

**COUNTY OF CHAUTAUQUA, NEW YORK**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2012  
WITH INDEPENDENT AUDITORS' REPORT**

COUNTY OF CHAUTAUQUA, NEW YORK

DECEMBER 31, 2012

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**COUNTY OF CHAUTAUQUA, NEW YORK**

**DECEMBER 31, 2012**

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**INDEPENDENT AUDITORS' REPORT**

**Honorable County Executive and  
Members of the County Legislature**  
*County of Chautauqua, New York*  
Mayville, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund, and the aggregate remaining fund information of the *County of Chautauqua, New York* as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the internal service funds and fiduciary funds of the *County of Chautauqua, New York* presented as supplementary information in the accompanying and individual fund statements as of and for the year ended December 31, 2012, as listed in the table of contents. We audited the financial statements of the Chautauqua Industrial Development Agency as of and for the year ended December 31, 2012 and Jamestown Community College as of and for the year ended August 31, 2012, which are included in the aggregate discretely presented component units.

**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.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Chautauqua Tobacco Asset Securitization Corporation, which is shown as a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Chautauqua, New York* as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter – Prior Period Adjustments**

As described in Note 13 to the financial statements, deferred revenue, accrued liabilities, and capital assets and the related net position have been restated as of and for the year ended December 31, 2011, resulting from management's review of grant funded programs, the allocation of the liability associated with the self-funded workers compensation plan, and construction in progress accounts. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 46 through 49 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 of Chautauqua, New York's** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining statements on pages 50 through 55 are also not a required part of the basic financial statements.

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

The accompanying schedule of expenditures of New York State Department of Transportation assistance as listed in the table of contents is presented for the purpose of additional analysis as required by the New York State Department of Transportation Draft Part 43 of the New York State Codification of Rules and Regulations, and is not a required part of the basic financial statements. This schedule is the responsibility of the County's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2013, on our consideration of the **County of Chautauqua, New York's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **County of Chautauqua, New York's** internal control over financial reporting and compliance.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
July 15, 2013**

**I. Discussion and Analysis**

Our discussion and analysis of the *County of Chautauqua, New York's* financial performance provides an overview of the County's financial activities for the year ended December 31, 2012. This document should be read in conjunction with the County's financial statements, which begin on Page 11.

**II. Financial Highlights**

- The General Fund reported a \$5.8 million increase in fund balance from operations as illustrated on Page 14. The planned utilization of \$6.5 million of fund balance in 2012 was offset by a favorable budget variance in federal aid, a surplus from the transfer of property to the Chautauqua County Industrial Development Agency, and transfers from other governmental and proprietary funds. In addition prior period adjustments, as outlined in Note 13, increased fund balance by \$0.8 million.
- The County's government-wide net position increased \$4.0 million as a result of this year's activity; while the County's governmental activities saw an increase of \$6.8 million, whereas the business-type activities experienced a \$2.8 decrease. In addition prior period adjustments, as outlined in Note 13, decreased governmental activities and total net position by \$5.8 million.
- 2012 marked the seventh year of recognizing the County's Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions liability. This statement generally requires employers to account for and report the annual cost of other postemployment benefits (OPEB) and the outstanding obligations related to OPEB in essentially the same manner as pensions. Annual OPEB cost for most governments will be based on actuarially determined amounts that, if paid on an ongoing basis, would generally provide sufficient resources to pay benefits as they come due. GASB allows governments to apply this statement prospectively, establish the OPEB liability at zero at the beginning of the initial year of implementation, and does not require governments to fund the OPEB plans. The County's 2012 net liability is \$16.6 million. The State of New York does not currently provide for legal means to fund this liability.

**III. Using This Annual Report**

The annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the County as a whole and present a longer-term view of the County's financials. Fund financial statements start on Page 13. For governmental activities, these statements tell how these services were financed in the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The fiduciary fund statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

**IV. Reporting the County as a Whole**

*The Statement of Net Position and the Statement of Activities*

Our analysis of the County as a whole begins on Page 11. One of the most important questions asked about the County's finances is; "Is the County as a whole better off or worse off as a result of the year's activities?" 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 this question. 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 expense are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. The County's net position – the difference between assets and liabilities – is a way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered, such as changes in the County's property tax base and the condition of the County's roads and infrastructure, to assess the overall health of the County.

In the statement of net position and the statement of activities, we distinguish between two types of County activities:

Governmental activities – Most of the County's basic services are reported here, including public safety, public works, economic assistance, health, economic development, and general administration. Property taxes, sales taxes, departmental fees, interest income, and State and Federal revenue finance most of these activities.

**IV. Reporting the County as a Whole (continued)**

Business-type activities – The County charges fees to other municipalities and the general public to operate and maintain “enterprise” funds. Included here are the Chautauqua County Home, the Chautauqua County Landfill, three Sewer Districts, the North County Water District, and the Electric Plant.

**V. Reporting the County's Most Significant Funds**

Fund Financial Statements – Our analysis of the County's major fund begins on Page 13 and provides detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by the State law and by bond covenants. However, the County Legislature may establish other funds to help it control and manage money for particular purposes. The County's two types of funds – Governmental and Proprietary – use different accounting approaches.

Governmental Funds – Most of the County's basic services are reported in 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 readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences between governmental activities (reported in the statement of net position and the statement of activities) and Governmental Funds in reconciliations on pages 15 and 16.

Proprietary Funds – When the County charges customers for the services it provides – whether to outside customer 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. In fact, the County's Enterprise Funds (a component of Proprietary Funds) are the same as the business-type activities we report in government-wide statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

**VI. The County as Trustee**

Reporting the County's Fiduciary Responsibilities – The County is the trustee, or fiduciary, for 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 separate statements of fiduciary net assets on Page 20. 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. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the County's Enterprise Funds (a component of Proprietary Funds) are the same as the business-type activities we report.

**VII. The County as a Whole**

The County's combined net position decreased by \$1.7 million from \$269.2 million to \$267.5 million. This compares to the 2011 increase of \$2.8 million from \$266.4 million to \$269.2 million. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

**Table 1**

**County of Chautauqua, New York**  
Statement of Net Position (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 115,590	\$ 112,133	\$ 25,063	\$ 24,413	\$ 140,653	\$ 136,546
Capital assets & other non-current	217,442	211,914	64,238	68,230	281,680	280,144
Total assets	<u>\$ 333,032</u>	<u>\$ 324,047</u>	<u>\$ 89,301</u>	<u>\$ 92,643</u>	<u>\$ 422,333</u>	<u>\$ 416,690</u>
Current liabilities	\$ 54,390	\$ 55,523	\$ 6,379	\$ 4,181	\$ 60,769	\$ 59,704
Long-term portion of debt and other obligations	47,806	40,911	46,297	46,854	94,103	87,765
Total liabilities	<u>102,196</u>	<u>96,434</u>	<u>52,676</u>	<u>51,035</u>	<u>154,872</u>	<u>147,469</u>
Net position						
Invested in capital assets, net of related debt	174,166	182,331	40,022	41,639	214,188	223,970
Restricted	19,203	17,609	--	--	19,203	17,609
Unrestricted, designated	12,418	8,088	--	--	12,418	8,088
Unrestricted, undesignated	25,049	19,585	(3,397)	(31)	21,652	19,554
Total net position	<u>230,836</u>	<u>227,613</u>	<u>36,625</u>	<u>41,608</u>	<u>267,461</u>	<u>269,221</u>
	<u>\$ 333,032</u>	<u>\$ 324,047</u>	<u>\$ 89,301</u>	<u>\$ 92,643</u>	<u>\$ 422,333</u>	<u>\$ 416,690</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**VII. The County as a Whole (continued)**

**Table 2**

**County of Chautauqua, New York**  
Statement of Activities (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue						
Charges for services	\$ 28,139	\$ 27,557	\$ 32,311	\$ 32,511	\$ 60,450	\$ 60,068
Operating grants and contributions	233,982	249,380	3,597	3,176	237,579	252,556
Capital grants and contributions	11,102	8,724	5	--	11,107	8,724
Total program revenue	<u>273,223</u>	<u>285,661</u>	<u>35,913</u>	<u>35,687</u>	<u>309,136</u>	<u>321,348</u>
General revenue						
Property taxes	61,359	58,340	--	--	61,359	58,340
Sales taxes	53,227	52,426	--	--	53,227	52,426
Other real property taxes	8,077	9,504	--	--	8,077	9,504
Sale of property and compensation for loss	234	278	--	--	234	278
Intergovernmental transfers	2,515	695	--	--	2,515	695
Investment earnings	3,051	5,869	436	1,066	3,487	6,935
Miscellaneous	1,157	976	(2)	60	1,155	1,036
Total general revenue	<u>129,620</u>	<u>128,088</u>	<u>434</u>	<u>1,126</u>	<u>130,054</u>	<u>129,214</u>
Total revenue	<u>402,843</u>	<u>413,749</u>	<u>36,347</u>	<u>36,813</u>	<u>439,190</u>	<u>450,562</u>
Program expenses						
General governmental support	46,716	45,579	--	--	46,716	45,579
Education	10,647	10,795	--	--	10,647	10,795
Public safety	26,641	26,600	--	--	26,641	26,600
Health	19,067	19,140	--	--	19,067	19,140
Transportation	17,740	18,359	--	--	17,740	18,359
Economic development	273,108	289,047	--	--	273,108	289,047
Culture and recreation	321	525	--	--	321	525
Home and community services	764	1,075	--	--	764	1,075
Nursing home	--	--	20,976	21,122	20,976	21,122
Landfill	--	--	8,624	7,998	8,624	7,998
Sewer and water services	--	--	4,366	4,016	4,366	4,016
Electric plant	--	--	2,678	3,057	2,678	3,057
Debt service-interest & issuance fees	1,001	1,185	--	--	1,001	1,185
Intergovernmental charges	--	--	2,515	695	2,515	695
Total expenses	<u>396,005</u>	<u>412,305</u>	<u>39,159</u>	<u>36,888</u>	<u>435,164</u>	<u>449,193</u>
Change in net position	6,838	1,444	(2,812)	(75)	4,026	1,369
Net position - beginning of year	227,613	224,723	41,608	41,683	269,221	266,406
Prior period adjustment	(3,615)	1,446	(2,171)	--	(5,786)	1,446
Net position - end of year	<u>\$ 230,836</u>	<u>\$ 227,613</u>	<u>\$ 36,625</u>	<u>\$ 41,608</u>	<u>\$ 267,461</u>	<u>\$ 269,221</u>

**VII. The County as a Whole (continued)**

Table 3 presents the cost of each of the County's governmental programs, as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial cost paid by the County's taxpayers and other general revenue sources for each of these functions.

**Table 3**

**County of Chautauqua, New York**  
Statement of Activities (in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General governmental support	\$ 46,716	\$ 45,579	\$ 37,963	\$ 37,372
Education	10,647	10,795	7,055	7,775
Public safety	26,641	26,600	21,020	21,391
Health	19,067	19,140	4,532	5,085
Transportation	17,740	18,359	3,045	5,291
Economic development	273,108	289,047	47,491	47,238
Culture and recreation	321	525	(23)	370
Home and community services	764	1,075	697	937
Debt service	1,001	1,185	1,001	1,185
	<u>\$ 396,005</u>	<u>\$ 412,305</u>	<u>\$ 122,781</u>	<u>\$ 126,644</u>

**VIII. The County's Funds**

Governmental Funds - As the County completed the year, its governmental funds (as presented in the balance sheet on Page 13) reported a combined net position of \$53.8 million, which increased by \$5.6 million from operations and \$0.8 million from a prior period adjustment of deferred revenue. Included in this year's total change in net position is an increase of \$5.8 million in the County's General Fund, an increase of \$0.8 million in the County Road Fund, a \$0.2 increase in the Road Machinery Fund and a decrease of \$1.2 million in the Capital Projects Fund.

Business-Type Funds - The County's Proprietary Funds consist of the County Home, landfill, three sewer districts, one water district and the electric plant. The basic financial statements for the funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net position.

**IX. Budgetary Highlights**

The variances between the revised budgets and the actual results in the General Fund, County Road Fund and Road Machinery Fund are included in Table 5.

**COUNTY OF CHAUTAUQUA, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Table 4**

**County of Chautauqua, New York**  
Proprietary Funds (in thousands of dollars)

	County Home		Sewer Funds		North County Water District		Landfill		Electric Plant		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Current assets	\$ 6,317	\$ 5,733	\$ 5,875	\$ 6,205	\$ 119	\$ 87	\$ 14,188	\$ 13,221	\$ 682	\$ 757	\$ 27,181	\$ 26,003
Noncurrent assets	11,594	12,961	25,071	25,634	257	283	12,628	14,075	14,688	15,277	64,238	68,230
Total assets	\$ 17,911	\$ 18,694	\$ 30,946	\$ 31,839	\$ 376	\$ 370	\$ 26,816	\$ 27,296	\$ 15,370	\$ 16,034	\$ 91,419	\$ 94,233
Current liabilities	\$ 6,906	\$ 4,678	\$ 1,990	2,218	\$ 20	\$ 15	\$ 1,878	1,374	\$ 820	\$ 887	\$ 11,614	\$ 9,172
Noncurrent liabilities	7,758	8,704	151	202	48	60	20,396	19,643	12,710	13,306	41,063	41,915
Total liabilities	14,664	13,382	2,141	2,420	68	75	22,274	21,017	13,530	14,193	52,677	51,087
Total net position	3,247	5,312	28,805	29,419	308	295	4,542	6,279	1,840	1,841	38,742	43,146
Total liabilities & net position	\$ 17,911	\$ 18,694	\$ 30,946	\$ 31,839	\$ 376	\$ 370	\$ 26,816	\$ 27,296	\$ 15,370	\$ 16,034	\$ 91,419	\$ 94,233
Revenue	\$ 20,316	\$ 20,389	\$ 3,764	\$ 3,880	\$ 66	\$ 65	\$ 8,530	\$ 8,853	\$ 3,672	\$ 3,628	\$ 36,348	\$ 36,815
Expenses	20,637	20,282	4,246	3,791	53	65	9,972	7,680	3,672	3,633	38,580	35,451
Changes in net position	\$ (321)	\$ 107	\$ (482)	\$ 89	\$ 13	\$ --	\$ (1,442)	\$ 1,173	\$ --	\$ (5)	\$ (2,232)	\$ 1,364

**Table 5**

**County of Chautauqua, New York**  
Budget versus actual comparison (in thousands of dollars)

	General Fund			County Road Fund			Road Machinery Fund		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Real property taxes & other taxes	\$ 68,790	\$ 68,729	\$ (61)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Sales tax	53,031	53,227	196	--	--	--	--	--	--
Departmental income	21,344	19,080	(2,264)	--	--	--	--	--	--
Shared services	5,654	4,694	(960)	18	26	8	246	277	31
Licenses and permits	127	142	15	--	--	--	--	--	--
Fines and forfeitures	549	342	(207)	--	--	--	--	--	--
Sale of property & compensation for loss	195	1,870	1,675	--	5	5	93	100	7
Miscellaneous	2,612	509	(2,103)	895	804	(91)	240	482	241
Use of money and property	3,895	5,197	1,302	125	208	83	90	196	106
State aid	21,521	21,597	76	3,153	3,815	662	--	--	--
Federal aid	43,266	212,385	169,119	455	4,705	4,250	--	--	--
Proceeds of refunding bonds	16,742	16,786	44	--	--	--	--	--	--
Transfers in	--	3,415	3,415	9,766	9,766	--	2,988	2,988	--
<b>Total revenue</b>	<b>237,726</b>	<b>407,973</b>	<b>170,247</b>	<b>14,412</b>	<b>19,329</b>	<b>4,917</b>	<b>3,657</b>	<b>4,043</b>	<b>386</b>
<b>Expenditures</b>									
General governmental support	45,654	43,929	1,725	--	--	--	--	--	--
Education	11,123	9,966	1,157	--	--	--	--	--	--
Public safety	26,475	25,474	1,001	--	--	--	--	--	--
Health	21,119	17,883	3,236	--	--	--	--	--	--
Transportation	4,128	3,823	305	19,645	18,547	1,098	3,945	3,703	242
Economic development	102,900	266,327	(163,427)	--	--	--	--	--	--
Culture and recreation	362	301	61	--	--	--	--	--	--
Home and community services	1,099	711	388	--	--	--	--	--	--
Employee benefits	--	--	--	--	--	--	--	--	--
Debt Service	3,657	3,089	568	--	--	--	27	24	3
Payment to refunded bond escrow agent	16,589	16,589	--	--	--	--	--	--	--
Transfers out	14,110	14,110	--	--	--	--	83	83	--
	<b>247,216</b>	<b>402,202</b>	<b>(154,986)</b>	<b>19,645</b>	<b>18,547</b>	<b>1,098</b>	<b>4,055</b>	<b>3,810</b>	<b>245</b>
	\$ (9,490)	\$ 5,771	\$ 15,261	\$ (5,233)	\$ 782	\$ 6,015	\$ (398)	\$ 233	\$ 631

**X. Capital Asset and Debt Administration**

*Capital Assets* - At December 31, 2012, the County had \$270.0 million in a broad range of capital assets including land, buildings, landfill, roads, bridges, sewer lines, water lines, and equipment. This is a decrease of \$7.5 million over 2011's year-end total of \$277.5 million.

**Table 6**

**County of Chautauqua, New York**  
 Capital Assets, Net of Depreciation (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land and improvements	\$ 553	\$ 553	\$ 42,111	\$ 42,005	\$ 42,664	\$ 42,558
Construction in progress	57,898	58,613	3,020	2,771	60,918	61,384
Infrastructure	159,196	149,088	--	--	159,196	149,088
Building and improvements	73,298	75,115	28,709	28,641	102,007	103,756
Machinery and equipment	20,085	20,100	28,744	28,259	48,829	48,359
Sewage treatment facilities	--	--	61,680	61,324	61,680	61,324
Water district facilities	--	--	1,432	1,432	1,432	1,432
Vehicles	14,142	13,561	--	--	14,142	13,561
Accumulated depreciation	(119,118)	(107,456)	(101,749)	(96,534)	(220,867)	(203,990)
	<u>\$ 206,054</u>	<u>\$ 209,574</u>	<u>\$ 63,947</u>	<u>\$ 67,898</u>	<u>\$ 270,001</u>	<u>\$ 277,472</u>

*Debt* - At year-end 2012, the County had \$94.1 million in bonds and notes outstanding, along with compensated absences, OPEB obligation and accrued landfill closure expenses, compared with \$87.8 million at the end of 2011.

**Table 7**

**County of Chautauqua, New York**  
 Long-term liabilities (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Bonds payable	\$ 32,391	\$ 27,243	\$ 23,988	\$ 25,984	\$ 56,379	\$ 53,227
Unamortized bond discount	--	--	227	274	227	274
Compensated absences	2,147	2,219	--	--	2,147	2,219
Net OPEB obligation	13,268	11,449	3,366	2,943	16,634	14,392
Accrued landfill closure expense	--	--	18,716	17,653	18,716	17,653
	<u>\$ 47,806</u>	<u>\$ 40,911</u>	<u>\$ 46,297</u>	<u>\$ 46,854</u>	<u>\$ 94,103</u>	<u>\$ 87,765</u>

**XI. Economic Factors and Next Year's Budgets and Rates**

The County's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. Chautauqua County adopts their calendar year budget in October which presents significant challenges in forecasting expense and revenue.

