

**COUNTY OF STEUBEN, NEW YORK**

**Basic Financial Statements  
December 31, 2016  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# COUNTY OF STEUBEN, NEW YORK

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## INDEPENDENT AUDITOR'S REPORT

June 13, 2017

To the Board of Legislators of the  
County of Steuben, New York:

### **Report on the Financial Statements**

We have audited the accompanying financial statements 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 Steuben, New York (the County) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Steuben County Industrial Development Agency (the Agency), which represent 58%, 74%, and 16%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, 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, as of December 31, 2016, 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.

### **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other postemployment benefits plan, schedule of contributions – pension plans, and schedule of proportionate share of net pension liability (asset) 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 and the other auditor 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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor and private purpose trust fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

## **STEBEN COUNTY, NEW YORK**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) DECEMBER 31, 2016**

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The following is management's discussion and analysis (MD&A) of Steuben County's (the County) financial performance, providing a narrative overview of the activities for the fiscal year that ended December 31, 2016. Please read it in conjunction with the County's financial statements, which follow this section. This MD&A focuses on the County, exclusive of the Component Units, however, where relevant, specific reference may be made to that information.

#### **FINANCIAL HIGHLIGHTS**

- The County's primary government net position on the government-wide statements totaled \$157,693,014 at the close of the year compared to \$151,197,717 at the end of 2015.
- Of the total primary government net position, \$11,323,515 or 7.2% is classified as unrestricted and may be used to meet the County's ongoing obligations compared to \$8,830,217 or 6% at the end of 2015.
- Total net position of the primary government increased from the previous year by \$6,495,297 and the unrestricted portion increased by \$2,493,298.
- Governmental activities net investment in capital assets increased \$3,274,457 for a total of \$108,158,470 at the end of 2016.
- Governmental activities increased the County's net position by \$6,377,960 or 4.6% compared to the 2015 increase of \$3,725,758 or 3.0%. The governmental activities net position at the end of 2016 was \$145,005,018.
- Operating Grants and Contributions equaled \$45,685,866 or 26% of the total governmental activities revenue compared to \$44,541,187 or 26% in 2015.
- Business-type activities include the Solid Waste Operations. Business-type activities net position at the end of 2016 was \$12,687,996 compared to \$12,570,659 at the end of 2015.
- The Solid Waste Operations experienced a gain of \$109,619 from operations compared to a loss of \$1,270,623 in 2015. Non-Operating Activities generated revenue of \$7,718 in 2016 compared to \$101,973 in 2015. Total net position decreased by \$117,337 to bring the balance to \$12,687,996 at the end of 2016.
- At December 31, 2016, the County had total debt, excluding the Steuben Tobacco Asset Securitization Corporation (STASC), of \$2,995,000 consisting of the bonds for the refunding of the construction of an expansion of the jail facility.
- At December 31, 2016, STASC had total bonds, net of bond premiums, bond discounts and accretion, of \$34,931,145 which are securitized by future tobacco settlement payments.
- The government-wide "Current Ratio," which is an indicator of liquidity, for governmental activities was 3.6 at the end of 2016 and 3.4 at the end of 2015.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the County's financial statements. The financial statements include both the government-wide and fund financial statements, which present different views of the County. The financial statements also include the notes, which provide more detail and explanations of the financial data. Required Supplementary Information follows the Notes to the Financial Statements.

### **Government-Wide Financial Statements**

Consists of the Statement of Net Position and the Statement of Activities. These statements together provide a broad overview with a long-term focus on the County's finances as a whole and are presented in a manner similar to private-sector companies using the full-accrual basis of accounting.

The Statement of Net Position presents information on all of the County's assets or deferred outflows of resources and liabilities or deferred inflows of resources, with the difference reported as net position. Over time, changes in net position may be a useful indicator of whether the County's financial health is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future fiscal period, such as uncollected taxes and earned but unused vacation and sick leave.

Both government-wide financial statements distinguish between functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, education, public safety, health, transportation, economic assistance & opportunity, culture & recreation, and home & community services. The business-type activities of the County include the Solid Waste Operations. Worker's Compensation, an internal service fund, consists predominantly of business-type activity.

- **Component Units**

Legally separate organizations for which the elected officials of the primary government are financially accountable. A description of the component units and addresses for obtaining their separately issued financial statements can be found in the Notes to the Financial Statements. The Steuben County Industrial Development Agency and the Steuben County Soil and Water Conservation District are displayed in separate, discrete columns on the government-wide financial statements to emphasize their legal separation from the County. The Steuben County Tobacco Asset Securitization Corporation presentation is blended with the County's governmental activities.

- **Fund Financial Statements**

Provide detailed information about individual major funds, not the County as a whole. A fund is a fiscal/accounting entity with a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the County's funds can be divided into three categories, each of which uses a different accounting approach: governmental funds, proprietary funds, and fiduciary funds.



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-Wide Financial Statements (Continued)

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

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

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and county road fund, which are considered to be major funds. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the combining statements elsewhere in this report.

The County adopts an annual budget for its governmental funds. A budgetary comparison has been provided for the general fund and for each major individual fund to demonstrate compliance with this budget.

- **Proprietary funds.**  
The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its landfill operations. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for workers' compensation.
- Proprietary funds provide the same type of information as the government-wide financial statements using the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the Solid Waste Operations, which is considered to be a major enterprise fund of the County.
- **Fiduciary funds.**  
Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Reconciliation Between Government-Wide and Fund Statements

The financial statements include schedules that reconcile the amounts reported for *governmental activities* on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the *governmental* fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlay spending results in capital assets on the government-wide statements but they are expenditures on the governmental fund statements.
- Repayments of long-term debt reduce long-term liabilities on the government-wide statements but they are expenditures on the governmental fund statements.

### Notes to the Financial Statements

Provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

### Required Supplementary Information

Consists of the Management Discussion and Analysis, the pension and other post-employment benefits schedules, and budgetary comparison schedules, which demonstrate compliance with legally adopted and modified budgets.

### Government-Wide Summary of Net Position

Net position may serve over time as a useful indicator of a government's financial position.

	Statement of Net Position As of December 31,					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current assets (unrestricted)	\$ 141,411,855	\$ 132,422,450	\$ 13,674,641	\$ 12,040,800	\$ 155,086,496	\$ 144,463,250
Assets whose use is limited	1,855,012	1,755,559	38,668	35,368	1,893,680	1,790,927
Capital assets, net	111,153,470	108,419,013	14,244,188	15,218,180	125,397,658	123,637,193
Total Assets	<u>\$ 254,420,337</u>	<u>\$ 242,597,022</u>	<u>\$ 27,957,497</u>	<u>\$ 27,294,348</u>	<u>\$ 282,377,834</u>	<u>\$ 269,891,370</u>
Deferred Outflows of Resources	<u>\$ 25,427,418</u>	<u>\$ 6,105,535</u>	<u>\$ 813,467</u>	<u>\$ 195,327</u>	<u>\$ 26,240,885</u>	<u>\$ 6,300,862</u>
Current liabilities	\$ 39,123,766	\$ 36,039,960	\$ 484,329	\$ 13,757,703	\$ 39,608,095	\$ 49,797,663
Non-current liabilities	91,184,245	67,716,702	15,453,565	15,238,941	106,637,810	82,955,643
Total Liabilities	<u>\$ 130,308,011</u>	<u>\$ 103,756,662</u>	<u>\$ 15,937,894</u>	<u>\$ 28,996,644</u>	<u>\$ 146,245,905</u>	<u>\$ 132,753,306</u>
Deferred Inflows of Resources	<u>\$ 4,534,726</u>	<u>\$ 707,859</u>	<u>\$ 145,074</u>	<u>\$ 22,646</u>	<u>\$ 4,679,800</u>	<u>\$ 730,505</u>
Net investment in capital assets	108,158,470	104,884,013	14,244,188	15,218,180	122,402,658	120,102,193
Restricted	23,966,841	22,265,307	-	-	23,966,841	22,265,307
Unrestricted	12,879,707	11,477,738	(1,556,192)	(2,647,521)	11,323,515	8,830,217
Total Net Position	<u>\$ 145,005,018</u>	<u>\$ 138,627,058</u>	<u>\$ 12,687,996</u>	<u>\$ 12,570,659</u>	<u>\$ 157,693,014</u>	<u>\$ 151,197,717</u>

Net position totaled \$157,693,014 in 2016 compared to \$151,197,717 in 2015. Governmental activities comprise 92% of the total net position with \$145,005,018 in 2016 compared to 92% or \$138,627,058 in 2015. Business-type activities have total net position of \$12,687,996 in 2016 compared to net position of \$12,570,659 in 2015. Governmental unrestricted net position increased to \$12,879,707 in 2016 compared to \$11,477,738 in 2015.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Government-Wide Summary of Net Position (Continued)**

The largest component of the County's total net position, \$122,402,658 or 78% (\$120,102,193 or 79% in 2015) reflects investments in capital assets (land, buildings, equipment, roads, and bridges less accumulated depreciation) net of any related debt. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position comprises \$23,966,841 or 15% of the total net position compared to \$22,265,307 or 14% of the total net position in 2015. These assets are subject to constitutional, legal, or external constraints on how they may be used. The increase in governmental restricted net position is primarily related to a reclassification and increase in the net position of the workers' compensation internal service fund. Business-type restricted net position was \$0 in both 2016 and 2015.

The balance of unrestricted net position of \$11,323,515 (\$8,830,217 in 2015) represents the net position which may be used to meet the County's ongoing obligations, though certain laws and internally imposed designations of resources may result in the future restriction of net position that is currently designated as unrestricted.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-Wide Statement of Activities and Change in Net Position

The Government-Wide Statement of Activities reflects the results of operations in the governmental and business-type functions. The following condensed financial information was derived from the government-wide statement of activities and reflects how the County's net position changed during the fiscal year.

	Statement of Activities					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues	\$ 70,700,381	\$ 71,174,751	\$ 6,336,252	\$ 8,127,245	\$ 77,036,633	\$ 79,301,996
General Revenues	76,491,341	76,520,088	-	-	76,491,341	76,520,088
Other nonproperty tax items	25,850,365	22,989,844	-	-	25,850,365	22,989,844
Interfund Transfers	-	(6,867,945)	-	6,867,945	-	-
Miscellaneous	5,666,030	4,186,787	7,718	1,983	5,673,748	4,188,770
<b>TOTAL REVENUE</b>	<u>178,708,117</u>	<u>168,003,525</u>	<u>6,343,970</u>	<u>14,997,173</u>	<u>185,052,087</u>	<u>183,000,698</u>
<b>Expenses:</b>						
General Government	33,766,258	29,541,036	-	-	33,766,258	29,541,036
Education	8,469,724	8,307,652	-	-	8,469,724	8,307,652
Public Safety	23,033,463	21,356,849	-	-	23,033,463	21,356,849
Health	14,893,368	13,298,557	-	354,230	14,893,368	13,652,787
Transportation	25,144,938	24,549,358	-	-	25,144,938	24,549,358
Economic asst & opportunity	63,148,273	60,800,838	-	-	63,148,273	60,800,838
Culture and recreation	640,423	621,731	-	-	640,423	621,731
Home and community	924,410	1,377,429	6,226,633	7,121,484	7,151,043	8,498,913
Interest and amortization expense	2,309,300	2,244,195	-	-	2,309,300	2,244,195
<b>TOTAL EXPENSES</b>	<u>172,330,157</u>	<u>162,097,645</u>	<u>6,226,633</u>	<u>7,475,714</u>	<u>178,556,790</u>	<u>169,573,359</u>
<b>Increases in net position</b>						
before special item	6,377,960	5,905,880	117,337	7,521,459	6,495,297	13,427,339
Special item - transfer of liability from HCF	-	(2,180,122)	-	-	-	(2,180,122)
<b>Increase (decrease) in net position</b>	<u>6,377,960</u>	<u>3,725,758</u>	<u>117,337</u>	<u>7,521,459</u>	<u>6,495,297</u>	<u>11,247,217</u>
<b>Net position, beginning of year,</b>						
as previously reported	<u>138,627,058</u>	<u>136,755,136</u>	<u>12,570,659</u>	<u>5,108,507</u>	<u>151,197,717</u>	<u>141,863,643</u>
<b>Prior period adjustments:</b>						
Cumulative effect of change in accounting principle	-	(1,853,836)	-	(59,307)	-	(1,913,143)
Beginning net position, restated	<u>138,627,058</u>	<u>134,901,300</u>	<u>12,570,659</u>	<u>5,049,200</u>	<u>151,197,717</u>	<u>139,950,500</u>
<b>Net position, end of year</b>	<u>\$ 145,005,018</u>	<u>\$ 138,627,058</u>	<u>\$ 12,687,996</u>	<u>\$ 12,570,659</u>	<u>\$ 157,693,014</u>	<u>\$ 151,197,717</u>

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Governmental Activities**

Governmental activities increased the County's net position by \$6,377,960 or 4% in 2016 compared to an increase of \$3,725,758 or 3% in 2015. Total revenue in 2016 was approximately \$178,800,000 which is approximately \$10,800,000 more than the \$168,000,000 in 2015. In 2016 expenses increased about \$10,200,000 to approximately \$172,300,000 compared to about \$162,100,000 in 2015.

The \$6,377,960 increase in total governmental activities revenue is comprised of various increases and decreases in revenue categories. The largest increase in revenues compared with 2015 is approximately \$3,600,000 within the health charges for service line. This increase is almost entirely related to an increase in Medicaid and other health related fees. The second largest increase of about \$2,860,000 is within the other non-property tax items category and is almost entirely related to the tax sharing agreement with the two cities within the County that took effect March 1, 2015. With this agreement the cities no longer pre-empt the 3% sales tax on sales within the city limits. The County is collecting all of the sales tax for sales within the County and then, based on an agreed upon formula, disbursing the sales tax to the cities, towns and villages within the County. This change in sales tax sharing has resulted in \$2.8 million more in collections in 2016 compared to 2015 as well as an equal increase in expenditures within the general government support category.

Operating grants and contributions increased by about \$1,100,000 compared to 2015. The increase is primarily the result of increased federal aid within the Education, Health, and Transportation programs. The largest increase of just over \$600,000 was in the Transportation Support category and this was primarily related to an increase in Consolidated Highway Improvement Program funding.

Real property tax levy and other real property tax items revenue increased \$314,748 over the 2015 amount. Sales tax revenues retained for County use were constant compared to 2015. Within the miscellaneous revenue category, there was an increase of about \$1,382,000 compared to 2015. Most of this increase was a result of an intergovernmental transfer received from New York State Department of Health in 2016.

The \$10,232,000 increase in expenses in 2016 compared to 2015 is an increase of about 6.3% compared to 2015. A contributing factor to the increased expense amount in 2016 was the new collective bargaining agreement with the largest county union. The salary increases from 2015 to 2016 were 4% of base for those employees currently on the salary grid and 1.75% of 2015 wages for those employees no longer on the salary grid. Another reason for the increase in expenses is due to an increase in rates related to Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. The 2016 pension expense related to the statement was about \$4,665,000 greater than the 2015 expense. The increase in expenses resulting from the sales tax sharing agreement discussed previously was about \$2,658,000. Most of the remaining increase in expenses (approximately \$2,350,000) was within the economic assistance and opportunity expenses. This increase was comprised of an increase of about \$822,000 related to Medicaid expenses, \$450,000 increase from the Residential Schools expense line, almost \$300,000 increase in Building Independence for Long Term program, and several other smaller increases.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Business-type Activities

Net position from the business-type activities increased \$117,337 in 2016 compared to an increase of \$7,521,459 in 2015. The bulk of this decline in net position change is related to the \$6,867,945 transfer to the health care facility to the General fund to close the health care facility fund combined with an adjustment to transfer the health care facility other post-employment benefits liability to governmental activities during 2015.

The Solid Waste Operations had an increase in net position of \$117,337 in 2016 compared to a decrease of \$1,168,650 in 2015. The Solid Waste Operations operating revenue increased to about \$6,300,000 in 2016 compared to approximately \$5,798,000 in 2015. This increase in revenue resulted from an increase in general refuse fees of about \$515,000 and a decline in the proceeds from the gas to energy agreement of \$379,000. Solid Waste Operations operating expenses decreased by about \$841,000 in 2016 compared to 2015 (\$6,226,633 in 2016 and \$7,068,364 in 2015). Wage and benefit costs increased about \$142,000 while closure and post closure expenses decreased about \$1,000,000. Non-operating items were about \$7,300 in 2016 which was a decline from \$101,973 in 2015. Most of this was related to decreased state aid claiming compared to 2015 and a decrease of loss on the disposition of assets.

