

STEUBEN COUNTY

New York



Audited Financial Statements

For Fiscal Year Ended December 31, 2014

Prepared by:

Steuben County Finance Department

Patrick F. Donnelly, Commissioner of Finance

Tammy Hurd-Harvey, Deputy Commissioner of Finance

Steuben County, New York

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Financial Section

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

July 2, 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Steuben, New York (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Steuben County Industrial Development Agency (the Agency), which represent 76%, 80%, and 47%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–18 and 85-86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditor have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor and private purpose trust fund financial statements on pages 87-90 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2015, 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.

Financial Section

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Unaudited)

Introduction

The following is management's discussion and analysis (MD&A) of Steuben County's (the County) financial performance, providing a narrative overview of the activities for the fiscal year that ended December 31, 2014. Please read it in conjunction with the County's financial statements, which follow this section. This MD&A focuses on the County, exclusive of the Component Units, however, where relevant, specific reference may be made to that information.

Financial Highlights

- The County's primary government net position on the government-wide statements totaled \$141,863,643 at the close of the year compared to \$145,244,298 at the end of 2013.
- Of the total primary government net position, \$9,346,946 or 7% is classified as unrestricted and may be used to meet the County's ongoing obligations compared to \$14,758,013 or 10% at the end of 2013.
- Total net position of the primary government, prior to the special item, decreased from the previous year by \$2,838,291 and the unrestricted portion decreased by \$4,868,703.
- Governmental activities net investment in capital assets increased \$429,237 for a total of \$102,903,821 at the end of 2014.
- Governmental activities increased the County's net position by \$2,701,817 or 2.0% compared to the 2013 increase of \$3,290,381 or 2.5%. The governmental activities net position at the end of 2014 was \$137,297,500.
- Operating Grants and Contributions equaled \$42,850,360 or 26% of the total governmental activities revenue compared to \$41,485,463 or 25% in 2013.
- Business-type activities include the Health Care Facility (HCF) and the Solid Waste Operations. Business-type activities net position at the end of 2014 was \$5,108,507 compared to \$10,648,615 at the end of 2013.
- On July 1, 2014, the HCF was sold to Centers for Specialty Care Group, LLC (Centers), an unrelated party, for \$10,750,000. As part of the sale, the HCF transferred substantially all of its capital assets, inventory, and resident funds to Centers resulting in a net loss on sale of the HCF of \$4,418,117. The HCF's operating revenue and expenses through July 1, 2014 are presented within the County's financial statements. Fund activity subsequent to July 1, 2014 primarily consisted of cash receipts for services rendered prior to the sale of the Facility and payment of liabilities that resulted from operating activities prior to the sale date.
- The HCF change in net position was a decrease of \$5,264,767 or a decrease of 154%. Total net position at December 2014 was a deficit of (\$8,690,109) compared to a deficit of (\$3,425,342) for 2013. In 2014 the HCF realized a loss of \$561,410 from

operating activities compared to a loss of \$746,128 in 2013. There was \$2,635,709 Intergovernmental Transfer (IGT) revenue recorded for 2014 compared to \$2,898,630 in 2013.

- The Solid Waste Operations experienced a loss of \$588,663 from operations compared to a gain of \$266,161 in 2013. Non-Operating Activities generated revenue of \$313,322 in 2014 compared to \$189,871 in 2013. Total net position decreased by \$275,341 or 2% to bring the balance to \$13,798,616 at the end of 2014.
- At December 31, 2014, the County had total debt, excluding the Steuben Tobacco Asset Securitization Corporation (STASC), of \$17,180,000 consisting of:
 - Bonds for the prior construction of the new health care facility of \$12,830,000.
 - Bonds for the prior construction of an expansion of the jail facility for \$4,325,000.
 - Bond Anticipation Note for watershed district repairs of \$25,000.
- At December 31, 2014, STASC had total bonds, net of bond premiums, bond discounts and accretion, of \$34,738,431 which are securitized by future tobacco settlement payments.
- The government-wide "Current Ratio," which is an indicator of liquidity, for governmental activities was 3.5 at the end of 2014 and 3.0 at the end of 2013.

Overview of the Financial Statements

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

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

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

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

Both government-wide financial statements distinguish between functions of the County that are principally supported by taxes and intergovernmental revenues

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

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

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

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

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

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

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

Proprietary funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its nursing home facility and for its landfill operations. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for workers' compensation.

Proprietary funds provide the same type of information as the government-wide financial statements using the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the HCF and for Solid Waste Operations, both of which are considered to be major enterprise funds of the County.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

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

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

Required Supplementary Information consists of the Management Discussion and Analysis and the budgetary comparison schedules, which follow the Basic Financial Statements, to demonstrate compliance with legally adopted and modified budgets.

Government-Wide Financial Analysis

Government-Wide Summary of Net Position - Net position may serve over time as a useful indicator of a government's financial position.

Steuben County, NY - Statement of Net Position						
As of December 31,						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets (unrestricted)	\$ 123,562,067	\$ 119,711,329	\$ 17,457,191	\$ 11,878,361	141,019,258	\$ 131,589,690
Assets whose use is limited	1,761,539	1,759,514	33,068	30,668	1,794,607	1,790,182
Other non-current assets (unrestricted)	-	-	578,193	573,913	578,193	573,913
Capital assets, net	107,228,821	107,499,584	15,872,065	28,032,821	123,100,886	135,532,405
Total assets	232,552,427	228,970,427	33,940,517	40,515,763	266,492,944	269,486,190
Current liabilities	36,039,960	41,017,837	13,757,703	2,904,923	49,797,663	43,922,760
Non-current liabilities	59,757,331	53,356,907	15,074,307	26,962,225	74,831,638	80,319,132
Total Liabilities	95,797,291	94,374,744	28,832,010	29,867,148	124,629,301	124,241,892
Net investment in capital assets	102,903,821	102,474,584	15,872,065	14,051,119	118,775,886	116,525,703
Restricted	13,740,811	13,960,582	-	-	13,740,811	13,960,582
Unrestricted	20,110,504	18,160,517	(10,763,558)	(3,402,504)	9,346,946	14,758,013
Total Net Position	\$ 136,755,136	\$ 134,595,683	\$ 5,108,507	\$ 10,648,615	\$ 141,863,643	\$ 145,244,298

Net position totaled \$141,863,643 in 2014 compared to \$145,244,298 in 2013. Governmental activities comprise 96% of the total net position with \$136,755,136 in 2014 compared to 93% or \$134,595,683 in 2013. Business-type activities have total net position of \$5,108,507 in 2014 compared to net position of \$10,648,615 in 2013. Governmental unrestricted net position increased to \$20,110,504 in 2014 compared to \$18,160,517 in 2013.

The largest component of the County's total net position, \$118,775,886 or 84% (\$116,525,703 or 80% in 2013) reflects investments in capital assets (land, buildings, equipment, roads, and bridges less accumulated depreciation) net of any related debt. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position comprises \$13,740,811 or 10% of the total net position compared to \$13,960,582 or 10% of the total net position in 2013. These assets are subject to constitutional, legal, or external constraints on how they may be used. The decrease in governmental restricted net position is primarily related to capital projects that were expended during 2014. Business-type restricted net position was \$0 in both 2014 and 2013.

The balance of unrestricted net position of \$9,346,946 (\$14,758,013 in 2013) represents the net position which may be used to meet the County's ongoing obligations, though certain laws and internally imposed designations of resources may result in the future restriction of net position that is currently designated as unrestricted.

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

**Steuben County, NY - Statement of Activities and Changes in Net Position
For the Year Ended December 31:**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 22,350,355	\$ 23,057,974	\$ 10,898,918	\$ 16,511,643	\$ 33,249,273	\$ 39,569,617
Operating grants & contributions	42,850,360	41,485,463	2,990,869	3,139,759	45,841,229	44,625,222
Capital grants & contributions	830,038	3,868,474	-	-	830,038	3,868,474
General Revenues:						
Taxes:						
Real property taxes	41,188,694	40,159,534	-	-	41,188,694	40,159,534
Real property tax items	3,872,964	4,199,126	-	-	3,872,964	4,199,126
Sales & Use Tax	30,389,564	28,928,144	-	-	30,389,564	28,928,144
Other Nonproperty tax items	19,486,096	19,239,387	-	-	19,486,096	19,239,387
Interest and earnings	187,934	194,044	6,303	16,463	194,237	210,507
Gain(Loss) on disposition of assets	311,066	299,032	-	-	311,066	299,032
Miscellaneous	3,240,499	4,121,073	307,514	551,354	3,548,013	4,672,427
TOTAL REVENUE	164,707,570	165,552,251	14,203,604	20,219,219	178,911,174	185,771,470
Expenses:						
General Government	\$26,364,197	\$26,732,955	-	-	26,364,197	26,732,955
Education	8,244,763	8,068,336	-	-	8,244,763	8,068,336
Public Safety	21,790,936	21,616,104	-	-	21,790,936	21,616,104
Health	13,421,015	14,179,668	8,427,872	14,647,779	21,848,887	28,827,447
Transportation	25,265,160	24,282,847	-	-	25,265,160	24,282,847
Economic asst & opportunity	63,252,208	63,027,161	-	-	63,252,208	63,027,161
Culture and recreation	608,414	627,628	-	-	608,414	627,628
Home and community	1,307,240	1,449,393	6,897,723	6,009,113	8,204,963	7,458,506
Interest and amortization expense	2,294,184	2,277,778	-	-	2,294,184	2,277,778
TOTAL EXPENSES	162,548,117	162,261,870	15,325,595	20,656,892	177,873,712	182,918,762
Increase (decrease) in Net Position						
before special item	2,159,453	3,290,381	(1,121,991)	(437,673)	1,037,462	2,852,708
Special Item - Loss on sale of facility, net	-	-	(4,418,117)	-	(4,418,117)	-
Increase (decrease) in Net Position	2,159,453	3,290,381	(5,540,108)	(437,673)	(3,380,655)	2,852,708
Net Position, Beginning of year	134,595,683	131,305,302	10,648,615	11,086,288	145,244,298	142,391,590
Net Position, End of year	\$ 136,755,136	\$ 134,595,683	\$ 5,108,507	\$ 10,648,615	\$ 141,863,643	\$ 145,244,298

Governmental Activities: Governmental activities increased the County's net position by \$2,159,453 or 2% in 2014 compared to an increase of \$3,290,381 or 2.5% in 2013. Total revenue in 2014 was approximately \$164,700,000 which is \$845,000 less than the \$165,550,000 in 2013. Expenses also stayed relatively stable at approximately \$162,500,000 in 2014 compared to about \$162,300,000 in 2013.

The \$845,000 decrease in total governmental activities revenue is comprised of various increases and decreases in revenue categories. The largest decrease of over \$3,000,000 is within the capital grants and contributions category. This decrease is attributed to federal and state bridge aid related to the Seneca Street Bridge in the City of Hornell that was received in 2013 but not in 2014. Operating grants and contributions increased by about \$1,365,000 compared to 2013. The increase is primarily the result of increased state and federal aid within the Health, Transportation and Home and Community programs. Grant revenue for health services increased about \$520,000 and was the result of increased aid stemming from the closure of the St.

James Hospital inpatient psychiatric ward. State aid within the transportation area is due to an additional award in 2014 of about \$395,000 for road repairs resulting from the extreme winter conditions during the 2013-2014 winter. A new category of state aid in 2014 is the Seneca Nations gaming revenue settlement. With this settlement, the County is a recipient of certain monies collected by the State from the Seneca Nations of Indians which amounted to approximately \$270,000 in 2014. Real property tax levy revenue increased approximately \$1,000,000 over the 2013 amount. Sales tax revenues increased about \$1,500,000 in 2014 compared to 2013. Within the miscellaneous revenue category, there was a decrease of about \$881,000 compared to 2013. Most of this is attributable to the 2013 revenue of \$1 million for of the sale of the home health care services to a private corporation.

Expenses increased only about \$286,000 or .2% compared to 2013 and there were only two categories that fluctuated by any significant amounts. Health expenses decreased by about \$759,000 and transportation expenses increased by about \$1,161,000. The other categories fluctuated both up and down by smaller amounts. The costs for health related programs decreased primarily due to the sale of the home health services. In 2014 Public Health costs declined by about \$700,000 when compared to 2013. Transportation expenses were greater in 2014 than in 2013 because more repairs were completed in 2014 while more capitalized infrastructure improvements were carried out in 2013. The capitalized infrastructure improvements from the County Road fund were about \$7,058,000 in 2014 and \$8,380,000 in 2013 while total fund expenditures was about the same each year.

There were no transfers between governmental activities and business-type activities in either 2014 or 2013.

Business-type Activities: Net position from the business-type activities decreased \$5,540,108 in 2014 compared to a decrease of \$437,673 in 2013. The bulk of this decrease in 2014, \$4,418,117, is the loss on the sale of the Health Care Facility which was closed on July 1, 2014. The decrease in net position prior to the loss on the sale is \$1,121,991.

The HCF had a decrease in net position before the special item of \$846,650 in 2014 compared to a decrease of \$893,705 in 2013. For the six months of 2014 that the HCF was operational, the HCF had operating revenue of \$7,312,937 compared to \$13,313,002 for the full 2013 year. Annualized, the charges for services experienced a decline of about \$1,000,000. The 2014 Intergovernmental Transfer revenue received was \$2,635,709 representing payment for the time period of April 2013 through March 31, 2014. The IGT recorded in 2013 was \$2,898,630. The HCF operating expenses for 2014 were approximately \$7,874,000. The 2014 expenses include the cost of severance payments to employees subsequent to the closing of the sale of the facility as well as six month's depreciation on assets prior to the sale. Annualized, the operating expenses would have been about \$15,749,000 compared to \$14,059,130 in 2013.

The Solid Waste Operations had a decrease in net position of \$275,341 in 2014 compared to an increase of \$456,032 in 2013. The Solid Waste Operations operating revenue increased only slightly to about \$6,309,000 in 2014 compared to approximately \$6,289,000 in 2013. Solid Waste Operations operating expenses increased by about \$875,000 in 2014 compared to 2013 (\$6,897,723 in 2014 and \$6,022,427 in 2013). Most of this increase in expense is primarily attributable to an increase in the closure and post closure care cost to \$1,131,538 from \$466,879 in 2013 and an increase in depreciation

expense to \$2,158,364 in 2014 from \$2,019,817 in 2013. Non-operating items were only \$189,871 in 2013 and increased to \$313,322 in 2014. Most of this was related to increased state aid claiming of \$307,162 in 2014 compared to only \$160,094 in 2013.

Financial Analysis of Governmental Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$81,767,098, an increase of \$3,564,506 in comparison with the prior year. Approximately 69% of this amount (\$56,107,429) constitutes unassigned fund balance, which is available for spending at the County's discretion. The nonspendable portion of fund balance (\$2,245,038) is comprised of inventory and prepaid expenses. Restricted fund balance of \$13,709,512 (17%) is not available for new spending because it has already been designated by an outside source or through the establishment of reserves; 1) to pay debt service (\$1,761,539), 2) to pay potential future insurance claims (\$3,506,922), 3) to pay for future facility and equipment repair and renovations (\$7,697,881), and 4) for a variety of other special purposes (\$743,170). Assigned fund balance represents the amounts the County intends to use for specific purposes. The assigned balance of \$9,705,119 (12%) is comprised of; 1) the residual balance in the governmental funds exclusive of the general fund (\$1,699,429), 2) amounts appropriated for the 2015 budget (\$6,095,309), 3) \$1,500,000 intended to be used for large self-funded health insurance claims, and 4) the value of open purchase orders at year end (\$410,381).

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

The general fund unassigned fund balance increased by \$5,030,109 or 10% in 2014 compared to an increase of \$3,471,339 or 7% in 2013. In 2014, the unassigned fund balance equaled 76% of the total fund balance compared to 75% in 2013.

