,410</u> |
| Department of Justice | | | | |
| Passed Through NYS Division of Criminal Justice Services: | | | | |
| Violence Against Women Formula Grants | 16.588 | C652062 | | 35,600 |
| Passed Through NYS Crime Victims Board: | | | | |
| Crime Victim Assistance | 16.575 | C100030 | | <u>55,899</u> |
| Total Department of Justice | | | - | <u>91,499</u> |
| Department of Transportation | | | | |
| Passed Through NYS Department of Transportation: | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Highway Planning and Construction | 20.205 | D034656 | | 124,974 |
| Highway Planning and Construction | 20.205 | D035508 | | 50,676 |
| Highway Planning and Construction | 20.205 | D035224 | | <u>25,301</u> |
| Total Highway Planning and Construction Cluster | | | - | 200,951 |
| Passed Through Division of Criminal Justice Services: | | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | T523693 | | <u>1,840</u> |
| Total Department of Transportation | | | - | <u>202,791</u> |
| Environmental Protection Agency | | | | |
| Passed Through NYS Department of Health: | | | | |
| State Indoor Radon Grants | 66.032 | C30725GG | | <u>42,315</u> |
| Total Department of Education | | | - | <u>42,315</u> |
| Department of Education | | | | |
| Passed Through NYS Department of Health: | | | | |
| Special Education - Grants for Infants and Families | 84.181 | C027508 | | <u>18,176</u> |
| Total Department of Education | | | - | <u>18,176</u> |
| Department of Health and Human Services | | | | |
| Passed Through NYS Office for the Aging: | | | | |
| Aging Cluster: | | | | |
| Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | (1) | | 33,303 |
| Title III, Part C - Nutrition Services | 93.045 | (1) | | 69,026 |
| Nutrition Services Incentive | 93.053 | (1) | | <u>25,641</u> |
| Total Aging Cluster | | | - | <u>127,970</u> |
| Subtotal | | | - | <u>851,161</u> |

(1) Denotes - Unable to Obtain from Pass - Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SCHUYLER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

| Federal Grantor/ Pass - Through Grantor/ Program Title | Federal Catalog # | Pass-Through Grantor # | Passed Through to Subrecipients | Expenditures |
|--|----------------------|---------------------------|---------------------------------------|--------------|
| Subtotal Carried Forward | | | \$ - | \$ 851,161 |
| Department of Health and Human Services (Continued) | | | | |
| Passed Through National Association of County and City Health Officials: | | | | |
| Title III, Part D - Disease Prevention and Health Promotion Services | 93.043 | (1) | | 725 |
| National Family Caregiver Support | 93.052 | (1) | | 17,468 |
| Medicare Enrollment Assistance Program | 93.071 | (1) | | 6,413 |
| CMS Research, Demonstrations, and Evaluations | 93.779 | (1) | | 27,873 |
| Passed Through NYS Department of Health: | | | | |
| Immunization Grants | 93.268 | C028318 | | 28,341 |
| Drug Free Communities Support Program | 93.276 | C96R655 | | 132,420 |
| Maternal and Child Health Services Block Grant to the States: | | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | C030919 | | 6,681 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | C029740 | | 16,063 |
| Total Maternal and Child Health Services Block Grant to the States | | | - | 22,744 |
| Passed Through Health Research, Inc.: | | | | |
| Public Health Emergency Preparedness | 93.069 | 001609-10 | | 23,890 |
| Public Health Emergency Preparedness | 93.069 | 001609-11 | | 19,378 |
| Public Health Emergency Preparedness | 93.069 | T32477 | | 3,582 |
| Public Health Emergency Preparedness Total | | | - | 46,850 |
| Passed Through NYS Department of Social Services: | | | | |
| TANF Cluster: | | | | |
| Temporary Assistance for Needy Families | 93.558 | (1) | | 1,239,902 |
| Total TANF Cluster | | | - | 1,239,902 |
| Child Support Enforcement | 93.563 | (1) | | 214,731 |
| Low-Income Home Energy Assistance | 93.568 | (1) | | 1,122,408 |
| Child Care and Development Block Grant | 93.575 | (1) | | 353,319 |
| Foster Care - Title IV-E | 93.658 | (1) | | 233,468 |
| Adoption Assistance | 93.659 | (1) | | 89,805 |
| Social Services Block Grant | 93.667 | (1) | | 138,395 |
| Chafee Foster Care Independent Living | 93.674 | (1) | | 552 |
| Medical Assistance Program | 93.778 | (1) | | 287,628 |
| Total Department of Health and Human Services | | | - | 4,091,012 |
| Department of Homeland Security | | | | |
| Passed Through NYS Office of Homeland Security: | | | | |
| Emergency Management Performance Grants | 97.042 | T150755 | | 11,953 |
| Homeland Security Grant Program: | | | | |
| Homeland Security Grant Program | 97.067 | C150759 | | 61,254 |
| Homeland Security Grant Program | 97.067 | C150769 | | 69,293 |
| Homeland Security Grant Program | 97.067 | T973352 | | 10,708 |
| Homeland Security Grant Program | 97.067 | T973350 | | 1,313 |
| Total Homeland Security Grant Program | | | - | 142,568 |
| Total Department of Homeland Security | | | - | 154,521 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 4,968,724 |

(1) Denotes - Unable to Obtain from Pass - Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

COUNTY OF SCHUYLER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the County, an entity as defined in Note 1 to the County's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

Note 3 Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The County has elected to use the 10% de minimus cost rate.

Note 4 Matching Costs

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

Note 5 Department of Social Services - Administrative Costs

Differences between the amounts reflected in the Schedule of Expenditures of Federal Awards and the Department of Social Service's federal financial reports (RF-2 claims) are due to the allocation of administrative costs to the individual programs.

COUNTY OF SCHUYLER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - **Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

___yes X none reported

Noncompliance material to financial statements noted?

___yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

___yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)

___yes X no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

93.563

Child Support Enforcement

93.568

Low-Income Home Energy Assistance

Dollar threshold used to distinguish between type A and type B programs

\$750,000

Auditee qualified as low-risk auditee

X yes ___no

Section II - **Financial Statement Findings** - None noted.

Section III - **Federal Award Findings and Questioned Costs** - None noted.