

COUNTY OF CORTLAND, NEW YORK

**Basic Financial Statements
December 31, 2015
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

COUNTY OF CORTLAND, NEW YORK

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SECTION A

**COUNTY OF CORTLAND, NEW YORK
BASIC FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT

September 29, 2016

To the County Legislature of the
 County of Cortland, 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 Cortland, New York (the County) as of and for the year ended December 31, 2015, 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; 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 Cortland County Industrial Development Agency (Agency) and the Cortland Tobacco Asset Securitization Corporation (CTASC) which statements reflect the percentages of total assets, net position/fund balance and total revenues of the respective opinion units as presented in the table below. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency and CTASC, are based solely on the reports of the other auditors.

<u>Opinion Units</u>	<u>Total Assets</u>	<u>Net Position/ Fund Balance</u>	<u>Total Revenues</u>
Government-wide:			
Governmental activities	1.3%	2.5%	0.7%
Component units	19.2%	23.8%	1.0%
Fund level:			
Aggregate remaining fund information	3.8%	3.8%	0.7%

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.

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibility (Continued)

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principles

As described in Note 2 to the financial statements, the County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date* – an amendment of GASB Statement No. 68. Our opinions are not modified with respect to this matter.

Correction of Error

As described in Note 2 to the financial statements, the prior year financial statements of the County were not properly presented as a result of several errors that encompassed several opinion units of the County. These errors, since material, were necessary to fairly present the County's financial statements as of and for the year ended December 31, 2015.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other postemployment benefits plan, schedule of proportionate share of net pension liability (asset) and schedule of contributions - pension plans, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Report on Required Supplementary Information (Continued)

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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of state transportation assistance expended, as required by Draft Part 43 of the New York Code of Rules and Regulations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the schedule of state transportation assistance expended 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 schedule of expenditures of federal awards and the schedule of state transportation assistance expended are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016 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.

Bonadio & Co., LLP

COUNTY OF CORTLAND, NEW YORK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2015

The following is management's discussion and analysis of the County of Cortland, New York's (the County's) financial performance for the year ended December 31, 2015. This section is a summary of the County's financial activities based on current known facts, decisions, and conditions. It is also based on both the government-wide and fund financial statements. This section is only an introduction and should be read in conjunction with the County's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

In 2015, the net position of the County's primary government decreased by approximately \$4,514,000 from operating activities. There were also prior period adjustments which increased net position by approximately \$3,360,000. The cumulative effect of the change in accounting principle related to the implementation of GASB 68 and 71 was a decrease in net position of approximately (\$1,420,000).

The assets of the County's primary government exceeded its liabilities at December 31, 2015 by \$36,273,331 of which \$57,550,609 represents the County's net investment in capital assets.

The County's governmental funds change in fund balance in 2015 was an increase of \$1,997,448.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, including the notes to financial statements; required supplementary information; and an optional section that presents the schedule of expenditures of federal awards and the schedule of expenditures of state transportation awards. The basic financial statements include two kinds of statements that present different views of the County, government-wide and fund financial statements. The following are some highlights of the financial statements:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining fund financial statements focus on individual parts of the County government that report the County's operations in more detail than the government-wide financial statements. The governmental funds statements indicate how general government services were financed in the short-term, as well as what remains for future spending.
- Proprietary fund financial statements offer short and long-term financial information about the activities the County operates similar to a business.
- Fiduciary fund financial statements provide information about financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources belong.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.
- The financial statements are followed by a section of required supplementary information that provides budgetary information for the County's General Fund, County Road Fund, and Road Machinery Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements require that capital assets (infrastructure, including roads, bridges, etc.) be valued and reported within the governmental activities column of the government-wide statements. The County depreciates these assets over their estimated useful lives. If a road project is considered maintenance, (i.e., a recurring cost that does not extend the road's original useful life or expand its capacity) the cost of the project is expensed as incurred.

The two government-wide financial statements report the County's net position and how they have changed. Net position, the difference between the County's assets and liabilities, is one way to measure the County's financial health. Over time, increases or decreases in the County's net position is an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the County, one must also consider additional non-financial factors, such as changes in the County's property tax base, the condition of the County's roads and infrastructure, and surpluses or deficits in services provided by the County.

The government-wide financial statements of the County are divided into three categories:

- Governmental Activities - Most of the County's basic services are included here, such as public safety, educational programs, public works, public health, mental health, human services, culture and recreation programs, and general administration. Property taxes, sales taxes, mortgage taxes, franchise fees, and state and federal grants finance most of these activities. Also included in the governmental activities is the County's blended component unit, the Cortland Tobacco Asset Securitization Corporation (CTASC). The Internal Service Funds' governmental activities are the Self Insurance Fund and the Workers' Compensation Fund.
- Business-Type Activities - The County charges fees to others to cover most of the costs of certain services it provides. Business-type activities include the County's Solid Waste Fund.
- Component Units - The County's component units report the activities of the Cortland County Industrial Development Agency (IDA), and the Cortland County Soil and Water Conservation District (SWCD) that are described in detail in the notes to the financial statements. Although legally separate, these component units are important because the County is financially accountable for them.

Fund Financial Statements

The fund financial statements provide detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The County Legislature establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The County has three kinds of funds:

- **Governmental Funds** - Most of the County's basic services are included in governmental funds, which focus on how cash and other financial assets flow in and out of those funds and the balances remaining at year-end that are available for future allocation. The governmental funds' financial statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, there is additional information in the subsequent pages that explains the relationship or differences between them.
- **Proprietary Funds** - Proprietary funds, like the government-wide financial statements, provide both long-term and short-term financial information. The County's Solid Waste Fund is accounted for using the accrual basis of accounting, i.e., revenues are recorded when earned and expenses are recorded when incurred.
- **Fiduciary Funds** - The County is the trustee, or fiduciary, for assets that because of a trust agreement can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities and, when applicable, a statement of change in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides perspective of the County as a whole.

(Table 1)

Condensed Statement of Net Position December 31, 2015 and 2014 (In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
ASSETS:						
Current and other assets	\$ 46,872	\$ 41,990	\$ 1,151	\$ 859	\$ 48,023	\$ 42,849
Capital assets, net	79,168	78,883	9,644	10,305	88,812	89,188
Total assets	<u>126,040</u>	<u>120,873</u>	<u>10,795</u>	<u>11,164</u>	<u>136,835</u>	<u>132,037</u>
DEFERRED OUTFLOWS OF RESOURCES:						
Debt refunding	\$ 319	\$ -	\$ 784	\$ -	\$ 1,103	\$ -
Pension	3,978	-	52	-	4,030	-
Total deferred outflows of resources	<u>4,297</u>	<u>-</u>	<u>836</u>	<u>-</u>	<u>5,133</u>	<u>-</u>
LIABILITIES:						
Other liabilities	16,292	16,904	5,609	6,502	21,901	23,406
Long-term debt - due in one year	1,828	2,043	592	383	2,420	2,426
Long-term debt - due in more than one year	<u>70,006</u>	<u>57,855</u>	<u>10,772</u>	<u>9,503</u>	<u>80,778</u>	<u>67,358</u>
Total liabilities	<u>88,126</u>	<u>76,802</u>	<u>16,973</u>	<u>16,388</u>	<u>105,099</u>	<u>93,190</u>

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (Continued)

(Table 1) (Continued)

**Condensed Statement of Net Position
December 31, 2015 and 2014
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
DEFERRED INFLOWS OF RESOURCES:						
Pension	<u>589</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>597</u>	<u>-</u>
NET POSITION:						
Net investment in capital						
Assets	58,585	59,877	(1,034)	(449)	57,551	59,428
Restricted	5,009	3,043	712	429	5,721	3,472
Unrestricted	<u>(21,972)</u>	<u>(18,849)</u>	<u>(5,027)</u>	<u>(5,204)</u>	<u>(26,999)</u>	<u>(24,053)</u>
Total net position	<u>\$ 41,622</u>	<u>\$ 44,071</u>	<u>\$ (5,349)</u>	<u>\$ (5,224)</u>	<u>\$ 36,273</u>	<u>\$ 38,847</u>

Net position of the County's primary government decreased 15% from approximately \$38,847,000 to \$36,273,000 at December 31, 2015. The majority of the net position is invested in capital assets such as land, land improvements, buildings, equipment, and roads. The overall decrease in the net position of the primary government is a result of the following:

- In governmental activities, capital assets, net of accumulated depreciation, increased by approximately \$285,000. The capital asset depreciation expense in 2015 essentially equalled the amount of capital additions.
- In governmental activities and business-type activities, there is an increase in both deferred outflows of resources and deferred inflows of resources related to pensions which is the result of adopting new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date* – an amendment of GASB Statement No. 68. In addition, the net pension liability that is included in long-term debt was approximately \$3.7 million.
- In governmental activities and business-type activities, deferred outflows of resources related to debt refunding are the result of the advance bond refunding that occurred in 2015.
- The other postemployment benefits expense increased approximately \$4 million because of the additional liability accrued based on the actuarial valuation.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (Continued)

(Table 2)

**Condensed Changes in Net Position
for the Years Ended December 31, 2015 and 2014
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES:						
Program revenues -						
Charges for services	\$ 9,303	\$ 8,530	\$ 1,613	\$ 1,566	\$ 10,916	\$ 10,096
Operating grants and contributions	28,595	28,681	-	-	28,595	28,681
Capital grants and contributions	3,604	3,353	-	-	3,604	3,353
General revenues -						
Real property taxes and items	33,592	33,741	-	-	33,592	33,741
Nonproperty tax items	29,948	30,795	-	-	29,948	30,795
Sale of property for gain	138	107	-	-	138	107
Use of money and property	2,655	2,526	-	5	2,655	2,531
Miscellaneous local sources	504	1,296	-	-	504	1,296
Total revenues	108,339	109,029	1,613	1,571	109,952	110,600
EXPENSES:						
Program expenses -						
General governmental support	26,975	24,293	-	-	26,975	24,293
Education	3,763	4,959	-	-	3,763	4,959
Public safety	12,248	16,721	-	-	12,248	16,721
Public health	10,739	11,039	-	-	10,739	11,039
Transportation	18,234	18,172	-	-	18,234	18,172
Economic assistance	34,664	36,545	-	-	34,664	36,545
Culture and recreation	1,259	416	-	-	1,259	416
Home and community	2,936	1,480	-	-	2,936	1,480
Debt interest	1,290	977	-	-	1,290	977
Business-type activities	-	-	2,359	5,614	2,359	5,614
Total expenses	112,107	114,602	2,359	5,614	114,466	120,216
Transfers	(803)	114,602	803	5,614	-	120,216
Decrease in net position	\$ (4,571)	\$ (5,573)	\$ 57	\$ (4,043)	\$ (4,514)	\$ (9,616)

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (Continued)

Governmental Activities

- General Governmental Support: Includes the services of the County Legislature, District Attorney, County Clerk, County Attorney, Public Defender, Assigned Counsel, County Treasurer, Buildings and Grounds, Coroners, Information Technology, Real Property Tax Services, Personnel/Civil Service, Board of Elections and Shared Services.
- Education: Is primarily the County's contributions to TC3, the local Community College, as well as the Community College chargebacks to the County from County residents who attend Community Colleges outside of Cortland County.
- Public Safety: Includes the services of the Sheriff – Civil, Road Patrol, Jail, STOP DWI and Administration, Emergency Services/911, Probation and ATI (Alternatives to Incarceration.)
- Public Health: Includes the services provided for Public Health and Mental Health.
- Transportation: Includes the services provides for Highway, Airport, and Public Transportation operations.
- Economic Assistance and Opportunity: Includes services provided for Social Services, Office for the Aging, Workforce Investment Act (WIA) Grant Administration and Employment and Training, Veterans, Weights and Measures and Tourism.
- Culture and Recreation: Includes the services of Dwyer Park, Youth Bureau, Historian, Libraries, Historical Properties, and Retired Senior Volunteer Programs.
- Home and Community Services: Includes the services of Planning, Soil and Water Conservation District, Fish & Game, Nature Center and Cornell Cooperative Extension.
- Employee Benefits: Payroll related and union negotiated benefits, including: FICA, social security, unemployment, worker's compensation, health, dental and vision insurance.
- Debt Service: Includes the transactions associated with the payment of debt including principal and interest for improvements within the County.
- Interfund Transfers: Relates to transactions made from one fund to another. County Funds include: General Fund (A) which sets the property tax rate, Health Insurance Self Insured Fund (CH), County Road Fund (D), Road Machinery Fund (E), Solid Waste consisting of Landfill and Recycling (EL), Capital Fund which encompasses major projects (H), Fixed Assets (K), Worker's Compensation Self Insured (S) and Trust and Agency (TA).
- Depreciation: Includes expenses for capital assets allocated to all designated activities based on their remaining useful lives. Booking of depreciation is not required for all funds. Primarily, the Enterprise Fund (Solid Waste) is the only fund that requires this.

THE COUNTY'S MAJOR GOVERNMENTAL FUNDS

The focus of the governmental fund financial statements is on the major funds. The County's main operating fund, the General Fund, is always reported as a major fund. Other individual funds are reported as major funds when assets, liabilities, revenues, or expenditures exceed certain thresholds. For the year ended December 31, 2015, the County Road Fund, Special Grant Fund, Road Machinery Fund, Debt Service Fund, and Capital Projects Fund are reported as major funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

- The County's original General Fund budget of \$97,979,572 differs from the General Fund's revised budget of \$104,197,748. This increase was due to the budgetary amendments made during the year primarily due to increased expenses related to Assigned Counsel, Board of Election, Door and Window Replacement in County Offices, Housing Out Inmates, Safety Net and Emergency Services CAD project.
- Total revenues in the General Fund were approximately \$5.8 million less than the final revised budget. This negative variance was primarily due to shortfalls in State and Federal Aid of approximately \$3.6 million and \$1 million, respectfully. The decrease in aid is due to a decrease from New York State budget cuts and the loss of certain federal aid, including Federal Salary Sharing funds. In addition there was a 2.8% decrease in sales tax from 2014 to 2015.
- The General Fund's actual expenditures in debt service were \$2.4 million higher than budgeted related to a capital lease payment that was renegotiated. Economic assistance and opportunity and home and community services were approximately \$2.9 million and \$3.1 million, respectively, less than the final revised budget. This was a result of the decrease in federal and state aid being below the final budget as noted above.