In 2014, \$4,628,628 of the assigned general fund balance was allocated to fund 2015 appropriations compared to \$4,785,169 for 2014 appropriations in 2013.

Total fund balance for the general fund increased by \$5,019,872 or 7% in 2014 compared to an increase \$4,348,911 or 7% in 2013. Total general fund revenues were more in 2014 than 2013 by approximately \$2,260,000 (\$137,404,159 in 2014 and \$135,144,031 in 2013). As discussed relative to all governmental funds, there were several items impacting the general fund revenue. Real property taxes for the general fund increased about \$1,016,000 compared to the 2013 general fund levy. Real property tax items revenue decreased approximately \$326,000 from the 2013 amount. Sales tax revenues increased about \$1,708,000 compared to 2013. The largest decrease in revenues in the Miscellaneous category was about \$1,079,000, of which, \$1,000,000 was from the sale of the home health services in 2013. State

and Federal revenue increased by about \$205,000 and \$443,000, respectively, in 2014 compared to 2013.

General Fund expenditures increased approximately \$1,262,000 in 2014 over 2013. Total general fund expenditures were \$131,638,089 in 2014 compared to \$130,376,120 in 2013. The four largest swings were within the general government, public safety, economic assistance and health areas. General government expenditures increased about \$1,068,000 over 2013. Approximately \$400,000 of the increase is related to the Traffic Diversion Program instituted by the District Attorney's office in 2014. Expenses related to this program include driver education, reimbursements to individual towns and support to various law enforcement agencies. Buildings and Grounds costs were greater in 2014 by about \$168,000. About \$60,000 of this increase results from the severance payments to both the Superintendent and Deputy Superintendent who both retired in 2014. Approximately \$43,000 is due to increased utility costs compared to 2013 and another \$31,000 is due to several costly repairs to various County buildings. Elections costs increased about \$72,000 as a result of purchasing maintenance agreements for all of the computerized voting equipment. Building security costs increased about \$49,000 resulting from an increase in the cost with the contractor of guard services. Real Property tax services had an increase of about \$46,000 that stems from the difference between the costs for a particular employee who was hired midway through 2013. Only half of this position's costs were reflected in 2013 while a full year is included in 2014. Costs for the Medical Examiner increased about \$45,000 in 2014 due to more calls for the Coroners and an increase in the cost of the contract with the Monroe County Medical Examiner's office. Finally, most departmental costs increased as a result of the finalization of the bargaining agreement with the main CSEA union in January of 2014 that began in January of 2012. A full year of the increased costs associated with the contract resulted in the 2014 year. Public safety expenditures increased about \$499,000 which stemmed from increases in wage and fringe costs for the Sheriff, Jail and E911 employees resulting from new contracts that were signed in 2014, both of which included provisions for retroactive pay. The other area with increases in wages and fringe is the School Resource Officer services. This was a new program in 2013 so only four months of costs were reflected in 2013 whereas a full ten months of costs were included in 2014. Another public safety cost that increased in 2014 is major equipment at the jail. Due to equipment failure the chiller unit for the jail air conditioning system had to be replaced. Total major equipment expenditures in 2014 total about \$128,000 compared to zero in 2013. Economic assistance and opportunity expenditures increased about \$391,000 in 2014 compared to 2013. Although there were several both positive and negative fluctuations within the social services expenditures the largest increase was within the day care program which resulted from increased state aid which funded additional children. The largest decrease was in the local share of Medicaid spending. Medicaid spending declined because of the change in the local cap that was instituted by the state. The County share increased by 2% in 2013 and only 1% in 2014. Additionally, the federal share of Medicaid associated with the Affordable Care Act continues to increase each year causing the County share to decline. The bulk of the increase within the economic assistance and opportunity expenditures can be attributed to the increased cost of wages and fringe benefits associated with the settlement of the union contract. Expenditures in the health category decreased by about \$672,000 primarily as a result of the sale of the home health services to a private not for profit in 2013. The final cost savings from the sale were realized in 2014 in the form

of reduced wages, fringe benefits, contracted labor and other general operating expenses.

The **County Road Fund** has a total fund balance of \$1,019,777 representing a 41% decrease from the 2013 fund balance of \$1,732,877. Total revenues were up by about \$616,000 in 2014 when compared to 2013. The area with the largest increase was state and federal aid. The net increase in state and federal aid was approximately \$454,000 which is primarily attributed to the state funding to repair damage due to the extreme winter conditions during the 2013-2014 winter. The revenue from the sale of excess equipment and compensation for losses was greater in 2014 than in 2013 by approximately \$114,000. This was the result of the receipt of a few settlements related to damages to County roads. Lastly, the tax levy associated with the County Road Fund was about \$150,000 larger in 2014 than in 2013. Total expenditures decreased about \$51,000 to \$21,446,077 compared to 2013. This decrease was the net impact from spending less on capital improvements, more on repairs and more on snow removal activities. A big cost driver in 2014 was the increase in the cost of salt and calcium in 2014, which was about \$157,000 more than in 2013. Net interfund transfer was a net source of \$29,868 in 2014 compared to a net source of \$624,125 in 2013. Machinery chargeback costs in 2014 were down by about \$769,000 in 2014 compared to 2013 which resulted in a similar decrease in transfers in from the Road Machinery Fund.

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

The **Health Care Facility** had net position deficit of (\$8,690,109) compared to a net position deficit of (\$3,425,342) at the end of 2013. In 2014, the Health Care Facility had a negative change in net position of \$5,264,767 or 154%. The results for the past five consecutive years follow:

2014	(\$ 5,264,767)
2013	(\$ 893,705)
2012	(\$ 2,825,816)
2011	(\$ 1,145,806)
2010	(\$ 3,299,613)

The **Solid Waste Operations** had net position of \$13,798,616 at the end of 2014 compared to \$14,073,957 at the end of 2013, representing a decrease of \$275,341 or 2%. The results for the past five consecutive years follow:

2014	(\$ 275,341)
2013	\$ 456,032
2012	\$ 689,012
2011	\$ 1,125,466
2010	(\$ 467,238)

General Fund Budgetary Highlights - Appropriation budget adjustments increased the original budget by \$1,656,478 or 1.2% compared to \$2,124,709 or 1.5% in 2013. Please contact the County for a separately issued report with detailed budget comparisons. Changes in appropriations are summarized as follows:

Budget Comparison
General Fund
For the Year Ended December 31, 2014

					Expenditures		Variance with Modified Budget
	Original	Modified	Difference	% change	Budgetary Basis Actual	Encumbrance	
EXPENDITURES							
General government	\$ 27,213,799	\$ 27,746,233	\$ 532,434	2.0%	\$ 25,115,915	\$ 79,230	\$ 2,551,088
Education	9,158,000	9,133,000	(25,000)	-0.3%	8,244,763	-	888,237
Public safety	19,023,780	20,253,298	1,229,518	6.5%	19,463,927	28,178	761,193
Health	14,267,216	15,196,968	929,752	6.5%	13,230,209	28,259	1,938,500
Transportation	769,100	507,937	(261,163)	-34.0%	374,845	-	133,092
Economic assistance and opportunity	67,629,225	66,482,085	(1,147,140)	-1.7%	62,846,299	28,496	3,607,290
Culture and recreation	620,206	660,685	40,479	6.5%	619,124	-	41,561
Home and community services	1,275,262	1,350,405	75,143	5.9%	1,036,132	-	314,273
Debt service	706,875	706,875	-	0.0%	707,488	-	(613)
TOTAL APPROPRIATED EXPENDITURES	140,663,463	142,037,486	1,374,023	1.0%	131,638,702	164,163	10,234,621
Transfers Out	508,332	790,787	282,455	55.6%	746,825	-	43,962
TOTAL APPROPRIATIONS & TRANSFERS	\$ 141,171,795	\$142,828,273	\$ 1,656,478	1.2%	\$132,385,527	\$ 164,163	\$ 10,278,583

Explanation of significant budget modifications:

- The current year General Fund budget was increased by \$396,150 to fund encumbrances issued in 2013.
- In 2014, \$480,431 or 37% (\$263,404 or 20% in 2013) of the contingency budget of \$1,300,000 established for unforeseen purposes was allocated. The most significant transfer was \$130,000 to fund part of the cost of upgrading the phone system at the E-911 center. An additional \$100,000 was needed to fund the assigned counsel services. There were also smaller allocations for the chiller at the jail, soil and water conservation services, building security services, medical examiner services and several other adjustments under \$20,000 each.
- The increase in the General Government Support area is primarily driven by an increase of about \$400,000 related to the newly implemented District Attorney Traffic Diversion Program. There is also the addition of grants of about \$156,000 received by the public defender.
- The increase of \$1,229,518 in the budget within the Public Safety area is driven by several factors. Various grants received by the Sheriff and the Emergency Management Office increased the budget by about \$387,000. There is an additional \$121,000 appropriated from revenue associated from the placement of officers in local school districts. An additional \$130,000 came from the contingency budget for part of the cost of upgrading the phone system at the E-911 center. A total of about \$99,000 was transferred from contingency and a capital project to fund the replacement of the chiller at the jail. Additional budget of approximately \$408,000 was required for wages and fringe benefits in all public safety cost centers. The transfer for these personnel costs came from the economic assistance and opportunity budget lines.
- The increase of \$929,752 in the budget of the Health category of expenditures is primarily the result of increased funding for mental health services. State aid related

to the St. James psychiatric ward closure totaled \$245,000. The County received \$62,500 for start-up costs associated with the Personalized Recovery Oriented Services (PROS) and about \$119,000 for operating costs. Additional budget was required for wages and fringe benefits in most health cost centers. The transfer for these personnel costs of approximately \$338,000 came from the economic assistance and opportunity budget lines.

- Of the \$1,147,140 decrease in the Economic Assistance and Opportunity area, approximately \$1,028,000 was transferred out at year end to cover the wages and fringes in other County departments.

General Fund Final Budget Compared to Actual Expenditures and Revenues -

- Actual revenues fell short of the final-modified revenue budget by approximately \$560,000 or .4% (\$4,134,000 or 3% in 2013). This difference was the net result of about \$2,700,000 more sales tax received than anticipated and many areas of revenue being less than budgeted, but none approached the level of \$500,000.
- The final-appropriation budget exceeded actual expenditures by approximately \$10,280,000 or 7% (\$13,560,000 or 9% in 2013). General government actual costs were less than budgeted by about \$2,551,000. Education was underspent by \$888,000, public safety by \$761,000, health by \$1,939,000 and economic assistance and opportunity by \$3,607,000. Within the general government category, approximately \$820,000 was unexpended contingency budget, \$300,000 was in the personnel department, and \$295,000 was from judgments and claims. The district attorney, public defender, buildings and grounds, central communications, central copying, and central data processing departments were each underspent between \$114,000 and \$170,000. The under-spending in education is comprised of about \$633,000 within the special children's services and \$255,000 is from unexpended Community College Tuition budget. The budget difference in public safety is comprised of unspent grant funding of about \$262,000, underspending of \$193,000 at the E-911 center, and underspending of about \$100,000 each by probation, the Sheriff and the jail. Of the budget difference in expenditures for health services of \$1,939,000, \$254,000 is within the public health area. Early intervention is underspent by about \$420,000 as New York State continues to take over most of the payment of providers on the County's behalf. Alcohol and mental health services were underspent by about \$1,237,000 most of which relates to state funding appropriated late in 2014 and not expended. The greatest budgetary difference is within social services program services. Almost all of the under-spending of \$3,607,290 in the economic assistance and opportunity category was for social services programs. The largest piece was for administration which was less than budget by about \$1,121,000. Over \$400,000 underspending was experienced in both the Medicaid and services for recipients categories. The child care program was underspent by about \$677,000. The safety net, home energy assistance and aging programs were each underspent between \$130,000 and \$197,000.
- The County's focus on reducing costs facilitates maintenance of budgetary control.

Capital Asset and Debt Administration

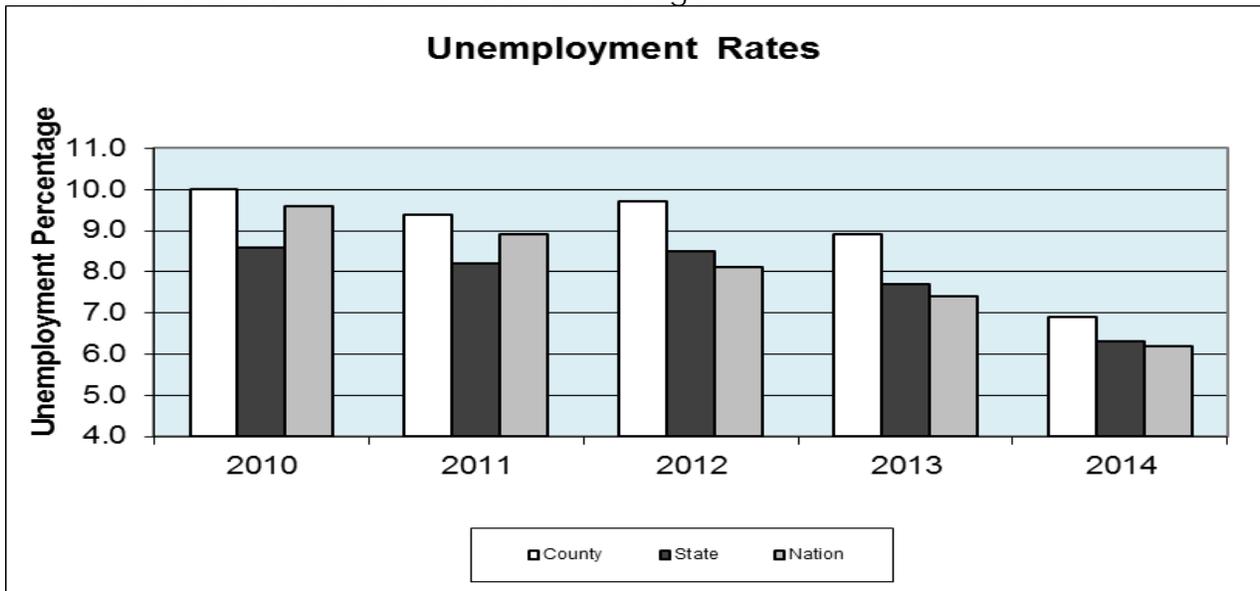
Capital Assets - The County's investment in capital assets (net of accumulated depreciation) for governmental and business-type activities as of December 31, 2014

totalled \$123,100,886 compared to \$135,532,405 in 2013. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, infrastructure (highways and bridges), and construction in progress. The significant decline in the value of capital assets relates to the sale of the Health Care Facility. The sale included the land, building, equipment and operating licenses. The book value of the assets as of the date of the sale was \$14,860,741. The major investments in capital assets in 2014 were for additional investments in infrastructure (including construction of a new landfill cell), road equipment and vehicles. Please refer to Note III C in the Notes to the Basic Financial Statements in this report for additional information on the County's capital assets.

Long-Term Debt – At December 31, 2014, excluding the STASC, the County had total debt obligations of \$17,155,000 compared to \$18,755,000 at the end of 2013. The STASC had debt of \$30,162,790 (\$30,437,790 in 2013) which is securitized by future tobacco settlement payments. A Bond Anticipation Note for \$25,000 was issued in 2014 related to the 2010 repair and upgrade of ditching and piping within the Upper Five Mile Creek watershed district. An equipment note for \$350,000 was issued in 2012 for a road grinder and the balance on the note of \$175,000 was paid off in 2014. Please Refer to Note III I of the Notes to the Basic Financial Statements in this report for additional information on the County's debt.

Economic Outlook and Budgets

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



For the several years preceding the great recession in 2009, the difference between the state average unemployment rate and the County unemployment rate was about .7%. In 2009 through 2013, the difference was in excess of 1%. In 2014, the spread between the unemployment rate in the County compared to the state and nation has again dropped below 1% to .6% and .7% respectively.