### Financial Analysis of Governmental Funds

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

### Governmental Funds

The focus of the County's governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund Balance Summary  
For the year Ended December 31:

	2016				2015			
	General	County Road	Nonmajor	Total	General	County Road	Nonmajor	Total
Nonspendable	\$ 1,714,301	\$ -	\$ -	\$ 1,714,301	\$ 2,297,232	\$ -	\$ -	\$ 2,297,232
Restricted	9,476,771	-	7,245,035	16,721,806	9,810,343	-	6,476,814	16,287,157
Assigned	7,522,397	1,036,861	2,141,097	10,700,355	7,459,452	365,346	2,192,090	10,016,888
Unassigned	62,705,648	-	-	62,705,648	55,374,306	-	-	55,374,306
	<u>\$ 81,419,117</u>	<u>\$ 1,036,861</u>	<u>\$ 9,386,132</u>	<u>\$ 91,842,110</u>	<u>\$ 74,941,333</u>	<u>\$ 365,346</u>	<u>\$ 8,668,904</u>	<u>\$ 83,975,583</u>

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$91,842,110, an increase of \$7,866,527 in comparison with the prior year. Unassigned fund balance, which is available for spending at the County's discretion, constitutes approximately 68% of the total. The nonspendable portion of fund balance is comprised of inventory and prepaid expenses. Restricted fund balance of \$16,721,806 (18%) is not available for new spending because it has already been designated by an outside source or through the establishment of reserves; 1) to pay debt service (\$1,855,012), 2) to pay potential future insurance claims (\$3,171,884), 3) to pay for future facility and equipment repair and renovations (\$4,308,314), 4) to pay for capital projects (\$5,390,023) and 5) for a variety of other special purposes (\$1,996,573). Assigned fund balance represents the amounts the County intends to use for specific purposes.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Governmental Funds (Continued)**

The assigned balance of \$10,700,355 (12%) is comprised of; 1) the residual balance in the governmental funds exclusive of the general fund (\$3,177,958), 2) amounts appropriated for the 2017 budget (\$5,898,628), 3) \$1,500,000 intended to be used for large self-funded health insurance claims, and 4) the value of open purchase orders at year end (\$123,769).

The General Fund is the primary operating fund of the County.

The general fund unassigned fund balance increased by \$7,331,342 or 13% in 2016 compared to a decrease of \$733,123 or 1% in 2015. In 2016, the unassigned fund balance equaled 77% of the total fund balance compared to 74% in 2015.

In 2016, \$5,898,628 of the assigned general fund balance was allocated to fund 2017 appropriations compared to \$5,858,628 for 2016 appropriations in 2015.

Total fund balance for the general fund increased by \$6,477,784 or 8.6% in 2016 compared to an increase of \$1,371,541 or 2% in 2015. Total general fund revenues were more in 2016 than 2015 by \$2,949,835 (\$146,983,043 in 2016 and \$144,033,208 in 2015). As discussed previously, the largest increase of about \$2,658,000 is within the other non-property tax items category and is almost entirely related to the tax sharing agreement with the two cities within the County that took effect March 1, 2015. The second largest increase is within the state aid revenue line (approximately \$1,021,000). This increase was a result of an increase of Social Services Administrative revenue (\$694,885) and revenue from New York State Department of Health (\$236,000).

General Fund expenditures increased \$832,279 in 2016 over 2015. Total general fund expenditures were \$138,974,415 in 2016 compared to \$138,142,136 in 2015. The three largest swings were within general government, economic assistance and public safety categories. General government expenditures increased about \$1,875,504 over 2015. Of this amount, the increase resulting from the sales tax sharing agreement discussed previously was about \$2,657,889, which was netted down by other various decreases in expenditures. Economic assistance and opportunity expenses increased by about \$1,236,193 compared to 2015. This increase was comprised of an increase of about \$821,452 related to Medicaid expenses, \$290,978 increase from the Building Independence for the Long Term (BILT) expense line, almost \$200,000 increase in Assistance payments, and several other smaller increases and decreases. Public safety costs were \$695,994 greater in 2016 than in 2015. This resulted from an increase in equipment purchases in 2016 (\$234,000) along with the remaining variance as a result of an increase in wages and benefits.

The County Road Fund is the other major County fund.

The County Road fund has a total fund balance of \$1,036,861 representing a 183% increase from the 2015 fund balance of \$365,346. Total revenues were up by \$1,818,659 in 2016 when compared to 2015. This increase was primarily due to PAVE NY funds of \$1,011,150 that were received in 2016 but not in 2015. Total expenditures increased \$654,713 to \$21,905,782 compared to 2015. This increase was comprised of both increases and decreases in the individual components of County Road costs.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Governmental Funds (Continued)**

**Financial Analysis of Proprietary funds**

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

The Solid Waste Operations had net position of \$12,687,996 at the end of 2016 compared to \$12,570,659 at the end of 2015, representing an increase of \$117,337 or .9%. The results for the past five consecutive years are as follows:

2016	\$ 117,337
2015	(\$ 1,227,957)
2014	(\$ 275,341)
2013	\$ 456,032
2012	\$ 689,012

**General Fund Budgetary Highlights**

Appropriation budget adjustments increased the original budget by \$8,665,950 or 6% compared to \$17,275,319 or 12% in 2015. Please contact the County for a separately issued report with detailed budget comparisons. Changes in appropriations are summarized as follows:

	Expenditures				Budgetary Basis		Variance with Modified Budget
	Original	Modified	Difference	% change	Actual	Encumbrance	
Expenditures							
General government	\$ 27,332,148	\$ 34,344,355	\$ 7,012,207	25.66%	\$ 31,215,417	\$ 48,103	\$ 3,080,835
Education	8,490,000	8,674,000	184,000	2.17%	8,469,724	-	204,276
Public Safety	20,329,395	21,583,432	1,254,037	6.17%	20,401,289	37,553	1,144,590
Health	15,192,594	15,692,677	500,083	3.29%	14,277,480	35,597	1,379,600
Transportation	415,500	415,500	-	0.00%	391,259	-	24,241
Economic assistance and opportunity	68,598,156	67,511,127	(1,087,029)	-1.58%	61,895,825	2,516	5,612,786
Culture and recreation	635,894	659,764	23,870	3.75%	638,820	-	20,944
Home and community services	1,236,762	1,261,422	24,660	1.99%	1,014,151	-	247,271
Debt services	670,450	670,450	-	0.00%	670,450	-	-
<b>TOTAL APPROPRIATED EXPENDITURES</b>	<b>142,900,899</b>	<b>150,812,727</b>	<b>7,911,828</b>	<b>5.54%</b>	<b>138,974,415</b>	<b>123,769</b>	<b>11,714,543</b>
Transfers Out	776,733	1,530,855	754,122	97.09%	1,530,844	-	11
<b>TOTAL APPROPRIATIONS &amp; EXPENDITURES</b>	<b>\$ 143,677,632</b>	<b>\$ 152,343,582</b>	<b>\$ 8,665,950</b>	<b>6.03%</b>	<b>\$ 140,505,259</b>	<b>\$ 123,769</b>	<b>\$ 11,714,554</b>



## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Explanation of Significant Budget Modifications:**

- The current year General Fund budget was increased by \$100,824 to fund encumbrances issued in 2015.
- In 2016, \$168,000 or 13% (\$369,428 or 28% in 2015) of the contingency budget of \$1,300,000 established for unforeseen purposes was allocated. The most significant transfer was \$155,000 to fund part of the cost of assigned counsel services. An additional \$13,000 was transferred to a capital project for remediation of a tax-foreclosure property.
- The greatest modification from budget is in the general government expense. This is driven primarily by the previously discussed increase in cash payments of sales tax to other municipalities. Both the expense and revenues lines for these payments were increased by \$6,189,715 to reflect the sales tax sharing agreement payments.
- The second largest fluctuation from original budget to modified budget was in the public safety line. This line was increased about \$644,000 to reflect Homeland Security grants and other public safety grants. An additional \$472,000 was added to the public safety salary and fringe lines. Equipment items of about \$187,000 were added to the budget.
- The decrease in budget within the Economic assistance and opportunity category of approximately \$737,000 is because budgeted salary and fringe lines from this category were not needed as several vacant positions were not filled. This excess budget was used in other areas where vacancies were filled or long term employees retired and hence additional salary and fringe budget were required.
- The increase of approximately \$754,000 in Transfers out is related to increased capital projects that were budgeted from the building repairs and renovations reserve.

### **General Fund Final Budget Compared to Actual Expenditures and Revenues**

- Actual revenues exceeded the final-modified revenue budget by approximately \$1,224,000 or .8% (\$7,470,000 or .4% in 2015). The more significant revenue budget variances included: \$2,262,000 more sales tax received than anticipated, and \$1,684,000 that was not budgeted from the final Intergovernmental Transfer related to the nursing home operations. These overages were partially offset by revenue budget shortages including about \$790,000 of budgeted grant revenue that was not claimed as of year-end, about \$900,000 of net revenue shortfalls within the economic assistance, mental health, and addiction services, and about \$1,000,000 less in departmental income than anticipated.
- The final-appropriation budget exceeded actual expenditures by approximately \$11,715,000 or 8% (\$13,758,000 or 9% in 2015).
- General government actual costs were less than budgeted by about \$3,080,000. The largest variances were: 1) unspent contingency funding of about \$1,132,000 2) underspent election funding of about \$285,000 3) unspent public defender grants of about \$426,000 and 4) underspent community college tuition budget of about \$204,000.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **General Fund Final Budget Compared to Actual Expenditures and Revenues (Continued)**

- Public safety expenditures were approximately \$1,145,000 less than the modified budget. The largest variances were: 1) unspent wage and fringe benefit budgets of about \$395,000 within all of the public safety departments, 2) unspent Homeland Security grants of about \$173,000, 3) and underspent public safety contractual costs (including 911 equipment maintenance) of approximately \$484,000.
- Of the budget difference in expenditures for health services of about \$1,380,000, the largest variance of about \$1,015,000 was related to the mental health and substance addiction services.
- As is typical, the largest variance of actual spending compared to budgeted spending is within the economic assistance and opportunity service area. The total underspending in this category was approximately \$5,613,000 and most of this variance was for department of social services programs. The largest piece was for administration which was less than budget by about \$1,406,000. About \$1,022,000 underspending was experienced in the Safety Net budget line. Both the child care program and temporary assistance to needy families' lines were each underspent by 933,000 and 809,000, respectively. Lastly, Services for recipients was underspent by almost \$487,000.

### **Capital Asset and Debt Administration**

- **Capital Assets**

The County's investment in capital assets (net of accumulated depreciation) for governmental and business-type activities as of December 31, 2016 totaled \$125,397,658 compared to \$123,637,194 in 2015. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, infrastructure (highways and bridges), and construction in progress. The major investments in capital assets in 2016 were for additional investments in infrastructure, road construction and landfill equipment and vehicles. Please refer to Note 5 in the Notes to the Basic Financial Statements in this report for additional information on the County's capital assets.

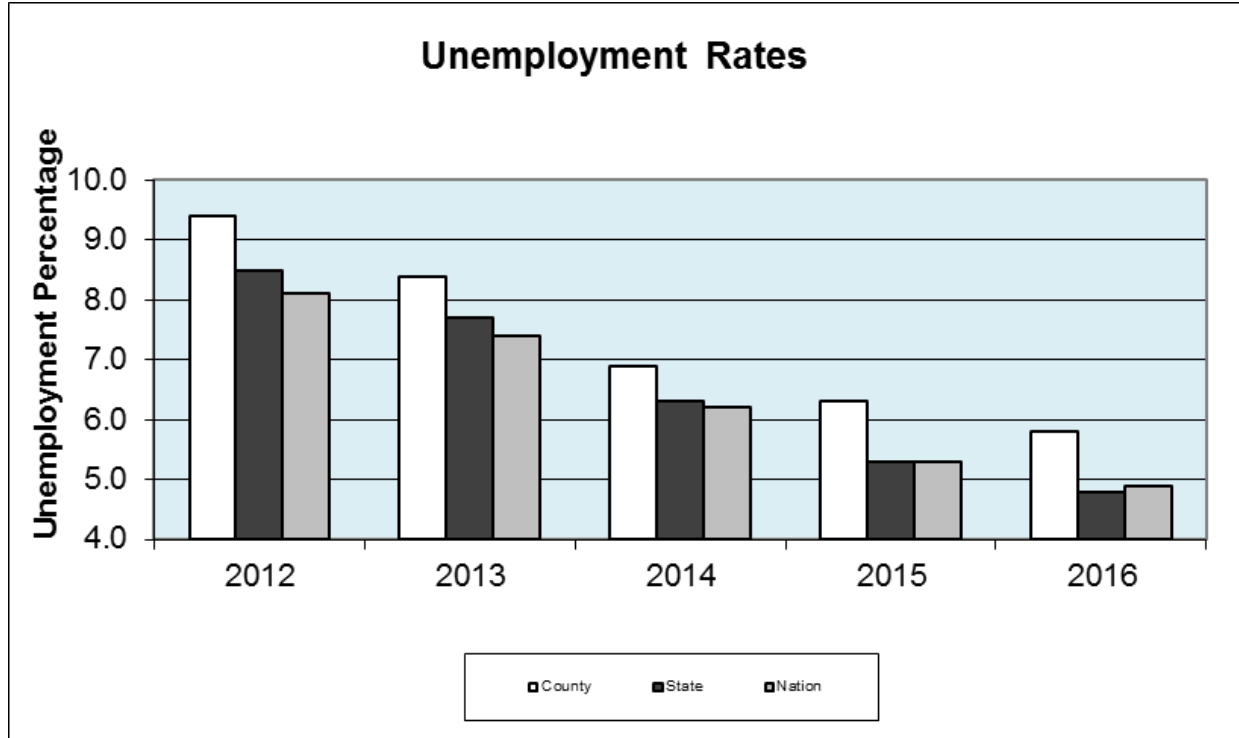
- **Long-Term Debt**

At December 31, 2016, excluding the STASC, the County had total debt obligations of \$2,995,000 compared to \$3,535,000 at the end of 2015. The STASC had debt of \$28,657,790 (\$30,112,790 in 2015) which is securitized by future tobacco settlement payments. Please Refer to Note 11 of the Notes to the Basic Financial Statements in this report for additional information on the County's debt.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Economic Outlook and Budgets

The annual average unemployment rate in Steuben County continues to exceed that of New York State as well as the national average.

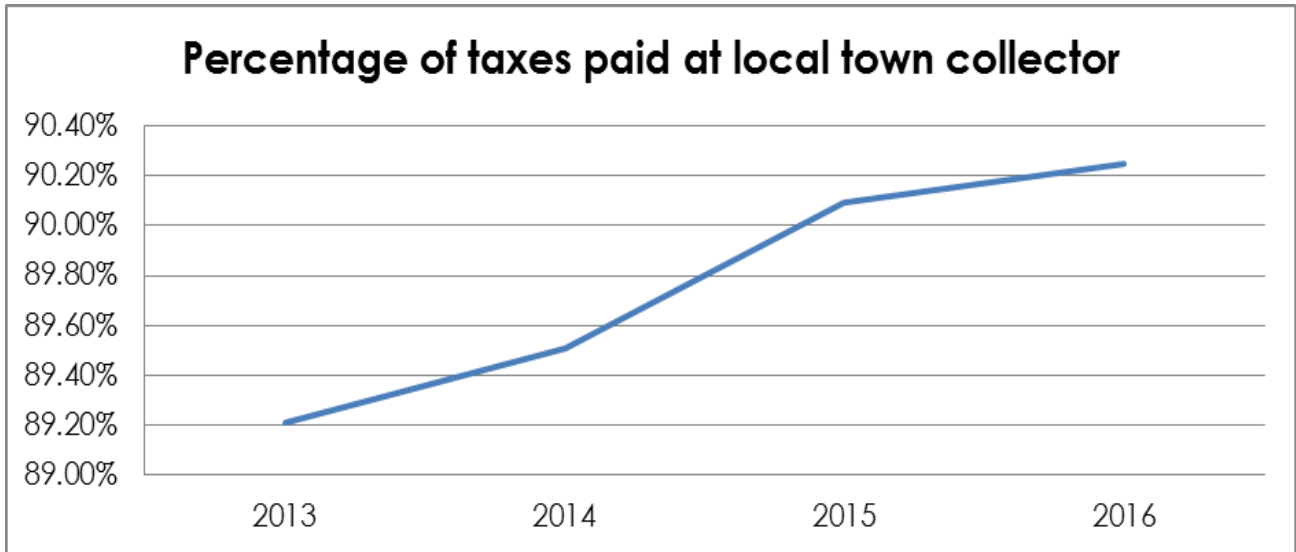


For the several years preceding the great recession in 2009, the difference between the state average unemployment rate and the County unemployment rate was about .7%. In 2009 through 2013, the difference was in excess of 1%. In 2014, the spread between the unemployment rate in the County compared to the state and nation has again dropped below 1% to .6% and .7% respectively. In 2015 the difference between the County and the state and federal unemployment rates rose once more to 1.1% and stayed at 1% for 2016.

The percentage of property taxes that are paid at the local town collector has remained very near 90% for many years. The graph below presents the incremental increase in the percentage over the past four years.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Economic Outlook and Budgets (Continued)**



Due to the funding mechanism of the New York State Employees' Retirement System and the continually increasing cost of health care, the cost of fringe benefits has grown significantly since 2008. The County average fringe rate on salary dollars was 43% in 2008 and over 58% in 2016.

In November of 2015, Kraft Heinz announced that the Kraft cheese factory in Campbell will be closed or sold. The Steuben County Industrial Development Agency (IDA) is actively seeking buyers for the plant. In February of 2017, 380 Kraft employees received the required 90-day notice that the plant will close. Layoffs began on May 26 and will continue until the final plant closure at the end of July 2017. On a more positive note, employment at the Alstom rail facility in Hornell has remained relatively constant throughout 2016 between 650-700 positions.

A location and tentative design have been approved for a new multi-storied building located across the street from the existing County office building and a one-story pre-engineered metal storage building at the County's Mt. Washington property. The new building on Mt. Washington will be for archived record storage. The multi-story building will house active record storage, meeting and conference rooms, and County departments. The estimated cost is in the \$8.6-\$9.0 million dollar range. In November 2016, the County Legislature approved issuance of \$4,000,000 of serial bonds to partially fund the construction costs. The balance will be funded with reserved fund balance. The bond will be issued in June 2017.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### 2017 Budget

The total proposed budget for 2017 is \$177,761,973 representing an increase of \$2,721,954 or 1.6 % in total expenditures. The 2017 budget summary is presented below with a comparison to the original 2016 budget.