CAPITAL ASSETS AND SHORT AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

At December 31, 2015, the primary government of the County had approximately \$89 million invested in land, buildings, land improvements, infrastructure, and machinery, equipment, and vehicles net of accumulated depreciation. There were approximately \$9.8 million of capital additions during the year offset by \$10.2 million of depreciation and amortization expense.

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Liabilities

At December 31, 2015, the County had \$83,198,069 in long-term liabilities, as follows:

	<u>2015</u>	<u>As restated 2014</u>
Serial bonds, excluding CTASC	\$ 19,020,167	\$ 12,283,610
Premium on serial bonds	647,628	-
CTASC serial bonds, net	12,708,811	12,572,727
Serial bonds - business-type activities	10,678,486	9,886,390
Premium on serial bonds-business-type activities	169,568	-
Capital lease	946,105	3,656,748
Net pension liability	3,634,871	4,862,132
Net pension liability – business-type activities	47,876	64,040
Early termination benefits	-	86,558
Other postemployment benefits	33,226,092	29,203,170
Other postemployment benefits – business-type act	437,629	384,642
Compensated absences	1,650,524	1,680,041
Compensated absences – business-type activities	<u>30,312</u>	<u>30,725</u>
Total	<u>\$ 83,198,069</u>	<u>\$ 74,710,783</u>

Long-Term Liabilities (Continued)

The amount of principal paid on outstanding serial bonds (excluding CTASC) was approximately \$16 million, while the new bond and 2 advance refundings added approximately \$23 million in 2015. The County made an advanced lump sum payment of \$2.7 million on the outstanding capital lease balance. In addition, the actuarial valuation of the other postemployment benefits liability increased by approximately \$4 million during 2015. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

CONTACTING THE COUNTY'S FINANCE DEPARTMENT

These financial statements are designed to report and provide the County's citizens, taxpayers, customers, investors, and creditors with a general overview of the County's financial operations and to demonstrate the County's accountability for the money it receives. If you have any questions about these statements or need additional financial information, contact the County of Cortland, Director of Finance and Budget, Room 132, 60 Central Avenue, Cortland, New York 13045.

COUNTY OF CORTLAND, NEW YORK

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units Proprietary
ASSETS:				
Cash and cash equivalents-unrestricted	\$ 14,767,187	\$ 290,403	\$ 15,057,590	\$ 2,019,528
Cash and cash equivalents - restricted	4,874,764	712,542	5,587,306	933,751
Accounts receivable, net	-	141,630	141,630	-
Taxes receivable, net	4,623,317	-	4,623,317	-
State and federal aid receivable	9,973,601	-	9,973,601	129,499
Investment in Railroad Land	-	-	-	301,653
Due from other governments	7,957,931	-	7,957,931	-
Due from other funds	2,901,629	6,292	2,907,921	-
Prepaid expenses and other assets	1,094,450	-	1,094,450	19,839
Tobacco settlement receivables	679,016	-	679,016	-
Capital assets, net	79,166,221	9,644,462	88,812,683	33,454
Total assets	126,040,116	10,795,329	136,835,445	3,437,724
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows - relating to debt refunding	319,213	784,534	1,103,747	-
Deferred outflows - relating to pensions	3,978,414	52,401	4,030,815	87,973
Total deferred outflows of resources	4,297,627	836,935	5,134,562	87,973
LIABILITIES:				
Accounts payable	2,902,749	72,425	2,975,174	131,954
Accrued liabilities	7,197,638	15,455	7,213,093	28,352
Due to other funds	-	171,711	171,711	-
Due to other governments	5,784,772	-	5,784,772	-
Closure and post-closure liability	-	5,349,688	5,349,688	-
Unearned revenues	407,219	-	407,219	911,372
Long-term liabilities -				
Due within one year	1,827,778	591,727	2,419,505	-
Due in more than one year	70,006,420	10,772,144	80,778,564	88,369
Total liabilities	88,126,576	16,973,150	105,099,726	1,160,047
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - relating to pensions	589,190	7,760	596,950	17,641
NET POSITION:				
Net investment in capital assets	58,584,633	(1,034,024)	57,550,609	335,107
Restricted -				
Debt service	818,896	-	818,896	-
Law	4,190,353	712,542	4,902,895	-
Grantors	-	-	-	20,856
Unrestricted	(21,971,905)	(5,027,164)	(26,999,069)	1,992,046
Total net position	\$ 41,621,977	\$ (5,348,646)	\$ 36,273,331	\$ 2,348,009

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

STATEMENT OF ACTIVITIES
DECEMBER 31, 2015

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position						
		Program Revenue			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Proprietary
PRIMARY GOVERNMENT:								
Governmental activities -								
General government support	\$ 26,975,356	\$ 3,140,931	\$ 791,368	\$ 142,317	\$ (22,900,740)		\$ (22,900,740)	
Education	3,762,508	-	878,333	-	(2,884,175)		(2,884,175)	
Public safety	12,247,581	688,817	726,500	86,453	(10,745,811)		(10,745,811)	
Public health	10,738,929	2,963,067	5,755,364	-	(2,020,498)		(2,020,498)	
Transportation	18,234,112	1,199,530	3,265,691	3,375,544	(10,393,347)		(10,393,347)	
Economic assistance and opportunity	34,863,592	1,180,817	17,068,819	-	(16,413,958)		(16,413,958)	
Culture and recreation	1,259,222	9,337	69,437	-	(1,180,448)		(1,180,448)	
Home and community services	2,936,138	120,351	39,057	-	(2,776,730)		(2,776,730)	
Interest	1,289,899	-	-	-	(1,289,899)		(1,289,899)	
Total governmental activities	112,107,337	9,302,850	28,594,569	3,604,314	(70,605,604)		(70,605,604)	
Business-type activities -								
Solid Waste Fund	2,359,021	1,612,671	-	-	-	\$ (746,350)	(746,350)	
Total business-type activities	2,359,021	1,612,671	-	-	-	(746,350)	(746,350)	
Total primary government	\$ 114,466,358	\$ 10,915,521	\$ 28,594,569	\$ 3,604,314	(70,605,604)	(746,350)	(71,351,954)	
COMPONENT UNITS:								
Proprietary -								
Industrial Development Agency	\$ 49,897	\$ 13,138	\$ -	\$ -				\$ (36,759)
Soil and Water Conservation District	1,357,114	20,970	1,029,362	-				(308,782)
Total component units	\$ 1,407,011	\$ 34,108	\$ 1,029,362	\$ -				(343,541)
GENERAL REVENUES:								
Real property taxes and real property tax items					33,591,657	-	33,591,657	-
Nonproperty tax items					29,948,455	-	29,948,455	-
Sale of property and compensation for gain					137,723	-	137,723	(5,050)
Use of money and property					2,655,391	191	2,655,582	1,841
Allocation to Soil and Water Conservation District					(285,093)	-	(285,093)	285,093
Miscellaneous					789,496	-	789,496	27,964
Transfers					(803,161)	803,161	-	-
Total general revenues and transfers					66,034,468	803,352	66,837,820	309,848
Change in net position					(4,571,136)	57,002	(4,514,134)	(33,693)
Net position - beginning of year, as previously reported					44,071,289	(5,224,026)	38,847,263	2,577,906
Cumulative effect of changes in accounting principles (Note 2)					(1,402,016)	(18,466)	(1,420,482)	(38,751)
Correction of errors (Note 2)					3,523,840	(163,156)	3,360,684	(157,453)
Net position - beginning of year, as restated					46,193,113	(5,405,648)	40,787,465	2,381,702
Net position - end of year					\$ 41,621,977	\$ (5,348,646)	\$ 36,273,331	\$ 2,348,009

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Special Revenue Funds						Total
	General Fund	County Road Fund	Special Grant Fund	Road Machinery Fund	Capital Projects Fund	Debt Service Fund	
ASSETS							
Cash and cash equivalents - unrestricted	\$ 6,667,696	\$ 2,475,439	\$ 65,851	\$ 1,563,500	\$ 66,781	\$ 145,375	\$ 10,984,642
Cash and cash equivalents - restricted	3,590,805	80,610	-	51,105	328,651	818,896	4,870,067
Due from Federal and State governments	6,763,337	107,164	42,849	-	3,060,251	-	9,973,601
Taxes receivable	4,623,317	-	-	-	-	-	4,623,317
Tobacco settlement revenues	-	-	-	-	-	679,016	679,016
Due from other governments	4,339,346	85	-	98,380	-	-	4,437,811
Prepaid expenditures	1,091,093	-	-	-	-	3,357	1,094,450
Due from other funds	6,833,882	106,454	-	18,000	-	-	6,758,336
Total assets	\$ 33,709,476	\$ 2,769,752	\$ 108,700	\$ 1,730,985	\$ 3,455,683	\$ 1,646,644	\$ 43,421,240
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 2,072,266	\$ 93,725	\$ -	\$ 72,674	\$ 330,790	\$ -	\$ 2,569,455
Accrued liabilities	1,056,476	61,986	-	18,368	-	-	1,136,830
Due to other funds	1,995,206	367,288	23,634	96,538	3,083,906	-	5,568,572
Due to other governments	5,784,772	-	-	-	-	-	5,784,772
Unearned revenues	322,153	-	85,066	-	-	-	407,219
Total liabilities	11,230,873	522,999	108,700	189,580	3,414,696	-	15,466,848
DEFERRED INFLOWS OF RESOURCES:							
Deferred taxes	2,044,992	-	-	-	-	-	2,044,992
Deferred tobacco settlement revenues	-	-	-	-	-	679,016	679,016
Total deferred inflows of resources	2,044,992	-	-	-	-	679,016	2,724,008
FUND BALANCES:							
Nonspendable	1,091,093	-	-	-	-	3,357	1,094,450
Restricted	3,729,764	80,833	-	51,105	328,651	818,896	5,009,249
Assigned	219,460	2,165,920	-	1,490,300	-	145,375	4,021,055
Unassigned	15,393,294	-	-	-	(287,664)	-	15,105,630
Total fund balances	20,433,611	2,246,753	-	1,541,405	40,987	967,628	25,230,384
Total liabilities, deferred inflows of resources, and fund balances	\$ 33,709,476	\$ 2,769,752	\$ 108,700	\$ 1,730,985	\$ 3,455,683	\$ 1,646,644	\$ 43,421,240

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total fund balance - governmental funds		\$ 25,230,384
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and; therefore, are not reported in the funds.		
	\$ 173,865,448	
Cost of capital assets	(94,697,227)	
Accumulated depreciation	<u>79,168,221</u>	79,168,221
Revenue related to the tax levy is recognized when earned in the statement of activities, but deferred in the fund statements if collection is anticipated to exceed sixty days after year-end.		
		2,044,992
Tobacco settlement revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore is reported on a deferred inflow of resources on the fund statements.		
		679,016
Amounts due from other governments will be collected in the future and therefore is not available to pay for current period expenditures and therefore is not accrued in the governmental funds.		
		3,520,120
Accrued interest on long-term debt, including serial bonds, is an expense in the funds when paid, but a liability in the statement of net position when incurred.		
		(347,775)
The net position of the internal service funds are not included in the fund financial statements, but are included in the governmental activities of the statement of net position.		
		(547,220)
Deferred outflows/inflows of resources related to pensions and debt refunding are applicable to future periods and, therefore are not reported in the funds.		
Deferred outflows - relating to debt refunding	319,213	
Deferred outflows - relating to pensions	3,978,414	
Deferred inflows - relating to pensions	<u>(589,190)</u>	3,708,437
Bonds payable and other noncurrent liabilities are not due and payable in the current period and; therefore, are not reported in the funds.		
Bonds payable - County	\$ (19,020,167)	
Bonds payable - CTASC	(12,708,811)	
Premium on bonds	(647,628)	
Compensated absences	(1,650,524)	
Capital lease	(946,105)	
Net pension liability	(3,634,871)	
Other postemployment benefits	<u>(33,226,092)</u>	(71,834,198)
Total net position of governmental activities		<u>\$ 41,621,977</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Special Revenue Funds						Total
	General Fund	County Road Fund	Special Grant Fund	Road Machinery Fund	Capital Projects Fund	Debt Service Fund	
REVENUES:							
Real property taxes and tax items	\$ 33,501,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,501,676
Nonproperty tax items	29,948,455	-	-	-	-	-	29,948,455
Departmental income	7,191,459	11,161	-	-	-	-	7,202,620
Intergovernmental charges	56,559	715,638	-	184,889	-	-	956,886
Use of money and property	176,884	482	-	2,424,761	-	53,080	2,655,207
Fines and forfeitures	122,344	-	-	-	-	-	122,344
Interfund revenue	-	36,006	-	140,357	-	-	176,363
Sale of property and compensation for loss	13,865	9,032	-	114,826	-	-	137,723
Miscellaneous	222,581	2,342	-	-	-	679,016	903,939
State aid	15,431,631	1,815,769	-	-	1,088,855	-	18,336,255
Federal aid	9,794,836	58,357	1,493,975	-	2,515,460	-	13,862,628
Total revenues	96,460,280	2,648,787	1,493,975	2,864,633	3,604,315	732,096	107,804,096
EXPENDITURES:							
General governmental support	23,201,593	-	-	-	1,206,475	43,805	24,451,873
Education	3,743,646	-	-	-	-	-	3,743,646
Public safety	13,677,302	-	-	-	746,397	-	14,423,699
Public health	9,675,974	-	-	-	-	-	9,675,974
Transportation	1,315,683	8,783,457	-	2,195,863	3,326,076	-	15,621,078
Economic assistance and opportunity	31,656,380	-	1,493,979	-	-	-	33,150,359
Culture and recreation	1,194,805	-	-	-	-	-	1,194,805
Home and community services	1,311,516	-	-	-	1,221,874	-	2,533,390
Employee benefits	3,013,604	-	-	-	-	-	3,013,604
Debt service -							
Principal	3,174,029	145,274	-	94,597	-	225,000	3,638,900
Interest	480,316	191,858	-	50,183	-	442,081	1,164,438
Total expenditures	92,444,848	9,120,589	1,493,979	2,340,643	6,500,822	710,886	112,611,767
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,015,442	(6,471,802)	(4)	523,990	(2,896,507)	21,210	(4,807,671)
OTHER FINANCING SOURCES (USES):							
Bond proceeds	-	4,695,000	-	-	2,757,000	-	7,452,000
Proceeds of refunding bonds	7,236,445	-	-	-	-	-	7,236,445
Payment to refunded bond escrow agent	(7,135,165)	-	-	-	-	-	(7,135,165)
BANS redeemed from appropriations	-	-	-	-	55,000	-	55,000
Operating transfers - in	-	5,209,021	-	-	468,157	-	5,677,178
Operating transfers - out	(6,080,339)	-	-	(400,000)	-	-	(6,480,339)
Total other financing sources (uses)	(5,979,059)	9,904,021	-	(400,000)	3,280,157	-	6,805,119
CHANGE IN FUND BALANCE	(1,963,617)	3,432,219	(4)	123,990	383,650	21,210	1,997,448
FUND BALANCE - beginning of year, as previously reported	17,722,918	(1,545,246)	4	1,479,782	1,838,927	946,418	20,442,803
CORRECTION OF ERRORS (Note 2)	4,674,310	359,780	-	(62,367)	(2,181,580)	-	2,790,133
FUND BALANCE - beginning of year, as restated	22,397,228	(1,185,466)	4	1,417,415	(342,663)	946,418	23,232,936
FUND BALANCE - end of year	\$ 20,433,611	\$ 2,246,753	\$ -	\$ 1,541,405	\$ 40,987	\$ 967,628	\$ 25,230,384

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balances - governmental funds \$ 1,997,448

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources.