Due to the funding mechanism of the New York State Employees' Retirement System, the cost of fringe benefits has grown significantly since 2008. The County average fringe rate on salary dollars was 43% in 2008 and close to 62% in 2014. Retirement costs

increased by 163% between 2008 and 2013, from \$3.3 million in 2008 to \$8.7 million in 2013. For 2014 the payment declined to approximately \$7,981,000. It is anticipated that the retirement rates will continue to gradually decline as the investment returns of the retirement system gradually return to the pre-great recession levels.

The County anticipates that the local economy will continue to gradually improve thus creating additional jobs, sales tax revenues and new home construction. Since the inception of the New York State Tax Cap, the County has prepared budgets that meet the requirements of the Tax Cap legislation. The County continues to struggle to fund New York State mandated services while staying within the limitations established by the Tax Cap.

The sale of the Steuben County Health Care Facility was completed July 1, 2014. In February 2015 the outstanding bonds used to finance the construction of the Health Care Facility building of \$12,830,000 were called and fully paid. There will be ongoing costs associated with the Health Care Facility including, but not limited to, receivable collections efforts, unemployment claims, workers' compensation claims, health insurance claims and retiree health insurance benefits. The deficit net position of the Health Care Facility will be absorbed by the County General Fund during 2015.

In February 2015 \$3,535,000 Public Improvement Refunding (Serial) Bonds were issued. The proceeds from this bond issue are being held by BNY Mellon, as Trustee, for the purpose of calling the remaining 2006 bonds issued to construct the Jail Facility. In July 2015 the 2006 bonds become callable and the remaining outstanding principal balance will be \$3,780,000. The County will realize a savings of approximately \$274,000 as a result of the bond refunding transactions.

The County Legislature has formed an ad hoc committee to evaluate space needs and propose solutions to several developing issues relative to space throughout the County's programs and facilities.

2015 Budget

The total proposed budget for 2015 is \$176,261,507 representing a decrease of \$10,709,479 or 5.7% in total expenditures. The 2015 budget summary is presented below with a comparison to the original 2014 budget.

BUDGET SUMMARY

	<u>2015 Budget</u>	<u>2014 Budget</u>	<u>Difference</u>	<u>% Change</u>
EXPENDITURES				
GENERAL GOVT SUPPORT	\$27,639,199	\$27,213,799	\$425,400	1.6%
EDUCATION	8,758,000	9,158,000	(400,000)	-4.4%
PUBLIC SAFETY	19,587,189	19,023,780	563,409	3.0%
HEALTH	15,433,078	27,385,467	(11,952,390)	-43.6%
TRANSPORTATION	25,929,354	26,264,337	(334,983)	-1.3%
ECONOMIC ASST/OPPORTUNITY	67,835,671	67,244,225	591,446	0.9%
CULTURE & RECREATION	623,454	620,206	3,248	0.5%
HOME & COMMUNITY SERVICES	6,929,003	6,878,940	50,063	0.7%
UNALLOCATED EMPLOYEE BENEFITS	585,925	385,000	200,925	52.2%
DEBT SERVICE	2,111,835	2,173,900	(62,066)	-2.9%
INTERFUND TRANSFERS	828,800	623,332	205,468	33.0%
TOTAL	\$176,261,507	\$186,970,986	(\$10,709,479)	-5.7%
REVENUES				
REAL PROPERTY TAXES & RELATED ITEMS	\$53,252,160	\$52,470,562	\$781,598	1.5%
NON PROPERTY TAXES	39,734,515	39,732,250	2,265	0.0%
DEPARTMENTAL INCOME	19,167,460	30,949,890	(11,782,430)	-38.1%
INTERGOVERNMENTAL CHARGES	2,127,066	2,329,123	(202,057)	-8.7%
USE OF MONEY & PROPERTY	2,476,745	2,494,201	(17,456)	-0.7%
MISCELLANEOUS	1,520,099	1,538,471	(18,372)	-1.2%
INTERFUND REVENUES	4,346,088	4,878,669	(532,581)	-10.9%
STATE AID	23,443,272	22,494,977	948,295	4.2%
FEDERAL AID	21,594,565	21,872,838	(278,273)	-1.3%
APPROPRIATED SURPLUS	8,556,865	8,097,333	459,532	5.7%
APPROPRIATED RESERVES	42,672	112,672	(70,000)	-62.1%
TOTAL	\$176,261,507	\$186,970,986	(\$10,709,479)	-5.7%

The largest decrease of close to \$12,000,000 in both expenditures and revenues as compared to the 2014 budget is due to the sale of the Health Care Facility. The \$563,000 increase in the public safety expenditure budget is comprised of about \$160,000 increase in the E911 budget, \$218,000 in the Sheriff budget and \$188,000 for probation services. The increase in economic assistance expenditures of approximately \$591,000 is comprised of a decrease in the budget for Medicaid expenditures as the cap reduction and Affordable Care Act savings continue to reduce the County share of Medicaid costs, offset by increases in administration costs, services for recipients, family assistance and the Safety Net program.

The tax levy increased by \$838,219 (1.7%) to \$49,548,516 compared to 2013. The tax rate per thousand of taxable value increased 1 cent or .1% to \$8.93 per thousand of total taxable value of property in the County. In addition to the decrease in departmental income related to the sale of the Health Care Facility, the interfund revenue line declined by about \$533,000. Most of this decline is also associated with the Health Care Facility as the 2014 budget included an amount of \$496,730 that was not part of the 2015 revenue budget. The only revenue area that had a significant

increase over 2014, other than the real property taxes is state aid. Most of the \$948,000 increase for 2015 is the result of increased funding within the mental health services programs. The County was awarded additional funding in an effort to provide mental health services to people in need and unable to obtain alternative services as a result of the closure of the St. James Hospital psychiatric unit.

Approximately \$460,000 more was used from the County's fund balance in 2015 than in 2014 in the effort to continue to meet the requirements of the New York State tax cap. A lesser amount was pulled from reserves as the applicable reserve balances decline.

REQUEST FOR INFORMATION

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

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

Financial Section

Basic Financial Statements

STEUBEN COUNTY, NY
STATEMENT OF NET POSITION
As of December 31, 2014

	Primary Government			Component Units	
	Governmental	Business-type	Total	IDA	Soil & Water
	Activities	Activities		Business-type	Business-type
Assets					
Current assets:					
Cash, cash equivalents and investments	\$ 91,496,593	\$ 17,606,972	\$ 109,103,565	\$ 1,754,684	\$ 699,363
Taxes receivable and tax deeds, net	11,117,017	-	11,117,017	-	-
Other receivables, net	5,635,424	761,013	6,396,437	-	30,755
Assets whose use is limited	1,761,539	33,068	1,794,607	666,449	223,528
Internal balances	1,132,345	(1,132,345)	-	-	-
State and federal receivables	9,808,743	221,551	10,030,294	-	-
Due from other governments	1,002,940	-	1,002,940	-	-
Prepaid items	2,390,953	-	2,390,953	-	-
Inventory of supplies	978,052	-	978,052	-	-
Total current assets	125,323,606	17,490,259	142,813,865	2,421,133	953,646
Noncurrent assets:					
Amounts due from third-party payors, net	-	578,193	578,193	-	-
Non-depreciable capital assets	6,227,647	5,798,659	12,026,306	-	-
Net depreciable capital assets	101,001,174	10,073,406	111,074,580	1,079,412	181,656
Total noncurrent assets	107,228,821	16,450,258	123,679,079	1,079,412	181,656
Total Assets	232,552,427	33,940,517	266,492,944	3,500,545	1,135,302
Liabilities					
Current Liabilities					
Accounts payable	10,649,999	235,469	10,885,468	21,227	48,330
Accrued liabilities	8,806,399	417,013	9,223,412	27,298	-
Current portion of compensated absences	2,189,356	76,087	2,265,443	-	4,921
Bond Anticipation Note payable	25,000	-	25,000	-	-
Due to other governments	5,075,135	-	5,075,135	-	-
Accrued interest payable	188,774	199,134	387,908	-	-
Current portion of bonds payable	765,000	12,830,000	13,595,000	-	-
Unearned revenues	7,788,313	-	7,788,313	-	223,528
Other liabilities	551,984	-	551,984	66,680	-
Total current liabilities	36,039,960	13,757,703	49,797,663	115,205	276,779
Noncurrent Liabilities					
Compensated absences, net of current portion	2,981,272	216,475	3,197,747	-	17,107
Other post-employment benefits	18,477,628	2,860,055	21,337,683	-	-
Accrued landfill closure/post closure care costs	-	11,997,777	11,997,777	-	-
Bonds payable, net of current portion and discount	38,298,431	-	38,298,431	-	-
Total noncurrent liabilities	59,757,331	15,074,307	74,831,638	-	17,107
Total Liabilities	95,797,291	28,832,010	124,629,301	115,205	293,886
Net Position					
Net investment in capital assets	102,903,821	15,872,065	118,775,886	1,079,412	181,656
Restricted for:					
Capital improvements	3,023,439	-	3,023,439	-	-
Debt service	1,761,539	-	1,761,539	-	-
Other Restrictions	8,955,833	-	8,955,833	599,769	223,528
Unrestricted	20,110,504	(10,763,558)	9,346,946	1,706,159	436,232
Total Net Position	\$ 136,755,136	\$ 5,108,507	\$ 141,863,643	\$ 3,385,340	\$ 841,416

Steuben County, NY
Statement of Activities and Change in Net Position
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Primary Government			IDA Business-type	Soil & Water Gov't-type
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General	\$ 26,364,197	\$ 6,483,835	\$ 488,664	\$ -	\$ (19,391,698)	\$ -	\$ (19,391,698)		
Education	8,244,763	-	1,896,935	-	(6,347,828)	-	(6,347,828)		
Public safety	21,790,936	3,052,451	1,671,644	508,047	(16,558,794)	-	(16,558,794)		
Health	13,421,015	6,919,805	5,124,027	-	(1,377,183)	-	(1,377,183)		
Transportation	25,265,160	3,249,402	5,240,657	321,991	(16,453,110)	-	(16,453,110)		
Economic assistance and opportunity	63,252,208	2,606,514	28,070,246	-	(32,575,448)	-	(32,575,448)		
Culture and recreation	608,414	37,488	88,462	-	(482,464)	-	(482,464)		
Home and community	1,307,240	860	269,725	-	(1,036,655)	-	(1,036,655)		
Interest and amortization expense	2,294,184	-	-	-	(2,294,184)	-	(2,294,184)		
Total governmental activities	<u>162,548,117</u>	<u>22,350,355</u>	<u>42,850,360</u>	<u>830,038</u>	<u>(96,517,364)</u>	<u>-</u>	<u>(96,517,364)</u>		
Business-type activities:									
Health Care Facility	8,427,872	4,593,728	2,683,707	-	-	(1,150,437)	(1,150,437)		
Solid Waste Operations	<u>6,897,723</u>	<u>6,305,190</u>	<u>307,162</u>	<u>-</u>	<u>-</u>	<u>(285,371)</u>	<u>(285,371)</u>		
Total business-type activities	<u>15,325,595</u>	<u>10,898,918</u>	<u>2,990,869</u>	<u>-</u>	<u>-</u>	<u>(1,435,808)</u>	<u>(1,435,808)</u>		
Total primary government	<u>\$ 177,873,712</u>	<u>\$ 33,249,273</u>	<u>\$ 45,841,229</u>	<u>\$ 830,038</u>	<u>(96,517,364)</u>	<u>(1,435,808)</u>	<u>(97,953,172)</u>		
Component Units									
Industrial Development Agency	\$ 951,549	\$ 483,701	\$ 476,969	\$ -			\$ 9,121	\$ -	
Soil and Water Conservation District	1,094,239	314,054	690,556	-			-	(89,629)	
	<u>\$ 2,045,788</u>	<u>\$ 797,755</u>	<u>\$ 1,167,525</u>	<u>\$ -</u>			<u>9,121</u>	<u>(89,629)</u>	
General Revenues:									
Real property taxes					41,188,694	-	41,188,694	-	-
Real property tax items					3,872,964	-	3,872,964	-	-
Sales and use tax					30,389,564	-	30,389,564	-	-
Nonproperty tax items					19,486,096	-	19,486,096	-	-
Interest and earnings					187,934	6,303	194,237	6,033	649
Sale of property and compensation for losses					311,066	-	311,066	-	64,192
Miscellaneous					<u>3,240,499</u>	<u>307,514</u>	<u>3,548,013</u>	<u>2,078</u>	<u>16,760</u>
Total general revenues					<u>98,676,817</u>	<u>313,817</u>	<u>98,990,634</u>	<u>8,111</u>	<u>81,601</u>
Change in net position before special item					<u>2,159,453</u>	<u>(1,121,991)</u>	<u>1,037,462</u>	<u>17,232</u>	<u>(8,028)</u>
Special Item - Loss on sale of Facility, net					<u>-</u>	<u>(4,418,117)</u>	<u>(4,418,117)</u>	<u>-</u>	<u>-</u>
Change in net position					<u>2,159,453</u>	<u>(5,540,108)</u>	<u>(3,380,655)</u>	<u>17,232</u>	<u>(8,028)</u>
Net Position, Beginning of year					<u>134,595,683</u>	<u>10,648,615</u>	<u>145,244,298</u>	<u>3,368,108</u>	<u>849,444</u>
Net Position, End of year					<u>\$ 136,755,136</u>	<u>\$ 5,108,507</u>	<u>\$ 141,863,643</u>	<u>\$ 3,385,340</u>	<u>\$ 841,416</u>

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

STEUBEN COUNTY, NY
Balance Sheet
Governmental Funds
As of December 31, 2014

	<u>General Fund</u>	<u>County Road</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash, cash equivalents and investments	\$ 78,819,225	\$ 2,433,236	\$ 5,683,043	\$ 86,935,504
Taxes receivable and tax deeds, net	11,117,017	-	-	11,117,017
Other receivables	4,115,962	-	1,519,462	5,635,424
State and federal receivables	9,780,588	325	27,830	9,808,743
Due from other governments	414,776	83,884	75,312	573,972
Prepaid items	2,224,333	-	-	2,224,333
Inventory of supplies	20,705	-	-	20,705
Assets whose use is limited	-	-	1,761,539	1,761,539
Total assets	<u>\$ 106,492,606</u>	<u>\$ 2,517,445</u>	<u>\$ 9,067,186</u>	<u>\$ 118,077,237</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,102,839	\$ 212,962	\$ 265,560	\$ 10,581,361
Accrued liabilities	2,526,181	324,443	36,657	2,887,281
Bond anticipation note payable	25,000	-	-	25,000
Due to other governments	5,075,135	-	-	5,075,135
Due to other funds	1,233,547	866,130	67,978	2,167,655
Unearned revenues	7,694,180	94,133	-	7,788,313
Other liabilities	551,984	-	-	551,984
Total liabilities	<u>27,208,866</u>	<u>1,497,668</u>	<u>370,195</u>	<u>29,076,729</u>
Deferred Inflows				
Tabacco settlement revenue	-	-	1,519,462	1,519,462
Unearned taxes	5,713,948	-	-	5,713,948
Total Deferred Inflows	<u>5,713,948</u>	<u>-</u>	<u>1,519,462</u>	<u>7,233,410</u>
Fund Balances:				
Nonspendable	2,245,038	-	-	2,245,038
Restricted	8,924,534	-	4,784,978	13,709,512
Assigned	6,292,791	1,019,777	2,392,551	9,705,119
Unassigned	56,107,429	-	-	56,107,429
Total Fund Balances	<u>73,569,792</u>	<u>1,019,777</u>	<u>7,177,529</u>	<u>81,767,098</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 106,492,606</u>	<u>\$ 2,517,445</u>	<u>\$ 9,067,186</u>	<u>\$ 118,077,237</u>

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

STEUBEN COUNTY, NY
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of December 31, 2014

Total fund balances - governmental funds **\$81,767,098**

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$ 1,116,474	
Buildings and improvements	44,402,338	
Improvements other than buildings	643,751	
Equipment	28,620,691	
Infrastructure	154,381,044	
Construction in progress	5,111,173	
Accumulated depreciation	<u>(127,046,650)</u>	
Total capital assets		107,228,821