	<u>2017 Budget</u>	<u>2016 Budget</u>	<u>Difference</u>	<u>% Change</u>
EXPENDITURES:				
GENERAL GOVERNMENT SUPPORT	27,625,936	27,332,148	293,788	1.07%
EDUCATION	8,870,000	8,490,000	380,000	4.48%
PUBLIC SAFETY	20,626,235	20,329,395	296,840	1.46%
HEALTH	14,966,535	15,192,594	(226,059)	-1.49%
TRANSPORTATION	26,714,254	26,086,842	627,412	2.41%
ECONOMIC ASSISTANCE/OPPORTUNITY	68,188,650	68,248,156	(59,506)	-0.09%
CULTURE & RECREATION	638,686	635,894	2,792	0.44%
HOME & COMMUNITY SERVICES	1,492,831	1,396,762	96,069	6.88%
UNALLOCATED EMPLOYEE BENEFITS	335,850	350,000	(14,150)	-4.04%
DEBT SERVICE	669,250	670,450	(1,200)	-0.18%
INTERFUND TRANSFERS	2,125,746	1,039,733	1,086,013	104.45%
PUBLIC WORKS	5,508,000	5,268,045	239,955	100%
TOTAL	<u>\$ 177,761,973</u>	<u>\$ 175,040,019</u>	<u>\$ 2,721,954</u>	1.56%
REVENUES:				
REAL PROPERTY TAXES & RELATED ITEMS	\$ 53,830,982	\$ 53,810,039	\$ 20,943	0.04%
NON PROPERTY TAXES	39,854,515	39,852,515	2,000	0.01%
DEPARTMENTAL INCOME	17,986,687	17,927,487	59,200	0.33%
INTERGOVERNMENTAL CHARGES	2,197,858	2,132,325	65,533	3.07%
USE OF MONEY & PROPERTY	2,501,700	2,476,745	24,955	1.01%
MISCELLANEOUS	1,282,743	1,296,644	(13,901)	-1.07%
INTERFUND REVENUES	4,300,266	4,286,991	13,275	0.31%
STATE AID	26,574,322	24,476,034	2,098,288	8.57%
FEDERAL AID	21,782,082	22,290,111	(508,029)	-2.28%
APPROPRIATED SURPLUS	6,558,628	6,478,628	80,000	1.23%
APPROPRIATED RESERVES	892,190	12,500	879,690	7037.52%
TOTAL	<u>\$ 177,761,973</u>	<u>\$ 175,040,019</u>	<u>\$ 2,721,954</u>	1.56%

The two categories with the largest increase in budgeted expenditures in 2017 compared to 2016 are Transportation at \$627,412 and interfund transfers at \$1,086,013. Transportation increased due to increased State Aid for road repair and maintenance. Interfund transfers increased primarily because of a change in the manner in which the projects being funded from the building renovations and repair reserve are presented within the budget. These two items also impacted the revenue budget. The additional Department of Transportation revenue in the 2017 State Aid line is about \$1,000,000 and the appropriation from the reserve in 2017 that was not presented in the same manner in the 2016 budget is about \$845,000. The remaining \$1,000,000 increase in state aid revenue results for minor increased aid primarily in the Department of Social Services and Community Services.

The tax levy decreased by \$1,860 (.004%) to \$50,008,771 compared to 2016. The tax rate per thousand of taxable value decreased 2 cents or .2% to \$8.70 per thousand of total taxable value of property in the County.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **Request for Information**

This financial report is designed to provide a general overview for all those with an interest in the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Steuben County Finance Department at 3 East Pulteney Square, Bath, NY 14810. The County's Internet address is [www.steubencony.org](http://www.steubencony.org).

The County's component units issue separate financial statements. These statements may be obtained by contacting the individual agencies directly. Please refer to the Notes to the Basic Financial Statements for contact information.

**STEBEN COUNTY, NEW YORK**

**STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	IDA Business-type	Soil & Water Business-type
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 111,072,922	\$ 12,957,100	\$ 124,030,022	\$ 1,622,697	\$ 1,110,444
Taxes receivable and tax deeds, net	11,181,200	-	11,181,200	-	-
Other receivables, net	6,193,351	717,541	6,910,892	-	225,898
Assets whose use is limited	1,855,012	38,668	1,893,680	649,637	1,458,353
State and federal receivables	8,563,077	-	8,563,077	-	-
Due from other governments	1,696,962	-	1,696,962	-	-
Prepaid items	1,803,459	-	1,803,459	-	-
Inventory of supplies	900,884	-	900,884	-	-
Total current assets	<u>143,266,867</u>	<u>13,713,309</u>	<u>156,980,176</u>	<u>2,272,334</u>	<u>2,794,695</u>
Noncurrent assets:					
Non-depreciable capital assets	3,425,975	641,822	4,067,797	-	-
Net depreciable capital assets	<u>107,727,495</u>	<u>13,602,366</u>	<u>121,329,861</u>	<u>1,906,458</u>	<u>189,695</u>
Total noncurrent assets	<u>111,153,470</u>	<u>14,244,188</u>	<u>125,397,658</u>	<u>1,906,458</u>	<u>189,695</u>
Total Assets	<u>254,420,337</u>	<u>27,957,497</u>	<u>282,377,834</u>	<u>4,178,792</u>	<u>2,984,390</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related	<u>25,427,418</u>	<u>813,467</u>	<u>26,240,885</u>	<u>147,521</u>	-
Total deferred outflows of resources	<u>25,427,418</u>	<u>813,467</u>	<u>26,240,885</u>	<u>147,521</u>	-
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	13,814,957	319,587	14,134,544	10,063	16,614
Accrued liabilities	8,908,087	103,620	9,011,707	7,768	-
Current portion of compensated absences	2,180,955	61,122	2,242,077	-	89
Due to other governments	5,382,882	-	5,382,882	-	-
Accrued interest payable	173,712	-	173,712	-	-
Current portion of bonds payable	555,000	-	555,000	-	-
Bond anticipation notes payable	150,000	-	150,000	-	-
Unearned revenues	7,498,654	-	7,498,654	-	1,458,353
Other liabilities	<u>459,519</u>	-	<u>459,519</u>	-	-
Total current liabilities	<u>39,123,766</u>	<u>484,329</u>	<u>39,608,095</u>	<u>17,831</u>	<u>1,475,056</u>
Noncurrent Liabilities:					
Compensated absences, net of current portion	3,294,909	222,807	3,517,716	-	16,019
Other post-employment benefits	26,070,348	837,998	26,908,346	-	-
Net pension liability	24,447,843	782,129	25,229,972	138,408	-
Accrued landfill closure/post closure care costs	-	13,610,631	13,610,631	-	-
Bonds payable, net of current portion and discount	<u>37,371,145</u>	-	<u>37,371,145</u>	-	-
Total noncurrent liabilities	<u>91,184,245</u>	<u>15,453,565</u>	<u>106,637,810</u>	<u>138,408</u>	<u>16,019</u>
Total Liabilities	<u>130,308,011</u>	<u>15,937,894</u>	<u>146,245,905</u>	<u>156,239</u>	<u>1,491,075</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related	<u>4,534,726</u>	<u>145,074</u>	<u>4,679,800</u>	<u>23,624</u>	-
Total deferred inflows of resources	<u>4,534,726</u>	<u>145,074</u>	<u>4,679,800</u>	<u>23,624</u>	-
<b>NET POSITION</b>					
Net investment in capital assets	108,158,470	14,244,188	122,402,658	1,906,458	189,695
Restricted for:					
Capital improvements	5,390,023	-	5,390,023	-	-
Debt service	1,855,012	-	1,855,012	-	-
Other Restrictions	16,721,806	-	16,721,806	649,637	1,458,353
Unrestricted	<u>12,879,707</u>	<u>(1,556,192)</u>	<u>11,323,515</u>	<u>1,590,355</u>	<u>(154,733)</u>
Total Net Position	<u>\$ 145,005,018</u>	<u>\$ 12,687,996</u>	<u>\$ 157,693,014</u>	<u>\$ 4,146,450</u>	<u>\$ 1,493,315</u>

The accompanying notes are an integral part of these financial statements.

**STEBEN COUNTY, NEW YORK**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	IDA Business-type	Soil & Water Gov't-type
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities -									
General	\$ 33,766,258	\$ 5,637,997	\$ 1,036,257	\$ -	\$ (27,092,004)	\$ -	\$ (27,092,004)		
Education	8,469,724	-	2,209,926	-	(6,259,798)	-	(6,259,798)		
Public safety	23,033,463	3,814,315	1,842,048	212,980	(17,164,120)	-	(17,164,120)		
Health	14,893,368	7,998,679	5,673,737	-	(1,220,952)	-	(1,220,952)		
Transportation	25,144,938	2,930,044	5,919,532	2,340,236	(13,955,126)	-	(13,955,126)		
Economic assistance and opportunity	63,148,273	2,036,700	28,709,069	-	(32,402,504)	-	(32,402,504)		
Culture and recreation	640,423	41,219	136,297	-	(462,907)	-	(462,907)		
Home and community	924,410	1,345	160,000	-	(763,065)	-	(763,065)		
Interest and amortization expense	2,309,300	-	-	-	(2,309,300)	-	(2,309,300)		
Total governmental activities	<u>172,330,157</u>	<u>22,460,299</u>	<u>45,686,866</u>	<u>2,553,216</u>	<u>(101,629,776)</u>	<u>-</u>	<u>(101,629,776)</u>		
Business-type activities -									
Solid Waste Operations	6,226,633	6,336,252	-	-	-	109,619	109,619		
Total business-type activities	<u>6,226,633</u>	<u>6,336,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,619</u>	<u>109,619</u>		
Total primary government	<u>\$ 178,556,790</u>	<u>\$ 28,796,551</u>	<u>\$ 45,686,866</u>	<u>\$ 2,553,216</u>	<u>(101,629,776)</u>	<u>109,619</u>	<u>(101,520,157)</u>		
<b>COMPONENT UNITS:</b>									
Industrial Development Agency	\$ 557,481	\$ 358,895	\$ 108,000	\$ -			\$ (90,586)	\$ -	
Soil and Water Conservation District	1,794,856	176,640	2,158,809	-			-	540,593	
Total component units	<u>\$ 2,352,337</u>	<u>\$ 535,535</u>	<u>\$ 2,266,809</u>	<u>\$ -</u>			<u>(90,586)</u>	<u>540,593</u>	
<b>GENERAL REVENUES:</b>									
					42,470,538	-	42,470,538	-	-
					3,959,183	-	3,959,183	-	-
					30,061,620	-	30,061,620	-	-
					25,850,365	-	25,850,365	-	-
					264,477	1,798	266,275	1,352	389
					134,167	5,550	139,717	-	67,824
					5,267,386	370	5,267,756	1,815	33,114
Total general revenues					<u>108,007,736</u>	<u>7,718</u>	<u>108,015,454</u>	<u>3,167</u>	<u>101,327</u>
Change in net position					6,377,960	117,337	6,495,297	(87,419)	641,920
Net Position, beginning of year					<u>138,627,058</u>	<u>12,570,659</u>	<u>151,197,717</u>	<u>4,233,869</u>	<u>851,395</u>
Net Position, end of year					<u>\$ 145,005,018</u>	<u>\$ 12,687,996</u>	<u>\$ 157,693,014</u>	<u>\$ 4,146,450</u>	<u>\$ 1,493,315</u>

The accompanying notes are an integral part of these financial statements.



STEUBEN COUNTY, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General Fund	County Road	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 92,036,316	\$ 2,958,322	\$ 7,426,967	\$ 102,421,605
Taxes receivable and tax deeds, net	11,181,200	-	-	11,181,200
Other receivables	4,615,552	-	1,577,799	6,193,351
State and federal receivables	7,814,728	-	748,349	8,563,077
Due from other governments	709,759	18,356	97,853	825,968
Prepaid items	1,695,263	-	-	1,695,263
Inventory of supplies	19,038	-	-	19,038
Assets whose use is limited	-	-	1,855,012	1,855,012
<b>Total assets</b>	<b>\$ 118,071,856</b>	<b>\$ 2,976,678</b>	<b>\$ 11,705,980</b>	<b>\$ 132,754,514</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 12,857,754	\$ 382,748	\$ 484,909	\$ 13,725,411
Accrued liabilities	2,741,806	374,669	39,162	3,155,637
Bond anticipation note payable	-	-	150,000	150,000
Due to other governments	5,382,882	-	-	5,382,882
Due to other funds	2,011,080	1,182,400	67,978	3,261,458
Unearned revenues	7,498,654	-	-	7,498,654
Other liabilities	459,519	-	-	459,519
<b>Total liabilities</b>	<b>30,951,695</b>	<b>1,939,817</b>	<b>742,049</b>	<b>33,633,561</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Tobacco settlement revenue	-	-	1,577,799	1,577,799
Unearned taxes	5,701,044	-	-	5,701,044
<b>Total Deferred Inflows of Resources</b>	<b>5,701,044</b>	<b>-</b>	<b>1,577,799</b>	<b>7,278,843</b>
<b>FUND BALANCES</b>				
Nonspendable	1,714,301	-	-	1,714,301
Restricted	9,476,771	-	7,245,035	16,721,806
Assigned	7,522,397	1,036,861	2,141,097	10,700,355
Unassigned	62,705,648	-	-	62,705,648
<b>Total Fund Balances</b>	<b>81,419,117</b>	<b>1,036,861</b>	<b>9,386,132</b>	<b>91,842,110</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 118,071,856</b>	<b>\$ 2,976,678</b>	<b>\$ 11,705,980</b>	<b>\$ 132,754,514</b>

The accompanying notes are an integral part of these financial statements.

# STEUBEN COUNTY, NEW YORK

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION AS OF DECEMBER 31, 2016

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Total fund balances - governmental funds \$ 91,842,110

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The assets consist of:

Land	\$ 1,116,474	
Buildings and improvements	44,429,878	
Improvements other than buildings	1,526,209	
Equipment	32,584,271	
Infrastructure	173,209,574	
Construction in progress	2,309,501	
Accumulated depreciation	<u>(144,022,437)</u>	
Total capital assets		111,153,470

Unearned property tax revenues are not available to pay for current-period expenditures and are therefore deferred in the funds. 5,701,044

Deferred outflows and inflows of resources related to pensions are applicable to future periods and; therefore, are not reported in the fund.

Deferred outflows - ERS	25,427,418
Deferred inflows - ERS	(4,534,726)

Unearned tobacco settlement revenues are not available to pay for current-period expenditures and are therefore deferred in the funds. 1,577,799

Certain items are not available within sixty days of the year end, hence are not considered assets on the fund statements. These consist of:

Inventory type items for materials and supplies	881,846
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued bond interest payable	(173,712)
Accrued compensated absences	(5,475,864)
Bonds and capital notes payable	(31,193,816)
Other post-employment benefits liability	(26,070,348)
Accrued bond accretion	(6,732,329)
Net pension liability	(24,447,843)

Internal service funds are used by management to charge costs of insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. 7,049,969

Total net position of governmental activities \$ 145,005,018

**STEBEN COUNTY, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General Fund</u>	<u>County Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Real property taxes	\$ 24,588,017	\$ 16,978,931	\$ 753,093	\$ 42,320,041
Real property tax items	3,959,183	-	-	3,959,183
Non-property taxes	55,911,985	-	-	55,911,985
Departmental Income	13,020,318	-	-	13,020,318
Participants' share	-	-	61,948	61,948
Intergovernmental services revenue	2,373,786	97,007	104,000	2,574,793
Use of money and property	2,406,552	-	10,363	2,416,915
Licenses and permits	1,345	-	-	1,345
Fines and forfeitures	255,155	-	-	255,155
Sale of property and compensation for losses	38,721	45,197	50,507	134,425
Tobacco settlement revenues	-	-	2,893,169	2,893,169
Interfund revenues	1,462,338	-	2,672,927	4,135,265
State aid	19,844,314	5,440,968	719,536	26,004,818
Federal aid	20,148,390	93,194	1,993,680	22,235,264
Miscellaneous	2,972,939	-	33,451	3,006,390
	<u>146,983,043</u>	<u>22,655,297</u>	<u>9,292,674</u>	<u>178,931,014</u>
<b>Total revenues</b>				
<b>EXPENDITURES:</b>				
Current:				
General government	31,215,417	337	30,793	31,246,547
Education	8,469,724	-	-	8,469,724
Public safety	20,401,289	-	-	20,401,289
Health	14,277,480	-	-	14,277,480
Transportation	391,259	21,905,445	3,366,849	25,663,553
Economic assistance and opportunity	61,895,825	-	-	61,895,825
Culture and recreation	638,820	-	-	638,820
Home and community services	1,014,151	-	155,000	1,169,151
Capital outlays:				
General government	-	-	712,867	712,867
Public safety	-	-	737,975	737,975
Transportation	-	-	2,424,278	2,424,278
Culture and recreation	-	-	1,378	1,378
Debt service:				
Principal	540,000	-	1,455,000	1,995,000
Interest	130,450	-	1,300,150	1,430,600
	<u>138,974,415</u>	<u>21,905,782</u>	<u>10,184,290</u>	<u>171,064,487</u>
<b>Total expenditures</b>				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>8,008,628</u>	<u>749,515</u>	<u>(891,616)</u>	<u>7,866,527</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	185,000	1,793,844	1,978,844
Transfers out	(1,530,844)	(263,000)	(185,000)	(1,978,844)
	<u>(1,530,844)</u>	<u>(78,000)</u>	<u>1,608,844</u>	<u>-</u>
<b>Total other financing sources (uses)</b>				
<b>NET CHANGE IN FUND BALANCE</b>	6,477,784	671,515	717,228	7,866,527
<b>FUND BALANCE - beginning of year</b>	<u>74,941,333</u>	<u>365,346</u>	<u>8,668,904</u>	<u>83,975,583</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 81,419,117</u>	<u>\$ 1,036,861</u>	<u>\$ 9,386,132</u>	<u>\$ 91,842,110</u>

The accompanying notes are an integral part of these financial statements.