Also, depreciation expense is recorded in the statement of activities over the estimated useful lives of the assets, but not as a change in fund balance of the governmental funds as there is no cash outlay associated with the expense.

Capital additions	\$ 9,716,045	
Depreciation	<u>(9,430,244)</u>	285,801

Current year payments on amounts due from other governments are recorded as a reduction to the outstanding balance on the statement of net position. (318,500)

Current year borrowings on behalf of Tompkins Cortland Community College are recorded as increases in due from other governments and increase the outstanding balance on the statement of net position. 1,339,500

Deferred tax revenues are recorded on the modified accrual basis, but are not reported in the government-wide financial statements. 89,982

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,638,900

Proceeds from new bonds, and refundings of bonds, is revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. (7,439,809)

Tobacco settlement revenues will not be collected for several months after the County's fiscal year-end; therefore, they are not considered "available" revenues and are unearned in the governmental funds. This represents the current year change. (114,445)

The change in net position of the internal service funds are not included in the fund financial statements, but are included in the governmental activities of the statement of activities. (812,991)

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.

Change in accrued interest payable	\$ 202,955	
Accretion on CTASC bonds	(356,332)	
Bond discount	(4,752)	
Bond premium	(647,628)	
Deferred outflows - related to debt refunding	319,213	
Early termination benefits	86,558	
Compensated absences	29,517	
Net pension liability	1,156,369	
Other postemployment benefits	<u>(4,022,922)</u>	(3,237,022)

Change in net position of governmental activities \$ (4,571,136)

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2015

	Solid Waste Fund	Internal Service Funds
ASSETS:		
Cash and cash equivalents	\$ 290,403	\$ 3,787,242
Cash and cash equivalents - restricted	712,542	-
Accounts receivable, net	141,630	-
Due from other funds	6,292	1,730,410
Capital assets, net	<u>9,644,462</u>	<u>-</u>
Total assets	<u>10,795,329</u>	<u>5,517,652</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows - relating to debt refunding	784,534	-
Deferred outflows - relating to pensions	<u>52,401</u>	<u>-</u>
Total deferred outflows of resources	<u>836,935</u>	<u>-</u>
LIABILITIES:		
Accounts payable	72,425	333,294
Accrued liabilities	15,455	5,713,033
Due to other funds	171,711	18,545
Closure and post-closure liability	5,349,688	-
Long-term liabilities -		
Due within one year	591,727	-
Due after one year	<u>10,772,144</u>	<u>-</u>
Total liabilities	<u>16,973,150</u>	<u>6,064,872</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - relating to pensions	<u>7,760</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	(1,034,024)	-
Restricted	712,542	-
Unrestricted	<u>(5,027,164)</u>	<u>(547,220)</u>
Total net position	<u>\$ (5,348,646)</u>	<u>\$ (547,220)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Solid Waste Fund	Internal Service Funds
REVENUES:		
Charges for services	\$ 1,612,671	\$ 2,872,088
Interfund revenues	<u>-</u>	<u>9,149,679</u>
Total operating revenues	<u>1,612,671</u>	<u>12,021,767</u>
OPERATING EXPENSES:		
Personal services	334,239	63,070
Insurance claims and premiums	-	11,867,325
Workers' compensation	-	638,728
Contractual services	687,987	255,350
Depreciation	794,519	-
Interest	327,333	-
Employee benefits	<u>214,943</u>	<u>10,469</u>
Total operating expenses	<u>2,359,021</u>	<u>12,834,942</u>
Operating loss	<u>(746,350)</u>	<u>(813,175)</u>
NON-OPERATING REVENUES:		
Use of money and property	<u>191</u>	<u>184</u>
Total non-operating revenues	<u>191</u>	<u>184</u>
OPERATING TRANSFERS IN	<u>803,161</u>	<u>-</u>
CHANGE IN NET POSITION	<u>57,002</u>	<u>(812,991)</u>
NET POSITION - beginning of year, as previously reported	(5,224,026)	(52,572)
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NOTE 2)	(18,466)	-
CORRECTION OF ERRORS (NOTE 2)	<u>(163,156)</u>	<u>318,343</u>
NET POSITION - beginning of year, as restated	<u>(5,405,648)</u>	<u>265,771</u>
NET POSITION - end of year	<u>\$ (5,348,646)</u>	<u>\$ (547,220)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Solid Waste Fund</u>	<u>Internal Service Funds</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 1,626,860	\$ 12,034,328
Cash payments for contractual expenses	(1,005,887)	(12,815,284)
Cash payments for salaries and benefits	<u>(127,197)</u>	<u>(73,539)</u>
Net cash flow from operating activities	<u>493,776</u>	<u>(854,495)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Use of money and property	<u>191</u>	<u>184</u>
Net cash flow from investing activities	<u>191</u>	<u>184</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(133,620)	-
Principal payments on bond anticipation notes	(868,000)	-
Proceeds from bond issuance	1,135,835	-
Principal payments on bonds	<u>(343,739)</u>	<u>-</u>
Net cash flow from capital and related financing activities	<u>(209,524)</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	284,443	(854,311)
CASH AND CASH EQUIVALENTS - beginning of year	<u>718,502</u>	<u>4,641,553</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,002,945</u>	<u>\$ 3,787,242</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (746,350)	\$ (813,175)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	794,519	-
Changes in:		
Accounts receivable	(29,339)	12,561
Due from other funds	43,528	(1,730,410)
Prepaid expenses	15,463	4,605
Unearned revenue	-	(4,556)
Compensated absences	(413)	-
Other postemployment benefits	437,629	-
Pension	(15,231)	-
Due to other funds	(31,346)	13,333
Closure and post-closure liabilities	(106,160)	-
Accrued liabilities	71,875	1,571,653
Accounts payable	<u>59,601</u>	<u>91,494</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 493,776</u>	<u>\$ (854,495)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2015**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 4,085,628
Due from other funds	<u>271,542</u>
Total assets	<u>\$ 4,357,170</u>
LIABILITIES	
Due to other funds	\$ 3,007,752
Agency liabilities	<u>1,349,418</u>
Total liabilities	<u>\$ 4,357,170</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

STATEMENT OF NET POSITION - COMPONENT UNITS
DECEMBER 31, 2015

	Cortland County Industrial Development Agency	Cortland County Soil and Water Conservation District	Total
CURRENT ASSETS:			
Cash and cash equivalents - unrestricted	\$ 336,277	\$ 1,683,251	\$ 2,019,528
Cash and cash equivalents - restricted	19,879	913,872	933,751
State and federal aid receivable	-	129,499	129,499
Investment in Railroad Land	301,653	-	301,653
Prepaid expenses	1,082	18,757	19,839
Total current assets	658,891	2,745,379	3,404,270
NONCURRENT ASSETS:			
Capital assets, net of accumulated depreciation	-	33,454	33,454
TOTAL ASSETS	658,891	2,778,833	3,437,724
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows - relating to pensions	-	87,973	87,973
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	100,955	30,999	131,954
Compensated absences	-	28,352	28,352
Unearned revenue	-	911,372	911,372
Total current liabilities	100,955	970,723	1,071,678
LONG-TERM LIABILITIES:			
Net pension liability	-	88,369	88,369
TOTAL LIABILITIES	100,955	1,059,092	1,160,047
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows - relating to pensions	-	17,641	17,641
NET POSITION:			
Net investment in capital assets	301,653	33,454	335,107
Restricted	18,356	2,500	20,856
Unrestricted	237,927	1,754,119	1,992,046
Total net position	\$ 557,936	\$ 1,790,073	\$ 2,348,009

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Cortland County Industrial Development Agency	Cortland County Soil and Water Conservation District	Total
OPERATING REVENUE:			
Charges for services	\$ 7,638	\$ 20,970	\$ 28,608
Allocation from County of Cortland, New York	-	285,093	285,093
Rent and lease income	5,500	-	5,500
Miscellaneous	-	27,964	27,964
Federal and state grants	-	<u>1,029,362</u>	<u>1,029,362</u>
Total operating revenue	<u>13,138</u>	<u>1,363,389</u>	<u>1,376,527</u>
OPERATING EXPENSES:			
Professional and administrative	46,805	-	46,805
Project closure expense	3,092	-	3,092
Depreciation expense	-	9,412	9,412
Direct grants	-	589,932	589,932
Salaries and benefits	-	674,067	674,067
General and administrative	-	53,662	53,662
Natural resources	-	13,151	13,151
Miscellaneous	-	<u>16,890</u>	<u>16,890</u>
Total operating expenses	<u>49,897</u>	<u>1,357,114</u>	<u>1,407,011</u>
OPERATING INCOME (LOSS)	<u>(36,759)</u>	<u>6,275</u>	<u>(30,484)</u>
NON-OPERATING REVENUE:			
Loss on transfer of property	(5,050)	-	(5,050)
Interest income	30	<u>1,811</u>	<u>1,841</u>
Total non-operating revenue	<u>(5,020)</u>	<u>1,811</u>	<u>(3,209)</u>
CHANGE IN NET POSITION	(41,779)	8,086	(33,693)
NET POSITION - beginning of year, as previously reported	757,168	1,820,738	2,577,906
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	-	(38,751)	(38,751)
CORRECTION OF ERRORS	<u>(157,453)</u>	<u>-</u>	<u>(157,453)</u>
NET POSITION - beginning of year, as restated	<u>599,715</u>	<u>1,781,987</u>	<u>2,381,702</u>
NET POSITION - end of year	<u>\$ 557,936</u>	<u>\$ 1,790,073</u>	<u>\$ 2,348,009</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

**STATEMENT OF CASH FLOWS - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Cortland County Industrial Development Agency	Cortland County Soil and Water Conservation District	Total
CASH FLOW FROM OPERATING ACTIVITIES:			
Cash received from providing services	\$ 13,138	\$ 48,934	\$ 62,072
Cash received from grants and Cortland County	-	986,132	986,132
Cash payments for contractual expenses	(50,471)	(665,634)	(716,105)
Cash payments for salaries and benefits	-	(694,160)	(694,160)
Net cash flow from operating activities	<u>(37,333)</u>	<u>(324,728)</u>	<u>(362,061)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	-	(26,100)	(26,100)
Net cash flow from capital and related financing activities	<u>-</u>	<u>(26,100)</u>	<u>(26,100)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Interest income	30	1,811	1,841
Net cash flow from investing activities	<u>30</u>	<u>1,811</u>	<u>1,841</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(37,303)	(349,017)	(386,320)
CASH AND CASH EQUIVALENTS - beginning of year, as restated	<u>393,459</u>	<u>2,946,140</u>	<u>3,339,599</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 356,156</u>	<u>\$ 2,597,123</u>	<u>\$ 2,953,279</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (36,759)	\$ 6,275	\$ (30,484)
Adjustments to reconcile operating income (loss) to net cash flow from operating activities -			
Depreciation	-	9,412	9,412
Changes in:			
State and federal aid receivable	-	(129,499)	(129,499)
Unearned revenue	-	(198,824)	(198,824)
Compensated absences	-	621	621
Prepaid expenses	(35)	(419)	(454)
Accounts payable	(539)	8,420	7,881
Pension	-	(20,714)	(20,714)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (37,333)</u>	<u>\$ (324,728)</u>	<u>\$ (362,061)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF CORTLAND, NEW YORK

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

The County of Cortland, New York (the County), incorporated in 1808, is governed by County Law, other general laws of the State of New York, and various local laws and ordinances. The County is a municipal corporation governed by the Board of Legislators. The County Board of Legislators, which is the legislative body responsible for the overall operations of the County, consists of nineteen elected officials. The Chairman of the Board of Legislators serves as Chief Executive Officer and the County Treasurer serves as Chief Fiscal Officer.

The County provides the following basic services: law enforcement, educational assistance for County residents attending community services, maintenance of County roads and general administration.

Financial Reporting Entity

The accompanying basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for State and Local Governments. All governmental activities performed by 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 County's financial statements to be misleading or incomplete as set forth under generally accepted accounting principles. 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.