Amounts available for appropriation in the 2013 General Fund budget are \$229.6 million compared to \$223.6 million in 2012. Given the state of the economy and the General Fund surplus, the Legislature voted to reduce the 2013 tax rate by using fund balance. The County decreased the full value property tax rate from \$9.22 per thousand to \$9.15 per thousand for 2013.

The 2014 budget will present many challenges for Chautauqua County. In addition to having to replace the use of fund balance in the 2013 budget, the New York State mandated expenses of Medicaid and Employee Retirement System contributions continue to rise. Chautauqua County continues to aggressively address these issues by reducing the county workforce 6 full time equivalents in the 2013 budget.

The County's Unrestricted Governmental Fund balance is \$25,048,937. However, the County has obligated \$11,665,080 of governmental fund balance to fund the 2013 budget. The County's fiscal management policy is to maintain a governmental fund balance within the New York State Comptroller recommended range of 5-15% of revenues. The County maintains bond ratings of A1 from Moody's and A+/negative from Standard and Poor and does not anticipate cash flow problems in 2013 and 2014. The 2014 budget document takes shape during the summer and fall of 2013.

**XII. Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Marsh, Director of Finance, 3 North Erie Street, Mayville, New York 14757.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2012**

	Governmental Activities	Business-type Activities	Total	Component Units
<b>Current Assets</b>				
Cash and cash equivalents - unrestricted	\$ 46,700,811	\$ 21,956,925	\$ 68,657,736	\$ 21,142,185
Cash and cash equivalents - restricted	--	129,031	129,031	--
Receivables, net				
Accounts receivable	4,427,859	4,392,735	8,820,594	9,822,306
Taxes receivable	17,459,524	--	17,459,524	--
Other receivables	1,281,422	--	1,281,422	--
Due from other governments	39,832,995	36,078	39,869,073	2,050,891
Internal service fund transfers	2,118,584	(2,118,584)	--	--
Inventory	1,452,045	161,983	1,614,028	--
Prepaid expenses	2,317,005	504,918	2,821,923	200,970
Other current assets	--	--	--	2,935,235
<b>Total current assets</b>	<b>115,590,245</b>	<b>25,063,086</b>	<b>140,653,331</b>	<b>36,151,587</b>
<b>Noncurrent Assets</b>				
Capital Assets:				
Land and improvements	552,826	42,110,521	42,663,347	7,742,662
Buildings	73,298,091	28,709,156	102,007,247	100,487,365
Machinery and equipment	20,084,687	28,744,133	48,828,820	2,668,099
Sewage treatment facilities	--	61,679,576	61,679,576	--
Water district facilities	--	1,432,431	1,432,431	--
Infrastructure assets	159,195,676	--	159,195,676	--
Vehicles	14,141,679	--	14,141,679	--
Construction in progress	57,898,212	3,020,180	60,918,392	1,416,563
Accumulated depreciation	(119,118,167)	(101,749,473)	(220,867,640)	(39,584,547)
Other noncurrent assets:				
Deferred charges	900,632	291,766	1,192,398	444,335,072
Other receivables	10,488,301	--	10,488,301	--
Other noncurrent assets	--	--	--	8,702,946
<b>Total noncurrent assets</b>	<b>217,441,937</b>	<b>64,238,290</b>	<b>281,680,227</b>	<b>525,768,160</b>
<b>Total assets</b>	<b>\$ 333,032,182</b>	<b>\$ 89,301,376</b>	<b>\$ 422,333,558</b>	<b>\$ 561,919,747</b>

	Governmental Activities	Business-type Activities	Total	Component Units
<b>Current Liabilities</b>				
Accounts payable	\$ 8,664,264	\$ 2,345,675	\$ 11,009,939	\$ 2,000,017
Contract retainage	396,758	44	396,802	--
Accrued liabilities	19,185,606	1,821,983	21,007,589	3,091,751
Accrued interest	357,056	--	357,056	16,899
Due to other governments	15,730,625	--	15,730,625	963,257
Due to affiliated entities	--	--	--	811,256
Deferred revenue	10,055,265	--	10,055,265	11,641,611
Amounts held in escrow	--	129,031	129,031	--
Amounts due to third parties	--	2,082,076	2,082,076	--
<b>Total current liabilities</b>	<b>54,389,574</b>	<b>6,378,809</b>	<b>60,768,383</b>	<b>18,524,791</b>
<b>Long-term Liabilities</b>				
Portions due within one year				
Bonds payable - current portion	2,397,000	1,869,248	4,266,248	598,839
Net OPEB obligation - current portion	2,251,418	3,365,717	5,617,135	--
Portions due or payable after one year				
Bonds payable - long term portion	29,994,000	22,118,846	52,112,846	36,404,438
Unamortized bond premium	--	227,675	227,675	--
Compensated absences - long-term	2,146,699	--	2,146,699	--
Accrued landfill closure expense	--	18,715,976	18,715,976	--
Net OPEB obligation - long-term	11,017,213	--	11,017,213	448,532
Other noncurrent liabilities	--	--	--	460,275,407
<b>Total long-term liabilities</b>	<b>47,806,330</b>	<b>46,297,462</b>	<b>94,103,792</b>	<b>497,727,216</b>
<b>Total liabilities</b>	<b>102,195,904</b>	<b>52,676,271</b>	<b>154,872,175</b>	<b>516,252,007</b>
<b>Net position</b>				
Investment in capital assets, net of related debt	174,165,878	40,022,477	214,188,355	61,103,570
Restricted for:				
Insurance	2,690,500	--	2,690,500	--
Inventory and prepaid expenses	3,769,050	--	3,769,050	--
Capital projects	10,049,148	--	10,049,148	--
Tax stabilization	100,060	--	100,060	--
Occupancy tax	174,425	--	174,425	--
Mortgage tax	100,000	--	100,000	--
E911	1,152,772	--	1,152,772	--
DWI program	133,177	--	133,177	--
Fire services	563,636	--	563,636	--
Lakes and waterways	421,024	--	421,024	--
DMV surcharges	50,000	--	50,000	--
Other	--	--	--	16,140,406
Unrestricted, designated for:				
Subsequent year's expenditures/budget	11,665,080	--	11,665,080	--
Encumbrances	752,591	--	752,591	--
Unrestricted, undesignated (deficit)	25,048,937	(3,397,372)	21,651,565	(31,576,236)
<b>Total net position</b>	<b>230,836,278</b>	<b>36,625,105</b>	<b>267,461,383</b>	<b>45,667,740</b>
<b>Total liabilities and net position</b>	<b>\$ 333,032,182</b>	<b>\$ 89,301,376</b>	<b>\$ 422,333,558</b>	<b>\$ 561,919,747</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
<b>Functions/Programs</b>								
<b>Governmental activities:</b>								
General governmental support	\$ 46,716,451	\$ 8,072,399	\$ 681,593	\$ --	\$ (37,962,459)	\$ --	\$ (37,962,459)	--
Education	10,646,702	215,225	3,376,112	--	(7,055,365)	--	(7,055,365)	--
Public safety	26,641,454	2,847,195	2,774,204	--	(21,020,055)	--	(21,020,055)	--
Health	19,066,522	5,222,266	9,311,893	--	(4,532,363)	--	(4,532,363)	--
Transportation	17,739,642	2,885,198	1,280,594	10,528,647	(3,045,203)	--	(3,045,203)	--
Economic development	273,107,873	8,879,776	216,186,965	550,000	(47,491,132)	--	(47,491,132)	--
Culture and recreation	320,611	3,776	339,646	--	22,811	--	22,811	--
Home and community services	764,416	13,370	30,872	23,521	(696,653)	--	(696,653)	--
Debt service - interest and issuance fees	1,001,082	--	--	--	(1,001,082)	--	(1,001,082)	--
Total governmental activities	396,004,753	28,139,205	233,981,879	11,102,168	(122,781,501)	--	(122,781,501)	--
<b>Business-type activities:</b>								
County Home	20,976,276	16,727,380	3,588,885	--	--	(660,011)	(660,011)	--
Sewer	4,312,694	3,575,462	--	5,621	--	(731,611)	(731,611)	--
Water	53,661	62,296	--	--	--	8,635	8,635	--
Landfill	8,624,240	8,267,719	8,094	--	--	(348,427)	(348,427)	--
Electric Plant	2,677,842	3,677,912	--	--	--	1,000,070	1,000,070	--
Total business-type activities	36,644,713	32,310,769	3,596,979	5,621	--	(731,344)	(731,344)	--
Total functions and programs	\$ 432,649,466	\$ 60,449,974	\$ 237,578,858	\$ 11,107,789	(122,781,501)	(731,344)	(123,512,845)	--

**Component Units:**

Chautauqua County Industrial Development Agency	\$	1,270,640	\$	590,014	\$	185,107	\$	--	--	--	--	(495,519)
Jamestown Community College		36,155,186		9,232,745		26,156,503		1,241,822	--	--	--	475,884
Chautauqua Tobacco Asset Securitization Corporation		3,125,816		--		--		--	--	--	--	(3,125,816)
Total component units	\$	40,551,642	\$	9,822,759	\$	26,341,610	\$	1,241,822	--	--	--	(3,145,451)

**General Revenues**

Real property taxes						61,359,368	--	61,359,368	--
Other real property tax items						8,077,144	--	8,077,144	--
Sales tax						53,227,153	--	53,227,153	--
Sale of property and compensation for loss						233,531	--	233,531	--
Miscellaneous						1,156,712	(1,653)	1,155,059	3,565,241
Use of money and property						3,050,979	435,551	3,486,530	588,329
Intergovernmental transfer						2,514,491	(2,514,491)	--	--
Total general revenues						129,619,378	(2,080,593)	127,538,785	4,153,570

**Change in net position**

Net position - beginning of year						227,612,960	41,607,849	269,220,809	17,383,459
Prior period adjustments						(3,614,559)	(2,170,807)	(5,785,366)	27,276,162
Net position - end of year	\$	230,836,278	\$	36,625,105	\$	267,461,383	\$	45,667,740	

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2012**

	General	County Road	Road Machinery	Capital Projects	2012 Total
<b>Assets</b>					
Cash and cash equivalents	\$ 33,261,351	\$ 1,991,188	\$ 3,139,303	\$ 3,572,043	\$ 41,963,885
Receivables, net					
Accounts receivable	4,344,894	22,305	60,660	--	4,427,859
Taxes receivable	19,521,722	--	--	--	19,521,722
Other receivables	5,110,530	--	--	159,193	5,269,723
Due from other governments	27,125,392	1,433,987	--	1,820,876	30,380,255
Inventory	74,698	--	1,377,347	--	1,452,045
Prepaid expenses	2,080,303	201,465	35,237	--	2,317,005
<b>Total assets</b>	<b>\$ 91,518,890</b>	<b>\$ 3,648,945</b>	<b>\$ 4,612,547</b>	<b>\$ 5,552,112</b>	<b>\$ 105,332,494</b>
<b>Liabilities</b>					
Accounts payable	\$ 7,235,807	\$ 626,769	\$ 435,635	\$ 32,873	\$ 8,331,084
Contract retainage	--	202,910	--	193,848	396,758
Accrued liabilities	2,336,755	239,245	43,428	--	2,619,428
Due to other governments	15,330,625	--	--	400,000	15,730,625
Deferred revenue - property taxes	12,100,148	--	--	--	12,100,148
Deferred revenue - other	10,055,265	--	--	--	10,055,265
Net OPEB obligation	2,251,418	--	--	--	2,251,418
<b>Total liabilities</b>	<b>49,310,018</b>	<b>1,068,924</b>	<b>479,063</b>	<b>626,721</b>	<b>51,484,726</b>
<b>Net position</b>					
Nonspendable:					
Reserve for inventory and prepaid expenses	2,155,001	201,465	1,412,584	--	3,769,050
Restricted:					
Reserve for insurance	2,690,500	--	--	--	2,690,500
Reserve for capital projects	5,177,636	--	--	4,871,512	10,049,148
Reserve for tax stabilization	100,060	--	--	--	100,060
Reserve for occupancy tax	174,425	--	--	--	174,425
Reserve for mortgage tax	100,000	--	--	--	100,000
Reserve for E911	1,152,772	--	--	--	1,152,772
Reserve for DWI program	133,177	--	--	--	133,177
Reserve for fire services	563,636	--	--	--	563,636
Reserve for lakes and waterways	421,024	--	--	--	421,024
Reserve for DMV surcharges	--	50,000	--	--	50,000
Assigned:					
Reserve for encumbrances	688,748	--	9,964	53,879	752,591
Designated for subsequent year's expenditures	11,415,080	--	250,000	--	11,665,080
Special revenue funds	--	2,328,556	2,460,936	--	4,789,492
Unassigned:					
General fund	17,436,813	--	--	--	17,436,813
<b>Total net position</b>	<b>42,208,872</b>	<b>2,580,021</b>	<b>4,133,484</b>	<b>4,925,391</b>	<b>53,847,768</b>
<b>Total liabilities and net position</b>	<b>\$ 91,518,890</b>	<b>\$ 3,648,945</b>	<b>\$ 4,612,547</b>	<b>\$ 5,552,112</b>	<b>\$ 105,332,494</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	County Road	Road Machinery	Capital Projects	2012 Total
<b>Revenue</b>					
Real property taxes	\$ 60,652,192	\$ --	\$ --	\$ --	\$ 60,652,192
Other real property tax items	8,077,144	--	--	--	8,077,144
Sales tax	53,227,153	--	--	--	53,227,153
Departmental income	19,080,404	--	--	--	19,080,404
Shared services	4,694,210	26,561	277,564	323,967	5,322,302
Licenses and permits	141,869	--	--	--	141,869
Fines and forfeitures	342,280	--	--	--	342,280
Sale of property and compensation for loss	1,870,183	5,176	100,294	26,149	2,001,802
Miscellaneous	509,195	804,032	482,443	62,956	1,858,626
Use of money and property	5,197,184	208,587	195,646	--	5,601,417
State aid	21,596,584	3,814,679	--	870,832	26,282,095
Federal aid	212,385,295	4,704,617	--	1,712,040	218,801,952
<b>Total revenue</b>	<b>387,773,693</b>	<b>9,563,652</b>	<b>1,055,947</b>	<b>2,995,944</b>	<b>401,389,236</b>
<b>Expenditures</b>					
General governmental support	43,928,810	--	--	--	43,928,810
Education	9,965,713	--	--	--	9,965,713
Public safety	25,473,544	--	--	--	25,473,544
Health	17,883,170	--	--	--	17,883,170
Transportation	3,823,180	18,547,187	3,703,490	--	26,073,857
Economic development	266,326,999	--	--	202,178	266,529,177
Culture and recreation	302,459	--	--	--	302,459
Home and community services	711,179	--	--	--	711,179
Debt service:					
Principal	2,252,000	--	20,000	--	2,272,000
Interest	837,080	--	3,640	--	840,720
Capital outlay	--	--	--	4,517,684	4,517,684
<b>Total expenditures</b>	<b>371,504,134</b>	<b>18,547,187</b>	<b>3,727,130</b>	<b>4,719,862</b>	<b>398,498,313</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>16,269,559</b>	<b>(8,983,535)</b>	<b>(2,671,183)</b>	<b>(1,723,918)</b>	<b>2,890,923</b>
<b>Other financing sources (uses)</b>					
Proceeds of refunding bonds	16,786,087	--	--	--	16,786,087
Payment to refunded bond escrow agent	(16,589,165)	--	--	--	(16,589,165)
Operating transfers in	3,414,491	9,765,849	2,988,579	1,438,443	17,607,362
Operating transfers out	(14,109,871)	--	(83,000)	(900,000)	(15,092,871)
<b>Total other financing sources (uses)</b>	<b>(10,498,458)</b>	<b>9,765,849</b>	<b>2,905,579</b>	<b>538,443</b>	<b>2,711,413</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>5,771,101</b>	<b>782,314</b>	<b>234,396</b>	<b>(1,185,475)</b>	<b>5,602,336</b>
<b>Net position, beginning of year</b>	<b>35,587,793</b>	<b>1,797,707</b>	<b>3,899,088</b>	<b>6,110,866</b>	<b>47,395,454</b>
Prior period adjustments	849,978	--	--	--	849,978
<b>Net position, end of year</b>	<b>\$ 42,208,872</b>	<b>\$ 2,580,021</b>	<b>\$ 4,133,484</b>	<b>\$ 4,925,391</b>	<b>\$ 53,847,768</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**RECONCILIATION OF THE BALANCE SHEET TO**  
**THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2012**

**Total net position - governmental funds** \$ 53,847,768

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 325,171,171	
Accumulated depreciation	<u>(119,118,167)</u>	
		206,053,004

Property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore are deferred in the funds. The County also reserved approximately \$2,162,000 of taxes real estate taxes receivable. 10,037,950

Long-term receivable from Jamestown Community College is not reported as a fund receivable, but rather is recognized when the resources are available. The asset is reported in the statement of net assets. 6,500,000

Deferred charges associated with the refunding of bonds is not reported as an asset in the governmental funds. The asset is reported in the statement of net assets and is being amortized over repayment schedule of the new bonds. 900,632

Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. (357,056)

Long-term liabilities, including serial bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of the following:

Serial bonds payable	(32,391,000)	
Compensated absences	(2,146,699)	
Other post-employment benefits liability	<u>(11,017,213)</u>	(45,554,912)

Internal service funds are used by the County to charge the costs of certain activities, such as insurance, to the individual funds. Assets in excess of liabilities of the internal service fund are included in the governmental funds statement of net assets. (591,108)

\$ 230,836,278

	Total Governmental Funds	Internal Service Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 41,963,885	\$ 5,163,556	\$ --	\$ (426,630)	\$ 46,700,811
Receivables, net					
Accounts receivable	4,427,859	--	--	--	4,427,859
Taxes receivable	19,521,722	--	(2,062,198)	--	17,459,524
Other receivables	5,269,723	--	6,500,000	--	11,769,723
Due from other governments	30,380,255	9,452,740	--	--	39,832,995
Internal service fund transfer	--	--	2,118,584	--	2,118,584
Inventory	1,452,045	--	--	--	1,452,045
Prepaid expenses	2,317,005	--	--	--	2,317,005
Deferred charges	--	--	900,632	--	900,632
Capital assets, net	--	--	206,053,004	--	206,053,004
<b>Total assets</b>	<b>\$ 105,332,494</b>	<b>\$ 14,616,296</b>	<b>\$ 213,510,022</b>	<b>\$ (426,630)</b>	<b>\$ 333,032,182</b>
<b>Liabilities</b>					
Cash advance	\$ --	\$ 426,630	\$ --	\$ (426,630)	\$ --
Accounts payable	8,331,084	333,180	--	--	8,664,264
Contract retainage	396,758	--	--	--	396,758
Accrued liabilities	2,619,428	16,566,178	--	--	19,185,606
Accrued interest	--	--	357,056	--	357,056
Due to other governments	15,730,625	--	--	--	15,730,625
Deferred revenue - property taxes	12,100,148	--	(12,100,148)	--	--
Deferred revenue - other	10,055,265	--	--	--	10,055,265
Serial bonds payable	--	--	32,391,000	--	32,391,000
Compensated absences	--	--	2,146,699	--	2,146,699
Net OPEB obligation	2,251,418	--	11,017,213	--	13,268,631
<b>Total liabilities</b>	<b>51,484,726</b>	<b>17,325,988</b>	<b>33,811,820</b>	<b>(426,630)</b>	<b>102,195,904</b>
<b>Net position</b>	<b>53,847,768</b>	<b>(2,709,692)</b>	<b>179,698,202</b>	<b>--</b>	<b>230,836,278</b>
<b>Total liabilities and net position</b>	<b>\$ 105,332,494</b>	<b>\$ 14,616,296</b>	<b>\$ 213,510,022</b>	<b>\$ (426,630)</b>	<b>\$ 333,032,182</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN NET POSITION TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Total net change in net position - governmental funds** \$ 5,602,336