**STEUBEN COUNTY, NEW YORK**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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Net change in fund balances - total governmental funds	\$ 7,866,527
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlays	\$ 12,047,474
Depreciation	<u>(9,312,759)</u>
Excess of capital outlays over depreciation expense	2,734,715
Net STASC revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(1,097,344)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	150,497
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of capital assets with no cash proceeds.	(258)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
(Increase)/decrease:	
Compensated absences	(87,130)
Inventory of supplies	(29,031)
Accrued interest on bonds	(773)
Accretion of bonds	(844,321)
Amortization of bond discount	(33,606)
OPEB - annual required contribution	(2,971,615)
Pension related	(3,183,297)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position	1,995,000
Internal service funds are used by management to charge the costs of insurance to individual funds. The net position of the internal service fund is reported with the governmental activities.	<u>1,878,596</u>
Change in net position of governmental activities	<u>\$ 6,377,960</u>

The accompanying notes are an integral part of these financial statements.

**STEBEN COUNTY, NEW YORK**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
AS OF DECEMBER 31, 2016**

	Enterprise Fund	
	Solid Waste (Landfill)	Internal Service
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,957,100	\$ 8,651,317
Accounts receivable	717,541	-
Customer deposits	38,668	-
Due from other governments	-	870,994
Due from other funds	-	3,261,458
Prepaid items	-	108,196
Total current assets	<u>13,713,309</u>	<u>12,891,965</u>
Noncurrent Assets:		
Non-depreciable capital assets	641,822	-
Net depreciable capital assets	<u>13,602,366</u>	<u>-</u>
Total noncurrent assets	<u>14,244,188</u>	<u>-</u>
Total Assets	<u>27,957,497</u>	<u>12,891,965</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related	<u>813,467</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	319,587	89,546
Accrued liabilities	103,620	5,752,450
Current portion of accrued compensated absences	<u>61,122</u>	<u>-</u>
Total current liabilities	<u>484,329</u>	<u>5,841,996</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	222,807	-
Accrued other post-employment benefits	837,998	-
Net pension liability	782,129	-
Accrued landfill closure/postclosure care costs	<u>13,610,631</u>	<u>-</u>
Total noncurrent liabilities	<u>15,453,565</u>	<u>-</u>
TOTAL LIABILITIES	<u>15,937,894</u>	<u>5,841,996</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related	<u>145,074</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	14,244,188	-
Unrestricted	<u>(1,556,192)</u>	<u>7,049,969</u>
Total net position	<u>\$ 12,687,996</u>	<u>\$ 7,049,969</u>

The accompanying notes are an integral part of these financial statements.

## STEUBEN COUNTY, NEW YORK

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

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	Enterprise Fund	
	Solid Waste (Landfill)	Internal Service
OPERATING REVENUES:		
Charges for services	\$ 6,336,252	\$ 4,062,600
Other revenue	<u>370</u>	<u>-</u>
Total operating revenue	<u>6,336,622</u>	<u>4,062,600</u>
OPERATING EXPENSES:		
Personal services	1,169,666	49,555
Employee benefits	783,812	30,902
Contractual expense	1,476,170	880,861
Depreciation and amortization	2,165,782	-
Indirect expense	114,136	-
Closure and postclosure care costs	517,067	-
Workers' compensation benefits	<u>-</u>	<u>1,224,413</u>
Total operating expenses	<u>6,226,633</u>	<u>2,185,731</u>
Operating income	<u>109,989</u>	<u>1,876,869</u>
NON-OPERATING REVENUE:		
Interest income	1,798	1,727
Gain on disposition of assets	<u>5,550</u>	<u>-</u>
Total non-operating revenue	<u>7,348</u>	<u>1,727</u>
CHANGE IN NET POSITION	117,337	1,878,596
NET POSITION - beginning of year	<u>12,570,659</u>	<u>5,171,373</u>
NET POSITION - end of year	<u>\$ 12,687,996</u>	<u>\$ 7,049,969</u>

The accompanying notes are an integral part of these financial statements.

**STEBEN COUNTY, NEW YORK**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Enterprise Fund</u>	
	<u>Solid Waste (Landfill)</u>	<u>Internal Service</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Receipts from services provided	\$ 6,298,726	\$ 3,364,263
Payments to suppliers for goods and services	(1,740,459)	(818,339)
Payments to employees for services	(1,774,579)	(80,457)
Payments for workers' compensation benefits	<u>-</u>	<u>(850,573)</u>
Net cash provided by (used in) operating activities	<u>2,783,688</u>	<u>1,614,894</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer, purchase and construction of capital assets	(1,034,842)	-
Proceeds from rental and sale of capital assets, net	<u>5,500</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,029,342)</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
Interest income received	<u>1,798</u>	<u>1,727</u>
Net cash provided by investing activities	<u>1,798</u>	<u>1,727</u>
Net increase in cash and cash equivalents	1,756,144	1,616,621
Cash and cash equivalents, beginning of year	<u>11,200,956</u>	<u>7,034,696</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,957,100</u>	<u>\$ 8,651,317</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES		
USED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 109,989	\$ 1,876,869
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,165,782	-
Changes in:		
Accounts receivable	(37,896)	(38,337)
Accrued OPEB liability	84,705	-
Inventories and prepaids	-	19,921
Accounts payable and accrued expenses	171,533	416,441
Due from other funds	-	(660,000)
Pension related	101,840	-
Accrued payroll and compensated absences	(3,240)	-
Accrued landfill closure/postclosure care costs	195,381	-
Accrued items	<u>(4,406)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 2,783,688</u>	<u>\$ 1,614,894</u>

The accompanying notes are an integral part of these financial statements.

## STEUBEN COUNTY, NEW YORK

### STATEMENT OF NET POSITION - FIDUCIARY FUNDS AS OF DECEMBER 31, 2016

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	Agency Funds	Private Purpose Trust Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,800,737	\$ 271,452
Total Assets	<u>1,800,737</u>	<u>271,452</u>
<b>LIABILITIES</b>		
Agency liabilities	<u>1,800,737</u>	<u>379</u>
Total liabilities	<u>1,800,737</u>	<u>379</u>
<b>NET POSITION</b>		
Held in trust for other purposes	<u>-</u>	<u>271,073</u>
Total net position	<u>-</u>	<u>271,073</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,800,737</u>	<u>\$ 271,452</u>

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS YEAR ENDED DECEMBER 31, 2016

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	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Interest earnings	\$ 4
Miscellaneous local sources	<u>58,075</u>
Total additions	<u>58,079</u>
<b>DEDUCTIONS:</b>	
Home and community services	4
Public safety	<u>8,383</u>
Total deductions	<u>8,387</u>
<b>CHANGE IN NET POSITION</b>	49,692
<b>NET POSITION - Beginning of year</b>	<u>221,381</u>
<b>NET POSITION - End of year</b>	<u>\$ 271,073</u>

The accompanying notes are an integral part of these financial statements.



# STEBEN COUNTY

## NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The County of Steuben (the County), which was incorporated in 1796, is governed by the County Charter, County Law and other general laws of the State of New York (the State) and various local laws. As a governmental entity, Steuben County is not subject to Federal Income Tax and does not file a Federal Tax return with the Internal Revenue Service. The County Legislature is responsible for the overall operations. The Legislative Board consists of seventeen members with each member's vote weighted on the basis of population in the district represented. The County Manager serves as chief executive officer and the Commissioner of Finance serves as chief fiscal officer.

The County provides the following basic services: educational assistance, economic assistance, highway construction and maintenance, law enforcement, traffic safety, emergency management services, parks, youth and aging services, mental health, public health, and environmental control. All governmental activities and functions performed for the County are its direct responsibility.

The financial reporting entity consists of (a) the primary government, which is the County, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in Governmental Accounting Standards Board (GASB) statements.

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth by the GASB including legal standing, fiscal dependency, and financial accountability. A component unit is included in the County's reporting entity if it is both fiscally dependent on the County and there is a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the primary government. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County's reporting entity.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Discretely Presented

- **Steuben County Industrial Development Agency** (the Agency) is a Public Benefit Corporation created by State legislation to promote the economic welfare, recreational opportunities, and prosperity of the County inhabitants. Board members of the Agency are appointed by the Steuben County Legislature. The County provided a \$45,000 operating subsidy to the Agency for 2016. The Agency is considered a component unit and is discretely presented as a business-type component unit. The Agency uses proprietary fund accounting.
- **Steuben County Soil & Water Conservation District** (the District) was established in accordance with the Soil and Water Conservation Districts Law, to provide for the conservation of the soil and water resources. Members of District's Board of Directors are appointed by the Steuben County Legislature. An annual operating subsidy is provided by the County. The County's subsidy for 2016 was \$230,676 (9.5% of the District's revenue). The District is considered a governmental component unit and is discretely presented. The District uses proprietary fund accounting.

### Blended Presentation

- **Steuben Tobacco Asset Securitization Corporation (STASC)** is a local development corporation created in October 2000 under section 1411 of the New York State Not-For-Profit Corporation Law. 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 the Master Settlement Agreement (MSA), the State and local governments are entitled to receive annual payments. The STASC was formed to raise funds by issuing bonds, use those funds to acquire the rights to future proceeds from the MSA payable to the County, and remain in existence during the term of the bonds to collect the tobacco settlement proceeds and service the debt.

During 2000, the County sold its rights to receive payments under the MSA to the STASC. This sale was funded through the issuance of bonds by the STASC. The net proceeds were \$18,910,406. These bonds were then advance-refunded in August 2005, as part of New York Counties Tobacco Trust IV, Tobacco Settlement pass-through bonds. The STASC also became part of the New York Counties Tobacco Trust V by issuing capital appreciation bonds in November 2005. The STASC is considered a component unit and is blended with the other governmental activities of the County. The STASC uses the current financial resources measurement focus and modified accrual accounting.

Complete financial statements of individual component units can be obtained from their respective administrative offices:

Steuben County Industrial Development Agency  
7234 Rte 54 N – PO Box 393  
Bath, NY 14810-0393

Steuben County Soil & Water Conservation District  
415 W. Morris Street  
Bath, NY 14810

Steuben Tobacco Asset Securitization Corporation  
3 East Pulteney Square  
Bath, NY 14810

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of Presentation**

- **Fund Accounting**

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County's enterprise funds and business-type activities are prepared in conformity with accounting principles generally accepted in the United States as set forth by the GASB for proprietary funds. The more significant of the government's accounting policies are described in the following notes.

The County's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of information.

- **Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

The Statement of Net Position represents the financial condition of the governmental and business-type activities at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities for the entire year. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business-type activity is self-financing or draws from the general revenues of the County.

Internal service activity within and between the governmental funds has been eliminated for presentation on the Statement of Net Position and the Statement of Activities. Interfund services provided and used are not eliminated in the process of consolidation to the government-wide statement of activities. Internal service activity between the internal service fund and the government has been eliminated and the remaining amounts shown as governmental type activities on the Statement of Net Position and the Statement of Activities.

- **Fund Financial Statements**

The County uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### • Fund Financial Statements (Continued)

- Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. Reporting is based on the modified accrual basis of accounting and “current financial resources” measurement focus. The following are the County’s major governmental fund types:

#### a) Major Governmental Funds

- General Fund - is the principal operating fund and includes all operations not required to be recorded in other funds.
- County Road Fund - is required by Highway Law #114. Charges to this fund include salaries and expenditures of the County highway superintendent and the superintendent’s office, engineering, maintenance of County roads and bridges, snow removal, and construction and reconstruction of County roads.

#### b) Non-Major Governmental Funds

- Economic Development Fund - This fund is used to account for the costs and programs intended to facilitate economic development within the County.
- Road Machinery Fund - This fund is used to account for purchases, rentals, repairs, maintenance, and storage of highway machinery, tools, and equipment in accordance with New York State laws.
- Capital Projects Fund - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities or equipment not being financed by proprietary or nonexpendable trust funds.
- Debt Service Fund - This debt service fund is used to account for the debt and activity associated with the Steuben Tobacco Asset Securitization Corporation component unit.

#### c) Proprietary Funds

These are used to account for ongoing organizations or activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. Reporting is on the accrual basis of accounting with an economic resource measurement focus. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### • Fund Financial Statements (Continued)

The following are the major proprietary funds:

- Enterprise Fund is used to account for the Steuben County Solid Waste Operations which receives and manages waste at the County landfills.
- Internal Service Fund is used to account for the Self-Insurance (Workers' Compensation) Fund that records the assessments charged to, and benefits paid on behalf of, participating governments for workers' compensation coverage.

d) Fiduciary Funds are used to account for assets held by the County in a trustee or custodial capacity. The following are fiduciary-type funds:

- Agency Funds - The County's Agency Fund accounts for money (and/or property) received and held in the capacity of trustee, custodian or agent. The accounts do not involve measurement of results of operations; therefore, there are no operating statements. This fund accounts for moneys held for such things as payroll deductions, bail and court ordered deposits, undistributed mortgage tax, and deposits held for Social Service clients.
- Private Purpose Trust Funds - The County's Private-Purpose Trust Funds account for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments. The County has two Private-Purpose Trusts: Jail Commissary and Fairview Cemetery. The Jail Commissary benefits inmates at the Steuben County Jail. The Fairview Cemetery trust was established in September 1964 when the County received a bequest of \$1,000 from the Estate of Marjorie More Benham for the perpetual care and maintenance of a lot in the Fairview Cemetery located in the Town of Lindley. The County is designated as the trustee of the bequest in accordance with section 553 of the County Law.

### Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and fund financial statements for proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities associated with the operation (whether current or non-current) of the County are included on the Statement of Net Position and the Statement of Activities presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred, regardless of when the cash is received or paid.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Measurement Focus/Basis of Accounting (Continued)

The governmental funds financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers amounts received within sixty days of year-end to be current. Expenditures are recorded when the related fund liability is incurred. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental-fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user fees. In 2016 the County had no long-term sales contracts, notes, leases receivable, or special assessment levies. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made and the resources are available. Expenditures are recorded when incurred except for the following exceptions:

- The County maintains an inventory for office supplies; expenditures for such items are recorded upon withdrawal from the inventory. An inventory is also established to account for snow & ice abrasives (salt), and bridge materials purchased and stockpiled at year-end.
- Principal and interest and amortization of bond indebtedness are not recognized as expenditures until due.
- Compensated absences, such as vacation and sick leave which vests or accumulates, and other post-employment benefits are charged as expenditures when paid.

### Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### Cash, Cash Equivalents and Certificates of Deposit

The County's deposit policies are governed by State statutes. In addition, the County has its own written deposit policy. County moneys must be deposited in FDIC insured commercial banks or trust companies located within the State. The Commissioner of Finance is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. Certificates of deposit are stated at cost, which approximates fair value and the corresponding interest rate does not fluctuate with the market.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash, Cash Equivalents and Certificates of Deposit (Continued)**

Collateral is required for demand deposits and non-demand deposits not covered by federal depository insurance. The fair value of the collateral is required at all times to equal or exceed the principal amount. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written deposit policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the Federal Government. Underlying securities must have a fair value of at least 105 percent of the cost of the repurchase agreement.

For purposes of reporting, cash equivalents are defined as short-term, highly liquid investments with a maturity of twelve months or less when purchased.

Deposits at year-end were covered by federal depository insurance, by collateral held by a third party custodial bank, with securities held by the entity or its agent in the County's name, and/or Federal securities.

**Capital Assets**

General capital assets are capital assets which are associated with, and generally arise from, governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental-activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of \$5,000 for all governmental funds, and \$500 for all enterprise funds. The County's infrastructure consists of roads and bridges. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and construction in progress. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation and amortization are computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25 – 50 years
Improvements other than buildings	10 – 35 years
Machinery and equipment	3 – 16 years
Fixed and moveable equipment	3 – 16 years
Infrastructure	4 – 50 years

All infrastructure placed in service each year since 2001 is included in the Statement of Net Position and depreciation expense is included in the Statement of Activities.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide Statement of Net Position. The only interfund balances which remain on the government-wide Statement of Net Position are those between governmental, business-type and fiduciary activities. These amounts are reflected as "Internal Balances" if present at year end.

### **Inventory and Prepaid Items**

Inventory is valued at cost utilizing the first-in, first-out method for all funds. Inventory in the General Fund and government activities consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used to account for these prepaid costs.

### **Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a use of resources that applies to a future period and so will not be recognized as an outflow (expense/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

### **Property Taxes**

Real property taxes are levied annually and become a lien on January 1. Taxes for County purposes are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. Taxes are generally collected during the period January 1 to March 31 by the Municipal Tax Collectors. Authorization is granted to requesting municipalities to collect in April to the settlement date. A 5% County penalty is added when the local collector settles with the County. Interest is calculated at a rate of 1% per month from February on the total amount due. The County assumes enforcement responsibility for all taxes levied in the towns after the settlement date.

Unpaid village and central school district taxes are turned over to the County for enforcement and any such taxes remaining unpaid at year-end are re-levied as County taxes in the subsequent year. The County also enforces city and city school district taxes. Tax enforcement procedures are in accordance with Article 11 of the New York State Real Property Tax Law, known as the "Uniform Delinquent Tax Enforcement Act." The redemption period for the payment of taxes generally expires two years after the lien date. Taxpayers may enter into an installment contract with the County to pay delinquent taxes. The term of the installment contract may be for a period up to 24 months.