Unearned property tax revenues are not available to pay for current-period expenditures and are therefore deferred in the funds. 5,713,948

Unearned tobacco settlement revenues are not available to pay for current-period expenditures and are therefore deferred in the funds. 1,519,462

Certain items are not available within sixty days of the year end, hence are not considered assets on the fund statements. These consist of:
Inventory type items for materials and supplies 957,347

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued bond interest payable		(188,774)
Accrued compensated absences		(5,170,628)
Bonds and capital notes payable		(33,961,604)
Other post-employment benefits liability		(18,477,628)
Accrued bond accretion		(5,101,827)

Internal service funds are used by management to charge costs of insurance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position. 2,468,921

Total Net Position - End of Year **\$ 136,755,136**

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

STEUBEN COUNTY, NY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2014

	General Fund	County Road	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Real property taxes	\$ 25,293,775	\$ 15,228,305	\$ 796,614	\$ 41,318,694
Real property tax items	3,872,964	-	-	3,872,964
Non-property taxes	49,875,660	-	-	49,875,660
Departmental Income	13,641,212	-	-	13,641,212
Intergovernmental services revenue	1,899,507	360,307	112,844	2,372,658
Use of money and property	2,323,669	1,633	24,195	2,349,497
Licenses and permits	860	-	-	860
Fines and forfeitures	224,938	-	-	224,938
Sale of property and compensation for losses	310,464	199,346	2,311	512,121
Tobacco settlement revenues	-	-	1,674,202	1,674,202
Interfund revenues	1,469,927	-	2,888,611	4,358,538
State aid	16,670,846	4,825,245	1,002,112	22,498,203
Federal aid	20,991,639	58,302	132,254	21,182,195
Miscellaneous	828,698	29,971	122,524	981,193
Total revenues	137,404,159	20,703,109	6,755,667	164,862,935
Expenditures:				
Current:				
General government	25,115,915	-	29,890	25,145,805
Education	8,244,763	-	-	8,244,763
Public safety	19,463,927	-	-	19,463,927
Health	13,230,209	-	-	13,230,209
Transportation	374,845	21,446,077	3,895,464	25,716,386
Economic assistance and opportunity	62,846,299	-	-	62,846,299
Culture and recreation	619,124	-	-	619,124
Home and community services	1,035,519	-	155,000	1,190,519
Capital outlays:				
General government	-	-	814,766	814,766
Public safety	-	-	1,254,662	1,254,662
Transportation	-	-	189,465	189,465
Culture and recreation	-	-	4,293	4,293
Home and community services	-	-	62,270	62,270
Debt service:				
Principal	525,000	-	450,000	975,000
Interest	182,488	-	1,358,453	1,540,941
Total expenditures	131,638,089	21,446,077	8,214,263	161,298,429
Excess (deficiency) of revenues over expenditures	5,766,070	(742,968)	(1,458,596)	3,564,506
Other financing sources (uses):				
Transfers in	627	144,868	904,025	1,049,520
Transfers out	(746,825)	(115,000)	(187,695)	(1,049,520)
Total other financing sources (uses)	(746,198)	29,868	716,330	-
Net change in fund balance	5,019,872	(713,100)	(742,266)	3,564,506
Fund balance - Beginning of year	68,549,920	1,732,877	7,919,795	78,202,592
Fund balance - End of year	\$ 73,569,792	\$ 1,019,777	\$ 7,177,529	\$ 81,767,098

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

STEUBEN COUNTY, NY
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities and Change in Net Position
For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ 3,564,506**

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital outlays	\$ 8,906,028	
Depreciation	<u>(8,891,870)</u>	
Excess of capital outlays over depreciation expense		14,158

Net STASC revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. (493,777)

Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. (130,000)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of capital assets with no cash proceeds. (284,921)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(Increase)/decrease:

Compensated absences		(40,066)
Inventory of supplies		26,990
Accrued interest on bonds		11,960
Accretion of bonds		(731,597)
Amortization of bond discount		(33,606)
OPEB - annual required contribution		(2,027,402)

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position 975,000

Internal service funds are used by management to charge the costs of insurance to individual funds. The net position of the internal service fund is reported with the governmental activities. 1,308,208

Change in Net Position of Governmental Activities **\$ 2,159,453**

STEUBEN COUNTY, NY
Statement of Net Position
Proprietary Funds
As of December 31, 2014

	Enterprise Funds			Internal Service
	Health Care Facility	Solid Waste (Landfill)	Total	
ASSETS				
Current Assets:				
Cash, cash equivalents and investments	\$ 7,048,665	\$ 10,558,307	\$ 17,606,972	\$ 4,561,089
Accounts receivable	117,451	643,562	761,013	-
Customer deposits	-	33,068	33,068	-
State and federal receivables	-	221,551	221,551	-
Due from other governments	-	-	-	428,968
Due from other funds	-	-	-	3,300,000
Prepaid items	-	-	-	166,620
Total current assets	7,166,116	11,456,488	18,622,604	8,456,677
Noncurrent Assets:				
Amounts due from third-party payors, net	578,193	-	578,193	-
Non-depreciable capital assets	-	5,798,659	5,798,659	-
Net depreciable capital assets	-	10,073,406	10,073,406	-
Total noncurrent assets	578,193	15,872,065	16,450,258	-
TOTAL ASSETS	7,744,309	27,328,553	35,072,862	8,456,677
LIABILITIES				
Current liabilities:				
Accounts payable	18,307	217,162	235,469	68,638
Accrued liabilities	74,579	342,434	417,013	5,919,118
Current portion of accrued compensated absences	-	76,087	76,087	-
Current portion of bonds payable	12,830,000	-	12,830,000	-
Accrued interest payable	199,134	-	199,134	-
Due to other funds	1,132,276	69	1,132,345	-
Total current liabilities	14,254,296	635,752	14,890,048	5,987,756
Noncurrent liabilities:				
Accrued compensated absences, net of current portion	-	216,475	216,475	-
Accrued other post-employment benefits	2,180,122	679,933	2,860,055	-
Accrued landfill closure/postclosure care costs	-	11,997,777	11,997,777	-
Total noncurrent liabilities	2,180,122	12,894,185	15,074,307	-
TOTAL LIABILITIES	16,434,418	13,529,937	29,964,355	5,987,756
NET POSITION				
Net investment in capital assets	-	15,872,065	15,872,065	-
Unrestricted	(8,690,109)	(2,073,449)	(10,763,558)	2,468,921
TOTAL NET POSITION	\$ (8,690,109)	\$ 13,798,616	\$ 5,108,507	\$ 2,468,921

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

STEUBEN COUNTY, NY
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds			Internal Service
	Health Care Facility	Solid Waste (Landfill)	TOTAL	
Operating revenues:				
Charges for services	\$ 4,593,728	\$ 6,305,190	\$10,898,918	\$ 3,658,413
Intergovernmental transfer	2,635,709	-	2,635,709	-
Adjustment of prior years' revenue, net	47,998	-	47,998	95,816
Other revenue	35,502	3,870	39,372	83,866
Total operating revenue	7,312,937	6,309,060	13,621,997	3,838,095
Operating expenses:				
Personal services	2,425,120	1,239,327	3,664,447	44,260
Employee benefits	1,857,570	786,221	2,643,791	30,048
Contractual expense	2,923,616	1,462,725	4,386,341	869,842
Depreciation and amortization	399,899	2,158,364	2,558,263	-
Indirect expense	268,142	119,548	387,690	-
Closure and postclosure care costs	-	1,131,538	1,131,538	-
Workers' compensation benefits	-	-	-	1,587,664
Total operating expenses	7,874,347	6,897,723	14,772,070	2,531,814
Operating income (loss)	(561,410)	(588,663)	(1,150,073)	1,306,281
Non-operating revenue (expenses):				
County subsidy	268,142	-	268,142	-
State and federal aid	-	307,162	307,162	-
Investment income	143	6,160	6,303	1,927
Interest expense	(553,525)	-	(553,525)	-
Total non-operating revenue	(285,240)	313,322	28,082	1,927
Change in net position before special item	(846,650)	(275,341)	(1,121,991)	1,308,208
Special Item - Loss on sale of Facility, net	(4,418,117)	-	(4,418,117)	-
Change in net position	(5,264,767)	(275,341)	(5,540,108)	1,308,208
Total net position - Beginning of year	(3,425,342)	14,073,957	10,648,615	1,160,713
Total net position - End of year	\$ (8,690,109)	\$ 13,798,616	\$ 5,108,507	\$ 2,468,921

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

STEUBEN COUNTY, NY
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise Funds			Internal Service
	Health Care Facility	Solid Waste (Landfill)	Total	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Receipts from services	\$ 13,784,869	\$ 6,238,535	\$ 20,023,404	\$ 3,995,300
Payments to suppliers for goods and services	(4,620,476)	(1,939,773)	(6,560,249)	(963,432)
Payments to employees for services	(4,498,262)	(1,727,198)	(6,225,460)	(49,404)
Payments for workers compensation benefits	-	-	-	(1,691,513)
Net cash provided by (used in) operating activities	4,666,131	2,571,564	7,237,695	1,290,951
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES				
Cash overdraft - due to county	(6,256,623)	-	(6,256,623)	-
County subsidies of indirect costs	268,142	-	268,142	-
Net cash provided by (used in) non-capital financing activities	(5,988,481)	-	(5,988,481)	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES				
Transfer, purchase and construction of capital assets	(1,778)	(5,256,470)	(5,258,248)	-
Amounts due from other funds	-	-	-	(660,000)
Changes in assets whose use is limited	-	(2,400)	(2,400)	-
Receipts from state and federal agencies	-	208,406	208,406	-
Payments on bond interest expense	(566,882)	-	(566,882)	-
Principal repayment of bonds	(908,400)	-	(908,400)	-
Proceeds from rental and sale of capital assets, net	9,848,075	-	9,848,075	-
Net cash provided by (used in) capital and related financing activities	8,371,015	(5,050,464)	3,320,551	(660,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES				
Assets whose use is limited	(7,051,715)	-	(7,051,715)	-
Investment income received	-	6,160	6,160	1,927
Net cash provided by investing activities	(7,051,715)	6,160	(7,045,555)	1,927
Net increase (decrease) in cash, cash equivalents and investments	(3,050)	(2,472,740)	(2,475,790)	632,878
Cash, cash equivalents and investments, beginning of year	3,050	13,031,047	13,034,097	3,928,211
Cash, cash equivalents and investments, end of year	\$ -	\$ 10,558,307	\$ 10,558,307	\$ 4,561,089
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES				
Operating income (loss)	\$ (561,410)	\$ (588,663)	\$ (1,150,073)	\$ 1,306,281
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
County indirect charges	655,760	-	655,760	-
Depreciation and amortization	399,899	2,158,364	2,558,263	-
Changes in:				
Accounts receivable	5,214,184	(70,525)	5,143,659	157,205
Due from third party payors	(53,772)	-	(53,772)	-
Inventories and prepaids	12,836	-	12,836	-
Accounts payable and accrued expenses	(820,581)	101,047	(719,534)	(172,535)
Accrued landfill closure/postclosure care costs	-	971,341	971,341	-
Accrued items	(142,285)	-	(142,285)	-
Net cash provided by (used in) operating activities	\$ 4,704,631	\$ 2,571,564	\$ 7,276,195	\$ 1,290,951

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

STEUBEN COUNTY, NY

Balance Sheet Fiduciary Funds As of December 31, 2014

	Agency Funds	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents	\$ 869,998	\$ 173,315
TOTAL ASSETS	\$ 869,998	\$ 173,315
 LIABILITIES		
Agency liabilities	\$ 869,998	\$ -
Due To Other Funds	-	-
TOTAL LIABILITIES	869,998	-
 NET POSITION		
Held in trust for other purposes	-	173,315
TOTAL NET POSITION	-	173,315
 TOTAL LIABILITIES AND NET POSITION	 \$ 869,998	 \$ 173,315

Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended December 31, 2014

	Private Purpose Trust Funds
ADDITIONS:	
Interest earnings	\$ 4
Miscellaneous local sources	44,484
TOTAL ADDITIONS	44,488
 DEDUCTIONS:	
Home and community services	4
Public safety	24,841
TOTAL DEDUCTIONS	24,845
 CHANGE IN NET POSITION	 19,643
Net position - Beginning of year	153,672
Net position - End of year	\$ 173,315

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

STEBEN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

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

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

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

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

Discretely Presented:

Steuben County Industrial Development Agency (the Agency) is a Public Benefit Corporation created by State legislation to promote the economic welfare, recreational opportunities, and prosperity of the County inhabitants. Board members of the Agency are appointed by the Steuben County Legislature. The County provided no operating subsidy to the Agency for 2014. The Agency is considered a component unit and is discretely presented as a business-type component unit. The Agency uses proprietary fund accounting.

Steuben County Soil & Water Conservation District (the District) was established in accordance with the Soil and Water Conservation Districts Law, to provide for the conservation of the soil and water resources. Members of District's Board of Directors are appointed by the Steuben County Legislature. An annual operating subsidy is provided by the County. The County's subsidy for 2014 was \$300,676 (28% of the District's revenue). The District is considered a governmental component unit and is discretely presented. The District uses proprietary fund accounting.

Blended Presentation:

Steuben Tobacco Asset Securitization Corporation (STASC) is a local development corporation created in October 2000 under section 1411 of the New York State Not-For-Profit Corporation Law. In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs that the State and local governments had incurred in treating smoking related illnesses. Under an agreement reached with the tobacco industry, referred to as the Master Settlement Agreement (MSA), the State and local governments are entitled to receive annual payments. The STASC was formed to raise funds by issuing bonds, use those funds to acquire the rights to future proceeds from the MSA payable to the County, and remain in existence during the term of the bonds to collect the tobacco settlement proceeds and service the debt.

During 2000, the County sold its rights to receive payments under the MSA to the STASC. This sale was funded through the issuance of bonds by the STASC. The net proceeds were \$18,910,406. These bonds were then advance-refunded in August 2005, as part of New York Counties Tobacco Trust IV, Tobacco Settlement pass-through bonds. The STASC also became part of the New York Counties Tobacco Trust V by issuing capital appreciation bonds in November 2005. The STASC is considered

a component unit and is blended with the other governmental activities of the County. The STASC uses the current financial resources measurement focus and modified accrual accounting.

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

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

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

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

B. BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities and Change in Net Position display information about the County as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those

activities of the County that are governmental in nature and those that are considered business-type activities.

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

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

Fund Financial Statements

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

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

changes in financial position. Reporting is based on the modified accrual basis of accounting and "current financial resources" measurement focus. The following are the County's major governmental fund types:

General Fund – is the principal operating fund and includes all operations not required to be recorded in other funds.

County Road Fund - is required by Highway Law #114. Charges to this fund include salaries and expenditures of the County highway superintendent and the superintendent's office, engineering, maintenance of County roads and bridges, snow removal, and construction and reconstruction of County roads.

Non-Major Governmental Funds –

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

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

The following are the major proprietary funds:

Enterprise Funds – are used to account for the following operations:

The Steuben County Health Care Facility – is used to account for the 105-bed nursing home. The Facility was sold to a private not-for-profit on July 1, 2014.

The Steuben County Solid Waste Operations – is used to account for receiving and managing waste at the County landfills.

Internal Service Fund – is used to account for the Self-Insurance (Workers' Compensation) Fund that records the assessments charged to, and benefits paid on behalf of, participating governments for workers' compensation coverage.

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

Agency Funds - The County's Agency Fund accounts for money (and/or property) received and held in the capacity of trustee, custodian or agent. The accounts do not involve measurement of results of operations; therefore, there are no operating statements. This fund accounts for moneys held for such things as payroll deductions, bail and court ordered deposits, undistributed mortgage tax, and deposits held for Social Service clients.