The basic financial statements have been prepared primarily from accounts maintained by the County. Additional data has been derived from reports prescribed by the County Treasurer and prepared by component units based on independent or subsidiary accounting systems maintained by their respective business offices.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity (Continued)

The accompanying financial statements present the activities of the County as well as the component units and other entities determined to be includable in the County's financial reporting entity. The County is not a component unit of another reporting entity. The decision to include a potential component unit in the County's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on application of these criteria, the following is a brief description of certain entities included in the County's reporting entity:

- **Discretely Presented Component Units**

1. **Cortland County Industrial Development Agency**

The Cortland County Industrial Development Agency (the Agency) is a public benefit corporation created in 1974 by state legislation to promote the economic welfare, recreational opportunities, and the prosperity of the County's inhabitants.

The County Legislature appoints the directors of the Agency. However, the directors of the Agency have sole control over the management and operation of the Agency. Further, Agency finances are generated by project revenue bonds and such bonds are secured only to the extent of the assets acquired for the related project. The County is not liable for Agency bonds or notes. The Agency is a proprietary fund type and presented discretely as a component unit of the County.

Financial statements of the Agency may be obtained from its administrative office at: Cortland County Industrial Development Agency, 37 Church Street, Cortland, New York 13045.

2. **Cortland County Soil and Water Conservation District**

The Cortland County Soil and Water Conservation District (the District) was established in accordance with Soil and Water Conservation District Law, to provide for conservation of soil and water resources. Members of the District's Board of Directors are appointed by the County Legislature. However, the directors of the District have sole control over the management and the operation of the District. The District is a proprietary fund type and presented discretely as a component unit of the County. Separate financial statements are not issued by the District.

- **Component Unit - Blended**

Cortland Tobacco Asset Securitization Corporation (CTASC) is a special purpose, bankruptcy-remote local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. CTASC is considered a governmental fund-type component unit (blended presentation) of the County in accordance with generally accepted accounting principles and is reported in a debt service fund. Separate audited financial statements from CTASC may be obtained from CTASC directly by addressing the County Administrator, 60 Central Avenue, Cortland, NY 13045.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

- **Government - Wide Financial Statements**

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's police, maintenance of county roads, public works, health, educational activities, human services, and general administrative services are classified as governmental activities. The County's Solid Waste Fund is classified as a business-type activity. Fiduciary funds are excluded from the government-wide statements.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position. The County first utilizes restricted net position and resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are supported by general government revenues, i.e., real property taxes, real property tax items, nonproperty taxes, certain intergovernmental charges, use of money and property, sale of property and compensation for loss, and state and federal aid. The statement of activities reduces gross expenses, including depreciation, by related program revenues, and operating and capital grants. Program revenues must be directly associated with the function or segment. Operating grants include operating-specific and discretionary grants while capital grants reflect capital-specific grants. All direct expenses incurred are charged to the corresponding function. Capital asset additions that cannot be identified with a specific function are allocated based on total expenses by program.

The County allocates indirect costs to all County funds except the General Fund. In addition, interfund activity within the government-wide statements has been eliminated.

The government-wide focus is on the sustainability of the County as a whole entity and the change in the County's net position resulting from the current year's activities.

- **Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, component units, and fiduciary funds. Each fund is accounted for by providing a separate self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- **Fund Financial Statements (Continued)**

- 1. **Governmental Funds**

Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position, rather than upon the flow of economic resources.

The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. Nonmajor funds are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds; however, the County can elect to report any fund as a major fund. The County has elected to report all of its funds as major funds.

- a) **Major Governmental Funds**

- **General Fund**

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- **Debt Service Fund**

- The Cortland Tobacco Asset Securitization Corporation (the CTASC) is a not-for-profit corporation established for the purpose of acquiring from the County all or any of the rights, titles, and interests of the County under the Master Settlement Agreement with respect to tobacco related litigation between various settling states and participating manufacturers. The CTASC is instrumentality of, but separate and apart from, the County. Although legally separate, for financial reporting purposes, the CTASC activities are shown in the debt service fund as its purpose is to solely serve the County.

- **County Road Fund**

- This fund is used to account for expenditures for repair and maintenance of County roads in accordance with New York State laws.

- **Special Grant Fund**

- This fund is used to account for various state and federally aided programs.

- **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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- **Fund Financial Statements (Continued)**

2. Proprietary Fund Types (Business-Type Activities)

The County's proprietary funds are prepared in conformity with accounting principles generally accepted in the United States.

Proprietary funds include the following fund types:

- **Enterprise Funds**

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Revenues are recognized in the accounting period in which they are earned; expenses are recognized in the period incurred, if measurable. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions.

Enterprise funds include the following:

- a. **Solid Waste Fund**

This fund was established by law to account for solid waste activities, including the County landfill operations and recycling activities.

- **Internal Service Funds**

The Internal Service Funds are used to account principally for the County's risk management activities. The County is self-insured for certain risks and the internal service funds utilized are the following:

- a. **Workers' Compensation Fund**

This fund accounts for the accumulation of resources for payment of compensation assessments and other obligations under Workers' Compensation Law, Article 5.

- b. **Self-Insurance Fund**

This fund is used to account for the accumulation of resources for payment of unemployment insurance as authorized by Section 6m of the General Municipal Law.

3. Fiduciary Fund

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the County acts as trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements because their resources do not belong to the County and are not available to be used.

- **Agency Fund**

This fund is custodial in nature and does not present results of operations or have measurement focus. These funds are monies received and held in the capacity of a trustee, custodian, or agent. The Agency Fund is accounted for using the modified accrual basis of accounting. There are currently no expendable, nonexpendable, or pension trust funds reported by the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

- **Accrual Basis**

The government-wide, business-type, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied.

- **Modified Accrual Basis**

The governmental funds financial statements are presented using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Available" means collectible within the current period. Material revenues that are to be accrued include real property taxes and nonproperty tax items to be collected within 60 days after year-end. Expenditures are generally recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. Where expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made, and anticipated to be received within the next reporting period.

Assets, Liabilities, and Equity

- **Cash and Cash Equivalents**

For financial statement purposes, all highly liquid investments having maturities of three months or less are considered cash equivalents and include cash on hand, demand deposits, and short-term certificates of deposit.

- **Taxes Receivable and State and Federal Aid Receivable**

The County establishes an allowance for doubtful accounts based on a review of outstanding amounts and the past history of collections. All trade accounts and property taxes receivable are shown net of an allowance for doubtful accounts of approximately \$143,000 at December 31, 2015.

All amounts due from other governments are deemed fully collectible.

Property taxes levied for 2015 are recorded as receivables, net of the amount estimated to be uncollectible. The property taxes collected during 2015, and expected to be collected within the first sixty days of 2016, are recognized as revenue in 2015. Current and delinquent property taxes receivable estimated to be collectible subsequent to the first sixty days of 2016 is reflected as a deferred inflow of resources. At December 31, 2015, the County's general fund had recorded \$2,044,992 of real property tax revenue as a deferred inflow of resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

- **Interfund Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds.

- **Postemployment Benefits**

The County provides certain health care benefits for retired employees of the County. The County administers the Retirement Benefits Plan (the "Retirement Plan") as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). In general, the County provides health insurance coverage for retired employees and their survivors. Substantially all the County's employees may become eligible for this benefit if they retire with 25 years of service to the County. On the government-wide statements, these amounts attributable to past service have been recorded as a liability.

- **Property Taxes**

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

Real property taxes are levied on or before December 31 on the full-assessed value of all real property located within the County and become a lien on January 1. Taxes for County purposes apportioned to the area of the County outside the City of Cortland, New York (the City) 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 enforcement responsibility for all taxes levied in the towns. The collection of County taxes levied on properties within the City is enforced by the City; the County receives the full amount of such taxes within the year of the levy.

- **Capital Assets**

Capital assets which include buildings, machinery and equipment, and infrastructure (i.e. roads, bridges, and similar items), purchased or acquired, are reported at historical cost or estimated historical cost. Donated assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed as occurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

- **Capital Assets (Continued)**

Depreciation on all assets is provided on the straight-line basis over the following useful lives as follows:

- a. **Primary Government**

<u>Description</u>	<u>Estimated Useful Life</u>
Land improvements	10 - 20 years
Buildings and improvements	50 years
Machinery and equipment	5 - 15 years
Infrastructure	20 - 65 years

- b. **Enterprise Funds - Solid Waste Fund**

<u>Description</u>	<u>Estimated Useful Life</u>
Land improvements	10 - 20 years
Buildings and improvements	50 years
Equipment and fixtures	5 - 15 years

- c. **Discretely Presented Component Units**

Soil and Water Conservation District and Cortland County Industrial Development Agency

<u>Description</u>	<u>Estimated Useful Life</u>
Land improvements/infrastructure	50 years
Buildings	40 years
Furniture, fixtures and equipment	3 - 15 years

- **Compensated Absences**

County employees are granted vacation, sick leave, and compensatory leave benefits as defined in agreements between the County and the representative collective bargaining units. An individual who leaves the employment of the County is entitled to be paid for unused vacation leave and compensatory leave. Upon retirement, the unused sick leave may be applied towards additional service credit pursuant to the Retirement and Social Security Law; therefore, no payments are made for unused sick leave.

Vacation and compensatory leave is accrued when incurred in the statement of net position and is reported as a liability in the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

- **Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when the County receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the County has legal claim to the resources, the unearned revenue is recognized as revenue.

- **Long-Term Obligations**

Long-term obligations represent the County's future obligations or future economic outflows. The liabilities are reported as due within one year or due in more than one year in the statement of net position.

- **Net Position/Fund Balance Classifications**

Government-Wide Statements

Equity is classified as net position and displayed in three components as follows:

- **Net investment in capital assets** - This class represents the cost, or fair value if donated, of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by the outstanding balances on any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** - This class consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets" is considered to be unrestricted.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balances - Fund Financial Statements

Accounting principles generally accepted in the United States provide 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Fund Balances - Fund Financial Statements (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.

The County developed a tax stabilization reserve which has a balance of \$1,052,479 at December 31, 2015 and is included in restricted fund balance. The County's Legislature has the authority for establishing this reserve and can add or reduce the stabilization amount by board resolution. The County may utilize the tax stabilization reserve for purposes developed through the budget process.

➤ **Committed Fund Balances**

These are amounts that can be used only for specific purposes determined by a formal action of the County Legislature prior to year-end. The County Legislature is the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through resolutions approved by the County Legislature.

➤ **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. It is at the discretion of the County Legislature to make assignments as it sees fit.

➤ **Unassigned Fund Balances**

These are all other spendable amounts.

Absent a County-wide policy, 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.

• **Interfund Transfers**

Interfund transfers generally are recorded as operating transfers in or out, except for the following types of transactions: interfund revenues, which are recorded as revenues of the performing fund and expenditures of the requesting fund or reimbursements for services performed, which are recorded as a reduction of expenditures in the performing fund and an expenditure of the requesting fund. Transfers between governmental funds are reported at net as part of the reconciliation to the government-wide financial statements. Transfers between governmental funds and fiduciary funds are not offset in the government-wide financial statements, since fiduciary funds are not included in the government-wide financial statements.

• **Labor Relations**

Certain County employees are covered by collective bargaining units and the remainder is governed by County Board and Civil Service rules and regulations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

- **Estimates**

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

- **Deferred Outflows and Inflows of Resources**

Government-Wide Financial Statements:

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports deferred outflows of resources for the early retirement of debt as described in note 9. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Also, the County has deferred outflows of resources which are comprised of New York State Retirement Systems pension amounts as described in note 13.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources resulting from New York State Retirement Systems pension amounts as described in note 13.

Fund Financial Statements:

In addition to liabilities, the balance sheet of the governmental funds includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenues, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and tobacco settlement revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

2. PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principles

The County adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans.

2. PRIOR PERIOD ADJUSTMENTS (Continued)

Change in Accounting Principles (Continued)

The County also adopted GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement required accounting for the impact of the payment the County made to the ERS during the fiscal year on the County's portion of net pension liability to ERS.

This statement required the addition of several lines to the County's government-wide financial statements and a cumulative change in accounting principle adjustment to net position as shown in the following tables.

Correction of Errors

During 2015, there was a restatement of various funds for the proper recording of information such as interfund receivables and payables, the erroneous recording of various assets and liabilities, and incorrect allocations of other liabilities such as other post-employment benefits and compensated absences.

	Governmental Activities		
	Net Pension Liability	Deferred Outflows	Net Position
Balance at December 31, 2014, as previously reported	\$ -	\$ -	\$ 44,071,289
Restatement of beginning balance - Adoption of GASB Statement No. 68 and No. 71			
Contributions subsequent to measurement date	-	3,460,116	3,460,116
NYS Employees' Retirement System Plan	(4,862,132)	-	(4,862,132)
Total restatement	(4,862,132)	3,460,116	(1,402,016)
Correction of errors	-	-	3,523,840
Balance at December 31, 2014, as restated	\$ (4,862,132)	\$ 3,460,116	\$ 46,193,113
	Business - Type Activities		
	Net Pension Liability	Deferred Outflows	Net Position
Balance at December 31, 2014, as previously reported	\$ -	\$ -	\$ (5,224,026)
Restatement of beginning balance - Adoption of GASB Statement No. 68 and No. 71			
Contributions subsequent to measurement date	-	45,574	45,574
NYS Employees' Retirement System Plan	(64,040)	-	(64,040)
Total restatement	(64,040)	45,574	(18,466)
Correction of errors	-	-	(163,156)
Balance at December 31, 2014, as restated	\$ (64,040)	\$ 45,574	\$ (5,405,648)

2. PRIOR PERIOD ADJUSTMENTS (Continued)

Change in Accounting Principles and Correction of Errors (Continued)

	<u>Governmental Funds</u>			
	<u>General Fund</u>	<u>County Road Fund</u>	<u>Road Machinery Fund</u>	<u>Capital Projects Fund</u>
Fund Balance at December 31, 2014, as previously reported	\$ 17,722,918	\$ (1,545,246)	\$ 1,479,782	\$ 1,838,927
Correction of errors	<u>4,674,310</u>	<u>359,780</u>	<u>(62,367)</u>	<u>(2,181,590)</u>
Fund Balance at December 31, 2014, as restated	<u>\$ 22,397,228</u>	<u>\$ (1,185,466)</u>	<u>\$ 1,417,415</u>	<u>\$ (342,663)</u>

	<u>Proprietary Funds</u>	
	<u>Solid Waste</u>	<u>Internal Service Funds</u>
Net position at December 31, 2014, as previously reported	\$ (5,224,026)	\$ (52,572)
Change in accounting principle	(18,466)	-
Correction of errors	<u>(163,156)</u>	<u>318,343</u>
Net position at December 31, 2014, as restated	<u>\$ (5,405,648)</u>	<u>\$ 265,771</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

a. Budget Policies

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year-end. For capital projects, project length financial plans are developed for each project. Budgets are prepared for Enterprise Funds to control expenditures, and establish user charges.