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:

Capital outlays	\$ 15,256,861	
Depreciation expense	<u>(12,545,232)</u>	2,711,629

Because some property taxes will not be collected for several months after the County's year-end, they are not considered as "available" revenue in the governmental funds. In the statement of activities amounts are recognized as revenue as they are considered earned. Deferred revenue changed by this amount during the current year. 707,176

Proceeds from the transfer and sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities, a gain or loss on sale is reported. (1,768,271)

Repayment of bond and other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,272,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (160,362)

In the statement of activities, certain operating expenses - compensated absences and special termination benefits (OPEB) - are measured by the amounts earned during the year. In the governmental funds, however expenditures for these items are measured by the amount of financial resources used. (1,747,589)

In the statement of activities, proceeds of refunding bonds are recorded as revenue and payments to the escrow agent are recorded as an expense. Amounts paid for fees are expensed as paid. In the statement of activities fees are capitalized along with the future savings from the bond refunding and amortized over the repayment schedule of the new bonds. (10,453)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to the governmental and business type funds. The net loss of the internal service funds of \$1,348,404 is reported with governmental activities, less \$579,815 allocated to the business type activities. (768,589)

\$ 6,837,877

	Total Governmental Funds	Internal Service Funds	Capital and Other Asset Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Net Position Totals
<b>Revenue</b>						
Real property taxes	\$ 60,652,192	\$ --	\$ 707,176	\$ --	\$ --	\$ 61,359,368
Other real property tax items	8,077,144	--	--	--	--	8,077,144
Sales tax	53,227,153	--	--	--	--	53,227,153
Departmental income	19,080,404	--	--	--	(19,080,404)	--
Shared services	5,322,302	--	--	--	(5,322,302)	--
Licenses and permits	141,869	--	--	--	(141,869)	--
Fines and forfeitures	342,280	--	--	--	(342,280)	--
Sale of property and compensation for loss	2,001,802	--	(1,768,271)	--	--	233,531
Miscellaneous	1,858,626	--	--	--	(701,914)	1,156,712
Use of money and property	5,601,417	--	--	--	(2,550,438)	3,050,979
State aid	26,282,095	--	--	--	(26,282,095)	--
Federal aid	218,801,952	--	--	--	(218,801,952)	--
<b>Total revenues</b>	<b>401,389,236</b>	<b>--</b>	<b>(1,061,095)</b>	<b>--</b>	<b>(273,223,254)</b>	<b>127,104,887</b>
<b>Expenditures</b>						
General governmental support	43,928,810	152,488	2,428,516	206,637	(8,753,992)	37,962,459
Education	9,965,713	34,586	564,512	81,891	(3,591,337)	7,055,365
Public safety	25,473,544	88,387	904,934	174,589	(5,621,399)	21,020,055
Health	17,883,170	62,025	1,004,600	116,727	(14,534,159)	4,532,363
Transportation	26,073,857	90,463	(8,637,250)	212,572	(14,694,439)	3,045,203
Economic development	266,529,177	337,104	5,483,325	758,267	(225,616,741)	47,491,132
Culture and recreation	302,459	1,076	17,133	(57)	(343,422)	(22,811)
Home and community services	711,179	2,460	40,285	10,494	(67,765)	696,653
Debt service:						
Principal	2,272,000	--	--	(2,272,000)	--	--
Interest	840,720	--	--	160,362	--	1,001,082
Capital outlay	4,517,684	--	(4,517,684)	--	--	--
<b>Total expenditures</b>	<b>398,498,313</b>	<b>768,589</b>	<b>(2,711,629)</b>	<b>(550,518)</b>	<b>(273,223,254)</b>	<b>122,781,501</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>2,890,923</b>	<b>(768,589)</b>	<b>1,650,534</b>	<b>550,518</b>	<b>--</b>	<b>4,323,386</b>
<b>Other financing sources (uses)</b>						
Proceeds of refunding bonds	16,786,087	--	--	(16,786,087)	--	--
Payment to refunded bond escrow agent	(16,589,165)	--	--	16,589,165	--	--
Operating transfers in	17,607,362	--	--	--	(15,092,871)	2,514,491
Operating transfers out	(15,092,871)	--	--	--	15,092,871	--
<b>Total other financing sources (uses)</b>	<b>2,711,413</b>	<b>--</b>	<b>--</b>	<b>(196,922)</b>	<b>--</b>	<b>2,514,491</b>
<b>Net change for the year</b>	<b>\$ 5,602,336</b>	<b>\$ (768,589)</b>	<b>\$ 1,650,534</b>	<b>\$ 353,596</b>	<b>\$ --</b>	<b>\$ 6,837,877</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BALANCE SHEET – PROPRIETARY FUNDS**  
**AS OF DECEMBER 31, 2012**

	Business Type Activities Enterprise Funds					2012 Total	Governmental Activities - Internal Service Funds
	County Home	Sewer	North County Water District	Landfill	Electric Plant		
<b>Current Assets</b>							
Cash and cash equivalents - unrestricted	\$ 3,378,151	\$ 4,642,236	\$ 105,752	\$ 13,515,071	\$ 315,715	\$ 21,956,925	\$ 5,163,556
Resident Trust funds - restricted	129,031	--	--	--	--	129,031	--
Receivables, net							
Accounts receivable	2,290,832	1,186,445	13,437	535,632	366,389	4,392,735	--
Due from other governments	--	--	--	36,078	--	36,078	9,452,740
Inventory	161,983	--	--	--	--	161,983	--
Prepaid expenses	357,050	46,317	--	101,551	--	504,918	--
<b>Total current assets</b>	<b>6,317,047</b>	<b>5,874,998</b>	<b>119,189</b>	<b>14,188,332</b>	<b>682,104</b>	<b>27,181,670</b>	<b>14,616,296</b>
<b>Noncurrent Assets</b>							
Deferred charges	291,766	--	--	--	--	291,766	--
Capital assets:							
Land and improvements	1,779,655	--	--	40,330,866	--	42,110,521	--
Buildings	17,445,968	--	--	4,695,078	6,568,110	28,709,156	--
Machinery and equipment	12,013,852	--	--	7,033,156	9,697,125	28,744,133	--
Sewage treatment facilities	--	61,679,576	--	--	--	61,679,576	--
Water district facilities	--	--	1,432,431	--	--	1,432,431	--
Construction in progress	292,416	1,020,139	--	1,707,625	--	3,020,180	--
Accumulated depreciation	(20,229,454)	(37,628,740)	(1,175,574)	(41,138,542)	(1,577,163)	(101,749,473)	--
<b>Total noncurrent assets</b>	<b>11,594,203</b>	<b>25,070,975</b>	<b>256,857</b>	<b>12,628,183</b>	<b>14,688,072</b>	<b>64,238,290</b>	<b>--</b>
<b>Total assets</b>	<b>\$ 17,911,250</b>	<b>\$ 30,945,973</b>	<b>\$ 376,046</b>	<b>\$ 26,816,515</b>	<b>\$ 15,370,176</b>	<b>\$ 91,419,960</b>	<b>\$ 14,616,296</b>
<b>Current Liabilities</b>							
Cash advance	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 426,630
Accounts payable	2,014,417	168,441	6,941	155,441	435	2,345,675	333,179
Contract retainage	--	44	--	--	--	44	--
Accrued liabilities	787,087	248,284	580	563,479	222,553	1,821,983	16,566,178
Amounts held in escrow	129,031	--	--	--	--	129,031	--
Amounts due to third parties	800,654	1,281,422	--	--	--	2,082,076	--
Bonds payable - current portion	900,000	50,400	12,000	310,000	596,848	1,869,248	--
Net OPEB obligation	2,274,810	241,672	--	849,235	--	3,365,717	--
<b>Total current liabilities</b>	<b>6,905,999</b>	<b>1,990,263</b>	<b>19,521</b>	<b>1,878,155</b>	<b>819,836</b>	<b>11,613,774</b>	<b>17,325,987</b>
<b>Noncurrent Liabilities</b>							
Bonds payable - long term portion	7,530,000	151,200	48,000	1,680,000	12,709,646	22,118,846	--
Unamortized bond premium	227,675	--	--	--	--	227,675	--
Accrued landfill closure expense	--	--	--	18,715,976	--	18,715,976	--
<b>Total long-term liabilities</b>	<b>7,757,675</b>	<b>151,200</b>	<b>48,000</b>	<b>20,395,976</b>	<b>12,709,646</b>	<b>41,062,497</b>	<b>--</b>
<b>Total liabilities</b>	<b>14,663,674</b>	<b>2,141,463</b>	<b>67,521</b>	<b>22,274,131</b>	<b>13,529,482</b>	<b>52,676,271</b>	<b>17,325,987</b>
Investment in capital assets, net of related debt	2,936,528	24,869,331	196,857	10,638,183	1,381,578	40,022,477	--
Unrestricted net position (deficit)	311,048	3,935,179	111,668	(6,095,799)	459,116	(1,278,788)	(2,709,691)
<b>Total net position</b>	<b>3,247,576</b>	<b>28,804,510</b>	<b>308,525</b>	<b>4,542,384</b>	<b>1,840,694</b>	<b>38,743,689</b>	<b>(2,709,691)</b>
<b>Total liabilities and net position</b>	<b>\$ 17,911,250</b>	<b>\$ 30,945,973</b>	<b>\$ 376,046</b>	<b>\$ 26,816,515</b>	<b>\$ 15,370,176</b>	<b>\$ 91,419,960</b>	<b>\$ 14,616,296</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities					2012 Total	Governmental Activities - Internal Service Funds
	County Home	Sewer	North County Water District	Landfill	Electric Plant		
<b>Operating revenue</b>							
Charges for services	\$ 16,727,380	\$ 3,575,462	\$ 62,296	\$ 8,267,719	\$ 3,677,912	\$ 32,310,769	\$ 24,350,203
<b>Total operating revenues</b>	<b>16,727,380</b>	<b>3,575,462</b>	<b>62,296</b>	<b>8,267,719</b>	<b>3,677,912</b>	<b>32,310,769</b>	<b>24,350,203</b>
<b>Operating expenses</b>							
Professional services	8,508,086	995,427	3,011	2,182,053	1,394	11,689,971	--
Contractual services	3,856,591	1,458,778	20,122	1,487,396	1,452,754	8,275,641	--
Employee benefits	5,303,207	640,572	278	1,602,466	--	7,546,523	--
Interfund charges	278,620	--	--	--	--	278,620	--
Insurance claims and expenses	--	--	--	--	--	--	26,283,543
NYS assessment receipts	932,322	--	--	--	--	932,322	--
Depreciation	1,385,908	1,089,510	26,194	3,198,413	656,827	6,356,852	--
<b>Total operating expenses</b>	<b>20,264,734</b>	<b>4,184,287</b>	<b>49,605</b>	<b>8,470,328</b>	<b>2,110,975</b>	<b>35,079,929</b>	<b>26,283,543</b>
<b>Non operating revenues (expenses):</b>							
State sources	--	5,621	--	8,094	--	13,715	--
Federal sources	3,588,885	--	--	--	--	3,588,885	--
Interest income	--	182,486	3,812	253,877	(4,624)	435,551	262,465
Interest expense	(372,177)	(62,018)	(3,244)	(20,671)	(526,860)	(984,970)	--
Other miscellaneous	--	--	--	--	(1,653)	(1,653)	322,471
Intergovernmental transfers out	--	--	--	(1,480,691)	(1,033,800)	(2,514,491)	--
<b>Total nonoperating revenues (expenses)</b>	<b>3,216,708</b>	<b>126,089</b>	<b>568</b>	<b>(1,239,391)</b>	<b>(1,566,937)</b>	<b>537,037</b>	<b>584,936</b>
<b>Change in net position</b>	<b>(320,646)</b>	<b>(482,736)</b>	<b>13,259</b>	<b>(1,442,000)</b>	<b>--</b>	<b>(2,232,123)</b>	<b>(1,348,404)</b>
Total net assets, beginning of year	5,312,224	29,418,955	295,444	6,279,302	1,840,694	43,146,619	(1,361,287)
Prior period adjustments	(1,744,002)	(131,709)	(178)	(294,918)	--	(2,170,807)	
<b>Total net position, ending</b>	<b>\$ 3,247,576</b>	<b>\$ 28,804,510</b>	<b>\$ 308,525</b>	<b>\$ 4,542,384</b>	<b>\$ 1,840,694</b>	<b>\$ 38,743,689</b>	<b>\$ (2,709,691)</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities					12/31/12 Total
	Enterprise Funds					
	County Home	Sewer	North County Water District	Landfill	Electric Plant	
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 17,337,298	\$ 3,575,787	\$ 61,179	\$ 8,326,257	\$ 4,068,324	\$ 33,368,845
Cash paid to vendors	(10,570,541)	(2,545,370)	(12,749)	(2,931,485)	(1,525,426)	(17,585,571)
Cash paid to employees	(8,536,258)	(989,020)	(2,999)	(2,164,531)	(1,394)	(11,694,202)
Net cash provided by (used in) operating activities	(1,769,501)	41,397	45,431	3,230,241	2,541,504	4,089,072
<b>Cash flows from noncapital financing activities</b>						
Transfers out	--	--	--	(1,480,691)	(1,033,800)	(2,514,491)
Other income (expenses)	3,588,885	(93)	--	95,188	--	3,683,980
Net cash provided by (used in) noncapital financing activities	3,588,885	(93)	--	(1,385,503)	(1,033,800)	1,169,489
<b>Cash flows from capital financing activities</b>						
Acquisition and construction of capital assets	(19,072)	(526,876)	--	(687,493)	(68,155)	(1,301,596)
Proceeds from sale of capital assets	--	5,715	--	--	--	5,715
Principal payments on capital debt	(1,050,000)	(50,400)	(13,440)	(300,000)	(583,971)	(1,997,811)
Interest paid on capital debt	(428,344)	(64,095)	(3,300)	(25,646)	(535,239)	(1,056,624)
Net cash provided by (used in) capital financing activities	(1,497,416)	(635,656)	(16,740)	(1,013,139)	(1,187,365)	(4,350,316)
<b>Cash flows from investing activities</b>						
Interest earnings	--	182,486	3,816	253,877	(4,624)	435,555
Net cash provided by (used in) investing activities	--	182,486	3,816	253,877	(4,624)	435,555
<b>Net increase (decrease) in cash</b>	321,968	(411,866)	32,507	1,085,476	315,715	1,343,800
Cash and cash equivalents, unrestricted, beginning of year	3,056,183	5,054,102	73,245	12,429,595	--	20,613,125
<b>Cash and cash equivalents, unrestricted, end of year</b>	\$ 3,378,151	\$ 4,642,236	\$ 105,752	\$ 13,515,071	\$ 315,715	\$ 21,956,925
<b>Reconciliation of net income (loss) to net cash provided by (used in) operating activities</b>						
Net Income (loss) from operating activities	\$ (3,537,354)	\$ (608,825)	\$ 12,691	\$ (202,609)	\$ 1,566,937	\$ (2,769,160)
Adjustments to reconcile net income (loss) to cash provided by operating activities:						
Depreciation	1,385,908	1,089,510	26,194	3,198,413	656,827	6,356,852
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable, net	(165,080)	(69,386)	323	153,733	370,413	290,003
Decrease (increase) in prepaid & deferred expenses	(80,310)	(12,098)	--	(27,867)	--	(120,275)
Decrease (increase) in inventories	(5,415)	--	--	--	--	(5,415)
Increase (decrease) in cash advance	--	(4,908)	--	--	45,585	40,677
Increase (decrease) in accounts payable	6,933	(357,215)	6,220	(59,696)	(118,258)	(522,016)
Increase (decrease) in accrued expenses	(18,516)	25,458	3	176,360	--	183,305
Increase (decrease) in due to other governments	--	--	--	(8,093)	20,000	11,907
Increase (decrease) in due to third parties	437,689	(49,765)	--	--	--	387,924
Increase (decrease) in deferred revenues	--	--	--	--	--	--
Increase (decrease) in net OPEB obligation	206,644	28,626	--	--	--	235,270
Net cash provided by (used in) operating activities	\$ (1,769,501)	\$ 41,397	\$ 45,431	\$ 3,230,241	\$ 2,541,504	\$ 4,089,072

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – FIDUCIARY FUNDS**  
**AS OF DECEMBER 31, 2012**

	Agency Funds	Trust Funds	2012 Totals
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 3,704,300	\$ 685,091	\$ 4,389,391
Receivables, net			
Accounts receivable	298,868	-	298,868
<b>Total assets</b>	<b>\$ 4,003,168</b>	<b>\$ 685,091</b>	<b>\$ 4,688,259</b>
<b>Current Liabilities</b>			
Accounts payable	\$ 25,608	\$ -	\$ 25,608
Amounts held in custody for others	3,977,560	-	3,977,560
<b>Total liabilities</b>	<b>4,003,168</b>	<b>-</b>	<b>4,003,168</b>
<b>Net position</b>			
Net position held in trust	-	685,091	685,091
<b>Total net position</b>	<b>-</b>	<b>685,091</b>	<b>685,091</b>
<b>Total liabilities and net position</b>	<b>\$ 4,003,168</b>	<b>\$ 685,091</b>	<b>\$ 4,688,259</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**Page 21**

	<u>Trust Funds</u>
<b>Additions</b>	
Contributions	\$ 9,385
<b>Total additions</b>	<u>9,385</u>
<b>Deductions</b>	
County clerk expenditures	-
Sheriff and public safety expenditures	2,026
Other expenditures	<u>24,703</u>
<b>Total deductions</b>	<u>26,729</u>
Change in net position	(17,344)
<b>Net position held in trust:</b>	
Beginning of year	<u>702,435</u>
End of year	<u>\$ 685,091</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF NET POSITION – COMPONENT UNITS**