Private Purpose Trust Funds - The County's Private-Purpose Trust Funds account for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments. The County has two Private-Purpose Trusts: Jail Commissary and Fairview Cemetery. The Jail Commissary benefits inmates at the Steuben County Jail. The Fairview Cemetery trust was established in September 1964 when the County received a bequest of \$1,000 from the Estate of Marjorie More Benham for the perpetual care and maintenance of a lot in the Fairview Cemetery located in the Town of Lindley. The County is designated as the trustee of the bequest in accordance with section 553 of the County Law.

C. **MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

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

accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

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

Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user fees. In 2014 the County had no long-term sales contracts, notes, leases receivable, or special assessment levies. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made and the resources are available. Expenditures are recorded when incurred except for the following exceptions:

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

D. ESTIMATES

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

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

The County's investment policies are governed by State statutes. In addition, the County has its own written investment policy. County monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Commissioner of Finance is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. Investments are stated at cost, which approximates fair value.

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

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

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

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

F. CAPITAL ASSETS

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

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

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

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

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

G. INTERFUND RECEIVABLES/PAYABLES

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

H. INVENTORY AND PREPAID ITEMS

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

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

I. PROPERTY TAXES

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

Unpaid village and central school district taxes are turned over to the County for enforcement and any such taxes remaining unpaid at year-

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

J. NON-PROPERTY TAX ITEMS

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

K. INSURANCE

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability in the government-wide Statement

of Net Position, not in the fund statements, for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

N. NET POSITION

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

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

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

O. GOVERNMENTAL FUND BALANCE

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

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

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

P. OPERATING REVENUES AND EXPENSES

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

Q. INTERFUND TRANSACTIONS

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

Departments may not exceed the budget unless a formal revision is authorized as outlined in the County Administrative Code. A separately

issued detailed budget report is available upon request. In 2014, the County budgeted \$1,300,000 in a "contingency account" to be appropriated by the County Legislature as needed to cover unanticipated costs. During the year, \$480,431 of this amount was re-appropriated.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary system. Encumbrances outstanding at year-end are carried forward to the next year's budget and can be reported as committed or assigned fund balance in the financial statements since they do not constitute actual expenditures or liabilities.

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

Health Care Facility

The net position deficit of the Steuben County Health Care Facility at the end of 2014 was (\$8,690,109) compared to (\$3,425,342) in 2013. This deficit results from the continued operating losses incurred by the Steuben County Health Care Facility. On July 1, 2014, the County sold the facility and all related materials and equipment to Centers for Specialty Care Group, LLC.

Steuben Tobacco Asset Securitization Corporation

The net position deficit of the Tobacco Asset Securitization Corporation at the end of 2014 was (\$31,471,902) compared to (\$31,045,662) in 2013. This deficit results from the full accrual accounting for the STASC. Full accrual accounting requires the recording of the full amount of the bonds payable at the time the bonds are issued, while the revenue is recognized each year as it becomes available to pay the bond debt. It is expected that the deficit will decline as the revenues related to the tobacco settlements are received and the outstanding debt obligations are repaid.

III. DETAIL NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Cash and investments at December 31, 2014, are classified in the accompanying financial statements as follows:

Statement of Net Position cash and equivalents	\$ 109,103,565
Statement of Net Position current portion of assets whose use is limited	1,794,607
Fiduciary Funds cash and equivalents	1,043,313
Total Deposits and Investments	<u><u>\$ 111,941,485</u></u>

Cash and investments at December 31, 2014, consist of the following:

Cash on hand	\$ 40,607
Demand deposits with financial institutions	59,938,339
Total Cash	<u>59,978,946</u>
Certificates of deposits with financial institutions (time deposits)	\$ 50,201,000
Total cash and time deposits	<u>110,179,946</u>
Investments held by STASC trustee	1,761,539
Total Investments	<u>1,761,539</u>
Total Deposits and Investments	<u><u>\$ 111,941,485</u></u>

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

- Special time deposit accounts;
- Certificates of Deposit issued by a bank or trust company located and authorized to do business in New York State;
- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States of America, where the payment of principal and interest are guaranteed by the United States of America;

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

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

Custodial Credit Risk – is the risk that in the event of a bank failure, the County's deposits may not be returned to it. To mitigate this risk, bank institutions are required to provide collateral in excess of the FDIC limit. At year-end, the carrying amount of the County's deposits was \$111,900,877 and the bank balance was \$112,322,304. Of the bank balance, \$2,756,241 was covered by federal depository insurance. Amounts uninsured, but collateralized by securities being held by 3rd party financial institutions in the County's name were \$111,438,642. Amounts uncollateralized at year end were \$1,952,373. This related to accounts held with Steuben Trust.

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

1. By a pledge of "eligible securities" with an aggregate "market value" as provided by General Municipal Law, §10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.

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

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

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

The custodial agreement shall provide the securities held by the bank or trust company, or agent of and custodian for the County, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with, or

become part of the backing for any other deposit or other liabilities. The agreement will also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

Concentration of Credit Risk – The County’s investment policy defines the maximum percentage of the total investments that may be invested in any one issuer to a range between ten and thirty-five percent. The maximum percentage defined for each bank is dependent on the evaluation of the individual institution. The Commissioner of Finance is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually. The list of authorized financial institutions for both deposits and investments along with any restrictions and/or limits relative to authorized maximum amounts are designated below:

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

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

Investment Type	Amount	Maturity
Certificates of Deposit	\$ 10,000,000	01/19/2015
Certificates of Deposit	5,000,000	01/20/2015
Certificates of Deposit	10,000,000	01/20/2015
Certificates of Deposit	10,000,000	01/20/2015
Certificates of Deposit	14,000,000	02/09/2015
	<u>\$ 50,201,000</u>	

B. RECEIVABLES AND PREPAID ITEMS

At December 31, 2014, government-wide total real property tax receivables of \$11,117,017 are net of an allowance for uncollectible taxes of \$317,994. Included in the total real property tax receivables are returned city, village and school taxes of \$4,401,345, which are offset by liabilities to the cities, villages and school districts, which were paid by May 15, 2015.

On the fund financial statements, total real property tax receivables of \$11,117,017 are offset by an allowance for uncollectible taxes of \$317,994. The remaining amount of the taxes receivable is partially offset by unearned tax revenue of \$5,713,948 and represents an estimate of the tax liens, which will not be collected within the first sixty (60) days of the subsequent year.

On the government-wide Statement of Net Position, State and federal receivables of \$9,808,743 consist primarily of the following items:

Office of Temporary and Disability Assistance	\$4,643,962
State Education Department	2,018,536
Department of Health	891,617
7th Judicial District Courts	793,333
State Office for the Aging	784,813
State Department of Environmental Conservation	221,551
United States Marshall	129,065
State Office of Indigent Legal Services	106,088
Office of Homeland Security and Emergency Services	62,731
Department of Transportation	51,359
Other	105,688
	<u>\$9,808,743</u>

On the government-wide Statement of Net Position, Other receivables of \$5,635,424 consist primarily of receivables due from participants in various program services, approximately \$1,500,000 is related to the Tobacco Asset Securitization Corporation and the year-end sales tax receivable of approximately \$3,356,961.

On the government-wide Statement of Net Position, prepaid items of \$2,390,953 consist primarily of the amount paid to the NYS Retirement System as an estimate of the amount due on wages to be paid between January 1, 2015 and March 31, 2015 and amounts prepaid to third party administrators for health and workers' compensation claims.

C. CAPITAL ASSETS - Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>12/31/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2014</u>
<u>Government Activities:</u>				
Nondepreciable Capital Assets:				
Land	\$ 1,112,856	\$ 3,618	\$ -	\$ 1,116,474
Construction in Progress	4,686,952	782,017	(357,796)	5,111,173
Total Nondepreciable Capital Assets	<u>5,799,808</u>	<u>785,635</u>	<u>(357,796)</u>	<u>6,227,647</u>
Depreciable Capital Assets:				
Buildings & Improvements	45,083,014	-	(680,676)	44,402,338
Improvements other than Buildings	501,336	142,415	-	643,751
Machinery & Equipment	27,195,827	2,043,807	(618,943)	28,620,691
Infrastructure	148,127,925	6,291,967	(38,848)	154,381,044
Total Depreciable Capital Assets	<u>220,908,102</u>	<u>8,478,189</u>	<u>(1,338,467)</u>	<u>228,047,824</u>
Less: Accumulated Depreciation For:				
Buildings & Improvements	(27,910,316)	(1,765,771)	411,849	(29,264,238)
Improvements other than Buildings	(279,257)	(27,507)	-	(306,764)
Machinery & Equipment	(19,371,375)	(1,589,913)	618,943	(20,342,345)
Infrastructure	(71,647,378)	(5,508,679)	22,754	(77,133,303)
Total Accumulated Depreciation	<u>(119,208,326)</u>	<u>(8,891,870)</u>	<u>1,053,546</u>	<u>(127,046,650)</u>
Total Depreciable Capital Assets, Net	<u>101,699,776</u>	<u>(413,681)</u>	<u>(284,921)</u>	<u>101,001,174</u>
Governmental Activities Capital Assets, Net	<u>\$ 107,499,584</u>	<u>\$ 371,954</u>	<u>\$ (642,717)</u>	<u>\$ 107,228,821</u>

	<u>Balance</u> <u>12/31/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2014</u>
<u>Business-Type Activities:</u>				
Nondepreciable Capital Assets:				
Land	\$ 641,822	\$ -	\$ -	\$ 641,822
Construction in Progress	122,077	5,034,760	-	5,156,837
Total Nondepreciable Capital Assets	<u>763,899</u>	<u>5,034,760</u>	<u>-</u>	<u>5,798,659</u>
Depreciable Capital Assets:				
Buildings & Improvements	21,617,087	17,133	(10,130,094)	11,504,126
Improvements other than Buildings	20,232,531	5,073	(1,060,280)	19,177,324
Fixed Equipment	7,109,696	-	(7,109,696)	-
Moveable Equipment	1,834,666	1,778	(1,836,444)	-
Machinery & Equipment	7,463,770	199,504	-	7,663,274
Total Depreciable Capital Assets	<u>58,257,750</u>	<u>223,488</u>	<u>(20,136,514)</u>	<u>38,344,724</u>
Less: Accumulated Depreciation For:				
Buildings & Improvements	(6,382,497)	(730,234)	1,524,705	(5,588,026)
Improvements other than Buildings	(16,058,639)	(1,121,867)	254,898	(16,925,608)
Fixed Equipment	(2,181,795)	(190,169)	2,371,964	-
Moveable Equipment	(1,062,443)	(61,763)	1,124,206	-
Machinery & Equipment	(5,303,454)	(454,231)	-	(5,757,685)
Total Accumulated Depreciation	<u>(30,988,828)</u>	<u>(2,558,263)</u>	<u>5,275,773</u>	<u>(28,271,318)</u>
Total Depreciable Capital Assets, Net	<u>27,268,922</u>	<u>(2,334,775)</u>	<u>(14,860,741)</u>	<u>10,073,406</u>
Business-type Activities Capital Assets, Net	<u>\$ 28,032,821</u>	<u>\$ 2,699,985</u>	<u>\$ (14,860,741)</u>	<u>\$ 15,872,065</u>

Depreciation expense was charged to the governmental functions as follows:

Governmental Activities:	
General government	\$ 524,456
Public safety	1,710,082
Health	9,898
Transportation	6,525,048
Economic assistance and opportunity	64,134
Culture and recreation	9,717
Home and community	<u>48,535</u>
Total depreciation expense – Governmental activities	<u>\$ 8,891,870</u>

Business-type Activities:	
Health Care Facility	\$ 399,899
Solid Waste (Landfill)	<u>2,158,364</u>
Total depreciation expense – Business-type activities	<u>\$2,558,263</u>

D. PENSION PLANS

Plan Description – The County participates in the New York State and Local Employees' Retirement System (ERS) and New York State and Local Police and Fire Retirement System (collectively, the Systems). These are cost sharing multiple employer systems that provide retirement benefits

as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYRSSL, the Comptroller of the State of New York serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12236.

Funding Policy – The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. Employees who joined NYSERS after January 1, 2010 and prior to April 1, 2012, contribute 3.0% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees in NYSERS contribute 3%-6% of their salary throughout their active membership. Under the authority of the NYRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The County is required to contribute at an actuarially determined rate. The County's contribution to the Systems was equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2014	\$7,980,698
2013	\$8,749,762
2012	\$7,889,663

The Health Care Facility's portion of the County's required contribution for the current year and each of the preceding two years was approximately \$434,500, \$941,800, and \$942,300, respectively, and is included in employee benefits on the Statement of Activities and Change in Net Position.

E. COMPENSATED ABSENCES

Vested vacation and sick leave and the respective FICA liability is recorded in proprietary funds as a liability and expensed when earned. In governmental funds it is recorded as a fund liability and expenditure if

payable from current financial resources. At the end of 2014, the liability in the proprietary funds for compensated absences totaled \$292,562 and amounted to \$5,170,628 in the governmental activities. For the governmental activities, compensated absences are liquidated by all governmental funds incurring payroll-related costs, typically, the General, County Road and Road Machinery funds.

F. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

In general, the County provides health care benefits for those retired personnel who are eligible for a pension through the New York State Employees' Retirement System (ERS). The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees and spouses currently eligible to receive benefits at December 31, 2014 was 441. The Retirement Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially

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

2014 amortization of UAAL	\$ 1,728,095
Normal Cost	<u>1,532,990</u>
2014 Annual Required Contribution	3,261,085
Interest	770,110
Adjustment to ARC	<u>(797,517)</u>
2014 Annual OPEB Cost	3,233,678
2014 Contributions made	<u>(1,148,755)</u>
Increase in Net OPEB Obligation	2,084,923
Net OPEB obligation at 01/01/2014	<u>19,252,760</u>
Net OPEB obligation at 12/31/2014	<u>\$ 21,337,683</u>

The following table provides trend information for the Retirement Plan:

Trend Information

	<u>Annual OPEB</u> <u>cost</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	4,064,700	544,000	13.4%	9,872,800
2011	5,632,900	920,000	16.3%	14,585,700
2012	3,661,416	1,370,213	37.4%	16,876,903
2013	3,923,703	1,547,846	39.4%	19,252,760
2014	3,233,678	1,148,755	35.5%	21,337,683

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Retirement Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past

expectations and new estimates are made about the future. The Retirement Plan is currently not funded.

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

Schedule of Funding Progress for the County's Plan

<u>Actuarial Date</u>	<u>Actuarial Value of Plan Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded Accrued Liability (UAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAL as a % of Covered Payroll</u> ((b-a)/c)
01/01/2009	\$0	\$45,956,900	\$45,956,900	0.0%	\$46,797,815	98.2%
01/01/2011	\$0	\$65,517,000	\$65,517,000	0.0%	\$44,489,000	147.3%
01/01/2012	\$0	\$45,717,717	\$45,717,717	0.0%	\$44,480,859	102.8%
01/01/2013	\$0	\$45,733,109	\$45,733,109	0.0%	\$44,280,199	103.3%
01/01/2014	\$0	\$40,700,152	\$40,700,152	0.0%	\$40,033,566	101.7%

Actuarial Methods and Assumptions

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

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

Actuarial Cost Method	Projected Unit Credit Cost Method
Discount Rate*	4%
Medical Care Cost Trend Rate	2015 6.1%. The rate is subsequently reduced by decrements each year to an ultimate rate of 4.2%.
Dental Care Cost Trend Rate	5% each year

Unfunded Actuarial Accrued Liability:

Amortization Period	30 years
Amortization Method	Level Percent of Pay
Amortization Basis	Open

*

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

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

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

G. RISK RETENTION

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

At December 31, 2014, the amount of these liabilities was \$5,916,564. The liability is the County's best estimate based on available information provided by the third party administrators, Corvel Claim Services and PERMA Inc.