The County employs the following budgetary procedures:

- a) No later than November 15, the budget officer submits a tentative budget to the legislature for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing them. The budget is prepared on a departmental basis.
- b) After public hearings are conducted to obtain taxpayer comments, but no later than December 20, the legislature adopts the annual budget.
- c) All revisions that alter appropriations of any department or fund must be approved by the legislature.
- d) Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects.
- e) No budgets are approved for the Special Grant Fund, Workers' Compensation Fund, and Self-Insurance Fund.

Cortland Tobacco Asset Securitization Corporation

The net position deficit of the Corporation, which is blended as part of the governmental activities of the County, was approximately \$11.1 million at December 31, 2015. This deficit results from full accrual accounting which requires the recording of the full amount of the bonds payable at the time the bonds are issued, while the revenue is recognized 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.

b. Budget Reconciliation/Budget Modifications

A reconciliation of expenditures for the 2015 General Fund budget is as follows:

Original adopted budget	\$ 97,979,572
Amendments	<u>6,218,176</u>
Final revised budget	<u>\$ 104,197,748</u>

c. Excess of Expenditures Over Appropriations

For the year ended December 31, 2015, expenditures exceed appropriations related to transportation and debt service in the general fund. The excess expenditures were covered by available fund balance in the fund.

4. DEPOSITS AND INVESTMENTS

State statutes govern the County's investment policies. The County has its own written deposit and investment policy, which is compliant with Section 39 of the General Municipal Law. County monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within New York State. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and its agencies, repurchase agreements, and general obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities. At year-end, demand deposits and certificates of deposit for the County were entirely covered by FDIC insurance or collateral held by trust companies located within the State.

At December 31, 2015, cash and cash equivalents consisted of demand deposit accounts, money market accounts, and savings accounts.

Investment and Deposit Policy

The County follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state, and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the County Treasurer.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The County 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 County'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.

Custodial credit risk 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 County's investment and deposit policy, 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 securities with an aggregate value of 100% of the aggregate amount of deposits. The County restricts the securities to the following eligible items:

- Obligations issued, fully insured, or guaranteed as to the payment of principal and interest, by the United States, an agency thereof, or a United States government sponsored corporation.
- Obligations issued, fully guaranteed by the International Bank for Reconstruction and Development, the InterAmerican Development Bank, and the Asian Development Bank.
- Obligations partially insured or guaranteed by any agency of the United States.
- Obligations issued or fully insured or guaranteed by New York State, obligations issued by a municipal corporation, school district, or district corporation of New York State.

4. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (Continued)

- Obligations issued by a state other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- Obligations issued by Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- 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 rating categories by at least one nationally recognized statistical rating organization.
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statically rating organization.
- 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 regulatory agencies.
- Commercial paper and bankers' acceptances issued by a bank, other than the bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than sixty days from the date they are pledged.
- Zero coupon obligations of the United States government marketed as "Treasury strips".

Primary Government, Including Internal Service Funds and Fiduciary Funds

At December 31, 2015, the bank balance of the County's cash and cash equivalents of its primary government, including Internal Service Funds and Fiduciary Funds, was exposed to custodial credit risk as follows:

<u>Description</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	<u>\$ 24,809,528</u>	<u>\$ 24,730,524</u>
Category 1: Covered by FDIC insurance	\$ 2,101,299	
Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	<u>23,069,058</u>	
	<u>\$ 25,170,357</u>	

4. DEPOSITS AND INVESTMENTS (Continued)

Primary Government, Including Internal Service Funds and Fiduciary Funds (Continued)

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

- **Discretely Presented Component Units**

- a. **Soil and Water Conservation District**

At December 31, 2015, the bank balance of the District's cash and cash equivalents was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 2,612,745	\$ 2,597,123
Category 1: Covered by FDIC Insurance	\$ 351,544	
Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	2,435,548	
	\$ 2,787,092	

Restricted cash of the District held for grantor organizations was \$913,872 at December 31, 2015.

- b. **Cortland County Industrial Development Agency**

The bank balance of the Agency's cash and cash equivalents and its exposure to custodial credit risk have been disclosed in the Agency's separately issued financial statements.

5. RECEIVABLES

Primary Government

The County's receivables for its governmental and proprietary funds are stated at net realizable value and consisted of the following at December 31, 2015:

Real property and other taxes, net	\$ 4,623,317	
Federal and state aid	9,973,602	
Due from other governments	7,957,931	
Tobacco settlement receivables	679,016	
Solid waste accounts receivable	141,630	
	\$ 23,375,496	

Taxes Receivable

The County has estimated the taxes receivable that it has deemed to be uncollectible and has recorded approximately \$143,000 in an allowance for doubtful accounts. Taxes receivable are shown net of this allowance on the statement of net position.

6. CAPITAL ASSETS

Governmental Activities

Capital asset activity for the County's governmental activities was as follows for the year ended December 31, 2015:

	Balance 1/1/15	Additions	Deletions	Transfers	Balance 12/31/15
Capital assets not being depreciated:					
Land	\$ 1,221,700	\$ -	\$ -	\$ -	\$ 1,221,700
Construction-in-progress	<u>3,881,398</u>	<u>6,658,577</u>	<u>-</u>	<u>(6,956,773)</u>	<u>3,583,202</u>
Total capital assets not being depreciated	<u>5,103,098</u>	<u>6,658,577</u>	<u>-</u>	<u>(6,956,773)</u>	<u>4,804,902</u>
Capital assets being depreciated:					
Buildings and improvements	28,125,924	672,523	-	-	28,798,447
Capital lease (Note 11)	10,914,213	-	-	-	10,914,213
Machinery and equipment	17,735,170	1,473,794	-	-	19,208,964
Infrastructure	<u>102,270,998</u>	<u>911,151</u>	<u>-</u>	<u>6,956,773</u>	<u>110,138,922</u>
Total cost of capital assets being depreciated	<u>159,046,305</u>	<u>3,057,468</u>	<u>-</u>	<u>6,956,773</u>	<u>169,060,546</u>
Less accumulated depreciation and amortization:					
Buildings and improvements	(20,969,434)	(448,411)	-	-	(21,417,845)
Capital lease	(2,182,842)	(1,091,421)	-	-	(3,274,263)
Machinery and equipment	(11,149,230)	(1,174,598)	-	-	(12,323,828)
Infrastructure	<u>(50,965,477)</u>	<u>(6,715,814)</u>	<u>-</u>	<u>-</u>	<u>(57,681,291)</u>
Total accumulated depreciation	<u>(85,266,983)</u>	<u>(9,430,244)</u>	<u>-</u>	<u>-</u>	<u>(94,697,227)</u>
Total depreciable capital assets, net	<u>73,779,322</u>	<u>(6,372,776)</u>	<u>-</u>	<u>6,956,773</u>	<u>74,363,319</u>
Governmental activities capital assets, net	<u>\$ 78,882,420</u>	<u>\$ 285,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,168,221</u>

Depreciation expense and amortization expense was allocated as follows in governmental activities at December 31, 2015:

Transportation	\$ 6,978,380
Public safety	848,722
General government support	754,419
Home and community services	641,257
Economic assistance and opportunity	84,872
Public health	56,581
Culture and recreation	47,151
Education	<u>18,862</u>
Total depreciation and amortization expense	<u>\$ 9,430,244</u>

6. CAPITAL ASSETS (Continued)

Business-Type Activities

Capital asset activity for the County's business-type activities was as follows for the year ended December 31, 2015:

	Balance 1/1/15	Additions	Deletions	Transfers	Balance 12/31/15
Capital assets not being depreciated:					
Land	\$ 176,300	\$ -	\$ -	\$ -	\$ 176,300
 Total capital assets not being depreciated	 176,300	 -	 -	 -	 176,300
Capital assets being depreciated:					
Buildings and improvements	2,303,685	-	-	-	2,303,685
Land improvements	19,909,964	-	-	-	19,909,964
Equipment and fixtures	2,221,034	133,620	-	-	2,354,654
 Total cost of capital assets being depreciated	 24,434,683	 133,620	 -	 -	 24,568,303
Less: Accumulated depreciation:					
Buildings and improvements	(683,424)	(76,790)	-	-	(760,214)
Land improvements	(11,527,652)	(655,170)	-	-	(12,182,822)
Equipment and fixtures	(2,094,546)	(62,559)	-	-	(2,157,105)
 Total accumulated depreciation	 (14,305,622)	 (794,519)	 -	 -	 (15,100,141)
 Total depreciable capital assets, net	 10,129,061	 (660,899)	 -	 -	 9,468,162
 Business-type activities capital assets, net	 \$ 10,305,361	 \$ (660,899)	 \$ -	 \$ -	 \$ 9,644,462

Discretely Presented Component Units

- **Cortland County Industrial Development Agency -**

The Agency had \$301,653 invested in Railroad Land at December 31, 2015. There were no additions or deletions associated with these properties during the year.

- **Cortland County Soil and Water Conservation District -**

The District had \$33,454 in vehicles, net of accumulated depreciation at December 31, 2015. There were no deletions associated with capital assets during the year. There was \$9,412 of depreciation expense associated with this capital asset during the year ended December 31, 2015.

7. POSTEMPLOYMENT HEALTH CARE 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 Postemployment Benefit Plan (OPEB).

Funding Policy

The contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2015, the County contributed \$3,891,255 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit. 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. There were approximately 750 participants in the County's Retirement Plan for the year ended December 31, 2015.

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 and amortize any unfunded actuarial liabilities over a period of thirty 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 changes in the County's net OPEB obligation to the Retirement Plan:

	County Funds	Solid Waste Fund	Total
Normal cost	\$ 3,120,566	\$ 41,102	\$ 3,161,668
Amortization of UAAL	4,854,314	63,937	4,918,251
Interest	<u>318,995</u>	<u>4,202</u>	<u>323,197</u>
Total annual required contribution	8,293,875	109,241	8,403,116
Interest on net OPEB obligation	965,296	12,713	978,009
Adjustment to annual required contribution	<u>(1,395,580)</u>	<u>(18,381)</u>	<u>(1,413,961)</u>
Annual OPEB cost	7,863,591	103,573	7,967,164
Contributions made	<u>(3,840,669)</u>	<u>(50,586)</u>	<u>(3,891,255)</u>
Increase in net OPEB obligation	4,022,922	52,987	4,075,909
NET OPEB obligation-January 1, 2015	<u>29,203,170</u>	<u>384,642</u>	<u>29,587,812</u>
NET OPEB obligation-December 31, 2015	<u>\$ 33,226,092</u>	<u>\$ 437,629</u>	<u>\$ 33,663,721</u>

7. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

Trend Information

The following table provides trend information for the Retirement Plan:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 7,967,164	\$ 3,981,255	49.9%	\$ 33,663,721
2014	\$ 7,967,164	\$ 2,829,566	35.5%	\$ 29,587,812
2013	\$ 8,135,929	\$ 2,459,000	30.2%	\$ 24,450,214

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statement, present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2014 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	7.5% or 5.875% initially, depending on age, reduced by decrements each year to an ultimate rate of 5.0% in 2016. Prescription trends begin at 6.75%, and are reduced to 5% in 2016.
Unfunded actuarial accrued liability:	
Amortization period	30 years initially
Amortization method	Level dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the County's investment assets are low risk in nature, such as money market funds or certificates of deposit.

8. INTERFUND BALANCES

Interfund receivables and payables between governmental activities are eliminated on the statement of net position. The County typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not expected to be repaid within one year.

Net interfund balances at December 31, 2015 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 6,633,882	\$ 1,995,206
County road fund	106,454	367,288
Special grant fund	-	23,634
Road machinery fund	18,000	98,538
Capital projects fund	-	3,083,906
Solid waste fund	6,292	171,711
Internal service funds	1,730,410	18,545
Agency fund	<u>271,542</u>	<u>3,007,752</u>
Total	<u>\$ 8,766,580</u>	<u>\$ 8,766,580</u>

Interfund transfers for the year ended December 31, 2015 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 6,080,339
County road	5,209,021	-
Capital projects	468,157	-
Solid waste fund	803,161	-
Road machinery	-	<u>400,000</u>
	<u>\$ 6,480,339</u>	<u>\$ 6,480,339</u>

9. FINANCING ARRANGEMENTS

Serial Bonds - Excluding CTASC

The County borrows money in order to acquire land or high cost 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 are full faith and credit debt of the County. The provision to be made in future budgets for capital 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.

On March 17, 2015 the County issued \$8,280,000 in general obligation bonds with an average interest rate of 3.0% to advance refund \$8,625,000 of outstanding 2004, 2007, and 2008 series bonds with an average interest rate of 4.0%. This bond was allocated 79% to governmental activities and 21% to the solid waste fund. The net proceeds of \$9,160,057 (including a premium of \$880,057) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the County's financial statements. This refunding resulted in an economic loss (difference between the present values of the debt service payment on the old and new debt) of \$433,777.