### **Non-Property Tax Items**

Non-property tax items consist primarily of sales and use taxes, hotel occupancy tax, and automobile use tax.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Insurance**

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

### **Accrued Liabilities and Long Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are also reported on the enterprise fund financial statements.

In general, governmental-fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences, other post-employment benefits and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the fund financial statements when due.

### **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability in the government-wide Statement of Net Position, not in the fund statements, for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and also those that the County has identified as probable of receiving payment in the future. The amount is based on the accumulated sick leave and employee wage rates at year-end.

In the event of termination, an employee is entitled to payment of accumulated vacation leave to a maximum of forty-five days and one-half of unused sick leave to a maximum of ninety days after ten years of service. The compensated absences liability is reported on the government-wide financial statements.

On governmental-fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. The non-current portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

### **Net Position**

In the government-wide financial statements, net position is classified in the following categories:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.
- b) Restricted net position - is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position (Continued)

- c) Unrestricted net position - all other net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

The County’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### Governmental Fund Balance

Accounting principles generally accepted in the United States provide clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balances**  
Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balances**  
Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balances**  
Amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e., County Legislature). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balances**  
Amounts the County intends to use for a specific purpose. Intent can be expressed by the County Legislature or by the Finance Committee in consultation with the County Manager and Commissioner of Finance.
- **Unassigned Fund Balances**  
Amounts that are available for any remaining purpose not described above.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the County Legislature has provided otherwise in its commitment or assignment actions.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the County, these revenues are charges for services for the landfill. Receivables are recorded at the time of service and an allowance for doubtful accounts is estimated at the end of each year. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the funds. Revenues and expenses not meeting these definitions are reported as non-operating.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

Budgets are adopted annually for the General Fund, County Road Fund, Economic Development Fund, and Road Machinery Fund. The Capital Projects Fund is budgeted on a project basis and therefore, these budgets do not lapse at year-end. Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenses. The Internal Service Fund budget is adopted by separate resolution.

Each Department head shall submit annually to the Budget Officer/County Manager an estimate of revenues and expenditures of such Department for the ensuing fiscal year. The Budget Officer/County Manager will conduct a review of the preliminary budget. Recommendations for budget adjustments shall be forwarded to the Finance Committee, along with the preliminary budget by October 1 for their review and revision. No later than November 15, the Budget Officer/County Manager submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. The tentative budget includes the proposed expenditures and the means of financing for all budgeted funds. After public hearings are conducted to obtain taxpayer comments and no later than December 20, the County Legislature adopts the annual budget.

Departments may not exceed the budget unless a formal revision is authorized as outlined in the County Administrative Code. A separately issued detailed budget report is available upon request. In 2016, the County budgeted \$1,300,000 in a "contingency account" to be appropriated by the County Legislature as needed to cover unanticipated costs. During the year, \$168,000 of this amount was re-appropriated.

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 the formal budgetary system. Encumbrances outstanding at year-end are carried forward to the next year's budget and can be reported as committed or assigned fund balance in the financial statements since they do not constitute actual expenditures or liabilities.

Actual results of operations presented in accordance with GAAP and the County's accounting policies do not recognize encumbrances as expenditures until the period in which the actual goods or services are received and a liability is incurred. It is necessary to include budgetary encumbrances to reflect actual revenues and expenditures on a basis consistent with the County's legally adopted budget.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Budgetary Information (Continued)**

The basis of budgeting is the same as GAAP except that outstanding encumbrances are treated as expenditures using the budgetary basis, but are not included under GAAP.

**Steuben Tobacco Asset Securitization Corporation**

The net position deficit of the Tobacco Asset Securitization Corporation at the end of 2016 was (\$31,487,039) compared to (\$31,080,579) in 2015. This deficit results from the full accrual accounting for the STASC. Full accrual accounting requires the recording of the full amount of the bonds payable at the time the bonds are issued, while the revenue is recognized each year as it becomes available to pay the bond debt. It is expected that the deficit will decline as the revenues related to the tobacco settlements are received and the outstanding debt obligations are repaid.

**3. DETAIL NOTES ON ALL FUNDS**

**Deposits**

Cash and cash equivalents at December 31, 2016, are classified in the accompanying financial statements as follows:

<u>Description</u>	<u>Carrying Value</u>
Statement of net position cash and equivalents	\$ 124,030,022
Statement of net position current portion of assets whose use is limited	1,893,680
Fiduciary funds cash and equivalents	<u>2,072,189</u>
Total Deposits	<u>\$ 127,995,891</u>

Cash and cash equivalents at December 31, 2016, consist of the following:

Cash on hand	\$ 20,149
Demand deposits with financial institutions	<u>79,919,730</u>
Total Cash	79,939,879
Certificates of deposits with financial institutions (time deposits)	<u>46,201,000</u>
Total cash and time deposits	126,140,879
Cash and equivalents held by STASC trustee	<u>1,855,012</u>
Total Deposits	<u>\$ 127,995,891</u>

### 3. **DETAIL NOTES ON ALL FUNDS (Continued)**

#### **Credit Risk**

It is the County's policy that all financial institutions with which the County conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the County. Security dealers not affiliated with a bank, shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. As authorized by General Municipal Law, §11, the County authorizes the Commissioner of Finance to invest moneys not required for immediate expenditure for terms not to exceed projected cash flow needs in the following types of investments:

- Special time deposit accounts.
- Certificates of Deposit issued by a bank or trust company located and authorized to do business in New York State.
- Obligations of the United States of America.
- Obligations guaranteed by agencies of the United States of America, where the payment of principal and interest are guaranteed by the United States of America.
- Obligation of the State of New York.
- Obligations issued pursuant to Local Finance Law §24 or §25 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the County of Steuben.
- Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general state statutes governing such entities or whose specific enabling legislation authorizes such investments.
- Certificates of Participation (COPs) issued pursuant to General Municipal Law §109-b.
- Obligations of the County of Steuben, but only with any moneys in a reserve fund established pursuant to GML & General Municipal Law §6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m or 6-n.

All investment obligations shall be payable or redeemable at the option of the County within such time frames as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided.

#### **Custodial Credit Risk**

It is the risk that in the event of a bank failure, the County's deposits may not be returned to it. To mitigate this risk, bank institutions are required to provide collateral in excess of the FDIC limit. At year-end, the carrying amount of the County's deposits was \$127,995,891 and the bank balance was \$127,068,841. Of the bank balance, \$2,452,761 was covered by federal depository insurance. Amounts uninsured, but collateralized by securities being held by 3rd party financial institutions in the County's name were \$135,567,824.

### 3. **DETAIL NOTES ON ALL FUNDS (Continued)**

#### **Custodial Credit Risk (Continued)**

In accordance with the provisions of General Municipal Law, §10, all deposits of the County, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

- By a pledge of "eligible securities" with an aggregate "market value" as provided by General Municipal Law, §10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
- By an eligible "irrevocable letter of credit" issued by a qualified bank, other than the bank with the deposits, in favor of the County for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
- By an eligible surety bond payable to the County for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations.
- An "irrevocable letter of credit" issued in favor of the County by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, for the payment of 100 percent of the aggregate amount of public deposits and investments from the County and agreed-upon interest, if any.

Eligible securities used for collateralization of deposits, shall be held by a third party trust company and/or the trust department of the specific bank or trust company, subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure the County's deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events, which will enable the County to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the County, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the County or its custodial bank.

The custodial agreement shall provide the securities held by the bank or trust company, or agent of and custodian for the County, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with, or become part of the backing for any other deposit or other liabilities. The agreement will also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

**3. DETAIL NOTES ON ALL FUNDS (Continued)**

**Concentration of Credit Risk**

The County’s investment policy defines the maximum percentage of the total investments that may be invested in any one issuer to a range between ten and thirty-five percent. The maximum percentage defined for each bank is dependent on the evaluation of the individual institution.

The Commissioner of Finance is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually. The list of authorized financial institutions for both deposits and investments along with any restrictions and/or limits relative to authorized maximum amounts are designated below:

	<u>Maximum Percentage (Of Total Cash &amp; Investments)</u>
Bank of America	25%
Five Star Bank	25%
Steuben Trust Company	35%
Community Bank, NA	35%
First State Bank	25%
Chemung Canal Trust	35%
M&T Bank & Trust	25%
J.P. Morgan Chase	35%
North Fork Bank – Mattituck, NY	15%
Key Bank	15%
HSBC	15%
Cooperative Liquid Assets Securities	10%
Morgan-Stanley/Dean Witter	10%

**Interest Rate Risk**

Interest rate risk is the risk that arises from the exposure to fair value losses that result from interest rate variability. The County’s investment policy requires the diversification of deposits and investments by financial institution, by investment instrument and by maturity scheduling. At year-end, the County held the following deposits:

Deposit Type	Amount
Certificates of Deposit	\$15,000,000
Certificates of Deposit	15,000,000
Certificates of Deposit	15,000,000
Certificates of Deposit	1,200,000
Certificates of Deposit	<u>1,000</u>
	<u>\$46,201,000</u>

#### 4. RECEIVABLES AND PREPAID ITEMS

At December 31, 2016, government-wide total real property tax receivables of \$11,181,200 are net of an allowance for uncollectible taxes of \$366,477. Included in the total real property tax receivables are returned city, village and school taxes of \$4,471,519 which are offset by liabilities to the cities, villages and school districts, which were paid by May 17, 2017.

On the fund financial statements, total real property tax receivables of \$11,181,200 are offset by an allowance for uncollectable taxes of \$366,477.

The remaining portion of the tax assets on the fund statements is partially offset by deferred tax revenue of \$5,701,044 and represents an estimate of the tax liens, which will not be collected within the first sixty (60) days of the subsequent year.

On the government-wide Statement of Net Position, state and federal receivables of \$8,563,077 consist primarily of the following items:

Office of Temporary and Disability Assistance	\$ 4,504,237
State Education Department	1,754,652
Department of Health	(275,819)
7th Judicial District Courts	277,073
State Office for the Aging	685,313
United States Marshall	45,017
State Office of Indigent Legal Services	127,294
Office of Homeland Security and Emergency Services	396,328
Department of Transportation	821,770
Other	<u>227,212</u>
Total	<u>\$ 8,563,077</u>

On the government-wide Statement of Net Position, other receivables of \$6,910,892 consist primarily of receivables due from participants in various program services, approximately \$1,578,000 is related to the Tobacco Asset Securitization Corporation and the year-end sales tax receivable of approximately \$3,277,000.

On the government-wide Statement of Net Position, prepaid items consist primarily of the amount paid to the NYS Retirement System as an estimate of the amount due on wages to be paid between January 1, 2017 and March 31, 2017 and amounts prepaid to third party administrators for health and workers' compensation claims.



## 5. CAPITAL ASSETS

Capital Asset activity for the year ended December 31, 2016 was as follows:

Type	Balance 1/1/2016	Increases	Decreases	Balance 12/31/2016
Government Activities				
Nondepreciable Capital Assets:				
Land	\$ 1,116,474	\$ -	\$ -	\$ 1,116,474
Construction in progress	<u>2,443,976</u>	<u>2,575,655</u>	<u>(2,710,130)</u>	<u>2,309,501</u>
Total nondepreciable capital assets	<u>3,560,450</u>	<u>2,575,655</u>	<u>(2,710,130)</u>	<u>3,425,975</u>
Depreciable capital assets:				
Buildings and improvements	44,410,328	19,550	-	44,429,878
Improvements other than buildings	1,073,445	452,764	-	1,526,209
Machinery and equipment	29,189,618	3,760,459	(365,806)	32,584,271
Infrastructure	<u>165,260,398</u>	<u>7,949,176</u>	<u>-</u>	<u>173,209,574</u>
Total depreciable capital assets	<u>239,933,789</u>	<u>12,181,949</u>	<u>(365,806)</u>	<u>251,749,932</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(30,994,182)	(1,700,807)	-	(32,694,989)
Improvements other than buildings	(358,291)	(74,705)	-	(432,996)
Machinery and equipment	(21,156,279)	(1,836,052)	365,548	(22,626,783)
Infrastructure	<u>(82,566,474)</u>	<u>(5,701,195)</u>	<u>-</u>	<u>(88,267,669)</u>
Total accumulated depreciation	<u>(135,075,226)</u>	<u>(9,312,759)</u>	<u>365,548</u>	<u>(144,022,437)</u>
Total depreciable capital assets, net	<u>104,858,563</u>	<u>2,869,190</u>	<u>(258)</u>	<u>107,727,495</u>
Governmental activities capital assets, net	<u>\$108,419,013</u>	<u>\$5,444,845</u>	<u>\$ (2,710,388)</u>	<u>\$111,153,470</u>

## 5. CAPITAL ASSETS (Continued)

Capital Asset activity for the year ended December 31, 2016 was as follows:

<u>Type</u>	<u>Balance 1/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2016</u>
Business type activities				
Nondepreciable Capital Assets:				
Land	\$ 641,822	\$ -	\$ -	\$ 641,822
Total capital assets not being depreciated	<u>641,822</u>	<u>-</u>	<u>-</u>	<u>641,822</u>
Depreciable capital assets:				
Buildings and improvements	11,765,649	-	-	11,765,649
Improvements other than buildings	24,518,115	680,138	-	25,198,253
Machinery and equipment	<u>8,030,115</u>	<u>511,652</u>	<u>(51,552)</u>	<u>8,490,215</u>
Total depreciable capital assets	<u>44,313,879</u>	<u>1,191,790</u>	<u>(51,552)</u>	<u>45,454,117</u>
Less: Accumulated depreciation for:				
Buildings and improvements	(6,086,934)	(499,976)	-	(6,586,910)
Improvements other than buildings	(18,048,047)	(1,171,406)	-	(19,219,453)
Machinery and equipment	<u>(5,602,540)</u>	<u>(494,400)</u>	<u>51,552</u>	<u>(6,045,388)</u>
Total accumulated depreciation	<u>(29,737,521)</u>	<u>(2,165,782)</u>	<u>51,552</u>	<u>(31,851,751)</u>
Total depreciable capital assets, net	<u>14,576,358</u>	<u>(973,992)</u>	<u>-</u>	<u>13,602,366</u>
Business type activities capital assets, net	<u>\$15,218,180</u>	<u>\$ (973,992)</u>	<u>\$ -</u>	<u>\$14,244,188</u>

## 5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

### Governmental activities:

General government	\$ 517,433
Public safety	1,757,276
Health	20,933
Transportation	6,882,473
Economic assistance and opportunity	70,272
Culture and recreation	11,520
Home and community service	<u>52,852</u>

Total depreciation - governmental activities \$ 9,312,759

### Business type activities:

Solid Waste (Landfill)	<u>\$ 2,165,782</u>
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## 6. PENSION PLANS

### Plan Description

The County participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). 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 NYSRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue 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 Building, Albany, NY 12244.

### Funding Policy

The Systems are noncontributory for employees who joined the Systems on or before July 27, 1976. Employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 and prior to January 1, 2010, contribute 3% of their salary for the first ten years of membership. Employees who joined NYSERS after January 1, 2010 and prior to April 1, 2012, contribute 3.0% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees in NYSERS contribute 3% of their salary until April 1, 2013 and then contribute 3%-6% of their salary throughout their active membership. Under the authority of the NYSRSSL, 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 employers to the pension accumulation fund. The County's contribution to the Systems was equal to 100% of the contributions required for each year.

**6. PENSION PLANS (Continued)**

**Funding Policy (Continued)**

The required contributions for the current year and preceding years were:

	<u>ERS</u>
2016	\$5,890,020
2015	\$6,044,028
2014	\$7,980,698

Since 2003, the System's billings have been based on Chapter 49 of the Laws of 2003. The legislation established a required 4.5% minimum payment. If the valuation process produces a lower rate, the retirement system bills at the 4.5% and if it provides for a higher rate it will bill at the higher rate. Rates are determined based upon the value of the pension fund as of the prior April 1.

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

At December 31, 2016, the County reported a net pension liability of \$24,447,843 and \$782,129 for its proportionate share of the NYSERS net pension liability relating to governmental activities and business type activities, respectively. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of The County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2016, the County's proportionate share was 0.1571934% for NYSERS relating to governmental activities and business type activities, which was a decrease of .025% from its proportionate share measured at December 31, 2015.

For the year ended December 31, 2016, the County recognized pension expense of \$8,280,459 and \$264,906 relating to governmental activities and business type activities, respectively. At December 31, 2016, the County reported deferred outflows/inflows of resources related to pensions from the following sources:

<b>Governmental Activities</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 123,541	\$2,897,884
Changes in assumptions	6,519,503	-
Net difference between projected and actual earnings on pension plan investments	14,503,801	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	1,636,842
Contributions subsequent to the measurement date	<u>4,280,573</u>	<u>-</u>
Total	<u>\$25,427,418</u>	<u>\$4,534,726</u>

6. PENSION PLANS (Continued)

**Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

<b>Business Type Activities</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,952	\$ 92,708
Changes in assumptions	208,570	-
Net difference between projected and actual earnings on pension plan investments	464,002	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	52,366
Contributions subsequent to the measurement date	<u>136,943</u>	-
Total	<u>\$ 813,467</u>	<u>\$ 145,074</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources relating to pension expense for governmental activities and business type activities, respectively:

	Governmental Activities	Business Type Activities
Plan's Year Ended March 31:	<u>ERS</u>	<u>ERS</u>
2017	\$ 4,174,943	\$ 133,564
2018	4,174,943	133,564
2019	4,174,943	133,564
2020	4,087,290	130,758
2021	-	-
Thereafter	-	-
	<u>\$ 16,612,119</u>	<u>\$ 531,450</u>

The County recognized \$4,280,573 and \$136,943 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2016, related to ERS for the governmental and business type activities, respectively. These amounts will be recognized as a reduction of the net pension liabilities in the year ended December 31, 2017.