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

	Beginning of Fiscal Year <u>Liability</u>	Current Year Claims & Changes <u>in Estimates (Net)</u>	Balance at Fiscal <u>Year-End</u>
2014	\$6,043,237	\$ (126,673)	\$5,916,564
2013	\$4,357,254	\$ 1,685,983	\$6,043,237
2012	\$3,821,107	\$ 536,147	\$4,357,254
2011	\$3,652,794	\$ 168,313	\$3,821,107

At December 31, 2014, to satisfy the estimated liability, the internal service fund had available \$4,561,089 of cash and investments, a \$3,300,000 receivable from other County funds, plus a receivable of \$428,968 due from other local municipalities which participate in the County's Workers' Compensation Plan.

The County is also self-insured for unemployment insurance claims. This activity is accounted for in individual funds based on actual claims made. Claims totaled \$172,705 in 2014. The General Fund includes a restriction of fund balance for unemployment claims of \$335,038.

The County is also self-insured for medical and prescriptions for active employees and retirees under the age of 65. This activity is expensed to individual funds based on a calculated equivalent premium per employee. Accounts payable in the General Fund includes a liability for such unpaid claims in the amount of \$2,238,183 as of December 31, 2014. In addition, at December 31, 2014 an assignment of fund balance of \$1,500,000 exists for the purpose of paying large health care claims.

The County accounts for tort claims in the General Fund. Accrued liabilities in the General Fund include a liability for such claims in the amount of \$3,536 as of December 31, 2014. For the past three fiscal years insurance losses have not exceeded commercial insurance coverage.

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

H. SHORT-TERM DEBT

Liabilities for bond anticipation notes (BANS) are generally accounted for in the General Fund, Capital Projects Fund, and the Enterprise Fund. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12-month period thereafter.

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

A BAN was issued on March 28, 2014 for repairs to the equipment and ditches of the Upper Five Mile Creek watershed special district and

carries an interest rate of 1.0%. This BAN matured on March 27, 2015 with interest of \$250. A liability of \$25,000 is recorded in the General fund at December 31, 2014.

I. LONG-TERM DEBT

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

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/14</u>	<u>Amount Due</u> <u>Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 5,130,562	\$ 2,058,484	(2,018,418)	\$ 5,170,628	\$ 2,189,356
Bonds Payable	5,025,000	-	(700,000)	4,325,000	545,000
Bonds Payable - STASC	30,437,790	-	(275,000)	30,162,790	220,000
Bond Discount - STASC	(559,792)	-	33,606	(526,186)	-
Accreted Interest - STASC	4,370,230	731,597	-	5,101,827	-
Other Post Empl. Benefits	16,450,226	3,114,480	(1,087,078)	18,477,628	-
Gov't Activities Total Long-Term Debt	<u>\$ 60,854,016</u>	<u>\$ 5,904,561</u>	<u>\$ (4,046,890)</u>	<u>\$ 62,711,687</u>	<u>\$ 2,954,356</u>

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/14</u>	<u>Amount Due</u> <u>Within One Year</u>
Business-Type Activities:					
Landfill Closure / Postclosure	\$ 11,026,436	\$ 1,719,142	\$ (747,801)	\$ 11,997,777	\$ -
Compensated Absences	649,729	112,564	(469,731)	292,562	76,087
Bonds Payable	13,730,000	-	(900,000)	12,830,000	940,000
Bond Premiums Payable	8,400	-	(8,400)	-	-
Bond Interest Arbitrage	73,287	-	(73,287)	-	-
Other Post Empl. Benefits	2,802,534	119,198	(61,677)	2,860,055	-
Bus. Type Activities Total Long-Term Debt	<u>\$ 28,290,386</u>	<u>\$ 1,950,904</u>	<u>\$ (2,260,896)</u>	<u>\$ 27,980,394</u>	<u>\$ 1,016,087</u>

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

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

Description	Purpose	Date Issued	Original Amount	Interest Rate	Final Maturity	Outstanding 12/31/14
Correctional Facility	Jail Expansion	01/15/2006	\$ 7,820,000	3.75%	07/15/2021	\$ 4,325,000
Health Care Facility	New Facility	08/16/2005	19,710,000	4.00%	08/16/2025	12,830,000
STASC	Tobacco Settlement	2005	31,947,790	Various	2060	30,162,790
TOTAL DEBT			<u>\$ 59,477,790</u>			<u>\$ 47,317,790</u>

Future Debt Service – The following table summarizes the County’s future debt service requirements:

Year	Full Faith and Credit of County Pledged			Tobacco Asset Securitization Corp		
	Principal	Interest	Total	Term Bonds	Interest / Accretion	Total
2015	1,485,000	693,213	2,178,213	220,000	2,046,012	2,266,012
2016	1,550,000	635,175	2,185,175	220,000	2,189,972	2,409,972
2017	1,615,000	574,600	2,189,600	225,000	2,234,971	2,459,971
2018	1,685,000	511,475	2,196,475	375,000	2,277,761	2,652,761
2019	1,755,000	445,625	2,200,625	465,000	2,335,898	2,800,898
2020-2024	7,645,000	1,200,450	8,845,450	1,400,000	12,814,631	14,214,631
2025-2029	1,420,000	60,350	1,480,350	3,000,000	14,840,897	17,840,897
2030-2034	-	-	-	4,130,000	17,753,587	21,883,587
2035-2039	-	-	-	5,660,000	22,262,815	27,922,815
2040-2044	-	-	-	7,235,000	29,179,565	36,414,565
2045-2049	-	-	-	1,630,000	40,211,417	41,841,417
2050-2054	-	-	-	1,090,190	53,701,340	54,791,530
2055-2059	-	-	-	1,188,760	68,787,535	69,976,295
2060-2064	-	-	-	3,323,840	8,347,170	11,671,010
	<u>\$ 17,155,000</u>	<u>\$ 4,120,888</u>	<u>\$ 21,275,888</u>	<u>\$ 30,162,790</u>	<u>\$ 278,983,571</u>	<u>\$ 309,146,361</u>

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

At December 31, 2014, the total outstanding indebtedness of the County subject to the statutory debt limit aggregated \$17,155,000 which represented approximately 4.5% of this statutory debt limit.

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

2. **Steuben Tobacco Asset Securitization Corporation – Bonds Payable and Defeasance of Debt** - See Note V.

3. **Prior-Year Defeasement of Debt** - In 2000, the County defeased certain general obligations and other bonds by placing the proceeds from the Series 2000 Tobacco Securitization in an irrevocable trust held in escrow by Manufacturers and Traders Trust Company to provide for all future debt service payments on the old bonds. Accordingly, the bonds are considered defeased and the liability of these bonds have been removed from the County's financial statements.

J. **INTERFUND BALANCES**

The County reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The sum of all balances presented in the table agrees with the sum of interfund balances presented in the balance sheet for governmental funds and the Statement of Net Position for proprietary funds. All interfund balances are considered to be short-term.

Interfund balances at December 31, 2014 consisted of the following:

Due From:	Due To Internal Service
General	\$ 1,233,547
County Road	866,130
Non-Major Gov't	67,978
Health Care Fac.	1,132,276
Landfill	69
Total	<u>\$ 3,300,000</u>

Interfund balances are used:

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

K. INTERFUND TRANSFERS

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

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer To:	Transfer From:					Total
	General	County Road	Capital Projects	Road Machinery	Economic Develop.	
General	\$ -	\$ -	\$ 627	\$ -	\$ -	\$ 627
County Road	-	-	61,525	83,343	-	\$ 144,868
Capital Projects	746,825	115,000	-	7,200	35,000	\$ 904,025
	<u>\$ 746,825</u>	<u>\$ 115,000</u>	<u>\$ 62,152</u>	<u>\$ 90,543</u>	<u>\$ 35,000</u>	<u>\$ 1,049,520</u>

Interfund Transfers are used:

- (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them,
- (2) to fund capital projects from operating funds.

L. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS – Enterprise Fund

The total capacity of the Bath Landfill was increased by 569,000 tons in 2005 when a 7.7 acre cell was completed and became operable. This cell is referred to as Cell #1 and is an overlay that ties into the south side of the existing Bath Landfill. In January 2010, an additional cell (Cell #2) was put into operation. The combined design capacity of the landfill is 2,492,900 tons. Based on a survey completed in December 2014 by Barton & Loguidice, the remaining air space capacity of the combined Bath Landfill was approximately 154,300 tons which represents an estimated remaining useful life of approximately 1.7 years. The Bath Landfill is estimated to be at 94% of the available capacity at December 31, 2014. In 2014, the Bath Landfill was re-permitted and the current permit expires in the year 2024.

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting

waste, the County reports a portion of these closure and post-closure care costs as a liability in each period based on used landfill capacity as of each balance sheet date. Landfill activity is reported in an Enterprise Fund. The County has a liability recorded of \$11,997,777 that represents the landfill closure and post-closure care costs liability at December 31, 2014. The cumulative amounts reported to date are \$8,740,244 for the Bath Landfill and \$3,257,533 for the other closed landfills maintained by the County. Actual capital costs contributed to covering and maintaining the landfills reduce the total liability. The liability for the Bath Landfill was increased by \$1,719,142 in 2014 as post-closure cost estimates were updated. The liability related to landfills that have already been closed was decreased by \$747,801 as post-closure maintenance and testing for these closed sites was incurred.

The total estimated cost for closure and post-closure care costs at the combined Bath Landfill is \$9,316,966. The County will recognize the remaining estimated cost as the remaining capacity of the landfill is utilized. These amounts are based on what it would cost to perform all closure and post-closure care during the current fiscal year. Actual costs may be different due to inflation, changes in technology, and/or changes in regulations.

M. FUND BALANCES

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

Nonspendable-Amount of fund balance that cannot be spent in the current period because of its form or because it must be maintained intact. As of December 31, 2014, the County's General Fund has \$2,224,333 of prepaid expenses and \$20,705 of inventories that were classified as nonspendable amounts.

Restricted-Amounts that are subject to externally enforceable legal purposes, restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments; or through constitutional provisions or enabling legislation. As of December 31, 2014 the County had the following restricted amounts:

	<u>General</u>	<u>Capital Projects</u>	<u>Tobacco Asset Securitization</u>
Restricted			
Unemployment insurance	\$ 335,038		
Liability Insurance	2,078,884		
Health Insurance	1,093,000		
Building Repair & Renovation	3,888,493		
Public Safety Building	75,105		
Communication System	710,844		
Forfeitures - D.A. & Sheriff	32,892		
Stop D.W.I.	53,293		
Occupancy Tax	502,848		
Special Districts	153,515		
Capital Projects		\$ 3,023,439	
Debt Service			\$ 1,761,539
Miscellaneous	622		
Total Restricted	<u>\$ 8,924,534</u>	<u>\$ 3,023,439</u>	<u>\$ 1,761,539</u>

Committed-Amounts that are subject to a purpose constraint imposed by a formal action of the Steuben County Legislature (the County's highest level of decision-making authority). As of December 31, 2014 the County did not have any balances considered to be committed.

Assigned-Amounts that are subject to a purpose constraint that represents an intended use established by the County's Board of Legislators, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2014, the balances below were considered to be assigned:

	<u>General</u>	<u>County Road</u>	<u>Economic Developmen</u>	<u>Road Machinery</u>	<u>Tobacco Asset Securitization</u>
Assigned					
For Highway Equipment	\$ -	\$ -	\$ -	\$ 73,122	\$ -
For Road and Bridge Supplies	-	173,096	-	-	-
For General Government Equipment and Supplies	164,163	-	-	-	-
Appropriated for 2015 budget	4,628,628	846,681	-	620,000	-
Other spendable amounts	1,500,000		813,306	786,345	99,778
Total Assigned	<u>\$ 6,292,791</u>	<u>\$ 1,019,777</u>	<u>\$ 813,306</u>	<u>\$ 1,479,467</u>	<u>\$ 99,778</u>

Significant encumbrances are amounts encumbered in excess of \$100,000. As of December 31, 2014, there were no encumbrances in excess of this amount.

Unassigned-Represents the residual classification of the government's General Fund, and could report a surplus or deficit. As of December 31, 2014, the unassigned fund balance was \$56,107,429.

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

IV. STEBEN COUNTY HEALTH CARE FACILITY- Enterprise Fund

A. Organization and Summary of Significant Accounting Policies:

The Reporting Entity - Steuben County Health Care Facility (the Facility) is a public, 105-bed skilled nursing facility. The Home is owned by, operated as, and presented as an enterprise fund of the County of Steuben, New York (the County), a political sub-division of the State of New York. An enterprise fund is a proprietary type fund that uses the accrual basis of accounting and is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation), of providing goods or services are to be financed or recovered primarily through user charges.

On July 1, 2014, the Facility was sold to Centers for Specialty Care Group, LLC (Centers), an unrelated party, for \$10,750,000. As part of the sale, the Facility transferred substantially all of its capital assets, inventory, and resident funds to Centers resulting in a net loss on sale of Facility of \$4,418,117. The Facility's operating revenue and expenses through July 1, 2014 is presented on the statements of revenue, expenses, and change in net position. Fund activity subsequent to July 1, 2014 primarily consisted of cash receipts for services rendered prior to the sale of the Facility and payment of liabilities that resulted from operating activities prior to the sale date.

In accordance with generally accepted accounting principles, the Facility's financial statements are included in the County's audited financial statements. The Facility was audited by Bonadio & Co., LLP and a copy of the complete audited financial report may be obtained by writing The Steuben Commissioner of Finance, 3 East Pulteney Square, Bath, New York 14810.

An enterprise fund is accounted for as an operation that is financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs or expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user

charges. Indirect costs from other County departments attributable to shared services have been provided for based on allocations from the most recent allocation plan for the County.

A summary of the Facility's significant accounting policies follows:

Basis of Accounting - As an enterprise fund, the Facility uses the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. The Facility financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board for proprietary funds.

Basis of Presentation

GASB requires the classification of net position into three components - invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. For the year ended December 31, 2014, net position invested in capital assets was reduced to zero as a result of the sale of the facility.

- Restricted - This component of net position consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At December 31, 2014 the Facility had no restricted net position.

- Unrestricted - This component of net position consists of net position that do not meet the definition of "net investment in capital assets" or "restricted."

When both restricted and unrestricted resources are available for use for the same purpose, the Facility uses restricted resources first and then unrestricted resources, as needed.

Assets Whose Use is Limited

Assets whose use is limited include cash on hand, bank demand deposit accounts, money market accounts, and all highly liquid investments with an original maturity of three months or less that has been set aside to redeem the Fund's outstanding bonds. On October 27, 2014, the County passed a resolution to use all available cash to redeem the bonds subsequent to year end.

The Fund's assets whose use is limited are included in bank accounts with those of the County which, at times, may exceed federally insured limits. As a fund of the County, the Facility's cash balances are covered by depository insurance at year-end or collateralized with securities held by the pledging financial institution, or its trust department or agent. All cash is held by the County (Note 10) and monies are transferred based on the Facility's need. The Fund has not experienced any losses in such accounts.

Operating Revenue and Expense - The Facility's statements of revenue, expenses, and change in net position distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Facility's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, bank demand deposit accounts, money market accounts, and all highly liquid investments with an original maturity of three months or less which, at times, may exceed federally insured limits. The Facility has not experienced any losses in such accounts. As a fund of the County, the Facility's cash balances are covered by depository insurance at year-end or collateralized with securities held by the pledging financial institution, or its trust department or agent.

Resident Accounts Receivable and Revenue

The Facility provides services to residents under agreements with third-party payors (primarily Medicare and Medicaid), whereby it is reimbursed under provisions of their respective reimbursement formulas. Final determination of the amounts earned is subject to review by third-party payors or their agents.

Net resident service revenue is reported at estimated net realizable amounts from residents, Medicaid, Medicare, and other third-party

payors for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and appeals. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and appeals. It is not possible to determine the extent of additional liabilities (or receivables) resulting from governmental audits conducted in subsequent years.