9. FINANCING ARRANGEMENTS (Continued)

Serial Bonds - Excluding CTASC (Continued)

On August 1, 2015 the County issued \$8,215,000 in general obligation bonds for the solid waste fund with an average interest rate of 3.4%, to advance refund \$7,320,860 of outstanding 2008LF series bonds with an average interest rate of 4.5%. A portion of the interest is subsidized by the New York State Environmental Facilities Corporation. The net proceeds of \$8,063,048 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the County's financial statements. This refunding decreases total debt service payments for the next 16 years by \$1,212,179 resulting in an economic loss (difference between the present values of the debt service payment on the old and new debt) of \$742,188.

Serial Bonds - CTASC

The original purchase price for the County's future rights, title and interest in the TSRs was financed through the issuance of Series 2001 Bonds in the amount of \$10,640,000 with interest at rates ranging from 4.27% to 5.75%. The 2001 Bonds were sold at a discount of \$123,538, for a net issue price of \$10,516,462. The discount is being amortized over the maturity period of the bonds using the straight-line method. The bonds mature from June 1, 2006 until June 1, 2043 under term restructuring and from June 1, 2002 until June 1, 2027 under the super sinker payment schedule. The second bond issued was issued November 29, 2005 and are capital appreciation bonds. These bonds are subordinate bonds to the original issue bonds detailed above and cannot be defeased until the original issue bonds are paid in full. These bonds were issued in different series with different interest and maturity rates. These bonds shall accrue interest at their stated rates from the series 2005 delivery date, which interest shall accrue and not be payable, compounded semiannually, until maturity. Interest accrued for the year ended December 31, 2015 was \$356,332. During 2015, no principal or interest payments were made on the capital appreciation bonds. The value of the bonds increase based upon the interest accrued over the life of the bonds. The total value of the bonds issued at November 29, 2005 was \$4,185,259.

Other Long-Term Obligations

In addition to long-term bonded debt the County had the following other obligations:

Compensated Absences - represents the value of earned and unused vacation leave and compensatory time. The amounts are disclosed on a net basis, as it is impractical to report on the gross basis.

9. FINANCING ARRANGEMENTS (Continued)

Summary of Long-Term Obligations

The following is a summary of all long-term obligations outstanding at December 31, 2015:

	(As restated)			Balance	Due in
	Balance	Increases	Decreases	December 31	One Year
	January 1				
Governmental activities:					
Serial Bonds - excluding CTASC	\$ 12,283,610	\$ 14,012,418	\$ (7,275,861)	\$ 19,020,167	\$ 851,712
Premium on Serial Bonds	-	697,288	(49,660)	647,628	49,660
Serial Bonds - CTASC, net	12,572,727	361,084	(225,000)	12,708,811	375,000
Compensated absences	1,680,041	-	(29,517)	1,650,524	412,631
Capital lease (Note 11)	3,656,748	-	(2,710,643)	946,105	138,775
Early termination benefits	86,558	-	(86,558)	-	-
Net pension liability	4,862,132	-	(1,227,261)	3,634,871	-
Other postemployment benefits	<u>29,203,170</u>	<u>7,863,591</u>	<u>(3,840,669)</u>	<u>33,226,092</u>	<u>-</u>
Total governmental activities	<u>64,344,986</u>	<u>22,934,381</u>	<u>(15,445,169)</u>	<u>71,834,198</u>	<u>1,827,778</u>
Business-type activities:					
Serial Bonds	9,886,390	9,569,095	(8,776,999)	10,678,486	570,948
Premium on Serial Bonds	-	182,769	(13,201)	169,568	13,201
Compensated absences	30,725	-	(413)	30,312	7,578
Net Pension Liability	64,040	-	(16,164)	47,876	-
Other postemployment benefits	<u>384,642</u>	<u>103,573</u>	<u>(50,586)</u>	<u>437,629</u>	<u>-</u>
Total business-type activities	<u>10,365,797</u>	<u>9,855,437</u>	<u>(8,857,363)</u>	<u>11,363,871</u>	<u>591,727</u>
Total primary government	<u>\$ 74,710,783</u>	<u>\$ 32,789,818</u>	<u>\$(24,302,532)</u>	<u>\$ 83,198,069</u>	<u>\$ 2,419,505</u>

The following is a summary of maturity of the long-term indebtedness for governmental and business-type activities:

	Issue	Final	Interest	2015	Outstanding
	Date	Maturity	Rate	Payments	December 31
Serial Bonds - excluding CTASC -					
Public improvement	2007	2028	3.88 - 4.00%	\$ 400,000	\$ 425,000
Public improvement	2008	2032	4.00 - 5.00%	355,000	1,137,140
Public improvement	2012	2038	2.75 - 3.25%	135,000	4,600,000
Public improvement	2015	2035	2.75 - 3.00%	-	7,452,000
Public improvement refunding	2015	2032	3.40%	-	7,849,513
Public improvement refunding	2015	2035	1.00 - 5.00%	45,000	<u>8,235,000</u>
					<u>\$ 29,698,653</u>

9. FINANCING ARRANGEMENTS (Continued)

Summary of Long-Term Obligations (Continued)

The following is a summary of maturing debt service requirements for general obligation serial bonds-excluding CTASC:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,422,660	\$ 853,077
2017	1,441,480	812,413
2018	1,464,513	773,921
2019	1,500,000	735,367
2020	1,500,000	701,022
2021 - 2025	8,250,000	2,779,329
2026 - 2030	8,280,000	1,426,036
2031 - 2035	5,040,000	495,538
2036 - 2040	<u>800,000</u>	<u>52,488</u>
	<u>\$ 29,698,653</u>	<u>\$ 8,629,191</u>

The following is a summary of maturity of the long-term indebtedness of the CTASC:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>2015 Payments</u>	<u>Outstanding December 31</u>
Serial Bonds - CTASC					
Series 2001	2001	2027	4.30 - 5.75%	\$ 225,000	\$ 7,655,000
Series 2005	2005	2060	6.00 - 7.15%	-	2,827,986
Accreted interest - Series 2005					2,282,842
Bond discount - Series 2005					<u>(57,017)</u>
					<u>\$ 12,708,811</u>

The following is a summary of maturing debt service requirements for the CTASC. Principal and interest payments for the Series 2001 Bonds are as follows for the years ended December 31:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 375,000	\$ 448,050
2017	390,000	425,100
2018	500,000	398,400
2019	530,000	367,500
2020	555,000	334,950
2021 - 2025	3,310,000	1,116,300
2026 - 2027	<u>1,995,000</u>	<u>133,050</u>
	<u>\$ 7,655,000</u>	<u>\$ 3,223,350</u>

9. FINANCING ARRANGEMENTS (Continued)

Summary of Long-Term Obligations (Continued)

The Series 2005 Bonds are capital appreciation bonds, upon which the investment return on the investment principal is reinvested at a compounded rate until maturity. There are no scheduled principal and interest payments on these bonds other than their respective maturity dates, at which time a single payment is made representing principal and investment return. Such payments are as follows:

	<u>Principal</u>	<u>Interest</u>
Series S1 payable June 2038	\$ 713,160	\$ 2,947,369
Series S2 payable June 2050	730,966	9,197,816
Series S3 payable June 2055	649,493	16,117,354
Series S4A payable June 2060	<u>734,367</u>	<u>32,192,723</u>
	<u>\$ 2,827,986</u>	<u>\$ 60,455,262</u>

Interest on all long-term debt for the year was composed of:

Governmental activities:	
Interest paid	\$ 1,164,438
Deferred outflow related to bond refunding	(343,690)
Premium related to bond refunding	697,289
Current year amortization of deferred outflow	24,477
Current year amortization of premium	(49,660)
Plus: Interest accrued in the current year	347,775
Less: Interest accrued in the prior year	<u>(550,730)</u>
Total interest expense	<u>\$ 1,289,899</u>

Interest expense for the business-type activities for the year ended December 31, 2015 was \$327,333.

10. SHORT-TERM DEBT

For governmental and business-type funds, notes issued in anticipation of proceeds from the subsequent sale of serial bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the serial bond. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

The following is a summary of changes in short-term debt for the year ended December 31, 2015:

Balance, January 1, 2015	\$ 5,272,500
Increases	-
Decreases	<u>(5,272,500)</u>
Balance, December 31, 2015	<u>\$ -</u>

11. CAPITAL LEASE

The County and Motorola Solutions, Inc. (Motorola) entered into an agreement in 2012 which provides for Motorola, as agent of the County, to construct cell towers and related equipment which will be owned by the County at the end of the lease. The County entered into this lease as of January 1, 2012. The lease expires on January 15, 2022.

This lease is defined as a capital lease and the related cell towers are recorded as an asset that will be amortized over the term of the lease. The lease obligation is shown as a liability on the statement of net position.

The payment terms under this lease are as follows for the years ended December 31:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 138,775	\$ 12,611
2017	123,331	28,055
2018	127,617	23,769
2019	132,052	19,334
2020	136,640	14,745
2021 - 2022	<u>287,690</u>	<u>15,081</u>
	<u>\$ 946,105</u>	<u>\$ 113,595</u>

12. EARLY TERMINATION BENEFITS

During 2010, the County approved a one-time early retirement incentive plan, known as the 2010-2011 Retirement Incentive Program (the Program), for all employees. This Program was initiated by the New York State and Local Employees' Retirement System (the System) and has two different incentive programs, Part A and Part B. To be eligible for Parts A and B under the Program, employees were required to have 10 years of service with the County and be at least 50 years of age but not yet 55 years of age. The commencement of the open period was October 1, 2010 and eligible employees under both Part A and B of the Program were required to retire by December 29, 2010.

Employees taking advantage of Part A of the Program received approximately one month of additional service credit for each year of service, up to a maximum of three additional years of service credit. Employees taking advantage of Part B of the Program were allowed to retire at age 55 without a benefit reduction.

During the year ended December 31, 2010, fifteen employees elected early retirement under Part A of the Program. The remaining estimated present value of the benefits provided to the retirees under the Program was satisfied during the year ended December 31, 2015.

13. PENSION PLAN

The County participates in the New York State and Local Employees' Retirement System (NYSERS). This is a cost-sharing multiple-employer public employee retirement system. 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 (the Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

Membership, benefits, and employer and employee obligations to contribute are described in the NYSRSSL using the tier concept. Pension legislation established tier membership by the date a member last joined the Retirement System. They are as follows:

- Tier 1 - Those persons who last became members of the System before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally those persons who are State correction officers who last became members on or after July 27, 1976, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983.
- Tier 5 - Those persons who last became members of the System on or after January 1, 2010.
- Tier 6 - Those persons who last became members of the System on or after April 1, 2012.

Contributions

The System is noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in the System contribute 3% of their salary throughout their active membership. The Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Employees who joined on or after April 1, 2012 contribute 3% of their reportable salary. Beginning April 1, 2013, the contribution rate for Tier 6 members varies between 3-6% based on each member's annual compensation.

The System cannot be diminished or impaired. Benefits can be reduced for future membership only by an act of the New York State Legislature. The County contributed 100% of the required contributions for the current year and two preceding years as follows:

	NYSERS	
2015	\$	4,364,375
2014	\$	4,674,253
2013	\$	4,357,681

13. PENSION PLAN (Continued)

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

At December 31, 2015, the County reported a net pension liability of \$3,682,747, of which \$47,876 related to the solid waste fund, for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2015, 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, 2015, the County's proportion was 0.1090136% percent.

For the year ended December 31, 2015, the County recognized pension expense of \$3,183,684. At December 31, 2015, the County reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 117,889	\$ -
Net difference between projected and actual earnings on pension plan investments	639,645	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	596,950
Contributions subsequent to the measurement date	<u>3,273,281</u>	<u>-</u>
Total	<u>\$ 4,030,815</u>	<u>\$ 596,950</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2016	\$ 40,146
2017	40,146
2018	40,146
2019	40,146
2020	-
Thereafter	<u>-</u>
	<u>\$ 160,584</u>

The County recognized \$3,273,281 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2015 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

13. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.70%
Salary scale	4.9% indexed by service
Projected COLAs	1.4% compounded annually
Decrements	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.5% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Long Term Expected Rate of Return

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>	

13. PENSION PLAN (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. 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.

Sensitivity 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 7.5%, 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 (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount <u>7.50%</u>	1% Increase <u>8.50%</u>
ERS Proportionate Share of Net Pension Liability (Asset)	\$ <u>24,547,100</u>	\$ <u>3,682,747</u>	\$ <u>(13,931,941)</u>

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows:

	Pension Plan's Fiduciary Net Position	County's proportionate share of Plan's Fiduciary Net Position	County's allocation percentage as determined by the Plan
Total pension liability	\$ 164,591,504,000	\$ 179,427,124	0.1090136%
Net position	<u>(161,213,259,000)</u>	<u>(175,744,377)</u>	0.1090136%
Net pension liability (asset)	<u>\$ 3,378,245,000</u>	<u>\$ 3,682,747</u>	0.1090136%
ERS net position as a percentage of total pension liability		-97.9%	-97.9%

14. LANDFILL CLOSURE AND POST-CLOSURE COSTS

The County has three landfills that it maintains: the West Side, Pine Tree, and Old Cortland County landfills. The West Side landfill is the only one that is active; the other two are closed. Based on a survey completed by an engineering firm, the total remaining air space capacity of the West Side landfill is 1,206,300 tons, or approximately 25.4 years of remaining site life.

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 landfill capacity used as of each balance sheet date. Landfill activity is reported in the Solid Waste Fund, an enterprise fund.

14. LANDFILL CLOSURE AND POST-CLOSURE COSTS (Continued)

The County has a total of \$5,349,688 reported as landfill closure and post-closure care liability which represents the cumulative amount reported to date based on the use of 54 percent of the estimated capacity of the landfill. The total cost consists of total post-closure and closure costs of \$4,906,110 of the West Side landfill; \$174,518 for the Pine Tree landfill; and \$269,060 of the Old Cortland County landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$5,349,688 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2015 for the West Side, Pine Tree, and Old Cortland County landfills. The County expects to close the West Side landfill in the year 2040. Actual closure and post-closure costs may be higher due to inflation, changes in technology, or changes in regulations.