**Actuarial Assumptions**

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016.

## 6. PENSION PLANS (Continued)

The actuarial valuation used the following actuarial assumptions for NYSERS:

ERS

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

### Long-term Rate of Return

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	38	7.30
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return	3	6.75
Opportunistic Portfolio	3	8.60
Real Asset	3	8.65
Bonds & Mortgages	18	4.00
Cash	2	2.25
Inflation-Indexed Bonds	2	4.00
	<u>100%</u>	

### Discount Rate

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

**6. PENSION PLANS (Continued)**

**Sensitivity Analysis of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

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

**Governmental Activities**

	1% Decrease <u>6.0%</u>	Current Discount <u>7.0%</u>	1% Increase <u>8.0%</u>
ERS Proportionate Share of Net Pension liability (asset)	<u>\$ 55,128,110</u>	<u>\$ 24,447,843</u>	<u>\$ (1,475,672)</u>

**Business Type Activities**

	1% Decrease <u>6.0%</u>	Current Discount <u>7.0%</u>	1% Increase <u>8.0%</u>
ERS Proportionate Share of Net Pension liability (asset)	<u>\$ 1,763,644</u>	<u>\$ 782,129</u>	<u>\$ (47,209)</u>

**Pension Plan Fiduciary Net Position (000's)**

The components of the current-year net pension liability of the employers as of March 31, 2016 for ERS follow:

Total pension liability	\$172,303,544
Net position	<u>(156,253,265)</u>
Net pension liability (asset)	<u>\$ 16,050,279</u>
ERS net position as a percentage of total pension liability	90.7%

**7. COMPENSATED ABSENCES**

Vested vacation and sick leave and the respective FICA liability is recorded in proprietary funds as a liability and expensed when earned. In governmental funds it is recorded as a fund liability and expenditure if payable from current financial resources. At the end of 2016, the liability in the proprietary funds for compensated absences totaled \$283,929 and amounted to \$5,475,864 in the governmental activities. For the governmental activities, compensated absences are liquidated by all governmental funds incurring payroll-related costs, typically, the General, County Road and Road Machinery funds.

**8. OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description**

The County provides certain health care benefits for retired employees. The County administers the Retirement Benefits Plan (the "Retirement Plan") as a single-employer defined benefit Other Post-employment Benefit (OPEB) Plan.

## 8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

### Plan Description (Continued)

In general, the County provides health care benefits for those retired personnel who are eligible for a pension through the New York State Employees' Retirement System (ERS). The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees and spouses currently eligible to receive benefits at December 31, 2016 was 349. The Retirement Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

### Funding Policy

The obligations of the Retirement Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. Healthcare benefits for non-union employees are similar to those of union employees. The retiree's share of the calculated premium cost ranges from 0% to 100%, depending on the retirement date and length of service. Based on collective bargaining agreements, the retiree and his or her beneficiaries receive this coverage for the remainder of their life. In most plans, actual medical claims paid are self-funded by the County. The costs of administering the Retirement Plan are paid by the County. The County currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums.

### Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the County's net OPEB obligation:

	<u>Total County</u> <u>Activities</u>
2016 amortization of UAAL	\$ 2,674,521
Normal Cost	<u>2,035,505</u>
2016 Annual Required Contribution	4,710,026
Interest	954,081
Adjustment to ARC	<u>(1,030,347)</u>
2016 Annual OPEB Cost	4,633,760
2016 Contributions made	<u>(1,577,440)</u>
Increase in Net OPEB obligation	3,056,320
Net OPEB obligation at 1/1/2016	<u>23,852,026</u>
Net OPEB obligation at 12/31/2016	<u>\$ 26,908,346</u>



**8. OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**Trend Information**

The following table provides trend information for the Retirement Plan:

	<u>Annual</u> <u>OPEB Cost</u>	<u>Annual</u> <u>Contributions</u>	<u>Percent of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation at</u> <u>December 31</u>
2016	\$ 4,633,760	\$ 1,577,440	34.0%	\$ 26,908,346
2015	\$ 3,897,409	\$ 1,383,066	35.5%	\$ 23,852,026
2014	\$ 3,233,678	\$ 1,148,755	35.5%	\$ 21,337,683

**Funded Status and Funding Progress**

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the Retirement Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Retirement Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the January 1, 2015 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected Unit Credit Cost Method
Discount rate*	4.0%
Medical care cost trend rate	6.1% The rate is reduced by decrements to an ultimate rate of 3.8%
Dental care cost trend rate	5.0% per year
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level Percent of Pay, Open Group
Amortization basis	Open

\*As the Retirement Plan is unfunded, the discount rate is based on the expected earnings of the County's General Fund.

## 8. OTHER POST-EMPLOYMENT BENEFITS (Continued)

### Medical Reimbursement

The County's Medicare Part D prescription drug subsidy, which reduces the cost of retiree healthcare premiums, is accrued as revenue only in the current year. Subsidies for future years, cannot be recognized as a reduction to the actuarial accrued liability.

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. On March 30, 2010 the Health Care and Education Reconciliation Act of 2010 (HCERA), which amends certain aspects of PPACA was signed into law. The new laws are expected to have a financial impact on employers who sponsor postretirement healthcare benefit plans and therefore may affect the valuation of the plan. As of the date of this statement, the County could not reasonably conclude which provisions would impact the financial accounting of the Plan. Upon release of further regulatory guidance, the impact of PPACA and HCERA will be appropriately reflected in the valuation.

## 9. OTHER INFORMATION

### Risk Retention

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has elected to be self-insured for workers' compensation claims, and accounts for this activity in an internal service fund. Other local municipalities, towns and villages within the County are permitted to participate in this self-insured workers' compensation plan and are liable for their share of the plan's claims. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

At December 31, 2016, the amount of these liabilities was \$5,750,104. The liability is the County's best estimate based on available information provided by the third party administrators, Corvel Claim Services and PERMA Inc.

The following represents changes in those aggregate liabilities for the fund for the past three fiscal years ended December 31:

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims & Changes <u>in Estimates (Net)</u>	Balance at Fiscal <u>Year End</u>
2016	\$ 5,375,877	\$ 374,227	\$ 5,750,104
2015	\$ 5,916,564	\$ (540,687)	\$ 5,375,877
2014	\$ 6,043,237	\$ (126,673)	\$ 5,916,564

At December 31, 2016, to satisfy the estimated liability, the internal service fund had available \$8,651,317 of cash and investments, a \$3,261,458 receivable from other County funds, plus a receivable of \$870,994 due from other local municipalities which participate in the County's Workers' Compensation Plan.

The County is also self-insured for unemployment insurance claims. This activity is accounted for in individual funds based on actual claims made. Claims totaled \$33,376 in 2016. The General Fund includes a restriction of fund balance for unemployment claims of \$335,038.

**9. OTHER INFORMATION (Continued)**

**Risk Retention (Continued)**

The County is also self-insured for medical and prescriptions for active employees and retirees under the age of 65. This activity is expensed to individual funds based on a calculated equivalent premium per employee. Accounts payable in the General Fund includes a liability for such unpaid claims in the amount of \$2,662,578 as of December 31, 2016. In addition, at December 31, 2016 an assignment of fund balance of \$1,500,000 exists for the purpose of paying large health care claims.

The County accounts for tort claims in the General Fund. Accrued liabilities in the General Fund include a liability for such claims in the amount of \$192,000 as of December 31, 2016. For the past three fiscal years insurance losses have not exceeded commercial insurance coverage.

The General Fund includes a fund balance restriction of \$2,078,884 for self-insurance for claims.

**10. BOND ANTICIPATION NOTES**

**Short-Term Debt**

Liabilities for bond anticipation notes (BANS) are generally accounted for in the General Fund, Capital Projects Fund, and the Enterprise Fund. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter. State Law requires that BANS issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANS issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

A BAN was issued on June 7, 2016 in the amount of \$150,000 for repairs to the equipment and ditches of the Upper Five Mile Creek watershed special district and carries an interest rate of 1.0%. This BAN will mature on June 7, 2017.

## 11. FINANCING ARRANGEMENTS

### Long-Term Debt

A summary of government-wide long-term debt is detailed in the following schedule:

	Balance <u>12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2016</u>	Due Within <u>One Year</u>
Governmental Activities:					
Compensated Absences	\$ 5,388,734	\$ 2,128,694	\$ (2,041,564)	\$ 5,475,864	\$ 2,180,955
Bonds Payable	3,535,000	-	(540,000)	2,995,000	555,000
Bonds Payable - STASC	30,112,790	-	(1,455,000)	28,657,790	-
Bond Discount - STASC	(492,580)	-	33,606	(458,974)	-
Accreted interest - STASC	5,888,008	844,321	-	6,732,329	-
Net Pension Liability	5,950,329	18,497,514	-	24,447,843	-
Other postemployment benefits	<u>23,098,733</u>	<u>4,510,350</u>	<u>(1,538,735)</u>	<u>26,070,348</u>	<u>-</u>
Gov't activities total long-term debt	<u>\$ 73,481,014</u>	<u>\$ 25,980,879</u>	<u>\$ (5,541,693)</u>	<u>\$ 93,920,200</u>	<u>\$ 2,735,955</u>
Business-type Activities:					
Landfill closure/postclosure	\$ 13,415,250	\$ 517,067	\$ (321,686)	\$ 13,610,631	\$ -
Compensated absences	287,169	57,241	(60,481)	283,929	61,122
Net pension liability	190,361	591,768	-	782,129	-
Other postemployment benefits	<u>753,293</u>	<u>123,410</u>	<u>(38,705)</u>	<u>837,998</u>	<u>-</u>
Bus type activities total long-term debt	<u>\$ 14,646,073</u>	<u>\$ 1,289,486</u>	<u>\$ (420,872)</u>	<u>\$ 15,514,687</u>	<u>\$ 61,122</u>

Internal service funds predominantly serve the governmental funds, and accordingly, long-term liabilities for the internal service fund are included as part of the above totals for governmental activities.

The following is a summary of debt outstanding at the end of the year.

<u>Description</u>	<u>Purpose</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Outstanding 12/31/16</u>
Correctional Facility	Refunded Jail Bonds	2/15/2015	\$ 3,535,000	3% & 4%	7/15/2021	\$ 2,995,000
STASC	Tobacco Settlement	2005	<u>31,947,790</u>	Various	2060	<u>28,657,790</u>
	Total debt outstanding		<u>\$35,482,790</u>			<u>\$ 31,652,790</u>

**11. FINANCING ARRANGEMENTS (Continued)**

**Long-Term Debt (Continued)**

**Future Debt Service**

The following tables summarizes the County's future debt service requirements:

Full Faith and Credit of County Pledged

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 555,000	\$ 114,250	\$ 669,250
2018	575,000	97,600	672,600
2019	600,000	74,600	674,600
2020	625,000	50,600	675,600
2021	<u>640,000</u>	<u>25,600</u>	<u>691,200</u>
Totals	<u>\$ 2,995,000</u>	<u>\$ 362,650</u>	<u>\$ 3,383,250</u>

Tobacco Asset Securitization Corp

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 2,234,971	\$ 2,234,971
2018	-	2,277,761	2,277,761
2019	-	2,335,898	2,335,898
2020	-	2,408,952	2,408,952
2021	-	2,492,015	2,492,015
2022-2026	2,500,000	13,569,346	16,069,346
2027-2031	3,400,000	15,871,506	19,271,506
2032-2036	4,725,000	19,307,339	24,032,339
2037-2041	6,255,000	24,704,456	30,959,456
2042-2046	6,175,000	32,861,487	39,036,487
2047-2051	1,090,190	45,212,170	46,302,360
2052-2056	1,188,760	59,262,646	60,451,406
2057-2061	<u>3,323,840</u>	<u>52,209,040</u>	<u>55,532,880</u>
Totals	<u>\$ 28,657,790</u>	<u>\$274,747,587</u>	<u>\$303,405,377</u>

The STASC future debt service schedule includes amounts for the capital appreciation bonds.

## 11. FINANCING ARRANGEMENTS (Continued)

### Future Debt Service (Continued)

At December 31, 2016, the total outstanding indebtedness of the County subject to the statutory debt limit aggregated \$2,995,000 which represented approximately .8% of this statutory debt limit.

### Serial Bonds

The County borrows money in order to acquire land or equipment, or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit debt of the County, are recorded in the Schedule of Non-Current Governmental Liabilities for governmental funds or in the enterprise funds for proprietary type funds. The provision to be made in future budgets for indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. Enterprise fund debt is liquidated with enterprise income.

## 12. INTERFUND ACTIVITY

### Interfund Balances

The County reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the balance sheet for governmental funds and the Statement of Net Position for proprietary funds. All interfund balances are considered a loan payable to the internal service fund for workers compensation charges.

Interfund balances at December 31, 2016 consisted of the following:

	Interfund	
	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 2,011,080	\$ -
County Road Fund	1,182,400	-
Internal Service Fund	-	3,261,458
Non-Major Funds	67,978	-
Total	<u>\$ 3,261,458</u>	<u>\$ 3,261,458</u>

## 12. INTERFUND ACTIVITY (Continued)

### Interfund Balances (Continued)

Interfund balances are used:

- a) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them primarily;
- b) to move expenditures from chargeable funds to a single fund for disbursement, and;
- c) to compensate for the time lag between the dates that interfund goods and services are provided or reimbursable and the payments are actually made between the funds.

### Interfund Transfers

The County reports interfund transfers between many of its funds. Some of the transfers are considered immaterial and are aggregated into a single column or row. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

Interfund transfers for the year ended December 31, 2016, consisted of the following:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 1,530,844
County Road Fund	185,000	263,000
Non-Major Funds	<u>1,793,844</u>	<u>185,000</u>
Total	<u>\$ 1,978,844</u>	<u>\$ 1,978,844</u>

Interfund Transfers are used:

- a) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
- b) to fund capital projects from operating funds.

### **13. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS - Enterprise Fund**

The total capacity of the Bath Landfill was increased by 569,000 tons in 2005 when a 7.7 acre cell was completed and became operable. This cell is referred to as Cell #1 and is an overlay that ties into the south side of the existing Bath Landfill. In January 2010, an additional cell (Cell #2) was put into operation. In mid-2015 the third cell (Cell#3) was put into operation. The combined design capacity of the landfill is 2,934,743 tons. Based on a survey completed in December 2016 by Barton & Loguidice, the remaining air space capacity of the combined Bath Landfill was approximately 392,634 tons which represents an estimated remaining useful life of approximately 4.30 years. The Bath Landfill is estimated to be at 87% of the available capacity at December 31, 2016. In 2014, the Bath Landfill was re-permitted and the current permit expires in the year 2024.

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as a liability in each period based on used landfill capacity as of each balance sheet date. Landfill activity is reported in an Enterprise Fund. The County has a liability recorded of \$13,610,631 that represents the landfill closure and post-closure care costs liability at December 31, 2016. The cumulative amounts reported to date are \$10,819,506 for the Bath Landfill and \$2,791,125 for the other closed landfills maintained by the County. Actual capital costs contributed to covering and maintaining the landfills reduce the total liability.

The liability for the Bath Landfill was increased by \$517,067 in 2016 as post-closure cost estimates were updated. The liability related to landfills that have already been closed was decreased by \$321,686 as post-closure maintenance and testing for these closed sites was incurred.

The total estimated cost for closure and post-closure care costs at the combined Bath Landfill is \$12,490,602. The County will recognize the remaining estimated cost as the remaining capacity of the landfill is utilized. These amounts are based on what it would cost to perform all closure and post-closure care during the current fiscal year. Actual costs may be different due to inflation, changes in technology, and/or changes in regulations.



## 14. FUND BALANCES

Generally accepted accounting principles require fund balance to be properly reported within one of the fund balance categories listed below.

- **Nonspendable**

Amount of fund balance that cannot be spent in the current period because of its form or because it must be maintained intact. As of December 31, 2016, the County's General Fund has \$1,695,263 of prepaid expenses and \$19,038 of inventories that were classified as nonspendable amounts.

- **Restricted**

Amounts that are subject to externally enforceable legal purposes, restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments; or through constitutional provisions or enabling legislation. As of December 31, 2016 the County had the following restricted amounts:

	General	<u>Non-major funds</u>	
	<u>Fund</u>	<u>Capital</u>	<u>Tobacco Asset</u>
		<u>Projects</u>	<u>Securitization</u>
Restricted			
Unemployment insurance	\$ 335,038	-	-
Liability insurance	2,078,884	-	-
Health insurance	1,093,000	-	-
Building Repair & Renovation	4,308,314	-	-
Public Safety Building	75,105	-	-
Communication System	710,844	-	-
Forfeitures - D.A. and Sheriff	36,839	-	-
Stop D.W.I.	138,437	-	-
Occupancy Tax	502,650	-	-
Special Districts	197,022	-	-
Capital Projects	-	5,390,023	-
Debt Service	-	-	1,855,012
Miscellaneous	638	-	-
	<u>638</u>	<u>-</u>	<u>-</u>
 Total Restricted	 <u>\$ 9,476,771</u>	 <u>\$5,390,023</u>	 <u>\$ 1,855,012</u>

- **Committed**

Amounts that are subject to a purpose constraint imposed by a formal action of the Steuben County Legislature (the County's highest level of decision-making authority). As of December 31, 2016 the County did not have any balances considered to be committed.