<i>As of December 31, 2012, except for Jamestown Community College, which is as of August 31, 2012</i>	Chautauqua Industrial Development Agency	Jamestown Community College	Chautauqua Tobacco Asset Securitization Corporation	2012 Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,102,949	\$ 14,320,222	\$ 3,719,014	\$ 21,142,185
Accounts receivable	27,160	9,795,146	--	9,822,306
Due from other governments	950,000	1,100,891	--	2,050,891
Prepaid expenses	--	200,970	--	200,970
Other current assets	--	1,572,392	--	1,572,392
Current portion, notes receivable	1,362,843	--	--	1,362,843
<b>Total current assets</b>	<b>5,442,952</b>	<b>26,989,621</b>	<b>3,719,014</b>	<b>36,151,587</b>
<b>Noncurrent Assets</b>				
Property and equipment, net	3,930,259	68,799,883	--	72,730,142
Notes receivable, net of current portion	8,658,488	--	--	8,658,488
Allowance for uncollectible notes receivable	(387,926)	--	--	(387,926)
Land held for resale	412,264	--	--	412,264
Restricted cash and cash equivalents	--	20,120	--	20,120
Cash and securities held by trustees	--	--	--	--
Deferred charges - capital appreciation bonds	--	--	443,538,793	443,538,793
Unamortized bond issuance cost	--	--	796,279	796,279
<b>Total noncurrent assets</b>	<b>12,613,085</b>	<b>68,820,003</b>	<b>444,335,072</b>	<b>525,768,160</b>
<b>Total assets</b>	<b>\$ 18,056,037</b>	<b>\$ 95,809,624</b>	<b>\$ 448,054,086</b>	<b>\$ 561,919,747</b>
<b>Current Liabilities</b>				
Accounts payable	\$ 34,654	\$ 1,965,363	\$ --	\$ 2,000,017
Due to other governments	963,257	--	--	963,257
Due to affiliated entities	--	811,256	--	811,256
Accrued interest	16,899	--	--	16,899
Accrued liabilities	30,933	3,060,818	--	3,091,751
Deferred revenue	37,015	11,604,596	--	11,641,611
Current portion of long-term debt	178,839	155,000	265,000	598,839
<b>Total current liabilities</b>	<b>1,261,597</b>	<b>17,597,033</b>	<b>265,000</b>	<b>19,123,630</b>
<b>Noncurrent Liabilities</b>				
Non-current portion of long-term debt obligations	3,711,110	4,878,328	27,815,000	36,404,438
Turbo capital appreciation bonds payable	--	--	458,214,716	458,214,716
Other post-employment benefits	--	448,532	--	448,532
Deferred credits	--	2,060,691	--	2,060,691
<b>Total long-term liabilities</b>	<b>3,711,110</b>	<b>7,387,551</b>	<b>486,029,716</b>	<b>497,128,377</b>
<b>Total liabilities</b>	<b>4,972,707</b>	<b>24,984,584</b>	<b>486,294,716</b>	<b>516,252,007</b>
<b>Net position</b>				
Investment in capital assets, net of related debt	452,572	60,650,998	--	61,103,570
Restricted net assets	12,416,329	5,063	3,719,014	16,140,406
Unrestricted net position	214,429	10,168,979	(41,959,644)	(31,576,236)
<b>Total net position</b>	<b>13,083,330</b>	<b>70,825,040</b>	<b>(38,240,630)</b>	<b>45,667,740</b>
<b>Total liabilities and net position</b>	<b>\$ 18,056,037</b>	<b>\$ 95,809,624</b>	<b>\$ 448,054,086</b>	<b>\$ 561,919,747</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF ACTIVITIES – COMPONENT UNITS**

<i>For the year ended December 31, 2012 except for Jamestown Community College which is for the year ended August 31, 2012</i>	Chautauqua Industrial Development Agency	Jamestown Community College	Chautauqua Tobacco Asset Securitization Corporation	2012 Total
<b>Total Expenses</b>	\$ 1,270,640	\$ 36,155,186	\$ 3,125,816	\$ 40,551,642
<b>Program Revenues:</b>				
Charges for services	590,014	9,232,745	--	9,822,759
Operating grants and contributions	185,107	26,156,503	--	26,341,610
Capital grants and contributions	--	1,241,822	--	1,241,822
<b>Total program revenues</b>	775,121	36,631,070	--	37,406,191
Net Program revenues (expenses)	(495,519)	475,884	(3,125,816)	(3,145,451)
<b>General Revenues:</b>				
Interest earnings	417,822	38,323	132,184	588,329
Miscellaneous revenue	298,100	1,011,764	2,255,377	3,565,241
<b>Total general revenues</b>	715,922	1,050,087	2,387,561	4,153,570
<b>Change in net position</b>	220,403	1,525,971	(738,255)	1,008,119
Total net position, beginning of the year	12,862,927	42,022,907	(37,502,375)	17,383,459
Prior period adjustment	--	27,276,162	--	27,276,162
<b>Total net position, end of year</b>	\$ 13,083,330	\$ 70,825,040	\$ (38,240,630)	\$ 45,667,740

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the County of Chautauqua, New York (County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

**A. Reporting Entity**

Subject to the New York State Constitution, the County operates pursuant to its Charter and Administrative Code, as well as various local laws. Additionally, certain New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government. The Charter was enacted by local law and approved by the electorate at a general election held November 6, 1973. The Chautauqua County Legislature is the legislative body responsible for overall operations, the County Executive serves as chief executive officer, and the Director of Finance serves as chief fiscal officer.

The County provides mandated social service programs such as Medicaid, aid to dependent children, and home relief. The County also provides services and facilities in the areas of culture, recreation, police, youth, health, senior services, roads, sanitary sewage and water. These general government programs and services are financed by various taxes, state and federal aid, and departmental revenue (which are primarily comprised of service fees and various types of program-related charges). Additionally, the County also operates a nursing home and a landfill.

The financial reporting entity consists of (a) the primary government which is the County of Chautauqua, New York, (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 financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB 14 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

Based upon the foregoing criteria and the significant factors presented below the following organizations, functions or activities are included as blended component units of the primary government, discretely presented component units or related organizations and joint ventures:

**County of Chautauqua Industrial Development Agency (CCIDA)**

On March 22, 1972, the County of Chautauqua Industrial Development Agency (CCIDA) was established as a public benefit corporation under Title I, Article 18A of General Municipal Law of the State of New York. The purpose of the Agency is to promote, develop, encourage, and assist in the acquiring, constructing and maintaining of industrial manufacturing facilities. The Agency is exempt from federal and state income taxes. The CCIDA is included as a discretely presented component unit within the County's basic financial statements.

Requests for financial statements from CCIDA should be addressed in writing to County of Chautauqua Industrial Development Agency, 200 Harrison Street, Jamestown, New York 14701. CCIDA operates on a January 1 through December 31 fiscal year; therefore, the financial information presented in this report related to CCIDA is for the year ended December 31, 2012.

**Jamestown Community College (JCC)**

Jamestown Community College (JCC) was founded in 1950 as one of the first community colleges within the State University of New York. Its sponsors, the City of Jamestown and Chautauqua and Cattaraugus Counties appoint its Board of Trustees. During 1996, the State of New York amended Article 126 of the Education Law through Chapter 144 of the Laws of 1996. This Chapter changed the sponsorship from the City of Jamestown to the Jamestown Community College Region, effective September 1, 1996. This Region is made up of the City of Jamestown and Chautauqua and Cattaraugus Counties. JCC is included as a discretely presented component unit within the County's basic financial statements.

Requests for financial statements may be made in writing to Jamestown Community College, Administration Office, 525 Falconer Street, Jamestown, New York 14701. JCC operates on a September 1 through August 31 fiscal year; therefore, the financial information presented in this report related to JCC is for the fiscal year ended August 31, 2012.

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

**Chautauqua Tobacco Asset Securitization Corporation (CTASC)**

Chautauqua Tobacco Asset Securitization Corporation (CTASC) is a special purpose; local development corporation incorporated under the provisions of section 1411 of the New York State Not-For-Profit Corporation Law and is an instrumentality of, but separate and apart from, the County of Chautauqua, New York. CTASC is governed by a Board of three directors, consisting of the County Executive for Chautauqua County, New York; the Director of Finance for Chautauqua County, New York; and an independent Director. Pursuant to a Purchase and Sale Agreement with the County, CTASC purchased from the County all of its future right, title and interest in the Tobacco Settlement Revenue under the Master Settlement Agreement. CTASC financed the purchase through the issuance of Tobacco Settlement Revenue Bonds and the Residual Certificate. CTASC is included as a discretely presented component unit within the County's basic financial statements.

Requests for financial statements may be made in writing to Chautauqua Tobacco Asset Securitization Corporation, 3 North Erie Street, Mayville, New York 14757. CTASC operates on a January 1 through December 31 fiscal year; therefore, the financial information presented in this report related to CTASC is for the year ended December 31, 2012.

**B. Government-Wide and Fund Financial Statements**

The Government-wide financial statements (statement of net position and the statement of activities) report information on all the nonfiduciary activities of the County. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses have been included as a part of the program expenses reported for the various functional activities. Program revenues include 1) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not included among program revenues are reported instead as general revenues.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although the internal activity is not eliminated in these statements. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when the underlying exchange transaction has occurred and the resources are available. For this purpose, the County considers revenues to be available if the County has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, except for general obligation bond principal and interest and compensated absences, which are reported in the year due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Revenues accrued at December 31, 2012 are listed in Note 4.

Revenues from Federal, State or other grants designated for payment of specific County expenditures are recognized when the related expenditures are incurred. At fiscal year-end excess receipts over expenditures are recorded as deferred revenue. Any excess expenditure over receipts is recorded as accounts receivable.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

The County reports the following major governmental funds:

*General Fund* – This fund is the principal operating fund of the County and is used to account for all financial resources except those required to be accounted for in other funds.

*County Road Fund* – This fund is used to account for the construction and maintenance of County roads and other transportation expenses in accordance with New York State laws.

*Road Machinery Fund* – This fund is used to account for the maintenance of heavy equipment utilized for road maintenance and construction.

*Capital Projects Fund* – This fund is used to account for and report financial resources to be used for the acquisition construction or renovation of major capital facilities or equipment.

The County reports the following major proprietary fund:

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

*County Home* – This fund is used to account for a New York State licensed skilled nursing and health related facility.

*Sewer Funds* – These funds are comprised of three County sewer districts and are used to account for the operating activities of the County sewer districts.

*Water Fund* – This fund is used to account for the operating activities of the County water district.

*Landfill* – This fund is used to account for the operating activities of the County landfill including transfer stations.

*Electric Plant* – This fund is used to account for the operating activities of the County electric generation plant at the County landfill.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Additionally, the County reports the following fund types:

*Internal Service Funds* – These funds are used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The County maintains the following internal service funds:

*Self-insurance Fund* – This fund is used to account for the County's self-insurance program for workers' compensation benefits.

*Health Insurance Fund* – This fund is used to account for the County's insurance program for vision and dental benefits.

*Fiduciary Funds*

*Agency Fund* – This fund is used to account for assets held by the County as an agent for other governments or other funds, such as payroll withholdings.

The proprietary fund activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements; Statements and Interpretation of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise and internal service funds are charges to patients for care and chargers for services. Operating expenses for the enterprise and internal service funds include the cost of services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets and Budgetary Accounting**

As required by Article XIV of the County Charter and Administrative Code, the County's annual procedures in establishing the budgetary data reflected in the financial statements are as follows:

- a) Not later than July 1<sup>st</sup> of each year, the Budget Director must furnish department heads with the appropriate budget forms for estimation of revenues and expenditures for the ensuing fiscal year.
- b) Not later than August 1<sup>st</sup>, the department heads must file their completed budget requests with the Budget Director.
- c) The Budget Director then reviews and investigates all budget requests. The Budget Director may recommend in whole or in part the estimates as deemed appropriate. On or before September 15<sup>th</sup>, the Budget Director must submit a tentative budget to the County Executive.
- d) The County Executive must then formulate a tentative budget and submit such to the Clerk of the Legislature by September 25<sup>th</sup>.
- e) Public hearings are held. The Legislature must then pass a budget within six calendar days following the public hearing. If the budget passed does not contain changes from the County Executive's tentative budget such budget is adopted; however, if the budget passed contains any changes it must be returned to the County Executive on the seventh day after the public hearing for his examination and consideration.
- f) If the County Executive does not object to the changes made, the Legislative passed budget becomes adopted. If the County Executive objects to any of the changes made, he must file such objections with the Clerk of the Legislature within ten days. The Legislature may, with a two-thirds vote, uphold the County Executive's objections; otherwise, the Legislative passed budget becomes adopted.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets and Budgetary Accounting (continued)**

- g) Formal annual budgetary accounts are adopted and employed for control of all governmental funds except the capital projects fund. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States except that encumbrances are treated as budgetary expenditures in the year of occurrence of the commitment to purchase. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified. This results in the following reconciliation of net position computed on a GAAP basis and a budgetary basis:

	General Fund	County Road Fund	Road Machinery Fund
GAAP Basis: Net Position 12/31/12	\$42,208,872	\$2,580,021	\$4,133,484
Deduct outstanding encumbrances	688,748	--	9,964
Budgetary Basis: Net Position 12/31/12	<u>\$41,520,124</u>	<u>\$2,580,021</u>	<u>\$4,123,520</u>

- h) The County does not budget for the value of revenues and expenditures related to food stamps, Federal medical assistance payments, and Home Energy Assistance Program payments that are passed through the County. In the current year, the value of food stamps, Federal medical assistance payments, and Home Energy Assistance Program payments excluded from the budgetary basis schedules totaled \$41,504,493, \$119,918,549, and \$7,977,359, respectively.
- i) Total expenditures for each activity may not legally exceed the total appropriations for that activity. Encumbrances outstanding at year end are accounted for by a reservation of fund balance.
- j) Formal annual capital budgets and six year projections of capital needs are adopted by the Legislature for control of capital expenditures.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets and Budgetary Accounting (continued)**

k) At January 1, the amounts of encumbrances carried forward from the prior year are reestablished. These increases amounted to \$661,561, \$1,751, \$158,033, and \$467,480 in the General, County Road, Road Machinery Funds, and Capital Projects Fund, respectively. During the year ended December 31, 2012 supplemental appropriations (including the prior year encumbrances) of \$25,812,113, \$5,725,923, and \$231,069 were approved in the General, County Road, and Road Machinery Funds, respectively.

**E. Encumbrances** – Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. Encumbrances outstanding at year end are reported as reservations of net position since they do not constitute expenditures or liabilities.

**F. Cash and Cash Equivalents** – Cash and Cash Equivalents are stated at fair value. Cash and Cash Equivalents include amounts in demand deposits as well as investments in US Government backed securities.

**G. Inventories** – Inventories, which are comprised of general supplies and prescription drugs, medical and other supplies (enterprise fund), are stated at lower of cost (first-in, first out) or market.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Capital Assets**

The County's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The County maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The County generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Property, plant, and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Land improvements	20
Infrastructure:	
Dams and drainage systems	100
Traffic control systems	40
Bridges and culverts	30
Roads	20
Machinery and equipment	
Office equipment and furniture	10
Heavy equipment	9
Other	5
Vehicles	4
Computers	3

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Property Tax Revenue Recognition**

The Countywide property tax is levied by the County Legislature effective January 1 of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on January 1 of the year for which they are levied. In the government-wide statements, property tax receivables and related revenue include all amounts due the County regardless of when cash is received. Over time, substantially all property taxes are collected.

Delinquent property taxes not collected at year end (excluding collections in the 60 day subsequent period) are recorded as deferred revenue in fund financial statements.

**J. Compensated Absences**

County employees are granted vacation and compensatory time in varying amounts. In the event of termination or upon retirement, and employee is entitled to payment for accumulated vacation and compensatory time.

Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and they are included in wages and benefits.

Payment of compensated absences recorded in the general government long-term debt in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the future payment of compensated absences when such payments become due.

**K. Deficit Net Position**

As of December 31, 2012, the County maintained a deficit net position of \$491,307 in the Health Insurance Fund within the Internal Service Funds. This deficit was caused by unanticipated increases in health care expenses. The County now utilizes a fully insured health insurance product and intends to eliminate this deficit through an increase in health insurance rates and savings due to the Medicaid cap.

As of December 31, 2012, the County maintained a deficit net position of \$2,218,384 in the Workers' Compensation Fund within the Internal Service Funds. This deficit is the result of yearend case reserves and reserves for incurred by not reported claims that are related to the County's general operations. The Workers' Compensation Fund charges the general operations of the County for actual claims paid on a pay as you go basis.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Net Position**

**1. Governmental Funds**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of net position that a governmental entity must use for financial reporting purposes

GASB 54 requires the net position amounts to be reported within one of the net position categories listed

**I. Nonspendable**

Net position associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable net position includes the following category:

**1. Inventory and Prepaid Expense Reserve**

This reserve is used to limit the investment in inventory and prepaid expenses and to restrict that portion of net position which is unavailable for appropriation.

**II. Restricted**

Net position amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted net position includes the following categories:

**1. Capital Projects**

Represents resources that are committed for future capital projects.

**2. Tax Stabilization**

Represents resources appropriated by the Legislature to maintain future tax increases at a maximum of 2.5% in any fiscal year.

**3. Insurance**

Represents resources that have been legally restricted for payments under the County's self-insurance program.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Net Position (continued)**

**1. Governmental Funds (continued)**

**II. Restricted (continued)**

**4. Fire Service**

Represents resources that are committed to ensure the viability and vitality of the County's fire services.

**5. DWI Program**

Represents unexpended amounts which must be used for the County's Stop DWI program.

**6. E911**

Represents resources that are committed for the County's Emergency 911 communication system.

**7. Occupancy Tax**

Effective January 1, 2004, the County established a reserve funded by the occupancy tax which is restricted to fund tourism.

**8. Mortgage Tax**

Represents resources dedicated to fund debt service for County infrastructure improvements and to provide security of funding due to the elastic nature of this revenue that may change abruptly due to changes in economic climates.

**9. Department of Motor Vehicles Surcharges**

Represents resources dedicated to fund County roads and bridges and to provide security of funding due to the elastic nature of this revenue that may change abruptly due to changes in economic climates.

**10. Lakes and Waterways**

Represents resources that are dedicated for the County's Lakes and Waterways.

**III. Committed**

Net position amounts that can be used only for specific purposes determined by a formal action of the County's Legislature, which is the County's highest level of decision-making authority. The County did not have any committed fund balance as of December 31, 2012.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Net Position (continued)**

**1. Governmental Funds (continued)**

**IV. Assigned**

Net position intended to be used by the County for specific purposes but does not meet the criteria to be restricted or committed. Along with the County's Legislature, the County Executive and Finance Director has been authorized to assign net position amounts for specific purposes through the establishment of an encumbrance.

**1. Encumbrance Reserve**

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, County Road Fund, the Road Machinery Fund, and the Capital Fund.

The cost of construction contract commitments generally is recorded as an encumbrance of Capital Projects Fund and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund equity since they do not constitute expenditures or liabilities.

**2. Appropriated Net Position**

The amounts of \$11,415,080 and \$250,000 have been designated as the amounts estimated to be appropriated to reduce taxes for the year ending December 31, 2013 as allowed by Section 1318 of the Real Property Tax Law in the General Fund and the Road Machinery Fund, respectively.

**V. Unassigned**

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Net Position (continued)**

**2. Government-wide financial statements**

**I. Invested in Capital Assets, Net of Related Debt**

This designation of net position is used to accumulate the capital asset balance in the statement of net assets less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**II. Restricted**

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

**III. Unrestricted**

This category represents net position of the County not restricted for any other purpose.

**3. Order of Net Position Spending Policy**

When more than one classification of net position of the County are eligible to be utilized for an expenditure of the County, the order in which the net position classifications will be utilized will be as follows:

- I. Restricted net position for which action has been taken by the Legislature, a designated County official, or by the voters of the County, specifically designating funds to the expenditure;
- II. Committed net position for which action has been taken by the Legislature, a designated County official, or by the voters of the County, specifically designating funds to the expenditure;
- III. Assigned net position created specifically for the expenditure (encumbered fund balance);
- IV. Assigned net position within funds other than the General Fund of the County to which the expenditure relates;
- V. Unassigned net position.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**M. Tobacco Settlement**

In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs that the State and local governments had incurred in treating smoking related illnesses.