15. FUND BALANCES

As of December 31, 2015, fund balances were composed of the following:

	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	Debt Service Fund	Total
Nonspendable:						
Prepaid expenditures	\$ 1,091,093	\$ -	\$ -	\$ -	\$ 3,357	\$ 1,094,450
Restricted:						
Retirement contribution reserve	922,256	-	51,105	-	-	973,361
Insurance reserve	118,751	-	-	-	-	118,751
Capital reserve	144,259	-	-	-	-	144,259
Reserve for tax stabilization	1,052,479	-	-	-	-	1,052,479
Reserve for repairs	17,132	-	-	-	-	17,132
Debt service	887	-	-	-	818,896	819,783
Law	1,474,000	80,833	-	328,651	-	1,883,484
Assigned:						
Appropriations	219,460	1,050,425	435,000	-	-	1,704,885
Other spendable amounts	-	1,115,495	1,055,300	-	145,375	2,316,170
Unassigned:	15,393,294	-	-	(287,664)	-	15,105,630
Total	\$ 20,433,611	\$ 2,246,753	\$ 1,541,405	\$ 40,987	\$ 967,628	\$ 25,230,384

16. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial coverage for the past three years.

The County's self-insurance coverage applies to medical, dental, and vision insurance and workers' compensation. The County has excess liability insurance protection up to \$1,000,000 for a single incident with coverage that is effective in the event that a single loss exceeds \$1,000,000. The excess insurance covers workers' compensation claims with a specific excess limit of \$10,000,000 and employer's liability limit of \$1,000,000. The specific deductible on workers' compensation is \$375,000 per occurrence. The excess insurance also covers property damage for all County buildings and their contents, as well as all other County assets with a deductible of \$100,000. Any public works equipment, which is not licensed or cannot be licensed per New York State regulations, has a \$1,000 deductible per occurrence. Various County funds paid \$8,408,245 to the Self Insurance Fund during the year ended December 31, 2015, for the cost of these services. Various County funds were also charged \$741,434 by the Workers' Compensation Fund during the year ended December 31, 2015 for those services.

The County's estimated claims liability at December 31 of each year is based on the anticipated final outcome of each claim, analyzed on a case-by-case basis. The County also utilizes a third party administrator who is responsible for processing claims and estimating liabilities for the self-insurance fund and workers' compensation fund. Based upon the requirements of accounting principles generally accepted in the United States, liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effect of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. At December 31, 2015, the amount of the liability for both funds was \$6,046,327 and is included in both accrued liabilities and accounts payable at year-end.

The following represents changes in those aggregate liabilities for the year ended December 31, 2015:

	<u>Self-Insurance</u>	<u>Workers' Compensation</u>
January 1, 2015	\$ 731,343	\$ 3,970,180
Claims and changes in estimates	<u>730,059</u>	<u>614,745</u>
December 31, 2015	<u>\$ 1,461,402</u>	<u>\$ 4,584,925</u>

The County's Self-Insurance Fund had net position of \$3,705,336 at December 31, 2015, which is included in the County's Internal Service Funds.

The County's Workers' Compensation Fund had net position deficit of \$4,252,556 at December 31, 2015, which is included in the County's Internal Service Funds.

County employees are entitled to coverage under the New York State Unemployment Insurance Law. The County has elected to discharge its liability to the New York State Unemployment Insurance Fund by the benefit reimbursement method; a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former County employees and charged to the County's account.

17. FEDERAL AND STATE FUNDED PROGRAMS

The County participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial. Expenditures disallowed by completed audits have generally been immaterial in nature and, accordingly, have been reflected as adjustments to revenues in the year the expenditure was determined to be unallowable.

Third-party payers, especially government funders, have substantially increased their scrutiny of payments made to their designated service providers. Specific areas for review by the governmental payers and their investigative personnel include appropriate billing practices, reimbursement maximization strategies, technical regulation compliance, etc. The stated purpose for these reviews is to recover reimbursements, which the payers believe may have been inappropriate.

The County has reviewed its internal records and policies with respect to such matters. However, due to the nature of these matters, it is difficult to estimate the ultimate liability, if any, which it may incur related to such matters.

18. CONTINGENCIES

The County is the defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material effect on the financial condition of the County government.

19. JOINT VENTURE

The Tompkins-Cortland Community College (the College) was established by joint action of the Legislative Boards of Cortland and Tompkins Counties. The College operates under authority of Article 126 of the Education Law and the Rules and Regulations of the State University Trustees. It is administered by a ten member Board of Trustees, five of whom are appointed by the legislative boards of the two counties under an apportionment made between the two by the State University Trustees. The College's annual operating budget is subject to approval by both County legislative boards. Ownership of existing capital facilities and capital expenses are shared in proportion of the student population of each County. Subsidies to meet operational expenses are shared in the ratio of resident students in attendance.

The County contributed approximately \$1,687,000 and \$85,000 to the College in 2015 for operations and debt, respectively.

The County advanced funds in the current year and in prior years to the College for its campus master plan, and at December 31, 2015, the College owes the County \$3,520,120. These funds will be paid by the College each year until 2034 under a long-term payment plan. This amount is recorded as a long-term receivable in the statement of net position.

20. IMPACT OF FUTURE GASB PRONOUNCEMENTS

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County is required to adopt the provisions of this Statement for the year ending December 31, 2016. The County's management has not yet assessed the impact of this statement on its future financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – a replacement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to establish standards for recognizing and measuring liabilities, expenditures and deferred inflows of resources related to other postemployment benefit plans (OPEB). In regards to defined benefit OPEB plans, this statement defines the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employment service. This Statement also details recognition and disclosure requirements for employers with payables to defined benefit OPEB plans administered through trusts and for employers whose employees are provided with defined contribution OPEB plans. The County is required to adopt the provisions of this Statement for the year ending December 31, 2018, with early adoption encouraged. The County's management has not yet assessed the impact of this statement on its future financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The County is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016, and should be adopted retroactively, with early adoption permitted. The County has not assessed the impact of these statements on its future financial statements.

20. IMPACT OF FUTURE GASB PRONOUNCEMENTS (Continued)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The requirements of this Statement are effective for financial statements for periods beginning after December 31, 2015. Earlier application is encouraged. The County's management has not yet assessed the impact of this statement on its future financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required supplementary information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

COUNTY OF CORTLAND, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Real property taxes and tax items	\$ 34,556,158	\$ 33,601,011	\$ 33,501,676	\$ (99,335)
Nonproperty tax items	29,468,620	30,423,767	29,948,455	(475,312)
Departmental income	7,444,306	7,644,686	7,191,459	(453,227)
Intergovernmental charges	-	-	56,559	56,559
Use of money and property	25,100	25,100	176,884	151,784
Fines and forfeitures	-	-	122,344	122,344
Sale of property and compensation for loss	-	-	13,865	13,865
Miscellaneous	675,000	675,000	222,581	(452,419)
State aid	14,538,347	19,029,342	15,431,631	(3,597,711)
Federal aid	10,516,285	10,871,299	9,794,836	(1,076,463)
Total revenues	<u>97,223,816</u>	<u>102,270,205</u>	<u>96,460,290</u>	<u>(5,809,915)</u>
EXPENDITURES:				
General governmental support	23,516,714	24,200,101	23,201,593	998,508
Education	4,240,084	4,206,113	3,743,646	462,467
Public safety	13,091,445	13,911,260	13,677,302	233,958
Public health	9,863,983	10,586,998	9,675,974	911,024
Transportation	1,060,119	1,268,827	1,315,683	(46,856)
Economic assistance and opportunity	34,212,187	34,540,716	31,656,380	2,884,336
Culture and recreation	1,218,840	1,336,448	1,194,805	141,643
Home and community services	1,199,886	4,431,383	1,311,516	3,119,867
Employee benefits	2,954,291	3,068,740	3,013,604	55,136
Debt service	1,192,402	1,192,402	3,654,345	(2,461,943)
Total expenditures	<u>92,549,951</u>	<u>98,742,988</u>	<u>92,444,848</u>	<u>6,298,140</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,673,865</u>	<u>3,527,217</u>	<u>4,015,442</u>	<u>488,225</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of refunding bonds	-	-	7,236,445	7,236,445
Payment to refunded bond escrow agent	-	-	(7,135,165)	(7,135,165)
Operating transfers - out	(5,429,621)	(5,454,760)	(6,080,339)	(625,579)
Total other financing sources (uses)	<u>(5,429,621)</u>	<u>(5,454,760)</u>	<u>(5,979,059)</u>	<u>(524,299)</u>
CHANGE IN FUND BALANCE	<u>(755,756)</u>	<u>(1,927,543)</u>	<u>(1,963,617)</u>	<u>(36,074)</u>
FUND BALANCE - beginning of year, as restated	<u>22,397,228</u>	<u>22,397,228</u>	<u>22,397,228</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 21,641,472</u>	<u>\$ 20,469,685</u>	<u>\$ 20,433,611</u>	<u>\$ (36,074)</u>

COUNTY OF CORTLAND, NEW YORK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL - COUNTY ROAD (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Departmental income	\$ 23,050	\$ 23,050	\$ 11,161	\$ (11,889)
Intergovernmental charges	-	-	715,638	715,638
Use of money and property	1,500	1,500	482	(1,018)
Interfund revenues	5,259,621	5,259,621	36,006	(5,223,615)
Sale of property and compensation for loss	-	-	9,032	9,032
Miscellaneous	1,689,000	1,689,000	2,342	(1,686,658)
State aid	2,384,961	2,569,960	1,815,769	(754,191)
Federal aid	-	-	58,357	58,357
Total revenues	<u>9,358,132</u>	<u>9,543,131</u>	<u>2,648,787</u>	<u>(6,894,344)</u>
EXPENDITURES:				
Transportation	9,375,665	9,733,982	8,783,457	950,525
Debt service	357,115	357,115	337,132	19,983
Total expenditures	<u>9,732,780</u>	<u>10,091,097</u>	<u>9,120,589</u>	<u>970,508</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(374,648)</u>	<u>(547,966)</u>	<u>(6,471,802)</u>	<u>(5,923,836)</u>
OTHER FINANCING SOURCES:				
Bond proceeds	-	-	4,695,000	4,695,000
Operating transfers - in	-	-	5,209,021	5,209,021
Total other financing sources	<u>-</u>	<u>-</u>	<u>9,904,021</u>	<u>9,904,021</u>
CHANGE IN FUND BALANCE	<u>(374,648)</u>	<u>(547,966)</u>	<u>3,432,219</u>	<u>3,980,185</u>
FUND BALANCE - beginning of year, as restated	<u>(1,185,466)</u>	<u>(1,185,466)</u>	<u>(1,185,466)</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ (1,560,114)</u>	<u>\$ (1,733,432)</u>	<u>\$ 2,246,753</u>	<u>\$ 3,980,185</u>

COUNTY OF CORTLAND, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES -
 BUDGET AND ACTUAL - ROAD MACHINERY (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental charges	\$ 2,815,065	\$ 2,815,065	\$ 184,689	\$ (2,630,376)
Use of money and property	1,000	1,000	2,424,761	2,423,761
Interfund revenues	260,000	260,000	140,357	(119,643)
Sale of property and compensation for loss	-	-	114,826	114,826
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total revenues	<u>3,077,065</u>	<u>3,077,065</u>	<u>2,864,633</u>	<u>(212,432)</u>
EXPENDITURES:				
Transportation	2,712,083	2,712,083	2,195,863	516,220
Debt service	<u>149,281</u>	<u>149,281</u>	<u>144,780</u>	<u>4,501</u>
Total expenditures	<u>2,861,364</u>	<u>2,861,364</u>	<u>2,340,643</u>	<u>520,721</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>215,701</u>	<u>215,701</u>	<u>523,990</u>	<u>308,289</u>
OTHER FINANCING SOURCES:				
Operating transfers - out	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Total other financing sources	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	(184,299)	(184,299)	123,990	308,289
FUND BALANCE - beginning of year, as restated	<u>1,417,415</u>	<u>1,417,415</u>	<u>1,417,415</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 1,233,116</u>	<u>\$ 1,233,116</u>	<u>\$ 1,541,405</u>	<u>\$ 308,289</u>

COUNTY OF CORTLAND, NEW YORK

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) - COST SHARING MULTIPLE EMPLOYER PLAN (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Last 10 Fiscal Years									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
New York State Employees' Retirement System Plan:										
Proportion of the net pension liability (asset)	0.1090136%									
Proportionate share of the net pension liability (asset)	\$ 3,682,747									
Covered-employee payroll	20,468,035									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.99%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.90%									

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

COUNTY OF CORTLAND, NEW YORK

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS- COST SHARING MULTIPLE EMPLOYER PLAN (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Last 10 Fiscal Years									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN:										
Contractually required contribution	\$ 4,587,695									
Contributions in relation to the contractually required contribution	<u>4,587,695</u>									
Contribution deficiency (excess)	\$ <u> </u>									
Covered-employee payroll	20,468,035									
Contributions as a percentage of covered-employee payroll	22.41%									

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

COUNTY OF CORTLAND, NEW YORK

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/15	1/1/14	\$ -	\$ 88,448,346	\$ 88,448,346	0%	\$ 20,468,035	432.1%
12/31/14	1/1/14	\$ -	\$ 88,448,346	\$ 88,448,346	0%	\$ 22,732,893	389.1%
12/31/13	1/1/12	\$ -	\$ 87,739,563	\$ 87,739,563	0%	\$ 22,589,660	388.4%

SECTION B
UNIFORM GUIDANCE

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

September 29, 2016

To the County Legislature of the
County of Cortland, 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 Cortland, New York (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2016. Our report includes a reference to other auditors who audited the financial statements of the Cortland County Industrial Development Agency (the Agency) and the Cortland Tobacco Asset Securitization Corporation (CTASC), as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

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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)

Internal Control Over Financial Reporting (Continued)

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. (Findings 2015-001 and 2015-002).