**14. FUND BALANCES (Continued)**

- **Assigned**

Amounts that are subject to a purpose constraint that represents an intended use established by the County's Board of Legislators, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2016, the balances below were considered to be assigned:

	<u>General</u>	County <u>Road</u>	Non-major funds		
			<u>Economic Development</u>	<u>Road Machinery</u>	<u>Tobacco Asset Securitization</u>
Assigned					
For highway	\$ -	\$ -	\$ -	\$ 355,217	\$ -
For road and bridge supplies	-	197,728	-	-	-
For general gov't equipment and supplies	123,769	-	-	-	-
Appropriated for 2017 budget	5,898,628	-	-	620,000	-
Other spendable amounts	<u>1,500,000</u>	<u>839,133</u>	<u>814,240</u>	<u>228,320</u>	<u>123,320</u>
Total Assigned	<u>\$7,522,397</u>	<u>\$1,036,861</u>	<u>\$ 814,240</u>	<u>\$1,203,537</u>	<u>\$ 123,320</u>

Significant encumbrances are amounts encumbered in excess of \$100,000. As of December 31, 2016, there were no encumbrances in excess of this amount.

- **Unassigned**

Represents the residual classification of the government's General Fund, and could report a surplus or deficit. As of December 31, 2016, the unassigned fund balance was \$62,705,648.

- **Order of Fund Balance Spending Policy**

The County's policy does not address the order of spending fund balances. The default would expend fund balances in the following order if all categories of fund balance were available: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

**15. GASB 77 TAX ABATEMENT**

The County has a number of real property tax abatement agreements entered into by both the Steuben County Industrial Development Agency (SCIDA), a component unit of the County, the Town of Erwin Industrial Development Agency (EIDA) and the Hornell City Industrial Development agency (HIDA) under Article 18-A of the real property tax law.

The SCIDA issues PILOT agreements, which will offer tax exemptions in return for the creation of economic development within the County. The SCIDA offers programs for various projects including manufacturing, warehouse, and distribution; agriculture; tourism, community development; retail; energy production; and housing. All projects are required to create or retain jobs, some increase property values, and increase local tax bases. The period of the tax exemption shall be no more than 40 years and shall have a maximum initial abatement of 100%.

## 15. GASB 77 TAX ABATEMENT (Continued)

The SCIDA may recapture the value of all or any exemptions granted if any one of the following items occur: Sale or closure of facility; significant employment reduction, significant change in use of the facility; significant change in business activities of the project applicant or operator; material noncompliance with or breach of terms of SCIDA transaction documents or of zoning or land use laws or regulations; federal, state or local environmental laws or regulations; or failure to comply with Section 875(3) of the General Municipal Law.

The HIDA and EIDA offer PILOT agreements, which offer tax exemptions under various programs in return for economic development within the City of Hornell and Town of Erwin.

The HIDA and EIDA may recapture the value of all or any exemptions granted if any one of the following items occur: Sale or closure of facility; significant employment reduction, significant change in use of the facility; significant change in business activities of the project applicant or operator; material noncompliance with or breach of terms of HIDA or EIDA transaction documents or of zoning or land use laws or regulations; federal, state or local environmental laws or regulations.

The following is a listing of PILOT agreements in place at December 31, 2016:

<u>Municipality</u>	<u>Number of Parcels</u>	<u>2016 PILOT Payments</u>	<u>2016 Calculated Taxes</u>	<u>2016 County Taxes Abated</u>
Town of Erwin	31	\$ 372,077	\$ 679,813	\$ 307,736
Total Erwin IDA		<u>\$ 372,077</u>	<u>\$ 679,813</u>	<u>\$ 307,736</u>
City of Hornell	26	\$ 144,975	\$ 238,935	\$ 93,960
Town of Hornellsville	4	4,110	4,694	584
Total Hornell IDA		<u>\$ 149,085</u>	<u>\$ 243,629</u>	<u>\$ 94,544</u>
City of Corning	33	\$ 582,127	\$ 852,160	\$ 270,033
Town of Bath	4	193,408	305,442	112,034
Town of Cameron	2	40,932	61,750	20,818
Town of Campbell	5	180,807	184,687	3,880
Town of Canisteo	1	15,952	26,004	10,052
Town of Cohocton	53	227,458	1,273,383	1,045,925
Town of Corning	9	75,188	287,487	212,299
Town of Greenwood	2	2,265	4,476	2,211
Town of Howard	28	83,381	664,325	580,944
Town of Jasper	16	56,680	358,535	301,855
Town of Urbana	1	1,159	1,973	814
Town & Village of Wayland	8	89,300	128,075	38,775
Village of Arkport	6	25,117	25,117	-
Village of Bath	6	18,822	47,458	28,636
Village of Painted Post	3	9,918	29,689	19,771
Village of Riverside	2	18,200	39,617	21,417
Village of Savona	1	712	1,186	474
Total Steuben County IDA		<u>\$ 1,621,426</u>	<u>\$ 4,291,364</u>	<u>\$ 2,669,938</u>

**15. GASB 77 TAX ABATEMENT (CONTINUED)**

The following is a listing of properties owned by an Industrial Development Agency or Housing Authority for which no PILOT agreement in place at December 31, 2016:

<u>Municipality</u>	<u>Number of Parcels</u>	<u>2016 Assessed Value</u>	<u>2016 County Calculated Taxes</u>
City of Corning	1	\$ 430,000	\$ 3,781
City of Hornell	40	9,349,900	82,828
Town of Avoca	2	52,300	496
Town of Bath	6	376,221	7,413
Town of Erwin	4	312,000	1,769
Town of Hornellsville	5	12,600	102
Town of Urbana	2	108,800	604
Town of Wayland	1	58,000	442
Village of Avoca	2	25,900	246
Village of Bath	5	7,980,354	157,237
Village of Cohocton	5	281,200	2,778
Village of Hammondsport	1	7,500	66
			<u>\$ 257,762</u>

The SCIDA also offers sales and use tax exemptions on the purchase of materials, equipment rentals and purchases of project related equipment. Mortgage recording exemptions are also available on all project related financing or refinancing. The amount of sales tax and mortgage recording exemptions for the year ended December 31, 2016 were \$199,747.

The HIDC also offers sales and use tax exemptions on the purchase of materials, equipment rentals and purchases of project related equipment. Mortgage recording exemptions are also available on all project related financing or refinancing. The amount of sales tax and mortgage recording exemptions for the year ended December 31, 2016 were \$44,476.

## 16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION

### **Nature of Organization**

The Steuben Tobacco Asset Securitization Corporation (the Corporation) is a special purpose, bankruptcy remote local development corporation organized under the Not-For-Profit Corporation Law of the State of New York (the State). The Corporation was established on October 10, 2000. The Corporation is an instrumentality of, but separate and apart from the County of Steuben, New York (the County). The Corporation will have not less than three nor more than five directors, consisting of Ex-Officio Directors during the tenure of their respective offices in the County, and Appointed Directors who will serve 1-year terms. Although legally separate from the County, the Corporation is a component unit of the County and, accordingly, is included in the County's basic financial statements as a blended component unit.

On October 15, 2000, pursuant to a Purchase and Sale Agreement with the County, the County sold to the Corporation all of its future rights, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement (MSA) and the Decree and Final Judgment (the Decree). The MSA resolved cigarette smoking related litigation between the settling states and the Participating Manufacturers (PMs), released the PMs from past and present smoking related claims, and provided for a continuing release of future smoking related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions, among other things. The Decree, which was entered into by the Supreme Court of the State, allocated to the County a share of the TSRs under the MSA. The future rights, title and interest of the County's share were sold to the Corporation.

The Corporation's purchase of the County's future rights, title and interest in the TSRs was financed by the original Series 2000 bond issuance. A Residual Certificate exists which represents the entitlement to receive all amounts required to be distributed after payment of debt service, operating expenses and certain other costs of the Corporation as set forth in the indenture. Payments on the Residual Certificate from TSR collections are subordinate to payments on the bonds and payment of certain other costs specified in the indenture. Excess TSRs not required by the Corporation to pay various expenses, debt service or required reserves with respect to the bonds are transferred to the Steuben TASC Residual Trust (the Trust), as owner of the Residual Certificate. The County is the beneficial owner of the Trust and thus the funds received by the Trust will ultimately transfer to the County.

## 16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB). The Corporation's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Corporation's fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments, are recorded only when payment is due.

The major governmental fund, currently the Corporation's only fund, is the Debt Service Fund. The Debt Service Fund accounts for the resources accumulated and payments made for operations and principal debt service on long-term general obligation debt.

### **Net Position**

Generally accepted accounting principles require that resources be classified for accounting purposes into applicable net position categories.

Unrestricted net position is the residual net position that is not restricted, but which may be internally designated by the Board of Directors.

Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position of the Corporation are restricted based on externally imposed conditions and include amounts restricted for debt service and bond issuance costs.

The Corporation has adopted a practice of utilizing its restricted net position when available, prior to unrestricted net position.

### **Fund Balance**

GASB requires more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balances** - These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

## 16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)

### Fund Balance (Continued)

- **Restricted Fund Balances** - These are amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed Fund Balances** - These are amounts that can be used only for specific purposes determined by a formal action of the Board of Directors prior to year-end. The Board of Directors is the highest level of decision-making authority for the Corporation. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.
- **Assigned Fund Balances** - These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board of Directors makes a determination of the assigned amounts of fund balance.
- **Unassigned Fund Balances** - These are all other spendable amounts. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Corporation considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

### Cash and Cash Equivalents

The Corporation considers bank deposit accounts and all highly liquid debt instruments with remaining maturities, when purchased, of 12 months or less to be cash equivalents and these are stated at fair value.

### Bond Discount

The Corporation recognizes discounts fully in the year of issuance for the governmental fund statements. These costs are amortized over the term of the related bonds for the government-wide financial statements as additional interest expense. The Corporation recognizes all interest paid as interest expenditures on the modified accrual basis for the governmental fund statements and all interest incurred as expenses on the full accrual basis for the government-wide financial statements.

### Accounts Receivable

The Corporation records a receivable for Tobacco Settlement Revenues (TSRs) and does not accrue interest on unpaid amounts. The Corporation has not recorded an allowance for doubtful accounts related to the TSRs and does not anticipate future write-offs.

## 16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)

### **Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

### **Income Taxes**

The Corporation is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Corporation has also been classified by the Internal Revenue Service as an entity that is not a private foundation. The Corporation is also exempt from Federal reporting requirements under Internal Revenue Service Revenue Procedure 95-48, 1995-2 C.B. 418 as a governmental unit or affiliate of a governmental unit described in the procedure.

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Deposits and Investments**

- **Investment and Deposit Policy**

The Corporation follows an investment and deposit policy as outlined in the bond Indenture, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; provide sufficient liquidity of invested funds in order to meet obligations as they become due; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the Treasurer of the Corporation.

- **Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- **Credit Risk**

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation's investment and deposit policy follows the eligible investment defined in the indenture.

- Obligations of the United States of America;
- Obligations guaranteed by the United States of America where payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- Special time deposit accounts;
- Certificates of Deposit;



## 16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)

### Credit Risk (Continued)

- Obligations of public authorities, public housing authorities, urban renewal agencies, and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments; and
- Obligations issued pursuant to New York State Local Finance Law Section 24.00 and 25.00 (with approval of the New York State Comptroller) by any municipality, school district or district corporation other than the Corporation.
- Eligible investments, as defined in the indenture between the Corporation and Manufacturers and Traders Trust Company, as trustee, as amended from time to time.

### Custodial Credit Risk - Deposits

Custodial credit risk - deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's informs investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits. The Corporation restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank;
- Obligations partially insured or guaranteed by any agency of the United States of America at a proportion of the market value of the obligation that represents the amount of insurance or guaranty;
- Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, a school district or district corporation of such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys;
- Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO);
- Obligations of Puerto Rico rated in the highest rating category by at least one NRSRO;
- Obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest categories by at least one NRSRO;
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one NRSRO;
- Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies;

## 16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)

### Custodial Credit Risk - Deposits (Continued)

- Commercial paper and bankers' acceptances issued by a bank, other than the Corporation's bank, rated in the highest short term category by at least one NRSRO and having maturities of no longer than 60 days from the date they are pledged; and
- Zero coupon obligations of the United States of America marketed as "treasury strips;"

As of December 31, 2016, the carrying amount of the Corporation's cash and cash equivalents was \$123,320, and was fully insured under the FDIA.

### Custodial Credit Risk - Investments

Custodial credit risk - investments is the risk that an entity will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Corporation's investment and deposit policy requires that all custodial investments be registered or insured in the Corporation's name and held in the custody of the bank or the bank's trust department. The Corporation requires that all repurchase agreements be limited to obligations of the United States of America or obligations whose principal and interest are fully guaranteed, or insured by the United States of America. As of December 31, 2016, the Corporation's investments, with maturities of less than one year, were in compliance with the investment and deposit policy as follows:

Money market fund (U.S. Treasuries)	<u>\$1,855,012</u>
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### Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. At December 31, 2016, all amounts were held by one bank.

### Restricted Cash and Cash Equivalents

The Corporation maintains a liquidity reserve account, which must be maintained at a minimum of \$1,725,625 until such time that all bonds, other than subordinated bonds, are paid. All amounts withdrawn from this account are replenished, as needed, and amounts in excess of the required amount are transferred out.

The Corporation had the following reserve funds as of December 31, 2016:

#### Investments

Liquidity reserve	\$ 1,725,871
Debt service reserve	48,476
Turbo redemption account	54,161
Bond issuance and rebate cost reserve	<u>26,504</u>
Total	<u>\$ 1,855,012</u>

These amounts are restricted by law for debt service.

## 16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)

### Restricted Cash and Cash Equivalents (Continued)

Total cash and cash equivalents and marketable securities by type as of December 31, controlled by the Trustee are as follows:

	<u>2016</u>
United States Treasury Obligation	\$ 1,385,405
Money Market funds	129,141
Cash	<u>340,466</u>
	<u>\$ 1,855,012</u>

United States Treasury obligations are considered level 1 investments. The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Corporation has the following fair value measurements as of December 31, 2016:

- U.S. Treasury securities are valued using quoted market prices (Level 1 inputs).

### Bonds Payable

The Corporation issued \$28,623,950 of Series 2005 Trust IV Tobacco Asset-Backed bonds in August 2005 and \$3,323,840 in Series 2005 Trust V Tobacco Asset-Backed bonds in November 2005. The Series 2005 bonds are secured by a perfected security interest in, and pledge of, the Trust Estate, as defined in the Indenture, which includes, among other things, the TSRs and all investment earnings on amounts on deposit in the accounts established under the Indenture (collectively, the Collections). Among the accounts so established are the Liquidity Reserve Account and the Debt Service Account. The Corporation retains TSRs in an amount sufficient to service its debt and pay its operating expenses. The Series 2005 bonds are payable solely from and secured solely by the future right, title and interest of the Corporation in the collection of TSRs previously purchased by the Corporation from the County. This series consists of subordinate turbo capital appreciation bonds that provide long-dated financing for the Corporation and take advantage of current market conditions where interest rates are low, investors have a favorable view of litigation events and where institutional investors are looking for high yield investments. The Corporation is required to covenant not to issue additional bonds or refunding bonds that would extend the term of the capital appreciation bonds or other outstanding bonds.

**16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)**

**Bonds Payable (Continued)**

The Series 2005 Trust IV bonds are composed of the following:

- \$14,755,000 Tobacco Settlement Asset-Backed Bonds, Series 2005A (Tax Exempt Turbo Bonds), maturity date is June 1, 2042, interest rate of 5.00%.
- \$3,290,000 Tobacco Settlement Asset-Backed Bonds, Series 2005B (Taxable Turbo Bonds), maturity date is June 1, 2027, interest rate of 6.00%.
- \$1,090,190 Tobacco Settlement Asset-Backed Bonds, Series 2005D (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2050, interest rate of 0.00%, with an accreted value at maturity of \$14,565,000.
- \$1,188,760 Tobacco Settlement Asset-Backed Bonds, Series 2005E (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2055, interest rate of 0.00%, with an accreted value at maturity of \$27,005,000).

The Series 2005 Trust V bonds are composed of the following:

- \$3,323,840 Tobacco Settlement Asset-Backed Bonds, Series 2005 S4B (Tax Exempt Turbo Capital Appreciation Bonds), maturity date is June 1, 2060, with an accreted value at maturity of \$221,000,000.

The Series 2010 Bonds are composed of the following:

- \$8,300,000 Tobacco Settlement Asset-Backed Bonds, Series 2010A (Taxable Turbo Bonds), maturity date is June 1, 2041, interest rate of 6.25%

Long-term indebtedness for the Corporation's bonds payable consisted of the following:

Balance - beginning of year	\$ 30,112,790
Repayments of bonds	<u>(1,455,000)</u>
Balance - end of year	28,657,790
Add: Accretion of capital appreciation bonds	6,732,329
Less: Bond discount	<u>(458,974)</u>
Total	<u>\$ 34,931,145</u>
Required payments due within one year	<u>\$ -</u>

**16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)**

**Bonds Payable (Continued)**

Principal and interest payments (including accretion on capital appreciation bonds) based upon the required maturities are as follows for the years ended December 31:

<u>Tobacco Asset Securitization Corp</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 2,234,971	\$ 2,234,971
2018	-	2,277,761	2,277,761
2019	-	2,335,898	2,335,898
2020	-	2,408,952	2,408,952
2021	-	2,492,015	2,492,015
2022-2026	2,500,000	13,569,346	16,069,346
2027-2031	3,400,000	15,871,506	19,271,506
2032-2036	4,725,000	19,307,339	24,032,339
2037-2041	6,255,000	24,704,456	30,959,456
2042-2046	6,175,000	32,861,487	39,036,487
2047-2051	1,090,190	45,212,170	46,302,360
2052-2056	1,188,760	59,262,646	60,451,406
2057-2061	<u>3,323,840</u>	<u>52,209,040</u>	<u>55,532,880</u>
Totals	<u>\$ 28,657,790</u>	<u>\$274,747,587</u>	<u>\$303,405,377</u>

Required maturities for the Series 2005 Bonds represent the minimum amount of principal that the Corporation must pay as of the specific distribution dates in order to avoid a default. Turbo (accelerated) amortization payments are required to be made against outstanding principal providing that the Corporation receives sufficient TSRs to make the Turbo payments. The interest payment requirements shown are based on the required principal maturity schedule and include the accreted value portion of capital appreciation bonds in the year in which they are required to be redeemed.