Under an agreement reached with the tobacco industry referred to as Master Settlement Agreement (MSA) the State and counties are entitled to receive annual payments. The County has elected to securitize certain tobacco settlement payments. In order to securitize these payments the County has created a single purpose Local Development Corporation, which is referred to as the Chautauqua Tobacco Asset Securitization Corporation (CTASC). The County sold its right to receive certain future payments to the Corporation in exchange for proceeds of debt issued by the Corporation. The debt issued by the Corporation is not debt of the County and is secured only by future tobacco payments.

**N. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates and those differences could be significant.

**O. Recognition of Non-monetary Federal Aid**

GASB Statement No. 24 *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* establishes standards for the accounting and financial reporting of grants and other financial assistance that are classified as (1) pass-through grants, (2) food stamps, and (3) on-behalf payments for fringe benefits and salaries. The standards deal with assistance that does not result in cash receipts and disbursements termed "non-monetary programs".

The Department of Health and Human Services requires the disclosure of the value of food stamps distributed to the residents of the County. For the year ended December 31, 2012, the value of federal assistance distributed to the residents of the County for food stamps totaled \$41,504,493 and has been recorded in the General Fund as revenue and expenditure per GASB Statement No 24.

**COUNTY OF CHAUTAUQUA, NEW YORK  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Recognition of Non-monetary Federal Aid (continued)**

For the year ended December 31, 2012, the County was also the recipient of federal medical assistance representing the amount of the County's share that was required to fund medical assistance checks to providers in the amount of \$119,918,549. The value of these payments has been recorded in the general fund as revenue and expenditures per GASB Statement No 24.

The Department of Health and Human Services requires the disclosure of the value of Home Energy Assistance Program payments distributed to the residents of the County. For the year ended December 31, 2012, the value of federal assistance distributed to the residents of the County for Home Energy Assistance Payments totaled \$7,977,359 and has been recorded in the General Fund as revenue and expenditure per GASB Statement No 24.

**P. Accounting and Reporting Change**

In December 2010, GASB issued Statement No 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance which does not conflict or contradict GASB pronouncements. The County implemented Statement No 62, effective for the year ended December 31, 2012.

In June, 2011, GASB issued Statement No 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, Net Position*. This statement provides financial reporting guidance for deferred outflows and resources and deferred inflows of resources. The County implemented Statement No 63, effective for the year ended December 31, 2012.

**Q. Future Impacts of Accounting Pronouncements**

The County has not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No 61 – *The Financial Reporting Entity: Omnibus*, effective for the year ending December, 2013; GASB Statement No 65 – *Items Previously Reported as Assets and Liabilities*, effective for the year ending December 31, 2013; GASB Statement No 66 – *Technical Corrections – 2012*, effective for the year ending December 31, 2013; GASB Statement No 67 – *Financial Reporting for Pension Plans*, effective for the year ending December, 2014; GASB Statement No 68 – *Accounting and Financial Reporting for Pensions*, effective for the year ending December, 2015; GASB

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Future Impacts of Accounting Pronouncements (continued)**

Statement No 69 – *Government Combinations and Disposals of Government Operations*, effective for the year ending December, 2014; and GASB Statement No 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ended December, 2014.

**R. Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year presentation.

**NOTE 2 - CASH AND INVESTMENTS**

The County's investment policies are governed by State statutes and various resolutions of the County Legislature. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Director of Finance is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the US Treasury and US agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand deposits and certificates of deposit at 102% of all deposits 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 New York State and its municipalities and school districts.

The detail of cash and cash equivalents at December 31, 2012 is as follows:

	Carrying Amount
Petty cash	\$ 18,280
Deposits (checking and savings accounts)	7,701,683
Cash and cash equivalents (investments)	61,066,804
<b>Total</b>	<b>\$ 68,786,767</b>
Cash and cash equivalents maintained by the County at December 31, 2012 consist of:	
	Amount
Government activities	\$ 41,963,885
Business-type activities	22,085,956
	64,049,841
Fiduciary activities	4,736,926
<b>Total</b>	<b>\$ 68,786,767</b>
Deposits – All deposits are carried at cost plus accrued interest	
	Bank Balance
Insured (FDIC)	\$ 14,694,257
Uninsured	51,671,960
Collateral held by bank's agent in County's name	9,417,253
<b>Total deposits</b>	<b>\$ 75,783,470</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 2 - CASH AND INVESTMENTS (continued)**

The County Home maintains patient deposits in the amount of \$129,031 that are held in a restricted account. This account is fully collateralized at December 31, 2012.

Investment – All investments are carried at the lower of cost or market and are categorized in the following manner:

Category 1 – Insured or registered, or securities held by the County or its agent in the County's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department, or agent in the County's name.

Category 3 – Uninsured and unregistered with no securitization of the investments.

Investments for the County at year end are shown below:

	1	2	3	Carrying Amount and Market Value
US government mortgaged-backed securities	\$ 21,574,590	\$ --	\$ --	\$ 21,574,590
US political subdivisions securities	30,097,370	--	--	30,097,370
Money markets	--	9,394,844	--	9,394,844
<b>Total investments</b>	<b>51,671,960</b>	<b>9,394,844</b>	<b>--</b>	<b>61,066,804</b>
Other receivables:				
Chautauqua County IDA bonds	--	--	3,809,108	3,809,108
Jamestown Community College note receivable	--	--	6,500,000	6,500,000
North Chautauqua Lake Sewer District note receivable	--	--	1,281,422	1,281,422
Other receivables	--	--	179,193	179,193
<b>Total other receivables</b>	<b>--</b>	<b>--</b>	<b>11,769,723</b>	<b>11,769,723</b>
<b>Total</b>	<b>\$ 51,671,960</b>	<b>\$ 9,394,844</b>	<b>\$ 11,769,723</b>	<b>\$ 72,836,527</b>

**NOTE 3 – PROPERTY TAX**

The Countywide property tax is levied each January 1 which is also the lien date. Property taxes are due and payable within 30 days. Such taxes are collected by the respective collection officers in each Town and in the cities of Dunkirk and Jamestown until April 1<sup>st</sup> each year, after which rolls are returned to the County. At that time settlement proceedings take place whereby the County becomes the tax collecting agency and the towns receive full credit for their entire levy. The County becomes the enforcement agency for tax liens on all County real property

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the general fund to maintain central control and provide for tax settlement and enforcement proceedings. The portions of the receivable, \$5,917,415 that represents taxes relieved for school and \$549,349 that represents taxes relieved for the Cities and Villages, are recognized as liabilities and are included in due to other governments. Also, \$12,100,148 of the receivable that is not considered available under the modified accrual basis of accounting, i.e. will not be collected within sixty days, is recorded as deferred revenue.

Tax rates are calculated using assessments prepared by individual town and city assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessed value of real property included in the tax levy of 2012 is approximately \$6.7 billion. The effective tax rate on this value is approximately \$9.22 per thousand. The statutory maximum tax rate is 1.5% of the 5-year average of the equalized assessment. The 2012 levy represents approximately 59.12% of the maximum statutory levy.

The County constitutional tax limit for the year ended December 31, 2012 is computed as follows:

Five year Average of Full Valuation of Taxable Real Estate (2007-2011)	\$ 6,560,065,923
Total Taxing Power -1.5%	\$ 98,400,989
Total Levy Subject to Tax Limit	58,185,635
Tax Margin	\$ 40,215,354

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 3 – PROPERTY TAX (continued)**

Pursuant to section 1048 of the State Real Property Tax Law (RPTL) and County Local Law No 3-93, the County is authorized to sell certain tax sale certificates (TSCs). These TSCs, which represent liens on certain outstanding property taxes, are sold to a trust which in turn issues certificates of participation in the trust. Under the terms of sale the County transfers all tax and interest collected by the County for these TSCs to the trustee. The trustee will use these collections to redeem the certificates of participation and to make semi-annual interest payments to the holders of the certificates of participation. These certificates of participation do not constitute debt of the County.

**NOTE 4 - RECEIVABLES**

Revenues accrued by the County consist of the following as of December 31, 2012. Management of the County has deemed the amounts to be fully collectible.

**A. Accounts Receivable**

Represents amounts due from various sources:

Funds:	
General Fund	\$ 4,344,894
County Road Fund	22,305
Road Machinery Fund	60,660
County Home	2,290,832
Sewer Fund	1,186,445
North County Water District	13,437
Landfill	535,632
Electric Plant	366,389
	<hr/>
Total	\$ 8,820,594

**B. Due from Other Governments**

State and federal receivables primarily represent claims for reimbursement of expenditures in administering various mental health and social service programs. They are net of related advances from New York State. State and federal receivables also include reimbursable amounts for construction expenditures made through the Capital Project Fund. Other government receivables are amounts primarily due from local municipalities and other miscellaneous items.

**NOTE 4 – RECEIVABLES (continued)**

**C. Due from Other Governments (continued)**

Amounts accrued at December 31, 2012 are comprised of:

State and Federal Receivables:	
General Fund	\$ 27,102,364
Capital Project Fund	1,820,876
Landfill	30,702
County Road Fund	1,433,987
Total state and federal receivables	<hr/>
	30,387,929
Other Government Receivables	
General Fund	23,028
Landfill	5,376
Internal Service Fund	9,452,740
Total other government receivables	<hr/>
	9,481,144
Total due from governments	<hr/>
	\$ 39,869,073

**D. Other Receivables**

Represents amounts due from the following entities:

Current:	
North Chautauqua Lake Sewer District	\$ 1,281,422
Noncurrent:	
Chautauqua Industrial Development Agency	3,809,108
Jamestown Community College	6,500,000
Other	179,193
	<hr/>
Total	\$ 11,769,723

In 2006, the County of Chautauqua Industrial Development Agency (CCIDA) sold a building (Chadwick Bay Spec Building) to a Company and assumed a mortgage note receivable. At the time the CCIDA also had a note payable to the County related to bonds issued for the construction of the property. In 2010, the Company defaulted on the note receivable to the CCIDA and the County, who held a first position on the mortgage, foreclosed on the property and took title to it. On February 22, 2012, the County transferred title to the property back to the CCIDA and a note receivable from the CCIDA of \$1,816,765 was recorded by the County. The note will be paid over 31.5 years and has an annual interest rate of 3%.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 5 – INTERFUND TRANSFERS**

The County made the following operating transfers during 2012:

Transfer Out	Transfer In				Total
	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	
General Fund	\$ --	\$ 9,765,849	\$ 2,988,579	\$ 1,355,443	\$ 14,109,871
Road Machinery Fund	--	--	--	83,000	83,000
Capital Projects Fund	900,000	--	--	--	900,000
Landfill	1,480,691	--	--	--	1,480,691
Electric Plant	1,033,800	--	--	--	1,033,800
	<u>\$ 3,414,491</u>	<u>\$ 9,765,849</u>	<u>\$ 2,988,579</u>	<u>\$ 1,438,443</u>	<u>\$ 17,607,362</u>

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 552,826	\$ -	\$ --	\$ 552,826
Construction in progress	58,612,671	5,619,862	6,334,321	57,898,212
Total capital assets not being depreciated	<u>59,165,497</u>	<u>5,619,862</u>	<u>6,334,321</u>	<u>58,451,038</u>
Capital assets being depreciated:				
Infrastructures	149,088,479	10,107,197	--	159,195,676
Buildings and improvements	75,114,856	--	1,816,765	73,298,091
Machinery and equipment	20,100,402	299,890	315,605	20,084,687
Vehicles	13,561,111	1,099,725	519,157	14,141,679
Total capital assets being depreciated	<u>257,864,848</u>	<u>11,506,812</u>	<u>2,651,527</u>	<u>266,720,133</u>
Less accumulated depreciation for:				
Infrastructures	64,295,887	5,650,283	--	69,946,170
Buildings and improvements	20,594,616	2,592,548	102,193	23,084,971
Machinery and equipment	13,475,554	2,424,788	298,882	15,601,460
Vehicles	9,090,104	1,877,613	482,151	10,485,566
Total accumulated depreciation	<u>107,456,161</u>	<u>12,545,232</u>	<u>883,226</u>	<u>119,118,167</u>
Total capital assets being depreciated, net	<u>150,408,687</u>	<u>(1,038,420)</u>	<u>1,768,301</u>	<u>147,601,966</u>
Governmental activities capital assets, net	<u>\$ 209,574,184</u>	<u>\$ 4,581,442</u>	<u>\$ 8,102,622</u>	<u>\$ 206,053,004</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 6 – CAPITAL ASSETS (continued)**

<b>Business-type activities:</b>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>County Home:</b>				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ --	\$ --	\$ 5,000
Construction in progress	292,416	--	--	292,416
Total capital assets not being depreciated	297,416	--	--	297,416
Capital assets being depreciated:				
Land improvements	1,774,655	--	--	1,774,655
Buildings	17,445,968	--	--	17,445,968
Machinery and equipment	11,994,780	19,072	--	12,013,852
Total capital assets being depreciated	31,215,403	19,072	--	31,234,475
Less accumulated depreciation for:				
Land improvements	998,809	70,632	--	1,069,441
Buildings	8,351,387	723,686	--	9,075,073
Machinery and equipment	9,533,511	551,429	--	10,084,940
Total accumulated depreciation	18,883,707	1,345,747	--	20,229,454
Total capital assets being depreciated, net	12,331,696	(1,326,675)	--	11,005,021
County Home capital assets, net	12,629,112	(1,326,675)	--	11,302,437
<b>Sewer Districts:</b>				
Capital assets not being depreciated:				
Construction in progress	907,389	361,487	248,737	1,020,139
Total capital assets not being depreciated:	907,389	361,487	248,737	1,020,139
Capital assets being depreciated:				
Sewer treatment facilities	61,323,823	414,127	58,374	61,679,576
Less accumulated depreciation for:				
Sewer treatment facilities	36,597,602	1,089,512	58,374	37,628,740
Total capital assets being depreciated, net	24,726,221	(675,385)	--	24,050,836
Sewer district capital assets, net	25,633,610	(313,898)	248,737	25,070,975
<b>Water District:</b>				
Capital assets being depreciated:				
Water treatment facilities	1,432,431	--	--	1,432,431
Less accumulated depreciation for:				
Water treatment facilities	1,149,380	26,194	--	1,175,574
Water district capital assets, net	283,051	(26,194)	--	256,857
<b>Landfill:</b>				
Capital assets not being depreciated:				
Construction in progress	1,570,739	242,146	105,260	1,707,625
Capital assets being depreciated or depleted				
Land and improvements	40,225,606	105,260	--	40,330,866
Buildings	4,695,078	--	--	4,695,078
Machinery and equipment	6,566,715	466,441	--	7,033,156
Total capital assets being depreciated or depleted	51,487,399	571,701	--	52,059,100
Less accumulated depreciation and accumulated depletion for:				
Land and improvements	30,931,474	1,452,084	--	32,383,558
Buildings	3,421,437	162,567	--	3,584,004
Machinery and equipment	4,629,901	541,079	--	5,170,980
Total accumulated depreciation and accumulated depletion	38,982,812	2,155,730	--	41,138,542
Total capital assets being depreciated or depleted, net	12,504,587	(1,584,029)	--	10,920,558
Landfill capital assets, net	14,075,326	(1,341,883)	105,260	12,628,183

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 6 – CAPITAL ASSETS (continued)**

<b>Business-type activities (continued):</b>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Electric Plant:</b>				
Capital assets being depreciated				
Buildings	6,499,955	68,155	--	6,568,110
Machinery and equipment	9,697,125	--	--	9,697,125
Total capital assets being depreciated or depleted	<u>16,197,080</u>	<u>68,155</u>	<u>--</u>	<u>16,265,235</u>
Less accumulated depreciation and accumulated depletion for:				
Buildings	117,158	360,879	--	478,037
Machinery and equipment	803,178	295,948	--	1,099,126
Total accumulated depreciation	<u>920,336</u>	<u>656,827</u>	<u>--</u>	<u>1,577,163</u>
Total capital assets being depreciated, net	<u>15,276,744</u>	<u>(588,672)</u>	<u>--</u>	<u>14,688,072</u>
Electric Plant capital assets, net	<u>15,276,744</u>	<u>(588,672)</u>	<u>--</u>	<u>14,688,072</u>
Business-type activities capital assets, net	<u>\$ 67,897,843</u>	<u>\$ (3,597,322)</u>	<u>\$ 353,997</u>	<u>\$ 63,946,524</u>

Depreciation expense was charged to the governmental functions as follows during the year ended December 31, 2012:

General government support	\$ 2,488,365
Education	564,512
Public safety	1,443,073
Health	1,013,000
Transportation	1,476,964
Economic development	5,501,900
Culture and recreation	17,133
Home and community services	40,285
Total depreciation expense	<u>\$ 12,545,232</u>

**NOTE 7 – DEBT**

**Short - Term Debt**

Liabilities for bond anticipation notes are generally recorded in the capital projects fund and the enterprise funds. The notes or renewals thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two year and within each twelve month period thereafter.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. At December 31, 2012 the County did not have any outstanding bond anticipation notes.

Tax Anticipation Notes may up to the maximum authorized by statue, be issued against the anticipated collection of taxes or assessments levied or to be levied against real property. These notes may be renewed for a period not to exceed one year and must be retired within five years of the original issue. At December 31, 2012, the County did not have any outstanding tax anticipation notes.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 7 – DEBT (continued)**

**Long - Term Debt**

Bonded indebtedness – Bonded indebtedness is recorded in the governmental or in the enterprise funds in the government-wide financial statements. The following is a summary of bond transactions for the year ended December 31, 2012:

Description	Year of Issue/ Maturity	Interest Rate	Principal Outstanding 1/1/2012	Payments 2012	Issued 2012	Principal Outstanding 12/31/2012
<b><u>Governmental funds:</u></b>						
General Fund:						
DPF Salt Storage Shed	2003/20	2.98-4.32%	\$ 180,000	\$ 20,000	\$ --	\$ 160,000
Jail Construction	2004/29	4.25-4.75%	11,890,000	10,940,000	--	950,000
Capital Improvement & JCC	2004/14	3.00-3.50%	3,225,000	1,025,000	--	2,200,000
Jail & Courts Construction	2006/26	4.15-4.25%	5,890,000	4,625,000	--	1,265,000
Helicopters	2010/30	0.70-4.50%	3,113,000	176,000	--	2,937,000
JCC Science Building	2010/20	0.70-4.50%	2,945,000	111,000	--	2,834,000
Jail & Courts Refunded	2012/29	2.00-4.00%	--	220,000	15,765,000	15,545,000
JCC Residence Hall	2012/32	2.50-3.00%	--	--	6,500,000	6,500,000
Total governmental activities			<u>\$27,243,000</u>	<u>\$17,117,000</u>	<u>\$22,265,000</u>	<u>\$32,391,000</u>
<b><u>Business-type activities:</u></b>						
<b><u>Enterprise Funds</u></b>						
County Home:						
Air-conditioning/ventilation	1992/12	5.10%	175,000	175,000	--	--
Improvements	2002/20	4.30%	9,305,000	875,000	--	8,430,000
			<u>9,480,000</u>	<u>1,050,000</u>	<u>--</u>	<u>8,430,000</u>
North Chautauqua Lake Sewer:						
Sewer construction	1981/17	5.00%	252,000	50,400	--	201,600
			<u>252,000</u>	<u>50,400</u>	<u>--</u>	<u>201,600</u>
North County Water:						
Construction	1978/17	5.00%	72,000	12,000	--	60,000
			<u>72,000</u>	<u>12,000</u>	<u>--</u>	<u>60,000</u>
Landfill:						
Cell construction	2001/18	.83%-2.65%	2,290,000	300,000	--	1,990,000
			<u>2,290,000</u>	<u>300,000</u>	<u>--</u>	<u>1,990,000</u>
Energy Fund:						
Power plant	2010/20	0.70-4.50%	10,592,000	378,000	--	10,214,000
Power plant	2010/15	1.50-5.25%	1,895,000	125,000	--	1,770,000
Qualified Energy						
Performance bonds	2011/26	5.66%	1,403,465	80,971	--	1,322,494
			<u>13,890,465</u>	<u>583,971</u>	<u>--</u>	<u>13,306,494</u>
			<u>25,984,465</u>	<u>1,996,371</u>	<u>--</u>	<u>23,988,094</u>
Total business-type activities			<u>\$53,227,465</u>	<u>\$19,113,371</u>	<u>\$22,265,000</u>	<u>\$56,379,094</u>
<b>Grand Total Bonded Debt</b>			<b><u>\$53,227,465</u></b>	<b><u>\$19,113,371</u></b>	<b><u>\$22,265,000</u></b>	<b><u>\$56,379,094</u></b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 7 – DEBT (continued)**

**Bond Refunding**

On October 10, 2012 the County issued \$15,765,000 in serial bonds with interest rates ranging between 2.00% and 4.00%. The County issued the bonds to advance refund \$14,845,000 of outstanding series 2004 and 2006 serial bonds with interest rates ranging from 4.15% to 4.75%. The County used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2004 and 2006 series bonds. As a result, that portion of the 2004 and 2006 series bonds is considered defeased, and the County has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$14,845,000 at December 31, 2012.