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*.

County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.

Bonadio & Co., LLP

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

September 29, 2016

To the County Legislature of the
County of Cortland, New York:

Report on Compliance for Each Major Federal Program

We have audited the County of Cortland, New York's (the County's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Bonadio & Co., LLP

COUNTY OF CORTLAND, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture:				
Passed through NYS Department of Social Services - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	\$ 710,871	\$ -
Total U.S. Department of Agriculture			<u>710,871</u>	<u>-</u>
U.S. Department of Labor:				
Trade Adjustment Assistance	17.245	N/A	130,593	-
Passed through NYS Department of Labor - WIA/WIOA Cluster				
WIA/WIOA Adult Program	17.258	N/A	409,070	127,676
WIA/WIOA Dislocated Worker Formula Grants	17.278	N/A	298,715	172,730
WIA/WIOA Youth Activities	17.259	N/A	250,331	144,481
Subtotal-WIA/WIOA Cluster			<u>958,116</u>	<u>444,887</u>
Passed through NYS Office of the Aging - Employment Service/Wagner-Peyser Funded Activities				
Senior Community Service Employment Program	17.207	N/A	137,321	-
	17.235	N/A	32,638	-
Subtotal - NYS Office of the Aging			<u>169,959</u>	<u>-</u>
Total U.S. Department of Labor			<u>1,258,668</u>	<u>444,887</u>
U.S. Department of Homeland Security:				
Passed Through NYS Division of Homeland Security & Emergency Services - Emergency Management Performance Grant				
State Homeland Security Program	97.042	FEMA	23,619	-
	97.067	FEMA	47,263	-
Subtotal - NYS Division of Homeland Security & Emergency Services			<u>70,882</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>70,882</u>	<u>-</u>
U.S. Department of Transportation:				
Airport Improvement Program	20.106	N/A	159,693	-
Passed through the NYS Department of Transportation - Transit Services Programs Cluster:				
New Freedom Program	20.521	C5633	45,540	-
Job Access and Reverse Commute Program	20.516	C003869	206,717	-
Total Transit Services Programs Cluster			<u>252,257</u>	<u>-</u>
Highway Planning and Construction				
Formula Grants for Rural Areas	20.205	D033492	1,932,451	-
	20.509	N/A	580,205	-
Subtotal - NYS Department of Transportation			<u>2,764,913</u>	<u>-</u>
Passed through the NYS Governors Traffic Safety Committee - Alcohol Impaired Driving Countermeasures Incentive Grants I				
	20.601	T523645	9,990	-
Total U.S. Department of Transportation			<u>2,934,596</u>	<u>-</u>

(Continued)

COUNTY OF CORTLAND, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Federal Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Corporation for National and Community Service -				
Retired and Senior Volunteer Program	94.002	N/A	41,628	-
Total Corporation for National and Community Service			41,628	-
U.S. Department of Education:				
Passed through NYS Department of Health -				
Special Education - Grants for Infants and Families	84.181	C027474	13,513	-
<i>Total NYS Office of Education</i>			13,513	-
U.S. Department of Health and Human Services:				
Passed through NYS Office of the Aging -				
Special Programs for the Aging - Title IIID -				
Disease Prevention and Health Promotion Services	93.043	N/A	3,530	-
National Family Caregiver Support - Title III-E	93.052	N/A	25,748	-
Special Programs for the Aging - Title VII - Chapter 2 -				
Long Term Care Ombudsman Services for Older Individuals	93.042	N/A	7,944	-
			37,222	-
Special Programs of the Aging Cluster -				
Special Programs for the Aging - Title IIIB - Grants for				
Supportive Services and Senior Centers	93.044	N/A	48,980	-
Special Programs for the Aging - Title IIIC- Nutrition Services	93.045	N/A	101,087	-
Nutrition Services Incentive Program	93.053	N/A	78,514	-
<i>Subtotal - Special Programs of the Aging Cluster</i>			228,581	-
<i>Total NYS Office of the Aging</i>			285,803	-
Passed through NYS Department of Health -				
Family Planning-Services	93.217	C027019	201,015	-
Medical Assistance Program	93.778	C027830	620,317	-
Immunization Cooperative Agreements	93.268	C028286	35,386	-
Maternal and Child Health Services Block Grant to the States	93.994	C026503	135,337	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	90,051	-
<i>Total NYS Department of Health</i>			1,082,106	-
Passed through NYS Department of Social Services -				
Child Support Enforcement	93.563	N/A	395,201	-
Foster Care - Title IV-E	93.658	N/A	1,118,867	-
Adoption Assistance	93.659	N/A	694,026	-
Child Care and Development Block Grant	93.575	N/A	17,265	-
Low-Income Home Energy Assistance	93.568	N/A	2,013,403	-
Temporary Assistance for Needy Families	93.558	N/A	4,097,063	121,404
Social Services Block Grant	93.667	N/A	801,055	-
Chafee Foster Care Independence Program	93.674	N/A	19,671	-
<i>Total NYS Department of Social Services</i>			9,156,551	121,404
Passed through Health Research Inc:				
Centers for Disease Control and Prevention -				
Investigations and Technical Assistance	93.283	4697-01	13,522	-
Public Health Emergency Preparedness	93.069	1596-10	60,128	-
Hospital Preparedness Program and Public Health Emergency Preparedness				
Aligned Cooperative Agreements	93.074	4978-01	2,611	-
<i>Total Health Research Inc.</i>			76,261	-
Total U.S. Department of Health and Human Services			10,580,721	121,404
Total Expenditures of Federal Awards			\$ 15,610,879	\$ 566,291

The accompanying notes are an integral part of this schedule.

COUNTY OF CORTLAND, NEW YORK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2015

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of federal awards programs administered by the County of Cortland, New York (the County), an entity as defined in the basic financial statements, except that it does not include the federal financial assistance programs, if any, of the Cortland County Industrial Development Agency, Cortland Tobacco Asset Securitization Corporation, and the Cortland County Soil and Water Conservation District.

2. PASS-THROUGH PROGRAMS

Where the County receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the County's financial management system. The County has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards, as available.

3. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the County's general ledger. For programs with funding ceilings and caps, federal expenditures are only recorded and presented in the schedule of expenditures of federal awards up to such amounts.

4. NONMONETARY FEDERAL PROGRAMS

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." New York State makes payments of benefits directly to third parties on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA Number 93.568). Included in the amount presented on the schedule of expenditures of federal awards is \$1,953,303 in direct payments for the Low-Income Home Energy Assistance Program.

5. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented. The County has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

6. MATCHING COSTS

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

COUNTY OF CORTLAND, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the County's financial statements are prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiencies identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? yes no

The dollar threshold to distinguish between Type A and Type B programs was \$750,000.

The major federal programs of the County for the year ended December 31, 2015 were as follows:

U.S. Department of Health and Human Services

- Low-Income Home Energy Assistance (93.568)
 - Temporary Assistance for Needy Families (93.558)
 - Medical Assistance Program (93.778)
- The County was not considered a low-risk auditee for the year ended December 31, 2015.

Part II – Financial Statement Findings

Finding 2015-001: Financial Statement Corrections

Condition: The County's fund balance amounts were misstated at December 31, 2014 as a result of several errors that encompassed several opinion units of the County that were identified during the 2015 year-end closing process. In addition, significant adjustments were required for 2015 activity to fairly present the financial statements.

Part II – Financial Statement Findings (Continued)

Finding 2015-001: Financial Statement Corrections (Continued)

Criteria: The County is required to report all transactions within the County's accounting system in the proper period and in accordance with generally accepted accounting principles.

Cause: A historical lack of controls over the financial reporting process, as well as inexperienced personnel in key financial areas led to various significant adjustments by the County.

Effect: The County's accounting records did not accurately reflect the fund balance/net position for the County and as a result required the County and the external auditors to record several adjusting journal entries.

Recommendation: We recommend that the County ensure that the regular, timely reconciliations of financial information that began in late 2015 continue on an ongoing basis to ensure that amounts reported within the County's accounting system are correct.

Management Response:

Late in 2014, the County noted the findings in the prior year audit report and created the Office of Budget and Finance. This position was filled in mid May 2015. The staff have been working diligently to reconcile the Balance Sheet of the County which has resulted in many prior period and current year adjustments. While a majority of accounts were reconciled in 2015, the Director of Budget & Finance anticipates that this will be a three year process (2015, 2016, 2017) due to the date of office implementation, staff transitions, office restructuring, retraining, policy changes and managing software issues which were previously unaddressed. The impact of these changes have been felt county wide, not just within the Office of Budget and Finance. The County has recently authorized the purchase of a new tax collection software which the Director anticipates will create prior period adjustments in 2017 for related items.

Finding 2015-002: Capital Assets

Condition: There is no centralized listing of capital assets at the County and no process to ensure the reported capital assets are complete. In some cases, listings of capital assets are maintained manually and within several departments of the County, which is vulnerable to mathematical errors.

Criteria: The County is required to track its capital assets in accordance with generally accepted accounting principles.

Cause: Various listings are maintained throughout the County within individual departments and not centrally managed by the Finance Department. The listings are not shared between departments and are not compiled into one complete list at year-end by the County.

Effect: There is a significant risk that the County's capital assets will be materially misstated at year-end due to bookkeeping errors or lack of communication between departments regarding asset acquisitions or dispositions.

Part II – Financial Statement Findings (Continued)

Finding 2015-002: Capital Assets (Continued)

Recommendation: We recommend that the County maintain one main capital asset listing and update the list quarterly.

Management Response:

The Office of Budget & Finance, created in May 2015, is currently undergoing a complete Fixed Asset review and anticipates having an updated schedule at year end 2016. Staff has been assigned to maintain the fixed asset schedule on a regular basis.

Part III – Federal Award Findings and Questioned Costs

None

Part IV – Summary Schedule of Prior Year Audit Findings

FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2014-001: Prior Period Adjustments

Criteria: Generally accepted accounting principles require that projects be removed from capital assets when they are placed into service.

Status: There were no prior period adjustments related to capital assets during the year ended December 31, 2015.

Finding 2014-002: Capital Assets

Criteria: The County is required to track its capital assets in accordance with generally accepted accounting principles.

Status: See current year finding 2015-002.

Finding 2014-003: Audit Adjustments

Criteria: The County must ensure that all transactions are properly recorded within the County's accounting system based on the modified accrual basis of accounting in order to produce accurate fund level financial statements and to identify the necessary information to prepare full accrual basis government-wide statements.

Status: See current year related finding 2015-001.

SECTION C

NEW YORK STATE SINGLE AUDIT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE TRANSPORTATION ASSISTANCE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY DRAFT PART 43 OF THE NYSCRR

September 29, 2016

To the County Legislature of the
County of Cortland, New York:

Report on Compliance of the State Transportation Assistance Program

We have audited the County of Cortland, New York's (the County's) compliance with the types of compliance requirements described in the Draft Part 43 of the New York State Codification of Rules and Regulations (NYSCRR) that could have a direct and material effect on the County's state transportation assistance program tested for the year ended December 31, 2015. The program tested is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for state transportation assistance expended.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state awards applicable to its state transportation assistance program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's state transportation assistance program tested based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Draft Part 43 of NYSCRR. Those standards and Draft Part 43 of NYSCRR require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state transportation assistance program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on State Transportation Assistance Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its state transportation assistance program tested for the year ended December 31, 2015.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE
TRANSPORTATION ASSISTANCE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY DRAFT PART 43 OF THE NYSCRR**
(Continued)

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the state transportation assistance program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the state transportation assistance program and to test and report on internal control over compliance in accordance with Draft Part 43 of NYSCRR, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Draft Part 43 of NYSCRR. Accordingly, this report is not suitable for any other purpose.

Bonadio & Co., LLP

COUNTY OF CORTLAND, NEW YORK

**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Program Title</u>	<u>Contract #</u>	<u>Reference #</u>	<u>Expenditures</u>
Consolidated Local Street and Highway Improvement Program (CHIPS) (001-01):			
Capital Reimbursement		320000	\$ 1,629,480
Extreme Winter Recovery Grant	D089867	320000	<u>184,999</u>
Total Consolidated Local Street and Highway Improvement Programs			<u>1,814,479</u>
Snow and Ice Control	D089867		<u>702,360</u>
State Transit Operating Assistance (003):			
		2015 Passenger	<u>617,459</u>
Total State Transit Operating Assistance (003)			<u>617,459</u>
Marchicelli/Bond Match for Federal Aid Highway Projects (020):			
State Bridge Aid	D033492		338,768
	D034229		12,706
	D034281		<u>2,028</u>
Total Marchicelli/Bond Match for Federal Aid Highway Projects (020)			<u>353,502</u>
Matching Grants for the FAA Airport Improvement Program (030):			
Land Acquisition Phase II	K006901	FAA 3-36-0017-16-10	2,392
Snow Removal Equipment	T036853	FAA 3-36-0017-23-2014	998
Airport Master Plan	T036853	FAA-3-36-0017-024-2015	2,824
T-Hangar 2015		3903.07	<u>50,821</u>
Total Matching Grants for the FAA Airport Improvement Program (030)			<u>57,035</u>
Total			<u>\$ 3,544,835</u>

See Notes to Schedule of State Transportation Assistance Expended

COUNTY OF CORTLAND, NEW YORK

NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED DECEMBER 31, 2015

1. GENERAL

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

2. BASIS OF ACCOUNTING

The accompanying Schedule of State Transportation Assistance Expended is presented in conformity with accounting principles generally accepted in the United States.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the New York State financial reports used as the source for the data presented.

4. MATCHING COSTS

Amounts identified as Marchicelli Program - State Bridge Aid represent matching costs for the federally aided programs.

COUNTY OF CORTLAND, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR STATE TRANSPORTATION
ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2015**

Summary of Auditor's Results

Internal control over State Transportation Assistance expended:

Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported

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

Identification of New York State Transportation Assistance Program Tested:

Consolidated Local Street and Highway Improvement Program (CHIPS)

State Transportation Assistance Findings and Questioned Costs

None