Laws and regulations governing reimbursement are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Income Taxes

The Facility is an enterprise fund of the County and is consequently exempt from Federal and state income taxes.

Capital Assets

Capital assets were stated at cost if purchased or at fair market value at date of donation. Major renewals and betterments greater than \$500 were capitalized at cost, while replacements and maintenance and repairs which did not improve or extend the lives of the respective assets were expensed. Depreciation and amortization was provided using the straight-line method over the estimated useful lives as established by the American Hospital Association, ranging from five (5) to forty (40) years.

The cost of capital assets retired or otherwise disposed of and their related accumulated depreciation were removed from the accounts.

Resident Funds Held in Trust

The Facility acted as a custodian for resident funds. The funds were expended at the direction of the residents for personal items. Transactions involving receipt and disbursement of resident funds are not included in the operating results of the Facility.

Compensated Absences

Liabilities for compensated absences such as vacation are recorded when vested and earned by the employees and payment is not dependent upon a future event. There are no accrued compensated absences as of December 31, 2014.

County Cost Allocation

The County incurs the costs of certain overhead services for the benefit of the Facility. The value of these services is allocated to the Facility based upon the County's Cost Allocation Plan. These costs are included in operating expenses on the statements of revenues, expenses, and change in net position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Risk Management

The Facility is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Facility participates in the County's commercial and self-insurance programs. The County's settled claims have not exceeded its commercial coverage in any of the three preceding years.

New Pronouncements

As of January 1, 2014, the Facility implemented GASB Statement No. 69, Government Combinations and Disposals of Government Operations. This statement clarifies and improves accounting and financial reporting for a disposal and transfer of operations. On July 1, 2014, the Facility was sold to Centers for Specialty Care Group, LLC (Centers), an unrelated party, for \$10,750,000. As part of the sale, the Facility transferred substantially all of its capital assets, inventory, and resident funds to Centers resulting in a net loss on sale of Facility of \$4,418,117. The Facility's operating revenue and expenses through July 1, 2014 is presented on the statements of revenue, expenses, and change in net position. Fund activity subsequent to July 1, 2014 primarily consisted of cash receipts for services rendered prior to the sale of the Facility and payment of liabilities that resulted from operating activities prior to the sale date.

RESIDENT ACCOUNTS RECEIVABLE

Resident accounts receivable consisted of the following at December 31, 2014:

Resident accounts receivable	\$	76,131
Allowance for doubtful accounts		<u>(-)</u>
	\$	<u>76,131</u>

B. NET RESIDENT SERVICE REVENUE

Concentrations

For the year ended December 31, 2014, aggregate revenue from the Medicaid and Medicare programs accounted for approximately 75% and 13%, respectively, of net resident service revenue.

For the year ended December 31, 2014, aggregate accounts receivable due from Medicaid and Medicare programs accounted for all of gross accounts receivable.

Intergovernmental Transfers

County-sponsored nursing homes in New York State receive additional Medicaid reimbursement known as Intergovernmental Transfer payments (IGT). Payments for this program are funded principally with local and federal funds. This provision results in a statewide rate enhancement to non-state operated public residential health care facilities for services provided. When estimable, IGT revenue is recorded when the Facility is entitled to receive it; otherwise, it is recorded on a cash basis. The Facility has recorded IGT revenue for the year ended December 31, 2014 of \$2,635,709.

New York State Cash Receipts Assessment

In April 2002, the State of New York approved a 6% assessment on nursing facilities' cash receipts, with the exception of Medicare cash receipts, to provide funding for workforce recruitment and retention awards authorized pursuant to Chapter 1 and subsequently amended by Chapter 82 of the Laws of 2002. Effective April 2012, the State of New York implemented an assessment decrease on nursing facilities' cash receipts from 7.2% to 7.0% and effective November 2012 this assessment further decreased to 6.8%.

A significant portion of this assessment is reimbursed to the Facility, at varying rates depending on payer, and is included in net resident service revenue.

Adjustment of Prior Years' Revenue, Net

Net resident service revenue is reported at estimated net realizable amounts from residents, Medicaid, Medicare, and other third-party payors for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and appeals. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audits, reviews, or appeals. For 2014, adjustments to previously recognized Medicaid revenue amounted to approximately \$48,000. The prior years' revenue amounts are related to Medicaid reimbursement system overhaul and miscellaneous adjustments.

C. GOVERNMENTAL PAYERS

Estimated Third-Party Settlements

The Facility has recorded an estimated net receivable due from third-party payors of \$578,193 at December 31, 2014, primarily for amounts due from Medicaid for projected increases in the Medicaid reimbursement rates resulting from the filing of a base year cost report, Medicaid reimbursement system overhaul, as well cash receipts assessment reconciliations. It is at least reasonably possible that the amount recorded will differ materially from the actual amount to be paid in the near term.

The U.S. healthcare industry has become the subject of increased scrutiny by both federal and state governmental payers with respect to reimbursements providers have received for service provisions. Specific areas for review by the governmental payers and their investigative personnel include appropriate billing practices, reimbursement maximization strategies, technical regulatory compliance, etc. The stated purpose for these reviews is to recover reimbursements which the payers believe may have been inappropriate. While no outstanding regulatory inquiries exist at December 31, 2013 for the Facility that in the opinion of management would be material to its financial position or results of operations, compliance with these laws and regulations is subject to future interpretation, or actions.

Medicaid and Medicare reimbursed rates are subject to audit and retroactive rate adjustments by the New York State DOH and CMS. Estimated third-party settlements are included in the financial statements based upon the information available at year end. However, as described above, it is at least reasonably possible that those estimates will change during 2015 and future years as more information becomes

available. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near-term.

The Facility is required to prepare and file various reports of actual and allowable costs annually. Provisions have been made in the financial statements for prior and current years' estimated final settlements. The difference between the amount provided and the actual final settlement is recorded as an adjustment of prior years' revenue in the year the final settlement is determined.

Regulatory Environment

The Facility is responsible to report to various third-parties/regulators, including the Center for Medicare and Medicaid Services, the New York State Department of Health (DOH), the New York State Office of Attorney General and the Internal Revenue Service.

Each of these third-parties has the ability to conduct audits, reviews, surveys and/or other investigations related to financial, operating and compliance matters. The Facility is subject to operational and compliance surveys by the DOH on a regular basis.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Buildings	\$ 10,130,094	\$ -	\$ (10,130,094)	\$ -
Fixed equipment	7,109,696	-	(7,109,696)	-
Land improvements	1,060,280	-	(1,060,280)	-
Moveable equipment	<u>1,834,665</u>	<u>1,778</u>	<u>(1,836,443)</u>	<u>-</u>
Total depreciable capital assets	<u>20,134,735</u>	<u>1,778</u>	<u>(20,136,513)</u>	<u>-</u>
Total capital assets	<u>20,134,735</u>	<u>1,778</u>	<u>(20,136,513)</u>	<u>-</u>
Less: Accumulated depreciation:				
Buildings	1,397,800	126,905	(1,524,705)	-
Fixed equipment	2,181,794	190,169	(2,371,963)	-
Land improvements	233,835	21,062	(254,897)	-
Moveable equipment	<u>1,062,444</u>	<u>61,763</u>	<u>(1,124,207)</u>	<u>-</u>
	<u>4,875,873</u>	<u>399,899</u>	<u>(5,275,772)</u>	<u>-</u>
Capital assets, net	<u>\$ 15,258,862</u>	<u>\$ (398,121)</u>	<u>\$ 14,860,741</u>	<u>\$ -</u>

Depreciation expense was \$399,899 for the year ended December 31, 2014.

E. BONDS PAYABLE

In 2004 the Facility received authorization from the New York State Department of Health to construct a new health care facility. On August 15, 2005, the County, on behalf of the Facility, issued \$19,710,000 public improvement serial bonds to finance the construction of the new facility. The Facility's bonds payable consist of Public Improvement Serial Bonds, payable in annual principal installments through August 15, 2025. Interest is payable in semi-annual installments through August 15, 2025. Interest is charged at 4% through 2019, 4.125% for the year 2020 and 4.250% for the years 2021 through 2025. Bonds payable totaled \$12,830,000 at December 31, 2014.

The bonds are general obligations of the County collateralized by all taxable real property within the County subject to ad valorem taxes to pay the bonds and interest thereon, without limitation as to the rate or amount.

On February 13, 2015, the balance of the bonds was redeemed including \$12,830,000 in principal and \$265,513 in interest.

Long-term debt relating to the Facility consisted of the following at December 31, 2014:

	Beginning Balance <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Due Within <u>One Year</u>	Long-term Portion <u>2014</u>
Public improvement serial bonds, principal and interest at rates ranging from 4.0% to 4.25% due in 2015.	\$ 13,738,400	\$ _____	\$ (908,400)	\$ (12,830,000)	\$ _____

F. RELATED PARTY TRANSACTIONS

The Facility's cash is combined and deposited with the County's cash and invested in accordance with the provisions of applicable New York State (the State) statutes. The County also has its own written investment policy. The County deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts or certificates of deposit issued by FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and its agencies, repurchase agreements, and obligations of the State. In accordance with existing policies, repurchase agreements are only entered into with banks or trust companies located within the State or with registered and primary reporting dealers in government securities. Underlying securities for repurchase transactions

must be only obligations fully insured and guaranteed by the federal government.

Collateral is required for deposits and certificates of deposit in an amount equal to or greater than the amount of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Cash recorded by the Facility is combined with cash recorded by the County in determining amounts covered by Federal Depository Insurance or by collateral held by the County's agent in the County's name. The Commissioner of Finance is responsible for ensuring the deposits are properly collateralized. As of December 31, 2014 the County deposits were adequately collateralized.

The County incurs the cost of certain services for the benefit of the Facility. Accordingly, the amounts are reflected as costs of the Facility with a subsidy from the County to cover the related costs. These costs are as follows for the year ended December 31, 2014:

Clerk of the Board, purchasing, risk management and accounting departments	\$ 74,506
Data processing	81,816
Personnel	41,960
County Finance office	45,854
County Administrator	<u>24,006</u>
	<u>\$ 268,142</u>

V. STEUBEN TOBACCO ASSET SECURITIZATION CORPORATION

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization -

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

County and, accordingly, is included in the County's basic financial statements as a blended component unit.

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Net Position

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

Unrestricted net position is the residual net position that is not restricted, but which may be internally designated by the Board of Directors. At December 31, 2014, the amount of unrestricted net position was (\$33.2) million, of which none was internally designated.

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

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

Fund Balance

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

- **Nonspendable Fund Balances** - These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **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 Corporation has \$1,761,539 of restricted fund balance for debt service at December 31, 2014.
- **Committed Fund Balances** - These are amounts that can be used only for specific purposes determined by a formal action of the Board of Directors prior to year-end. The Board of Directors is the highest level of decision-making authority for the Corporation. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.
- **Assigned Fund Balances** - These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board of Directors makes a determination of the assigned amounts of fund balance.
- **Unassigned Fund Balances** - These are all other spendable amounts.

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

Cash and Cash Equivalents

The Corporation considers bank deposit accounts and all highly liquid debt instruments with remaining maturities, when purchased, of 12 months or less to be cash equivalents and these are stated at cost, which approximates fair value. The Corporation maintains a liquidity reserve account, which was initially funded from the Series 2000 bond proceeds and has been increased by funds from the Series 2005 bonds. This account must be maintained at a minimum of \$1,725,625 until such time that all bonds, other than subordinated bonds, are paid. All amounts withdrawn from this account are replenished, as needed, and amounts in excess of the required amount are transferred out. This account is included in restricted cash and cash equivalents on the

balance sheet. At December 31, 2014, the balance in the liquidity reserve account was \$1,761,539.

Bond Discount

The Corporation recognizes original issue discounts fully in the year of issuance for the governmental fund statements. These costs are amortized over the term of the related bonds for the government-wide financial statements as additional interest expense. The Corporation recognizes all interest paid as interest expenditures on the modified accrual basis for the governmental fund statements and all interest incurred as expenses on the full accrual basis for the government-wide financial statements. Bond discount expense was \$33,606 for the year ended December 31, 2014. Accumulated amortization on bond discounts was \$302,454 for the year ended December 31, 2014.

Accounts Receivable

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

Deferred Outflow

Unearned revenue represents amounts earned under the modified accrual basis of accounting used in the Debt Service Fund, but not meeting the definition of available for use.

Income Taxes

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

Estimates

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

C. DEPOSITS AND INVESTMENTS

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Corporation's investment and deposit policy follows the eligible investment defined in the indenture. The Corporation has not established a formal policy, but generally adheres to the following guidelines:

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

Custodial Credit Risk - Deposits

Custodial credit risk - deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its

deposits. In accordance with the Corporation's informs investment and deposit policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits. The Corporation restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank;
- Obligations partially insured or guaranteed by any agency of the United States of America;
- Obligations issued or fully insured or guaranteed by the State of New York;
- Obligations issued by a municipal corporation, school district or district corporation of New York State;
- Obligations of any public benefit corporation, which under a specific State statute may be accepted as security for deposit of public monies;
- Obligations issued by states (other than the State of New York) of the United States rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO);
- Obligations of Puerto Rico rated in the highest rating category by at least one NRSRO;
- Obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the two highest categories by at least one NRSRO;
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one NRSRO;
- Zero coupon obligations of the United States of America marketed as "treasury strips;"
- Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies; and
- Commercial paper and bankers' acceptances issued by a bank, other than the Corporation's bank, rated in the highest short term category by at least one NRSRO and having maturities of no longer than 60 days from the date they are pledged;

As of December 31, 2014, the carrying amount of the Corporation's cash and cash equivalents was \$99,778, and was fully insured under the FDIA.

Custodial Credit Risk - Investments

Custodial credit risk - investments is the risk that an entity will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Corporation's informs investment and deposit policy requires that all custodial investments be registered or insured in the

Corporation's name and held in the custody of the bank or the bank's trust department. The Corporation requires that all repurchase agreements be limited to obligations of the United States of America or obligations whose principal and interest are fully guaranteed, or insured by the United States of America. As of December 31, 2013, the Corporation's investments, with maturities of less than one year, were in compliance with the investment and deposit policy as follows:

Money market fund (U.S. Treasuries)	<u>\$ 1,761,539</u>
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Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. At December 31, 2014, all amounts were held by one bank.

The Corporation had the following reserve funds as of December 31, 2013:

Investments

Liquidity reserve	\$ 1,726,114
Collection account	451
Debt service reserve	7,767
Turbo redemption account	712
Bond issuance and rebate cost reserve	<u>26,495</u>
Total	<u>\$ 1,761,539</u>

These amounts are restricted by law for debt service.

D. BONDS PAYABLE

The Corporation issued \$28,623,950 of Series 2005 Trust IV Tobacco Asset-Backed bonds in August 2005 and \$3,323,840 in Series 2005 Trust V Tobacco Asset-Backed bonds in November 2005. The Series 2005 bonds are secured by a perfected security interest in, and pledge of, the Trust Estate, as defined in the Indenture, which includes, among other things, the TSRs and all investment earnings on amounts on deposit in the accounts established under the Indenture (collectively, the Collections). Among the accounts so established are the Liquidity Reserve Account and the Debt Service Account. The Corporation retains TSRs in an amount sufficient to service its debt and pay its operating expenses.

The Series 2005 bonds are payable solely from and secured solely by the future right, title and interest of the Corporation in the collection of TSRs previously purchased by the Corporation from the County. This series consists of subordinate turbo capital appreciation bonds that provide long-dated financing for the Corporation and take advantage of

current market conditions where interest rates are low, investors have a favorable view of litigation events and where institutional investors are looking for high yield investments. The Corporation is required to covenant not to issue additional bonds or refunding bonds that would extend the term of the capital appreciation bonds or other outstanding bonds.