The advance refunding reduced total debt service payments over the next 17 years by approximately \$1.2 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$0.9 million.

**Compensated Absences**

As explained in Note 1, compensated absences are recorded in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absence payable to currently terminating employees which are included in wages and benefits.

**Summary of Changes in General Long-Term Debt**

The following is a summary of changes in general long-term liabilities of the governmental and proprietary funds:

Governmental funds	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Serial bonds	\$ 27,243,000	\$ 22,265,000	\$ 17,117,000	\$ 32,391,000
Proprietary funds	Balance 01/01/12	Increases	Decreases	Balance 12/31/12
Serial bonds	\$ 25,984,465	\$ --	\$ 1,996,371	\$ 23,988,094

**Constitutional Debt Limit**

The County constitutional debt limit at December 31, 2012 is computed as follows:

Five-Year Average Full Valuation Of Taxable Real Estate (2008-2012)	\$ 6,560,065,923
Debt Limit @ 7%	\$ 459,204,615
Net indebtedness (after statutory exclusions)	56,117,494
Net Debt Contracting Margin	\$ 403,087,121
Percentage of Debt contracting Power Exhausted	12.22%

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 7 – DEBT (continued)**

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

Year	Governmental Fund		Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 2,397,000	\$ 1,168,474	\$ 1,869,248	\$ 996,882	\$ 4,266,248	\$ 2,165,356
2014	2,586,000	990,606	1,941,766	925,118	4,527,766	1,915,724
2015	1,526,000	892,718	2,028,311	849,641	3,554,311	1,742,359
2016	1,573,000	846,247	2,067,884	769,204	3,640,884	1,615,451
2017	1,614,000	802,139	2,453,085	687,183	4,067,085	1,489,322
2018-22	8,828,000	3,218,305	7,237,484	2,122,289	16,065,484	5,340,594
2023-27	9,432,000	1,504,786	4,075,316	961,637	13,507,316	2,466,423
2028-32	4,435,000	282,853	2,315,000	159,178	6,750,000	442,031
	<u>\$ 32,391,000</u>	<u>\$ 9,706,128</u>	<u>\$ 23,988,094</u>	<u>\$ 7,471,132</u>	<u>\$ 56,379,094</u>	<u>\$ 17,177,260</u>

The annual repayment of bonded principal and interest on bonded debt related to the enterprise funds are as follows:

Year	County Home		Sewer Fund		North County Water District	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 900,000	\$ 377,875	\$ 50,400	\$ 8,820	\$ 12,000	\$ 2,700
2014	950,000	335,775	50,400	6,300	12,000	2,100
2015	1,000,000	293,925	50,400	3,780	12,000	1,500
2016	1,015,000	251,088	50,400	1,260	12,000	900
2017	1,060,000	201,750	--	--	12,000	300
2018-22	3,505,000	269,125	--	--	--	--
2023-27	--	--	--	--	--	--
2028-32	--	--	--	--	--	--
	<u>\$ 8,430,000</u>	<u>\$ 1,729,538</u>	<u>\$ 201,600</u>	<u>\$ 20,160</u>	<u>\$ 60,000</u>	<u>\$ 7,500</u>

Year	Landfill		Electric Fund		Total Enterprise Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 310,000	\$ 40,518	\$ 596,848	\$ 566,969	\$ 1,869,248	\$ 996,882
2014	315,000	35,912	614,366	545,031	1,941,766	925,118
2015	325,000	30,195	640,911	520,241	2,028,311	849,641
2016	335,000	23,379	655,484	492,577	2,067,884	769,204
2017	705,000	20,982	676,085	464,151	2,453,085	687,183
2018-22	--	--	3,732,484	1,853,164	7,237,484	2,122,289
2023-27	--	--	4,075,316	961,637	4,075,316	961,637
2028-32	--	--	2,315,000	159,178	2,315,000	159,178
	<u>\$ 1,990,000</u>	<u>\$ 150,986</u>	<u>\$ 13,306,494</u>	<u>\$ 5,562,948</u>	<u>\$ 23,988,094</u>	<u>\$ 7,471,132</u>

**NOTE 8 - PENSION PLANS**

**Plan Description**

The County of Chautauqua participates in the New York and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (System). These are cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYRSSL, the Comptroller of the State of New York (Comptroller) serves a sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for custody and control of its fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and local Retirement Systems, Gov. Alfred E. Smith, State Office Bldg., Albany, NY 12244

**Funding Policy**

The System is noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employees to the pension accumulation fund.

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

2012	\$ 10,665,805
2011	8,443,357
2010	7,395,754

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

Since 1989, the System's billings have been based in Chapter 62 of the Laws of 1989 of the State of New York. The legislation requires participating employers to make payments on a current basis.

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The County administers a single-employer defined benefit postemployment health care plan ("the Retiree Health Plan"). The Retiree Health Plan provides health care benefits to eligible retirees who retire from the County and are eligible to receive a pension from the New York State Employees' Retirement System. Eligible retirees may elect to continue health care coverage in the County health plan and convert their sick leave balance at retirement at a rate of five days per month, to a County paid monthly benefit that will partially or fully cover their retiree health premiums. The duration amount and type of the County paid benefits depend on the amount of sick leave at retirement. Upon retirement, a non-management employee may use sick leave accruals up to a maximum of 180 days as a credit for health, vision and dental insurance. In addition, an employee who retires with 15 or more years of employment with the County shall be credited one full month of coverage for every full year of employment. Said employee shall continue to pay premiums equivalent to the active employee payroll deduction for such insurance. Said benefit shall be utilized only after all sick leave accruals are utilized. Management employees receive a benefit of 3.25 months of health insurance per year of service upon retirement.

The County contracts with various health plans to provide health coverage to its active and retired members. The retirees may continue coverage in the County health plans at their own expense after their sick leave balances are fully exhausted. The insurers charge the same premium for active and retired member; therefore, an implicit County subsidy of retiree premiums exists. Benefit provisions are established and may be amended through negotiations between the County and the bargaining units during each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

**Funding Policy**

Contribution requirements of the Retiree Health Plan members and the County are also established and may be amended through negotiations between the County and the bargaining units. The contribution is based on pay-as-you-go financing requirements. For the year ended December 31, 2012, the County contributed \$3,114,480 or 58.1% of the actuarially required contributions, to the Retiree Health Plan.

**Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (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 to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the components of the County's annual OPEB cost for the year ended December 31, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 5,581,019
Interest on net OPEB obligation	575,677
Adjustment to annual required contribution	<u>(799,795)</u>
Annual OPEB cost (expense)	5,356,901
Contribution made	<u>(3,114,480)</u>
Increase in net OPEB obligation	2,242,421
Net OPEB obligation – beginning of year	<u>14,391,927</u>
Net OPEB obligation – end of year	<u>\$ 16,634,348</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2012, 2011, and 2010, is as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 5,356,420	58.1%	\$ 16,634,348
12/31/2011	\$ 5,193,193	53.5%	\$ 14,391,927
12/31/2010	\$ 5,281,200	58.5%	\$ 11,979,800

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$ 51,110,511
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 51,110,511</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Annual covered payroll (active plan members)	<u>\$ 55,283,059</u>
UAAL as a percentage of annual covered payroll	<u>92%</u>

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Actuarial Methods and Assumptions**

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 health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4 percent investment rate of return; an annual health care cost trend rate of 11.71 percent for all members based on the SOA Long-Run Medical Cost Trend Model and recent premium history for Chautauqua County. The rate, reduced by 50 percent increment following the first year to an ultimate rate of 4.1 percent in year seventy and beyond; an annual dental care cost trend rate of 3 percent for all members; a 4 percent annual increase in projected payroll; and 100 percent of eligible retirees will elect to convert their sick leave balances to health benefits at a rate of five days per month. The Retiree Health Plan's unfunded actuarial accrued liability is being amortized as a level of percentage of expected payroll over thirty years.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The enterprise funds include the County Home, the Sewer (which includes three districts), the North County Water District, the Landfill, and the Electric Plant. Segment information as of and for the year ended December 31, 2012 as follows:

	County Home	Sewer	North County Water	Landfill	Electric Plant	Total Enterprise Fund
Operating revenues	\$ 16,727,380	\$ 3,575,462	\$ 62,296	\$ 8,267,719	\$ 3,677,912	\$ 32,310,769
Operating expenses						
Services provided	18,600,206	3,094,777	23,411	5,271,915	1,454,148	28,444,457
Depreciation	1,385,908	1,089,510	26,194	3,198,413	656,827	6,356,852
Interfund charges	278,620	--	--	--	--	278,620
Operating income (loss)	(3,537,354)	(608,825)	12,691	(202,609)	1,566,937	(2,769,160)
Non-operating revenues (expenses)	3,216,708	126,089	568	(1,239,391)	(1,566,937)	537,037
Change in net assets	<u>\$ (320,646)</u>	<u>\$ (482,736)</u>	<u>\$ 13,259</u>	<u>\$ (1,442,000)</u>	<u>\$ --</u>	<u>\$ (2,232,123)</u>
Current assets	\$ 6,317,047	\$ 5,874,998	\$ 119,189	\$ 14,188,332	\$ 682,104	\$ 27,181,670
Current liabilities	6,905,999	1,990,263	19,521	1,878,155	819,836	11,613,774
Net working capital	<u>\$ (588,952)</u>	<u>\$ 3,884,735</u>	<u>\$ 99,668</u>	<u>\$ 12,310,177</u>	<u>\$ (137,732)</u>	<u>\$ 15,567,896</u>
Total assets	\$ 17,911,250	\$ 30,945,973	\$ 376,046	\$ 26,816,515	\$ 15,370,176	\$ 91,419,960
Total liabilities	14,663,674	2,141,463	67,521	22,274,131	13,529,482	52,676,271
Fund equity	<u>\$ 3,247,576</u>	<u>\$ 28,804,510</u>	<u>\$ 308,525</u>	<u>\$ 4,542,384</u>	<u>\$ 1,840,694</u>	<u>\$ 38,743,689</u>
Fixed asset additions	\$ 19,072	\$ 526,876	\$ --	\$ 687,493	\$ 68,155	\$ 1,301,596
Long-term debt	<u>\$ 8,430,000</u>	<u>\$ 201,600</u>	<u>\$ 60,000</u>	<u>\$ 1,990,000</u>	<u>\$ 13,306,494</u>	<u>\$ 23,988,094</u>

**NOTE 11 - CONTINGENCIES**

**Risk Management**

The County assumes the liability for most risk including, but not limited to dental and vision claims for employees, workmen's compensation property damage and personal injury liability. The County has elected to purchase umbrella type coverage should losses exceed certain thresholds. The Health Insurance and Workers' Compensation Programs are recorded in the Internal Service Fund. Risk management related to General Liability is reported in the General Fund. During the current year the County obtained an actuarial study of its workers' compensation claims. The liability recorded in the Internal Service Fund has been adjusted to reflect the results of this study.

The claims liability of \$16,566,178 is based on the requirements of Governmental Accounting Standards Board Statement No 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonable estimated. During the current year, the County obtaining an actuarial study to estimate the liability for claims. Changes in the Fund's claims liability during 2012 and 2011 were:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2012	\$ 16,559,621	\$ 5,123,303	\$ 5,116,746	\$ 16,566,178
2011	\$ 11,459,816	\$ 9,877,592	\$ 4,777,787	\$ 16,559,621

**General Liability Program**

The County is a defendant in various cases which are at various stages of the litigation process. Claims incurred prior to July 15, 1986 are covered through general liability insurance. It is the opinion of management and legal counsel that such claims prior to July 15, 1986 will be settled within insured limits. Effective July 15, 1986 the County's general liability insurance was terminated and the County became self-insured for all such risks. While claims currently at various stages of litigation substantially exceed the Reserve for Self-Insurance balance of \$2,756,833, the ultimate amount of outcome is dependent upon many factors, and County management believes such Reserve for Insurance to be adequate to cover such losses. Effective January 1, 1999, the County elected to purchase general liability insurance with a self-insured reserve of \$500,000; this reserve was reduced to \$250,000 effective January 1, 2000.

**NOTE 11 – CONTINGENCIES (continued)**

**Landfill Closure and Post-closure Care Cost**

State and federal laws and regulations require the County to place a final cover on a section of the landfill site when it reaches final elevation and to perform certain maintenance and monitoring functions at the site for a minimum of thirty years after closure. Although both closure and post-closure care costs will be paid in the future, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Remaining cell closure liability, projected at \$6,124,253 as of December 31, 2012, and post closure care liability, projected at \$11,968,416 as of December 31, 2012 (totaling \$18,092,669), represents the cumulative amount reported to date based on the use of 85% of the estimated permitted space less areas where the final cover has been placed.

Total remaining closure cost is projected at \$9,870,000 (prior year projection of \$7,360,000) and total post-closure care cost is projected at \$14,145,000, totaling \$24,015,000. The County will recognize the remaining projected closure cost of \$3,745,747 and remaining projected post-closure care cost of \$2,176,584 (totaling \$5,922,331) as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2012. The County currently projects a landfill life of 10 years for permitted areas, which includes permitted air space over the existing landfills with closure in 2021; however, ongoing research regarding the construction of additional cells could significantly extend landfill life. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is in compliance with Federal requirements for the Local Government Financial test regarding funding of this liability at December 31, 2012.

The landfill is reported in an enterprise fund and the \$18,092,669 liability is reported in that fund along with a \$623,307 reserve for post-closure costs pertaining to the methane gas collection system.

**Lease Commitments and Leased Assets**

The County leases a significant amount of property and equipment under operating leases. Total rental expenditures on such leases for the year ended December 31, 2012 were approximately \$511,637.

The minimum future non-cancelable operating lease payments are as follows for the years ending:

2013	\$ 174,323
2014	75,531
2015	40,088
2016	39,794
2017	39,200

**NOTE 11 – CONTINGENCIES (continued)**

**Grant and Aid Programs**

The County receives significant financial assistance from numerous federal and state agencies. The receipt of such funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the County. The amount of disallowance, if any, cannot be determined at this time, although, based on prior experience, the County expects such amounts to be immaterial.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through July 15, 2013, which is the date the financial statements were available to be issued.

One July 9, 2013 the New York State Office of the Medicaid Inspector General completed its final settlement reviews for the years 2004 through 2008 of the County Home. Home management intends to review the State's preliminary findings but estimates that it will owe New York State approximately \$775,000. This amount is reflected as a current liability in Due to Third Parties on the Proprietary Funds Balance Sheet.

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

Net position of the government-wide financial statements and the general fund was increased at the beginning of the year by \$849,978 resulting from management's reconciliation of funding received from New York State in previous year for child care services with the costs associated with the services provided. It was determined that the deferred revenue recognized in previous years was in fact earned by the County through costs incurred in prior years.

Net position of the government-wide financial statements and the enterprise funds was reduced at the beginning of the year by \$2,170,807 to reflect a change in the County's allocation of its workers compensation liability to its proprietary funds.

Net position of the government-wide financial statements was reduced at the beginning of the year by \$4,464,537 resulting from management's determination that construction in progress was overstated.