## 16. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION (Continued)

### Bonds Payable (Continued)

Bonds payable as recorded on the Statement of Net Position is the following as of December 31, 2016:

	<u>Bond Principal</u>	<u>Bond Discount</u>	<u>Bond Accretion</u>	<u>Total</u>
Beginning balance, 1/1/16	\$30,112,790	\$ (492,580)	\$5,888,008	\$35,508,218
Principal payment	(1,455,000)	-	-	(1,455,000)
Amortization	-	33,606	-	33,606
Accretion	-	-	844,321	844,321
Ending balance, 12/31/16	<u>\$28,657,790</u>	<u>\$ (458,974)</u>	<u>\$6,732,329</u>	<u>\$34,931,145</u>

Under the terms of the Indenture, the Corporation is required to maintain certain deposits to fund debt service payments, if needed. Such deposits are included in investments in the basic financial statements. In addition, the Corporation is subject to various debt covenants, including limitations on expenses/expenditures, and compliance with Indenture agreement requirements. The Corporation was in compliance with all covenants and Indenture agreement requirements at December 31, 2016.

A principal payment in the amount of \$1,455,000 was made during 2016 in accordance with the Series 2005 bonds. Bond discount expense was \$33,606 for the year ended December 31, 2016. Accumulated amortization on bond discounts was \$369,666 for the year ended December 31, 2016.

### Interest

Interest expense on bonds payable was \$2,143,346 in 2016 and cash paid for interest was \$1,300,150.

### Net Position

The Corporation has a deficit in net position as a result of the outstanding bonds. Throughout the life of the bonds, due to the accretion on capital appreciation bonds, the net position deficit will continue to increase. Once sufficient TSRs are collected through the life of these bonds and these outstanding bonds are repaid, the net position deficit will be eliminated.

### Contingencies

Future TSRs are subject to adjustment based upon tobacco consumption, inflation and other factors. Pursuant to the Indenture, these adjustments and other events could trigger additional debt service reserve requirements.

### Related Party

Steuben Tobacco Asset Securitization Corporation is a special purpose local development corporation, and is considered by legal counsel to be bankruptcy-remote from the County. However, the Corporation's board of directors is comprised of a majority of elected or appointed officials of the County and one independent director. For financial reporting purposes, the Organization is considered to be a component unit of the County.

## **17. JOINT VENTURES**

The following are activities undertaken jointly with other municipalities and are excluded from the financial statements.

Southern Tier Central Regional Planning and Development Board (the Board) - The Counties of Steuben, Chemung and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that the participants' share of the cost shall be prorated as agreed upon by the member counties. In 2016, the County of Steuben contributed \$85,000. Audited financial statements for the Board may be obtained from the Administrative Offices of the Board located at 8 Denison Parkway East, Suite 310, Corning, NY 14830.

Corning Community College Region (the College) - The County became a co-sponsor of the Corning Community College region pursuant to a resolution of the County Legislature adopted on December 17, 1984. As a result, the County assumed joint sponsorship with the counties of Chemung and Schuyler. The College had formerly been sponsored by the Corning City School District. Three persons appointed by the Steuben County Legislature represent the County on the Regional Board of Trustees. In 2016, Steuben County expended \$3,000,836 in residential tuition, which was based on capital and operating costs. Separate financial statements for the College may be obtained by contacting the administrative office of Corning Community College, 1 Academic Drive, Corning, NY 14830-3297.

## **18. SUBSEQUENT EVENT**

In June 2017, the County issued a Public Improvement Serial Bond in the amount of \$4,000,000 with an interest rate of 2% for the construction of a new office building and records storage facility. The bond will mature in June 2027.

**REQUIRED SUPPLEMENTARY INFORMATION**



**STEBEN COUNTY, NEW YORK**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND - (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2016**

	BUDGET		Expenditures Budgetary Basis		Variance with Modified Budget Positive (Negative)
	Original	Modified	Actual	Encumbrances	
<b>REVENUES:</b>					
Real property taxes	\$ 24,789,636	\$ 24,789,921	\$ 24,588,017	\$ -	\$ (201,904)
Real property tax items	3,748,950	3,748,950	3,959,183	-	210,233
Non-property tax items	47,391,944	53,581,660	55,911,985	-	2,330,325
Departmental income	12,914,487	13,216,190	13,020,318	-	(195,872)
Intergovernmental services revenue	2,099,325	2,171,325	2,373,786	-	202,461
Use of money and property	2,464,700	2,464,700	2,406,552	-	(58,148)
Licenses and permits	2,000	2,000	1,345	-	(655)
Fines and forfeitures	232,071	232,071	255,155	-	23,084
Sale of property/compensation for loss	50,062	50,062	38,721	-	(11,341)
Miscellaneous local sources	565,512	579,763	2,972,939	-	2,393,176
Interfund revenues	1,416,491	1,418,041	1,462,338	-	44,297
State aid	19,841,216	20,738,720	19,844,314	-	(894,406)
Federal aid	22,290,111	22,765,669	20,148,390	-	(2,617,279)
<b>Total revenues</b>	<b>137,806,505</b>	<b>145,759,072</b>	<b>146,983,043</b>	<b>-</b>	<b>1,223,971</b>
<b>EXPENDITURES</b>					
General government	27,332,148	34,344,355	31,215,417	48,103	3,080,835
Education	8,490,000	8,674,000	8,469,724	-	204,276
Public safety	20,329,395	21,583,432	20,401,289	37,553	1,144,590
Health	15,192,594	15,692,677	14,277,480	35,597	1,379,600
Transportation	415,500	415,500	391,259	-	24,241
Economic assistance and opportunity	68,598,156	67,511,127	61,895,825	2,516	5,612,786
Culture and recreation	635,894	659,764	638,820	-	20,944
Home and community services	1,236,762	1,261,422	1,014,151	-	247,271
Debt service	670,450	670,450	670,450	-	-
<b>Total expenditures</b>	<b>142,900,899</b>	<b>150,812,727</b>	<b>138,974,415</b>	<b>123,769</b>	<b>11,714,543</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,094,394)</b>	<b>(5,053,655)</b>	<b>8,008,628</b>	<b>(123,769)</b>	<b>12,938,514</b>
Transfers Out	(776,733)	(1,530,855)	(1,530,844)	-	11
<b>Total Other Financing Sources (Uses)</b>	<b>(776,733)</b>	<b>(1,530,855)</b>	<b>(1,530,844)</b>	<b>-</b>	<b>11</b>
<b>EXCESS (DEFICIENCY) REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>\$ (5,871,127)</b>	<b>\$ (6,584,510)</b>	<b>6,477,784</b>	<b>\$ (123,769)</b>	<b>\$ 12,938,525</b>
FUND BALANCE - beginning of year			74,941,333		
FUND BALANCE - end of year			<u>\$ 81,419,117</u>		

**STEBEN COUNTY, NEW YORK**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL - COUNTY ROAD FUND - (UNAUDITED)  
YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u>		<u>Expenditures Budgetary Basis</u>		<u>Variance with Modified Budget</u>
	<u>Original</u>	<u>Modified</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Positive (Negative)</u>
REVENUE:					
Real Property Taxes	\$ 16,978,931	\$ 16,978,931	\$ 16,978,931	-	\$ -
Intergovernmental Charges	33,000	33,000	97,007	-	64,007
Use of Money & Property	5,000	5,000	-	-	(5,000)
Sale of Property/Compensation for Loss	175,000	175,000	45,197	-	(129,803)
Miscellaneous Revenue	2,000	2,000	-	-	(2,000)
State & Federal Aid	4,429,818	5,534,162	5,534,162	-	-
<b>TOTAL REVENUE</b>	<u>21,623,749</u>	<u>22,728,093</u>	<u>22,655,297</u>	<u>-</u>	<u>(72,796)</u>
EXPENDITURES:					
Transportation	21,375,749	22,886,946	21,905,782	197,728	783,436
<b>TOTAL EXPENDITURES</b>	<u>21,375,749</u>	<u>22,886,946</u>	<u>21,905,782</u>	<u>197,728</u>	<u>783,436</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>248,000</u>	<u>(158,853)</u>	<u>749,515</u>	<u>(197,728)</u>	<u>710,640</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	185,000	185,000	-	-
Transfers Out	(263,000)	(263,000)	(263,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(263,000)</u>	<u>(78,000)</u>	<u>(78,000)</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ (15,000)</u>	<u>\$ (236,853)</u>	<u>671,515</u>	<u>\$ (197,728)</u>	<u>\$ 710,640</u>
FUND BALANCE - beginning of year			<u>365,346</u>		
FUND BALANCE - end of year			<u>\$ 1,036,861</u>		

**STEUBEN COUNTY, NEW YORK**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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<u>Actuarial Date</u>	<u>Fiscal Year Ended</u>	(a) <u>Actuarial Value of Plan Assets</u>	(b) <u>Actuarial Accrued Liability (AAL)</u>	(b-a) <u>Unfunded Accrued Liability (UAL)</u>	(a/b) <u>Funded Ratio</u>	( c ) <u>Covered Payroll</u>	((b-a)/c) <u>UAL as a % of Covered Payroll</u>
January 1, 2014	December 31, 2014	\$ -	\$ 40,700,152	\$ 40,700,152	0.0%	\$ 40,033,566	101.7%
October 1, 2015	December 31, 2015	\$ -	\$ 48,199,692	\$ 48,199,692	0.0%	\$ 39,966,417	120.6%
October 1, 2016	December 31, 2016	\$ -	\$ 62,392,812	\$ 62,392,812	0.0%	\$ 41,165,410	151.6%

**STEUBEN COUNTY, NEW YORK**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS - (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 6,067	\$ 6,044								
Contributions in relation to the contractually required contribution	\$ 6,067	\$ 6,044								
Contribution deficiency (excess)	\$ -	\$ -								
Covered-employee payroll	\$ 38,724	\$ 38,480								
Contributions as a percentage of covered-employee payroll	15.67%	15.71%								

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) - (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2016	2015
Proportion of the net pension liability (asset)	0.16%	0.18%
Proportionate share of the net pension liability (asset)	\$ 25,229	\$ 6,140
Covered-employee payroll	\$ 38,724	\$ 38,480
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.15%	15.96%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.70%	97.90%

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**SUPPLEMENTARY INFORMATION**

**STEUBEN COUNTY, NEW YORK**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
AS OF DECEMBER 31, 2016**

	<u>Economic Development</u>	<u>Road Machinery</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
Cash, cash equivalents and investments	\$ 814,240	\$ 1,567,096	\$ 4,922,311	\$ 123,320	\$ 7,426,967
Other Receivables	-	-	-	1,577,799	1,577,799
Due From Other Governments	-	67,117	30,736	-	97,853
State and Federal Receivables	-	-	748,349	-	748,349
Assets whose use is limited	-	-	-	1,855,012	1,855,012
<b>Total assets</b>	<b>814,240</b>	<b>1,634,213</b>	<b>5,701,396</b>	<b>3,556,131</b>	<b>11,705,980</b>
<b>LIABILITIES &amp; FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	-	323,536	161,373	-	484,909
Accrued liabilities	-	39,162	-	-	39,162
Bond anticipation notes payable	-	-	150,000	-	150,000
Due to other funds	-	67,978	-	-	67,978
<b>Total liabilities</b>	<b>-</b>	<b>430,676</b>	<b>311,373</b>	<b>-</b>	<b>742,049</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Tobacco settlement revenue	-	-	-	1,577,799	1,577,799
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,577,799</b>	<b>1,577,799</b>
<b>FUND BALANCES:</b>					
Restricted	-	-	5,390,023	1,855,012	7,245,035
Assigned	814,240	1,203,537	-	123,320	2,141,097
<b>Total fund balances</b>	<b>814,240</b>	<b>1,203,537</b>	<b>5,390,023</b>	<b>1,978,332</b>	<b>9,386,132</b>
<b>Total liabilities and fund balances</b>	<b>\$ 814,240</b>	<b>\$ 1,634,213</b>	<b>\$ 5,701,396</b>	<b>\$ 3,556,131</b>	<b>\$ 11,705,980</b>

**STEUBEN COUNTY, NEW YORK**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Economic Development</u>	<u>Road Machinery</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES:</b>					
Real property taxes	\$ -	\$ 753,093	\$ -	\$ -	\$ 753,093
Participants Share	-	-	61,948	-	61,948
Intergovernmental services revenue	-	-	104,000	-	104,000
Use of money and property	463	3,643	797	5,460	10,363
Sale of property and compensation for losses	-	50,381	126	-	50,507
Tobacco settlement revenues	-	-	-	2,893,169	2,893,169
Miscellaneous	2,000	116	31,335	-	33,451
Interfund revenues	-	2,672,927	-	-	2,672,927
State aid	160,000	-	559,536	-	719,536
Federal aid	-	-	1,993,680	-	1,993,680
	<u>162,463</u>	<u>3,480,160</u>	<u>2,751,422</u>	<u>2,898,629</u>	<u>9,292,674</u>
<b>EXPENDITURES:</b>					
Current -					
General government	-	-	-	30,793	30,793
Transportation	-	3,366,849	-	-	3,366,849
Home and community services	155,000	-	-	-	155,000
Capital Outlay -					
General government	-	-	712,867	-	712,867
Public safety	-	-	737,975	-	737,975
Transportation	-	-	2,424,278	-	2,424,278
Culture and recreation	-	-	1,378	-	1,378
Debt Service -					
Principal	-	-	-	1,455,000	1,455,000
Interest	-	-	-	1,300,150	1,300,150
	<u>155,000</u>	<u>3,366,849</u>	<u>3,876,498</u>	<u>2,785,943</u>	<u>10,184,290</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>7,463</u>	<u>113,311</u>	<u>(1,125,076)</u>	<u>112,686</u>	<u>(891,616)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	1,793,844	-	1,793,844
Transfers out	-	(185,000)	-	-	(185,000)
	<u>-</u>	<u>(185,000)</u>	<u>1,793,844</u>	<u>-</u>	<u>1,608,844</u>
<b>CHANGE IN FUND BALANCE</b>	7,463	(71,689)	668,768	112,686	717,228
<b>FUND BALANCE - beginning of year</b>	<u>806,777</u>	<u>1,275,226</u>	<u>4,721,255</u>	<u>1,865,646</u>	<u>8,668,904</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 814,240</u>	<u>\$ 1,203,537</u>	<u>\$ 5,390,023</u>	<u>\$ 1,978,332</u>	<u>\$ 9,386,132</u>

# STEBEN COUNTY, NEW YORK

## COMBINING STATEMENT OF NET POSITION - PRIVATE PURPOSE TRUST FUNDS AS OF DECEMBER 31, 2016

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	Fairview Cemetery	County Jail Inmate Fund	Total Private Purpose Trust Funds
ASSETS:			
Cash and cash equivalents	<u>\$ 1,000</u>	<u>\$ 270,452</u>	<u>\$ 271,452</u>
Total assets	<u>1,000</u>	<u>270,452</u>	<u>271,452</u>
LIABILITIES:			
Accounts payable	<u>-</u>	<u>379</u>	<u>379</u>
Total liabilities	<u>-</u>	<u>379</u>	<u>379</u>
NET POSITION			
Held in trust for other purposes	<u>1,000</u>	<u>270,073</u>	<u>271,073</u>
Total net position	<u>1,000</u>	<u>270,073</u>	<u>271,073</u>
TOTAL NET POSITION	<u>\$ 1,000</u>	<u>\$ 270,452</u>	<u>\$ 271,452</u>



**STEBEN COUNTY, NEW YORK**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	<u>Fairview Cemetery</u>	<u>County Jail Inmate Fund</u>	<u>Total Private Purpose Trust</u>
ADDITIONS:			
Interest earnings	\$ 4	\$ -	\$ 4
Other revenue	<u>-</u>	<u>58,075</u>	<u>58,075</u>
Total additions	<u>4</u>	<u>58,075</u>	<u>58,079</u>
DEDUCTIONS:			
Home and community services	4	-	4
Public safety	<u>-</u>	<u>8,383</u>	<u>8,383</u>
Total deductions	<u>4</u>	<u>8,383</u>	<u>8,387</u>
CHANGE IN NET POSITION	-	49,692	49,692
NET POSITION - beginning of year	<u>1,000</u>	<u>220,381</u>	<u>221,381</u>
NET POSITION - end of year	<u>\$ 1,000</u>	<u>\$ 270,073</u>	<u>\$ 271,073</u>

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

June 13, 2017

To the Board of Legislators of the  
County of Steuben, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Steuben, New York (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 13, 2017. Our report includes a reference to another auditor who audited the financial statements of the Steuben County Industrial Development Agency, as described in our report on the County's financial statements. This report does not include the results of the auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

**Internal Control Over Financial Reporting**

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

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

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

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(Continued)

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

(Continued)

**Compliance and Other Matters**

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

**Purpose of this Report**

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