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

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

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

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

In 2005, the Corporation entered into a forward purchase contract for the issuance of Tobacco Settlement Asset-Backed Bonds, Series 2010A Bonds (Tax Exempt Turbo Term Bonds) to be in an amount equal to the amount of Series 2005C Bonds outstanding on the date of issuance of the Series 2010A Bonds. The Series 2005C Bonds were replaced by the Series 2010A Bonds on June 1, 2010 with a maturity date of June 1, 2041 and an interest rate of 6.25%.

The Series 2010 Bonds are composed of the following:

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

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

Balance - beginning of year	\$ 30,437,790
Repayments of bonds	<u>(275,000)</u>
Balance - end of year	\$ 30,162,790
Add: Accretion of capital appreciation bonds	5,101,827
Less: Bond discount	<u>(526,186)</u>
Total	<u>\$ 34,738,431</u>
Required payments due within one year	\$ 220,000

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

	Principal	Interest/ Accretion	Total
2015	\$ 220,000	\$ 2,046,012	\$ 2,266,012
2016	220,000	2,189,972	2,409,972
2017	225,000	2,234,971	2,459,971
2018	375,000	2,277,761	2,652,761
2019	465,000	2,335,898	2,800,898
2020 - 2024	1,400,000	12,814,631	14,214,631
2025 - 2029	3,000,000	14,840,897	17,840,897
2030 - 2034	4,130,000	17,753,587	21,883,587
2035 - 2039	5,660,000	22,262,815	27,922,815
2040 - 2044	7,235,000	29,179,565	36,414,565
2045 - 2049	1,630,000	40,211,417	41,841,417
2050 - 2054	1,090,190	53,701,340	54,791,530
2055 - 2059	1,188,760	68,787,535	69,976,295
2060	<u>3,323,840</u>	<u>8,347,170</u>	<u>11,671,010</u>
	\$ 30,162,790	\$ 278,983,571	\$ 309,146,361

Bonds payable as recorded on the Statement of Net Position is the following as of December 31, 2014:

	Bond Principal	Bond Discount	Bond Accretion	Total
Beginning balance, 1/1/14	\$ 30,437,790	\$ (559,792)	\$ 4,370,230	\$ 34,248,228
Principal payment	(275,000)	-	-	(275,000)
Amortization	-	33,606	-	33,606
Accretion	<u>-</u>	<u>-</u>	<u>731,597</u>	<u>731,597</u>
Ending balance, 12/31/14	\$ 30,162,790	\$ (526,186)	\$ 5,101,827	\$ 34,738,431

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

Under the terms of the Indenture, the Corporation is required to maintain certain deposits to fund debt service payments, if needed. Such deposits are included in investments in the basic financial statements. In addition, the Corporation is subject to various debt covenants, including limitations on expenses/expenditures, and compliance with Indenture agreement requirements. The Corporation was in compliance with all covenants and Indenture agreement requirements at December 31, 2014.

A principal payment in the amount of \$275,000 was made during 2014 in accordance with the Series 2005 bonds.

Interest

Interest expense on bonds payable was \$2,085,547 in 2013 and cash paid for interest was \$1,365,400. Cash paid for interest in 2014 was \$1,355,050.

E. CONTINGENCIES

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

F. NET POSITION

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

G. RELATED PARTY

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

VI. JOINT VENTURES

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

Southern Tier Central Regional Planning and Development Board (the Board) – The Counties of Steuben, Chemung and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that the participants' share of the cost shall be prorated as agreed upon by the member counties. In 2014, the County of Steuben contributed \$85,000. Audited financial statements for the Board may be obtained from the Administrative Offices of the Board located at 8 Denison Parkway East, Suite 310, Corning, NY 14830.

Corning Community College Region (the College) – The County became a co-sponsor of the Corning Community College region pursuant to a resolution of the County Legislature adopted on December 17, 1984. As a result, the County assumed joint sponsorship with the counties of Chemung and Schuyler. The College had formerly been sponsored by the Corning City School District. Three persons appointed by the Steuben County Legislature represent the County on the Regional Board of Trustees. In 2014, Steuben County expended \$3,374,454 in residential tuition, which was based on capital and operating costs. Separate financial statements for the College may be obtained by contacting the administrative office of Corning Community College, 1 Academic Drive, Corning, NY 14830-3297.

VII. SUBSEQUENT EVENTS

The \$25,000 Bond Anticipation Note was paid on March 27, 2015.

In February 2015 all remaining outstanding bonds payable related to the construction of the Health Care Facility were called and redeemed by the County. The bond principal of \$12,830,000 was paid in addition to the February 2015 interest amount of \$265,512.

In February 2015 \$3,535,000 Public Improvement Refunding (Serial) Bonds were issued. The proceeds from this bond issue are being held until July 2015 by BNY Mellon, as Trustee, for the purpose of calling the remaining 2006 bonds issued to construct the Jail Facility. At the point that the 2006 bonds become callable in 2015 the remaining principal balance will be \$3,780,000. The County will realize a savings of approximately \$274,000 as a result of the bond refunding transactions. Listed below are the sources and uses of the 2015 bond issue.

Sources:	Par Amount of the Refunding Bonds	\$3,535,000.00
	Original Issue Premium	<u>380,995.85</u>
	Total	\$3,915,995.85
Uses:	Deposit to Escrow Fund	\$3,850,562.74
	Costs of Issuance and Contingency	53,795.61
	Underwriter's Discount	<u>11,637.50</u>
	Total	\$ 3,915,995.85

Financial Section

Required Supplementary Information

STEBEN COUNTY, NY
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund
Year Ended December 31, 2014

	BUDGET		Expenditures Budgetary Basis		Variance with Modified Budget
	Original	Modified	Actual	Encumbrances	Positive (Negative)
REVENUE					
Real property taxes	\$ 25,178,838	\$ 25,178,838	\$ 25,293,775	\$ -	\$ 114,937
Real property tax items	3,683,450	3,683,450	3,872,964	-	189,514
Non-property tax items	47,315,605	47,317,605	49,875,660	-	2,558,055
Departmental income	13,709,396	14,242,400	13,641,212	-	(601,188)
Intergovernmental services revenue	1,933,123	1,897,023	1,899,507	-	2,484
Use of money and property	2,464,700	2,464,700	2,323,669	-	(141,031)
Licenses and permits	2,000	2,000	860	-	(1,140)
Fines and forfeitures	269,274	269,274	224,938	-	(44,336)
Sale of property/compensation for loss	51,562	51,562	310,464	-	258,902
Miscellaneous local sources	479,693	503,996	828,698	-	324,702
Interfund revenues	1,631,939	1,631,939	1,469,927	-	(162,012)
State aid	17,794,208	18,356,431	16,670,846	-	(1,685,585)
Federal aid	21,872,838	22,365,247	20,991,639	-	(1,373,608)
TOTAL REVENUE	136,386,626	137,964,465	137,404,159	-	(560,306)
EXPENDITURES					
General government	27,213,799	27,746,233	25,115,915	79,230	2,551,088
Education	9,158,000	9,133,000	8,244,763	-	888,237
Public safety	19,023,780	20,253,298	19,463,927	28,178	761,193
Health	14,267,216	15,196,968	13,230,209	28,259	1,938,500
Transportation	769,100	507,937	374,845	-	133,092
Economic assistance and opportunity	67,629,225	66,482,085	62,846,299	28,496	3,607,290
Culture and recreation	620,206	660,685	619,124	-	41,561
Home and community services	1,275,262	1,350,405	1,035,519	-	314,886
Debt service	706,875	706,875	707,488	-	(613)
TOTAL EXPENDITURES	140,663,463	142,037,486	131,638,089	164,163	10,235,234
Excess (Deficiency) Revenues Over Expenditures	(4,276,837)	(4,073,021)	5,766,070	(164,163)	9,674,928
Transfers In	-	627	627	-	-
Transfers Out	(508,332)	(790,787)	(746,825)	-	43,962
Total Other Financing Sources (Uses)	(508,332)	(790,160)	(746,198)	-	43,962
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	\$ (4,785,169)	\$ (4,863,181)	5,019,872	\$ (164,163)	\$ 9,718,890
FUND BALANCE - BEGINNING OF YEAR			68,549,920		
FUND BALANCE - END OF YEAR			\$ 73,569,792		

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

Note: Budgetary basis is the same as GAAP except that outstanding encumbrances are treated as expenditures on this schedule.

STEUBEN COUNTY, NY
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual
COUNTY ROAD FUND
Year Ended December 31, 2014

	Budget		Expenditures Budgetary Basis		Variance with Modified Budget
	Original	Modified	Actual	Encumbrances	Positive (Negative)
REVENUE					
Real Property Taxes	\$ 15,228,305	\$ 15,228,305	\$ 15,228,305	\$ -	\$ -
Intergovernmental Charges	396,000	437,996	360,308	-	(77,688)
Use of Money & Property	5,000	5,000	1,633	-	(3,367)
Sale of Property/Compensation for Loss	111,000	111,000	199,345	-	88,345
Miscellaneous Local Sources	4,000	4,000	29,971	-	25,971
State & Federal Aid	4,429,818	4,883,546	4,883,547	-	1
TOTAL REVENUE	20,174,123	20,669,847	20,703,109	-	33,262
EXPENDITURES					
Transportation	21,289,123	22,174,009	21,446,077	173,096	554,836
TOTAL EXPENDITURES	21,289,123	22,174,009	21,446,077	173,096	554,836
Excess (Deficiency) Revenues Over Expenditures	(1,115,000)	(1,504,162)	(742,968)	(173,096)	588,098
Transfers In	-	144,868	144,868	-	-
Transfers Out	(115,000)	(115,000)	(115,000)	-	-
Total Other Financing Sources (Uses)	(115,000)	29,868	29,868	-	-
Excess (Deficiency) Revenues and Other Sources Over Expenditures and Other Uses	\$ (1,230,000)	\$ (1,474,294)	(713,100)	\$ (173,096)	\$ 588,098
FUND BALANCE-BEGINNING OF YEAR			1,732,877		
FUND BALANCE-END OF YEAR			\$ 1,019,777		

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

Note: Budgetary basis is the same as GAAP except that outstanding encumbrances are treated as expenditures on this schedule.

Financial Section

Combining Fund Statements & Schedules

STEUBEN COUNTY, NY
Combining Balance Sheet
Non-Major Governmental Funds
As of December 31, 2014

	<u>Economic Development</u>	<u>Road Machinery</u>	<u>Capital Projects</u>	<u>Steuben Tobacco Asset Securitization</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS					
Cash, Cash Equivalents and Investments	\$ 813,306	\$ 1,708,218	\$ 3,061,741	\$ 99,778	\$ 5,683,043
Other Receivables	-	-	-	1,519,462	1,519,462
Due From Other Governments	-	75,312	-	-	75,312
State & Federal Receivables	-	-	27,830	-	27,830
Assets whose use is limited	-	-	-	1,761,539	1,761,539
TOTAL ASSETS	<u>\$ 813,306</u>	<u>\$ 1,783,530</u>	<u>\$ 3,089,571</u>	<u>\$ 3,380,779</u>	<u>\$ 9,067,186</u>
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts Payable	\$ -	\$ 199,428	\$ 66,132	\$ -	\$ 265,560
Accrued Liabilities	-	36,657	-	-	36,657
Due to Other Funds	-	67,978	-	-	67,978
TOTAL LIABILITIES	<u>-</u>	<u>304,063</u>	<u>66,132</u>	<u>-</u>	<u>370,195</u>
DEFERRED INFLOW OF RESOURCES					
Tobacco settlement revenue	-	-	-	1,519,462	1,519,462
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,519,462</u>	<u>1,519,462</u>
FUND BALANCES					
Restricted	-	-	3,023,439	1,761,539	4,784,978
Assigned	813,306	1,479,467	-	99,778	2,392,551
TOTAL FUND BALANCES	<u>813,306</u>	<u>1,479,467</u>	<u>3,023,439</u>	<u>1,861,317</u>	<u>7,177,529</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 813,306</u>	<u>\$ 1,783,530</u>	<u>\$ 3,089,571</u>	<u>\$ 3,380,779</u>	<u>\$ 9,067,186</u>

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

STEUBEN COUNTY, NY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended December 31, 2014

	Economic Development	Road Machinery	Capital Projects	Steuben Tobacco Asset Securitization	Total Non-Major Governmental Funds
Revenues:					
Real property taxes	\$ -	\$ 796,614	\$ -	\$ -	\$ 796,614
Intergovernmental services revenue	-	24,882	87,962	-	112,844
Use of money and property	509	21,753	1,919	14	24,195
Sale of property and compensation for losses	-	-	2,311	-	2,311
Tobacco settlement revenues	-	-	-	1,674,202	1,674,202
Miscellaneous	93,398	-	29,126	-	122,524
Interfund revenues	-	2,888,611	-	-	2,888,611
State aid	269,725	-	732,387	-	1,002,112
Federal aid	-	-	132,254	-	132,254
Total revenues	363,632	3,731,860	985,959	1,674,216	6,755,667
Expenditures:					
Current:					
General government	-	-	-	29,890	29,890
Transportation	-	3,895,464	-	-	3,895,464
Home and community services	155,000	-	-	-	155,000
Capital Outlay:					
General government	-	-	814,766	-	814,766
Public safety	-	-	1,254,662	-	1,254,662
Transportation	-	-	189,465	-	189,465
Culture and recreation	-	-	4,293	-	4,293
Home and community services	-	-	62,270	-	62,270
Debt Service:					
Principal	-	175,000	-	275,000	450,000
Interest	-	3,403	-	1,355,050	1,358,453
Total expenditures	155,000	4,073,867	2,325,456	1,659,940	8,214,263
Excess (deficiency) of revenues over expenditures	208,632	(342,007)	(1,339,497)	14,276	(1,458,596)
Other financing sources (uses):					
Transfers in	-	-	904,025	-	904,025
Transfers out	(35,000)	(90,543)	(62,152)	-	(187,695)
Total other financing sources (uses)	(35,000)	(90,543)	841,873	-	716,330
Net change in fund balance	173,632	(432,550)	(497,624)	14,276	(742,266)
Fund Balance - Beginning of Year	639,674	1,912,017	3,521,063	1,847,041	7,919,795
Fund Balance - End of Year	\$ 813,306	\$ 1,479,467	\$ 3,023,439	\$ 1,861,317	\$ 7,177,529

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

STEUBEN COUNTY, NY
Combining Balance Sheet
Private Purpose Trust Funds
As of December 31, 2014

	Fairview Cemetery	County Jail Inmate Fund	Total Private Purpose Trust Funds
ASSETS:			
Cash and cash equivalents	\$ 1,000	\$ 172,315	\$ 173,315
TOTAL ASSETS	\$ 1,000	\$ 172,315	\$ 173,315
NET POSITION			
Held in trust for other purposes	1,000	172,315	173,315
TOTAL NET POSITION	\$ 1,000	\$ 172,315	\$ 173,315

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

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended December 31, 2014

	<u>Fairview Cemetery</u>	<u>County Jail Inmate Fund</u>	<u>Total Private Purpose Trust Funds</u>
ADDITIONS:			
Interest earnings	\$ 4	\$ -	\$ 4
Other revenue	-	44,484	44,484
TOTAL ADDITIONS	<u>4</u>	<u>44,484</u>	<u>44,488</u>
DEDUCTIONS:			
Home and community services	4	-	4
Public safety	-	24,841	24,841
TOTAL DEDUCTIONS	<u>4</u>	<u>24,841</u>	<u>24,845</u>
CHANGE IN NET POSITION	-	19,643	19,643
Net Position - Beginning of Year	1,000	152,672	153,672
Net Position - End of Year	<u>\$ 1,000</u>	<u>\$ 172,315</u>	<u>\$ 173,315</u>

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

Financial Section

**Independent Auditor's Report on Internal Control Over Financial
and Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

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

July 2, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Steuben, New York (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 2, 2015. Our report includes a reference to another auditor who audited the financial statements of the Steuben County Industrial Development Agency, as described in our report on the County's financial statements. This report does not include the results of another auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

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

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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