Net position of Jamestown Community College, a discretely presented component unit, was increased at the beginning of the year by \$27,276,162. A significant portion of aid received from the State of New York in prior years for capital facilities was the result of borrowings of the Dormitory Authority of New York (DASNY). The administration for the State University of New York's (SUNY) accounting policy prior to 2012 was that DANY debt obligations made on behalf of the College were reported as liabilities and repayments of that debt made by DASNY were reported as appropriations received from the State. SUNY has modified its accounting policy to report funding received from DASNY as appropriations as they are made available. As such, the DANY debt obligations and related activity has been removed from the Statement of Net Assets through the recording of a prior period adjustment

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund				Variance Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	Encumbrances	
<b>Revenue</b>					
Real property taxes	\$ 61,647,077	\$ 61,647,077	\$ 60,652,192	\$ --	\$ (994,885)
Other real property tax items	7,143,292	7,143,292	8,077,144	--	933,852
Sales tax	51,940,000	53,031,096	53,227,153	--	196,057
Departmental income	21,344,063	21,344,063	19,080,404	--	(2,263,659)
Shared services	5,351,439	5,653,875	4,694,210	--	(959,665)
Liscences and permits	127,200	127,200	141,869	--	14,669
Fines and forfeitures	549,419	549,419	342,280	--	(207,139)
Sale of property and compensation for loss	194,515	194,515	1,870,183	--	1,675,668
Miscellaneous	2,561,849	2,611,849	509,195	--	(2,102,654)
Use of money and property	3,809,092	3,894,861	5,197,184	--	1,302,323
State aid	21,018,856	21,521,003	21,596,584	--	75,581
Federal aid	39,072,023	43,266,223	212,385,295	--	169,119,072
<b>Total revenue</b>	<b>214,758,825</b>	<b>220,984,473</b>	<b>387,773,693</b>	<b>--</b>	<b>166,789,220</b>
<b>Expenditures</b>					
General governmental support	43,060,628	45,653,849	43,928,810	490,048	1,234,991
Education	11,497,816	11,122,570	9,965,713	--	1,156,857
Public safety	25,110,684	26,474,656	25,473,544	173,770	827,342
Health	20,435,730	21,118,609	17,883,170	18,063	3,217,376
Transportation	4,129,819	4,128,025	3,823,180	6,575	298,270
Economic development	98,337,861	102,899,812	266,326,999	--	(163,427,187)
Culture and recreation	340,764	362,144	302,459	--	59,685
Home and community services	927,768	1,098,584	711,179	292	387,113
Debt Service:					
Principal	2,252,000	2,252,000	2,252,000	--	--
Interest	1,404,536	1,404,536	837,080	--	567,456
<b>Total expenditures</b>	<b>207,497,606</b>	<b>216,514,785</b>	<b>371,504,134</b>	<b>688,748</b>	<b>(155,678,097)</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>7,261,219</b>	<b>4,469,688</b>	<b>16,269,559</b>	<b>(688,748)</b>	<b>11,111,123</b>
<b>Other financing sources (uses)</b>					
Proceeds of refunding bonds	--	16,742,286	16,786,087	--	(43,801)
Payment to refunded bond escrow agent	--	(16,589,165)	(16,589,165)	--	--
Operating transfers in	--	--	3,414,491	--	3,414,491
Operating transfers out	(13,904,102)	(14,109,871)	(14,109,871)	--	--
<b>Total other financing sources (uses)</b>	<b>(13,904,102)</b>	<b>(13,956,750)</b>	<b>(10,498,458)</b>	<b>--</b>	<b>3,370,690</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>\$ (6,642,883)</b>	<b>\$ (9,487,062)</b>	<b>\$ 5,771,101</b>	<b>\$ (688,748)</b>	<b>\$ 14,481,813</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE – COUNTY ROAD FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Shared services	\$ 18,000	\$ 18,000	\$ 26,561	\$ --	\$ 8,561
Sale of property and compensation for loss	--	--	5,176	--	5,176
Miscellaneous	895,100	895,100	804,032	--	(91,068)
Use of money and property	125,000	125,000	208,587	--	83,587
State aid	3,115,022	3,153,047	3,814,679	--	661,632
Federal aid	--	454,525	4,704,617	--	4,250,092
<b>Total revenue</b>	<b>4,153,122</b>	<b>4,645,672</b>	<b>9,563,652</b>	<b>--</b>	<b>4,917,980</b>
<b>Expenditures</b>					
Transportation	13,918,971	19,644,894	18,547,187	--	1,097,707
<b>Total expenditures</b>	<b>13,918,971</b>	<b>19,644,894</b>	<b>18,547,187</b>	<b>--</b>	<b>1,097,707</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(9,765,849)</b>	<b>(14,999,222)</b>	<b>(8,983,535)</b>	<b>--</b>	<b>6,015,687</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	9,765,849	9,765,849	9,765,849	--	--
Operating transfers out	--	--	--	--	--
<b>Total other financing sources</b>	<b>9,765,849</b>	<b>9,765,849</b>	<b>9,765,849</b>	<b>--</b>	<b>--</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>--</b>	<b>(5,233,373)</b>	<b>782,314</b>	<b>--</b>	<b>6,015,687</b>
<b>Net position, beginning of year</b>	<b>1,797,707</b>	<b>1,797,707</b>	<b>1,797,707</b>	<b>--</b>	<b>--</b>
<b>Net position, end of year</b>	<b>\$ 1,797,707</b>	<b>\$ (3,435,666)</b>	<b>\$ 2,580,021</b>	<b>\$ --</b>	<b>\$ 6,015,687</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE – ROAD MACHINERY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Shared services	\$ 246,500	\$ 246,500	\$ 277,564	\$ --	\$ 31,064
Sale of property and compensation for loss	10,000	93,000	100,294	--	7,294
Miscellaneous	240,000	240,000	482,443	--	242,443
Use of money and property	90,000	90,000	195,646	--	105,646
<b>Total revenue</b>	<b>586,500</b>	<b>669,500</b>	<b>1,055,947</b>	<b>--</b>	<b>386,447</b>
<b>Expenditures</b>					
Transportation	3,797,946	3,946,015	3,703,490	9,964	232,561
Debt Service:					
Principal	20,000	20,000	20,000	--	--
Interest	7,133	7,133	3,640	--	3,493
<b>Total expenditures</b>	<b>3,825,079</b>	<b>3,973,148</b>	<b>3,727,130</b>	<b>9,964</b>	<b>236,054</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(3,238,579)</b>	<b>(3,303,648)</b>	<b>(2,671,183)</b>	<b>(9,964)</b>	<b>622,501</b>
<b>Other financing sources</b>					
Operating transfers in	2,988,579	2,988,579	2,988,579	--	--
Operating transfers out	--	(83,000)	(83,000)	--	--
<b>Total other financing sources</b>	<b>2,988,579</b>	<b>2,905,579</b>	<b>2,905,579</b>	<b>--</b>	<b>--</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>(250,000)</b>	<b>(398,069)</b>	<b>234,396</b>	<b>(9,964)</b>	<b>622,501</b>
<b>Net position, beginning of year</b>	<b>3,899,088</b>	<b>3,899,088</b>	<b>3,899,088</b>	<b>--</b>	<b>--</b>
<b>Net position, end of year</b>	<b>\$ 3,649,088</b>	<b>\$ 3,501,019</b>	<b>\$ 4,133,484</b>	<b>\$ (9,964)</b>	<b>\$ 622,501</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**

**SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of "UAAL" to Budgeted Covered Payroll
January 1, 2006	\$ --	\$ 25,282,000	\$ 25,282,000	0%	\$ 54,463,000	46%
January 1, 2008	\$ --	\$ 42,776,300	\$ 42,776,300	0%	\$ 60,475,415	71%
January 1, 2011	\$ --	\$ 49,391,593	\$ 49,391,593	0%	\$ 55,106,715	90%

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF NET POSITION – SEWER FUNDS**  
**AS OF DECEMBER 31, 2012**

	Business Type Activities					2012 Total
	Sewer funds			Eliminations		
	Portland Promfret and Dunkirk Sewer District	North Chautauqua Lake Sewer District	South and Center Chautauqua Lake Sewer District			
<b>Current Assets</b>						
Cash and cash equivalents - unrestricted	\$ 54,250	\$ 699,460	\$ 3,888,526	\$ --	\$ 4,642,236	
Receivables, net						
Accounts receivable	66,845	195,765	923,835	--	1,186,445	
Prepaid expenses	--	9,502	36,815	--	46,317	
<b>Total current assets</b>	<b>121,095</b>	<b>904,727</b>	<b>4,849,176</b>	<b>--</b>	<b>5,874,998</b>	
<b>Noncurrent Assets</b>						
Capital assets:						
Sewage treatment facilities	2,346,616	7,652,673	51,680,287	--	61,679,576	
Construction in progress	--	--	1,020,139	--	1,020,139	
Accumulated depreciation	(1,194,442)	(4,732,164)	(31,702,134)	--	(37,628,740)	
<b>Total noncurrent assets</b>	<b>1,152,174</b>	<b>2,920,509</b>	<b>20,998,292</b>	<b>--</b>	<b>25,070,975</b>	
<b>Total Assets</b>	<b>\$ 1,273,269</b>	<b>\$ 3,825,236</b>	<b>\$ 25,847,468</b>	<b>\$ --</b>	<b>\$ 30,945,973</b>	
<b>Current Liabilities</b>						
Accounts payable	\$ 68,898	\$ 29,579	\$ 69,964	\$ --	\$ 168,441	
Contract retainage	--	--	44	--	44	
Accrued liabilities	--	66,195	182,089	--	248,284	
Amounts due to third parties	--	1,281,422	--	--	1,281,422	
Bonds payable - current portion	--	50,400	--	--	50,400	
Net OPEB obligation	--	56,485	185,187	--	241,672	
<b>Total current liabilities</b>	<b>68,898</b>	<b>1,484,081</b>	<b>437,284</b>	<b>--</b>	<b>1,990,263</b>	
<b>Noncurrent Liabilities</b>						
Bonds payable - long term portion	--	151,200	--	--	151,200	
<b>Total long-term liabilities</b>	<b>--</b>	<b>151,200</b>	<b>--</b>	<b>--</b>	<b>151,200</b>	
<b>Total liabilities</b>	<b>68,898</b>	<b>1,635,281</b>	<b>437,284</b>	<b>--</b>	<b>2,141,463</b>	
<b>Net position</b>						
Investment in capital assets, net of related debt	1,152,174	2,718,909	20,998,248	--	24,869,331	
Unrestricted net position	52,197	(528,954)	4,411,936	--	3,935,179	
<b>Total net position</b>	<b>1,204,371</b>	<b>2,189,955</b>	<b>25,410,184</b>	<b>--</b>	<b>28,804,510</b>	
<b>Total liabilities and net assets</b>	<b>\$ 1,273,269</b>	<b>\$ 3,825,236</b>	<b>\$ 25,847,468</b>	<b>\$ --</b>	<b>\$ 30,945,973</b>	

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION – SEWER FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities				2012 Totals
	Sewer funds			Eliminations	
	Portland Promfret and Dunkirk Sewer District	North Chautauqua Lake Sewer District	South and Center Chautauqua Lake Sewer District		
<b>Operating revenue</b>					
Charges for services	\$ 255,685	\$ 608,277	\$ 2,796,365	\$ (84,865)	\$ 3,575,462
<b>Operating expenses</b>					
Professional services	--	213,354	782,073	--	995,427
Contractual services	218,532	214,147	1,110,964	(84,865)	1,458,778
Employee benefits	--	144,856	495,716	--	640,572
Depreciation	33,136	203,004	853,370	--	1,089,510
<b>Total operating expenses</b>	251,668	775,361	3,242,123	(84,865)	4,184,287
<b>Non operating revenues (expenses):</b>					
State sources	--	--	5,621	--	5,621
Interest income	539	31,503	150,444	--	182,486
Interest expense	--	(62,018)	--	--	(62,018)
<b>Total nonoperating revenues (expenses)</b>	539	(30,515)	156,065	--	126,089
<b>Change in net position</b>	4,556	(197,599)	(289,693)	--	(482,736)
Total net position, beginning	1,199,815	2,402,871	25,816,269	--	29,418,955
Prior period adjustments	--	(15,317)	(116,392)	--	(131,709)
<b>Total net position, ending</b>	\$ 1,204,371	\$ 2,189,955	\$ 25,410,184	\$ --	\$ 28,804,510

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities				
	Enterprise Funds				
	Portland Promfret and Dunkirk Sewer District	North Chautauqua Lake Sewer District	South and Center Chautauqua Lake Sewer District	Eliminations	2012 Totals
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 249,217	\$ 574,720	\$ 2,751,850	\$ --	\$ 3,575,787
Cash paid to vendors	(195,506)	(405,676)	(1,944,188)	--	(2,545,370)
Cash paid to employees	--	(206,450)	(782,570)	--	(989,020)
Net cash provided by operating activities	53,711	(37,406)	25,092	--	41,397
<b>Cash flows from noncapital financing activities</b>					
Other income (expenses)	--	--	(93)	--	(93)
Net cash provided by noncapital financing activities	--	--	(93)	--	(93)
<b>Cash flows from capital financing activities</b>					
Acquisition and construction of capital assets	--	(85,946)	(440,930)	--	(526,876)
Proceeds from sale of fixed assets	--	--	5,715	--	5,715
Principal payments on capital debt	--	(50,400)	--	--	(50,400)
Proceeds from issuance of long-term debt	--	--	--	--	--
Interest paid on capital debt	--	(64,095)	--	--	(64,095)
Net cash used in capital financing activities	--	(200,441)	(435,215)	--	(635,656)
<b>Cash flows from investing activities</b>					
Interest earnings	539	31,503	150,444	--	182,486
Net cash provided by investing activities	539	31,503	150,444	--	182,486
<b>Net increase (decrease) in cash</b>	54,250	(206,344)	(259,772)	--	(411,866)
Cash and cash equivalents, beginning of year	--	905,804	4,148,298	--	5,054,102
<b>Cash and cash equivalents, end of year</b>	\$ 54,250	\$ 699,460	\$ 3,888,526	\$ --	\$ 4,642,236
<b>Reconciliation of net loss to net cash used in operating activities</b>					
Net loss from operating activities	\$ 4,017	\$ (167,084)	\$ (445,758)	\$ --	\$ (608,825)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:					
Depreciation	33,136	203,004	853,370	--	1,089,510
Decrease (increase) in accounts receivable, net	(4,767)	(33,516)	(31,103)	--	(69,386)
Decrease (increase) in prepaid and deferred expenses	--	(1,969)	(10,129)	--	(12,098)
Increase (decrease) in cash advance	(4,908)	--	--	--	(4,908)
Increase (decrease) in accounts payable	26,233	(4,508)	(355,652)	--	(333,927)
Increase (decrease) in retainage payable	--	86	(23,374)	--	(23,288)
Increase (decrease) in accrued expenses	--	8,549	16,909	--	25,458
Increase (decrease) in amounts due to third parties	--	(49,765)	--	--	(49,765)
Increase (decrease) in net OPEB obligation	--	7,797	20,829	--	28,626
Net cash provided by (used in) operating activities	\$ 53,711	\$ (37,406)	\$ 25,092	\$ --	\$ 41,397

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS**  
**AS OF DECEMBER 31, 2012**

	Workers' Compensation	Health Insurance	2012 Totals
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 5,163,556	\$ - -	\$ 5,163,556
Due from other governments	9,319,973	132,767	9,452,740
<b>Total assets</b>	<b>\$ 14,483,529</b>	<b>\$ 132,767</b>	<b>\$ 14,616,296</b>
<b>Current Liabilities</b>			
Cash advance	\$ - -	\$ 426,630	\$ 426,630
Accounts payable	331,048	2,131	333,179
Accrued liabilities	16,370,865	195,313	16,566,178
<b>Total liabilities</b>	<b>16,701,913</b>	<b>624,074</b>	<b>17,325,987</b>
<b>Net position</b>			
Unrestricted net position (deficit)	(2,218,384)	(491,307)	(2,709,691)
<b>Total net position</b>	<b>(2,218,384)</b>	<b>(491,307)</b>	<b>(2,709,691)</b>
<b>Total liabilities and net position</b>	<b>\$ 14,483,529</b>	<b>\$ 132,767</b>	<b>\$ 14,616,296</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION – INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Workers' Compensation	Health Insurance	2012 Totals
<b>Operating revenues</b>			
Charges for services	\$ 3,773,136	\$ 20,577,067	\$ 24,350,203
<b>Total operating revenues</b>	<u>3,773,136</u>	<u>20,577,067</u>	<u>24,350,203</u>
<b>Operating expenses</b>			
Contractual services, supplies and materials	5,489,356	20,794,187	26,283,543
<b>Total operating expenses</b>	<u>5,489,356</u>	<u>20,794,187</u>	<u>26,283,543</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	262,465	-	262,465
Miscellaneous	251,209	71,262	322,471
<b>Total nonoperating revenues (expenses)</b>	<u>513,674</u>	<u>71,262</u>	<u>584,936</u>
<b>Change in net position</b>	(1,202,546)	(145,858)	(1,348,404)
Total net position (deficit), beginning of year	<u>(1,015,838)</u>	<u>(345,449)</u>	<u>(1,361,287)</u>
<b>Total net position (deficit), end of year</b>	<u>\$ (2,218,384)</u>	<u>\$ (491,307)</u>	<u>\$ (2,709,691)</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Workers' Compensation	Health Insurance	2012 Totals
<b>Cash flows from operating activities</b>			
Charges for services	\$ 3,906,118	\$ 20,445,412	\$ 24,351,530
Contractual services, supplies and materials	(5,549,473)	(20,789,418)	(26,338,891)
Net cash provided by (used in) operating activities	(1,643,355)	(344,006)	(1,987,361)
<b>Cash flows from noncapital financing activities</b>			
Cash advance	--	272,744	272,744
Other income	251,209	71,262	322,471
Net cash provided by noncapital financing activities	251,209	344,006	595,215
<b>Cash flows from investing activities</b>			
Interest earnings	262,465	--	262,465
Net cash provided by investing activities	262,465	--	262,465
<b>Net increase (decrease) in cash</b>	(1,129,681)	--	(1,129,681)
Cash and cash equivalents, beginning of year	6,293,237	--	6,293,237
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,163,556</b>	<b>\$ --</b>	<b>\$ 5,163,556</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Revenue	Expenditures
<b>United States Department of Agriculture:</b>				
<i>Direct Award:</i>				
Bankhead-Jones Farm Tenant Act	10.666	N/A	\$ 979	\$ 979
<i>Passed through the NYS Department of Family Assistance:</i>				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	N/A	2,333,843	2,333,843
<i>Passed through the NYS Department of Education:</i>				
Jail Breakfast and Lunch Program	10.555	60503950001	17,334	17,334
<i>Passed through the NYS Department of Health:</i>				
Special Supplemental Nutrition Program for Women, Infants, and Child and Adult Care Food Program	10.557 10.558	C-025736 N/A	766,270 51,403	766,270 51,403
Subtotal U.S. Department of Agriculture			<u>3,169,829</u>	<u>3,169,829</u>
<b>United States Department of Defense:</b>				
<i>Direct Award:</i>				
Aquatic Plant Control Demonstration Project (SAVMP)	12.100	N/A	51,502	51,502
Subtotal U.S. Department of Defense			<u>51,502</u>	<u>51,502</u>
<b>United States Department of Housing &amp; Urban Development:</b>				
<i>Direct Award:</i>				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NYLHB1784-09	578,331	578,331
<i>Passed through NYS Office of Community Renewal:</i>				
Community Development Bock Grant - Septic & Well Project	14.218	222HR96-11	40,997	40,997
Community Development Bock Grant - State's Program	14.228	222ED752-11	515,900	515,900
<i>Passed through various housing agencies:</i>				
Multi-Family Housing Service Coordinators	14.191	Various	39,917	39,917
Subtotal U.S. Department of Housing & Urban Development			<u>1,175,145</u>	<u>1,175,145</u>
<b>United States Department of Justice:</b>				
<i>Direct Award:</i>				
Offender Workforce Development Specialist Training	16.601	10K120GKB8	10,046	10,046
State Criminal Alien Assistance Program (SCAAP)	16.606	2011-AP-BX-0694	117	117
Public Safety Partnership & Community Policing Grants (COPS)	16.710	Various	278,479	278,479
<i>Passed through the NYS Office of Victim Services:</i>				
Crime Victim Assistance	16.582	C-501027	94,209	94,209
<i>Passed through the NYS Division of Criminal Justice Services:</i>				
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.738	C-632613	6,857	6,857
<i>Passed through the NYS Department of Family Assistance:</i>				
Supervised Visitation, Safe Havens for Children	16.527	N/A	2,689	2,689
Subtotal U.S. Department of Justice			<u>392,397</u>	<u>392,397</u>
<b>United States Department of Labor:</b>				
<i>Passed through the NYS Office for the Aging:</i>				
Senior Community Service Employment Program	17.235	N/A	40,920	40,920
<i>Passed through Senior Services America, Inc.:</i>				
Senior Community Service Employment Program	17.235	N/A	253,191	253,191
Subtotal U.S. Department of Labor			<u>294,111</u>	<u>294,111</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Revenue</b>	<b>Expenditures</b>
<b>United States Department of Transportation:</b>				
<i>Direct Award:</i>				
Airport Improvement Program	20.106	Various	\$ 1,343,540	\$ 1,343,540
<i>Passed through the NYS Governors Traffic Safety Committee:</i>				
Child Passenger Safety Program	20.600	SO-00252-007	6,260	6,260
Traffic Safety Enforcement	20.600	SO-00293-007	7,377	7,377
<i>Passed through the NYS Department of Health:</i>				
Leandra's Law Ignition Interlock Program	20.600	T-523545	19,345	19,345
<i>Passed through the NYS Department of Transportation:</i>				
Highway Planning and Construction	20.205	Various	4,467,858	4,467,858
ARRA - Section 5311 Capital Project Reimbursement	20.500	C-003832	344,979	344,979
Section 5311 Operating Assistance	20.509	C-003655	323,300	323,300
Subtotal U.S. Department of Transportation			<u>6,512,659</u>	<u>6,512,659</u>
<b>United States Environmental Protection Agency:</b>				
<i>Direct Award:</i>				
Private Water Well / GIS Mapping	66.458	EM97264600	23,521	23,521
<i>Passed through the NYS Department of Health:</i>				
Great Lakes Restoration	66.469	HRI4163-01	18,355	18,355
Beach Monitoring & Notification Program Implementation Grants	66.472	T-024965	8,351	8,351
Subtotal U.S. Environmental Protection Agency			<u>50,227</u>	<u>50,227</u>
<b>United States Department of Energy:</b>				
<i>Passed through the NYS Energy Research Development Authority:</i>				
Energy Efficiency & Conservation Block Grant Program	81.128	23400	1,806,268	1,806,268
Subtotal Department of Energy			<u>1,806,268</u>	<u>1,806,268</u>
<b>United States Department of Education</b>				
<i>Passed through the NYS Department of Health:</i>				
Special Education Grants for Infants & Families with Disabilities	84.181A	C-027469	79,872	79,872
Subtotal Department of Education			<u>79,872</u>	<u>79,872</u>
<b>United States Department of Health and Human Services:</b>				
<i>Passed through Health Research Inc.:</i>				
CDC Prevention Investigations & Technical Assistance (H1N1)	93.069	N/A	88,949	88,949
Injury Prevention and Control	93.136	N/A	16,000	16,000
CDC Prevention Investigations & Technical Assistance (Breast & Cervical Cancer)	93.283	HRI 3496-04 / 05	27,352	27,352
Community Transformation Grant - Small Communities	93.737	HRI 4517-01	19,220	19,220
<i>Passed through the NYS Office of Mental Health:</i>				
Comprehensive Community Mental Health Services for Children	93.104	N/A	1,592,449	1,592,449
Medical Assistance Program	93.778	N/A	167,760	167,760
Block Grants for Community Mental Health Services	93.959	N/A	403,927	403,927
<i>Passed through the NYS Office of Family Assistance / NYS OTDA:</i>				
Low-Income Home Energy Assistance	93.568	N/A	664,148	664,148
<i>Passed through the NYS Office for the Aging:</i>				
Special Programs for the Aging - Title VII Chapter 3	93.041	N/A	16,445	16,445
Special Programs for the Aging - Title III Part D	93.043	N/A	8,679	8,679
Special Programs for the Aging - Title III Part B *	93.044	N/A	262,829	262,829
Special Programs for the Aging - Title III Part C *	93.045	N/A	379,593	379,593
National Family Caregiver Support	93.052	N/A	34,205	34,205
Nutrition Services Incentive Program *	93.053	N/A	109,578	109,578
Medicare Enrollment	93.071	N/A	15,107	15,107
Low-Income Home Energy Assistance	93.568	N/A	12,877	12,877
CMS Research, Demonstrations, and Evaluations	93.779	N/A	13,539	13,539

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Revenue	Expenditures
<i>United States Department of Health and Human Services (continued):</i>				
<i>Passed through the NYS Department of Family Assistance:</i>				
Temporary Assistance for Needy Families	93.558	N/A	\$ 15,288,983	\$ 15,288,983
Child Support Enforcement **	93.563	N/A	826,374	826,374
ARRA - Child Support Enforcement **	93.563	N/A	176,575	176,575
Child Care and Development Block Grant	93.575	N/A	4,257,533	4,257,533
Women's Shelters - Grants to State Domestic Violence Coalitions	93.591	N/A	307,215	307,215
Adoption Incentive Payments	93.603	N/A	712,070	712,070
Foster Care - Title IV-E	93.658	N/A	2,558,362	2,558,362
ARRA - Foster Care - Title IV-E	93.658	N/A	12,166	12,166
ARRA - Adoption Incentive	93.659	N/A	15,087	15,087
Title XX - Social Services Block Grant	93.667	N/A	1,967,293	1,967,293
Chafee Foster Care Independence Program	93.674	N/A	28,305	28,305
Medical Assistance Program	93.778	N/A	2,657,983	2,657,983
<i>Passed through the NYS Department of Health:</i>				
Family Planning Services (Title X)	93.217	C-027015	113,308	113,308
Immunization Grants / Immunization Action Plan	93.268	C-023237	67,375	67,375
Maternal and Child Health Services Block Grant	93.994	C-027015	56,654	56,654
Maternal and Child Health Services Block Grant	93.994	C-026498	67,161	67,161
Maternal and Child Health Services Block Grant	93.994	C-024606	23,101	23,101
Subtotal U.S. Department of Health and Human Services			<u>32,968,202</u>	<u>32,968,202</u>
<i>United States Department of Homeland Security:</i>				
<i>Direct Award:</i>				
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR709	(1,240)	(1,240)
<i>Passed through the NYS Department of Transportation</i>				
Emergency Relief Program	97.036	D-033781	236,759	236,759
<i>Passed through the NYS Office of Homeland Security:</i>				
Interoperable Emergency CGP	97.001	C835685	247,859	247,859
Citizen Corps	97.053	Various	67,608	67,608
Port Security Grant	97.056	C182494	26,465	26,465
Homeland Security Grant Program	97.067	Various	697,796	697,796
<i>Passed through the NYS Emergency Management Office:</i>				
Emergency Management Performance Grants	97.042	LEMPG FY 2011	53,163	53,163
SAFER Grant	97.044	W494332N	22,378	22,378
Subtotal U.S. Department of Homeland Security			<u>1,350,788</u>	<u>1,350,788</u>
Total expenditures and revenue			<u>\$ 47,851,000</u>	<u>\$ 47,851,000</u>

\* Constitutes a cluster of Federal Awards  
 \*\* Constitutes a cluster of Federal Awards

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

- (1) The accompanying Schedule of Expenditures of Federal Awards includes the Federal Grant Activity of the **County of Chautauqua, New York** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- (2) Includes all major and non-major programs.
- (3) Source: 2012 Catalog of Federal Domestic Assistance
- (4) The County is the recipient of a federal financial award that does not result in cash receipts or disbursements, termed "Non-monetary programs." During the year ended December 31, 2012, the County distributed \$41,504,493 worth of benefits to eligible persons participating in the Food Stamp Program (CFDA No.10.551).
- (5) The County is the recipient of federal medical assistance that does not result in cash receipts or disbursements, termed "non-monetary programs." During the year ended December 31, 2012, the County's share that was required to fund Medical Assistance checks to providers amounted to \$119,918,549. This amount has not been included in total program expenditures (CFDA No 93.778).
- (6) The County is the recipient of federal low income home energy assistance that does not result in cash receipts or disbursements, termed "non-monetary programs." During the year ended December 31, 2012, the County's share that was required to fund Low Income Home Energy Assistance checks to providers amounted to \$7,977,359. This amount has not been included in total program expenditures (CFDA No. 93.568).
- (7) The County is the recipient of various federal financial awards that relate to the American Recovery and Reinvestment Act (ARRA). During the year ended December 31, 2012, the County expended a total of \$555,664 of ARRA funds.

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

**Honorable County Executive and  
Members of the County Legislature  
*County of Chautauqua, New York*  
Mayville, 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*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *County of Chautauqua, New York* as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the *County of Chautauqua, New York's* basic financial statements and have issued our report thereon dated July 15, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered *County of Chautauqua, New York'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 *County of Chautauqua, New York's* internal control. Accordingly, we do not express an opinion on the effectiveness of *County of Chautauqua, New York's* internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control over financial reporting 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 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. We consider the deficiency described in the in the accompanying schedule of findings and questioned costs as item II.A.2012-1 to be material weakness.

**Compliance and Other Matters**

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

**County of Chautauqua, New York's Response to Finding**

County of Chautauqua, New York's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Chautauqua, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
July 15, 2013**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Honorable County Executive and  
Members of the County Legislature  
*County of Chautauqua, New York*  
Mayville, New York**

**Report on Compliance for Each Major Federal Program**

We have audited *County of Chautauqua, New York's* compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of *County of Chautauqua, New York's* major federal programs for the year ended December 31, 2012. *County of Chautauqua, New York's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

***Opinion on Each Major Federal Program***

In our opinion, *County of Chautauqua, New York*, 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, 2012.

## Report on Internal Control Over Compliance

Management of *County of Chautauqua, New York*, 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 *County of Chautauqua, New York's* internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *County of Chautauqua, New York's* internal control over compliance.

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

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

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

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
July 15, 2013**

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2012**

**A. SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the *County of Chautauqua, New York*.
2. One deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This deficiency is reported as material weakness and is reported in the accompanying schedule of findings and questioned costs as item B.1.2012-1.
3. There are no instances of noncompliance material to the financial statements of the *County of Chautauqua, New York* reported in the 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".
4. There were no deficiencies relating to the audit of the major federal assistance programs of the *County of Chautauqua, New York* reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal assistance programs for the *County of Chautauqua, New York* expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
State Administrative Matching Grant for the Supplemental Nutrition Assistance Program	10.561	Type A	\$ 2,333,843
Highway Planning and Construction	20.205	Type A	4,467,858
Energy Efficiency and Conservation Block Grant	81.128	Type A	1,806,268
Comprehensive Mental Health Services for Children with Serious Emotional Disturbances	93.104	Type A	1,592,449
Temporary Assistance for Needy Families	93.558	Type A	15,288,983
Child Care and Development Block Grant	93.575	Type A	4,257,533
Foster Care Title IV-E	93.658	Type A	2,558,362
Social Services Block Grant	93.667	Type A	1,967,293
Medical Assistance Program	93.778	Type A	2,657,983
Total tested			<u>\$ 36,930,572</u>
Percentage of total programs tested			<u>77%</u>

8. The threshold for distinguishing between Types A and B programs was \$1,435,530.
9. *County of Chautauqua, New York* does not qualify as a low-risk auditee.

**B. FINANCIAL STATEMENTS AUDIT – FINDINGS**

**1. INTERNAL CONTROL OVER FINANCIAL REPORTING**

Year ended December 31, 2012

**2012-1 Capital Assets**

**Condition and Criteria:** During the audit we noted that the County has not reconciled capital assets accumulated in construction in progress with those assets placed in service.

**Effect:** Reconciliation processes performed by the Finance Department uncovered assets that had been placed in service and reported in the government-wide financial statements within buildings and improvements and machinery and equipment continued to be reported in construction in progress. As a result capital assets had been overstated in the prior year, resulting in a prior period adjustment reducing capital assets and net assets by \$4,464,537. Additionally, certain assets recorded in construction in progress may have not been transferred to buildings and improvements or machinery and equipment when they have been placed in service. This may result in these assets not being depreciated appropriately. These conditions effect strictly the government-wide financial statements as the acquisition of these assets is properly reported as expenditures at the time of purchase within the fund financial statements. These conditions have no effect on the federally-funded programs.

**Auditors' Recommendation:** We recommend that a reconciliation of construction in progress projects be performed on at least an annual basis to ensure that projects are closed out and transferred to capital assets on a timely basis.

**County's Response:** We recognize the need for improvement in this area and implemented a team at the beginning of this year to look into the issues so we can improve internal controls and procedures that will eliminate this from happening in the future. The current procedure requires that the Audit and Control Committee formally approve the closing of a capital project after the project engineer indicates that it is complete. During our review we determined that some projects prior to 2009 were capitalized but never formally closed out and therefore were in fixed assets and construction in progress. We agree that more oversight is needed in this area so projects are closed timely.

**2. COMPLIANCE AND OTHER MATTERS**

There are no compliance findings being reported upon for the year ended December 31, 2012.

**C. MAJOR FEDERAL AWARDS PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS**

**1. COMPLIANCE**

There are no compliance findings being reported upon for the year ended December 31, 2012.

**2. INTERNAL CONTROLS OVER COMPLIANCE**

***All Federal Awards***

There are no findings on internal controls over compliance being reported upon for the year ended December 31, 2012.

**A. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**1. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2011-1 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Condition and Criteria:** During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the County to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording receivables, deferred liabilities, and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors and accepted by the County.

**Effect:** The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

**Auditors' Recommendation:** Although auditors may continue to provide such assistance both now and in the future, under this pronouncement, the County should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

**County's Response:** The County has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the County believes it has a thorough understanding of these financial statements and has the ability to make informed judgments based on these financial statements.

**Status:** The County has exhibited the competence to prevent, detect, and correct potential misstatements in these audited statements. Accordingly, this finding has been determined to be addressed.

**2011-2 Reconciliation of General Ledger**

**Condition and Criteria:** During our audit, we noted that, with the exception of the cash accounts managed by the Finance Department, the County does not perform reconciliations of asset and liability accounts during the year on a regular or routine basis. Most notably, the accounts that have not been regularly or routinely reconciled include receivables, including receivable accounts with in Highway Department due from New York State related to road and bridge construction projects, amounts due to and from other governments, property and equipment, accrued liabilities, encumbrances, deferred revenue, and compensated absences.

**Effect:** Without regular, routine, and timely reconciliation of asset and liability accounts balances a significant misstatement of the general ledgers of the County would go undetected for extended periods of time. Although considerable progress was made to reconcile accounts as of the beginning of the year under audit, the limited personnel resources within the Finance Department precluded the County from maintaining a schedule of regular and routine reconciliations. Further, the County's financial reporting to New York State is significantly different than the audited financial statements since many asset and liability accounts were not reconciled prior to the filing of the financial results to the State. These misstatements also result in inaccurate or incomplete information to be utilized by management and the Legislature in its decision making processes throughout the year, including the establishment of annual budgets.

**Auditors' Recommendation:** We recommend that asset and liability accounts be reconciled by the Finance Department on a regular and routine basis. Further, reconciliations should be reviewed by management upon completion to ensure accurate and timely completion.

**Management's Response:** We recognize the need to reconcile accounts regularly and timely. While we have only been able to reconcile many accounts at year end, all accounts were reconciled and adjusted for the audit. It is our goal to institute a practice of reconciling key accounts on a regular basis along with review by management.

**Status:** During 2012 the Finance Department established procedures to reconcile general ledger accounts on timely basis. However, it was noted that the reconciling of capital asset accounts, including construction in progress, have not been routinely reconciled with assets as they are placed in service. This has been reported in finding 2012-1.

**A. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)**

**2. COMPLIANCE AND OTHER MATTERS**

There were no compliance findings reported upon for the year ended December 31, 2011.

**B. MAJOR FEDERAL AWARDS PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS**

**1. COMPLIANCE**

There were no compliance findings reported upon for the year ended December 31, 2011.

**2. INTERNAL CONTROLS OVER COMPLIANCE**

***All Federal Awards***

**2011-3 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

Same finding as outlined in II.A.2011-1 above.

**Status:** The County has exhibited the competence to prevent, detect, and correct potential misstatements in these audited statements. Accordingly, this finding has been determined to be addressed.

**2011-4 Reconciliation of General Ledger**

Same finding as outlined in II.A.2011-2 above.

**Status:** During 2012 the Finance Department established procedures to reconcile general ledger accounts on timely basis. However, it was noted that the reconciling of capital asset accounts, including construction in progress, have not been routinely reconciled with assets as they are placed in service. This has been reported in finding 2012-1.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED DECEMBER 31, 2012**

PROGRAM TITLE	NYS DOT CONTRACT NUMBER	EXPENDITURES
Airport Improvement Program	3-36-0048-33-06	\$ 142,685
	3-36-0022-42-10	1,158,547
	3-36-0048-38-10	3,158
	3-36-0048-36-09	39,110
	3-36-0022-39-09	39
Total Airport Improvement Program		1,343,539
Consolidated Highway Improvement Program (CHIPS)	N/A	3,116,770
Highway Planning and Construction	D-032561	325,475
	D-031605	117,865
	D-031606	60,060
	D-030061	990,087
	D-032559	146,839
	D-031561	995,915
	D-030062	1,831,617
Total Highway Planning and Construction		4,467,858
Emergency Relief Program	D-033781	236,759
Economic Assistance Capital Grant	D-017993	550,000
Federal Transit – Operating Assistance Grant	C-003655	323,300
Federal Transit – Capital Investment Grant	C-003832	344,979
<b>TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED</b>		<b>\$ 10,383,205</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**

**NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED DECEMBER 31, 2012**

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**GENERAL**

The accompanying Schedule of State Transportation Assistance Expended of County of Chautauqua, New York, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

**BASIS OF ACCOUNTING**

The accompanying Schedule of State Transportation Assistance Expended is presented using the modified accrual basis of accounting.

The amounts reported in the Schedule of State Transportation Assistance Expended generally were obtained from the appropriate financial reports for the applicable program and periods. The amounts reported in the 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 financial statements.

**INDIRECT COSTS**

There are no indirect costs associated with these programs.

**MATCHING COSTS**

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

**AMOUNTS PAID TO SUBRECIPIENTS**

There are not amounts paid to subrecipients.

**REPORT ON COMPLIANCE AND CONTROLS OVER STATE TRANSPORTATION  
ASSISTANCE EXPENDED BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Honorable County Executive and  
Members of the County Legislature  
*County of Chautauqua, New York*  
Mayville, New York**

**Compliance**

We have audited the compliance of the *County of Chautauqua, New York* with the types of compliance requirements described in Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2012. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of the *County of Chautauqua, New York's* management. Our responsibility is to express an opinion on the *County of Chautauqua, New York's* compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. These standards and Draft Part 43 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 the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the *County of Chautauqua, New York'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. Our audit does not provide a legal determination on the *County of Chautauqua, New York's* compliance with those requirements.

In our opinion, the *County of Chautauqua, New York* complied in all material respects with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended December 31, 2012.

**Internal Control Over Compliance**

The management of the *County of Chautauqua, New York* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered the *County of Chautauqua, New York's* internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with Draft Part 43 NYCRR.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer state transportation assistance program such that there is a more than likelihood that noncompliance with a type of compliance requirement of a state transportation assistance program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state transportation assistance program will not be prevented or detected by the entity's internal control. Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

## Schedule of State Transportation Assistance Expended

We have audited the financial statements of the *County of Chautauqua, New York* as of and for the year ended December 31, 2012, and have issued our report thereon dated July 15, 2013. Our audit was performed for the purpose of forming an opinion on the *County of Chautauqua, New York's* financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the *County of Chautauqua, New York's* management and the New York State Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
July 15, 2013**

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED DECEMBER 31, 2012**

**Summary of Audit Results:**

Internal control over state transportation assistance expended:

- Material weaknesses identified No
- Deficiencies identified that are not considered to be material weakness None reported

Type of auditors' report issued on compliance for programs tested: Unqualified

Identification of State Transportation Assistance Programs Tested:

Name

Consolidated Highway Improvement Program (CHIPS)  
Highway Planning and Construction  
Economic Assistance Capital Grant

**Compliance Findings and Questioned Costs:**

No matters were reported.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED DECEMBER 31, 2012**

The *County of Chautauqua, New York* did not have any prior year findings.