

COUNTY OF CAYUGA

Auburn, New York

FINANCIAL REPORT

December 31, 2017



COUNTY OF CAYUGA

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COUNTY OF CAYUGA

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INDEPENDENT AUDITOR’S REPORT

Honorable Patrick Mahunik, Chairman
 and Honorable Members of the County Legislature
 County of Cayuga
 Auburn, 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 Cayuga, New York (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the Table of Contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Cayuga Tobacco Asset Securitization Corporation (aggregate remaining fund information), Cayuga Community College, Cayuga County Industrial Development Agency or Cayuga County Development Corporation (discretely presented component units), which represent the percentages of the total assets, net position/fund balance, and total revenues of the following opinion units as follows:

	<u>Total Assets</u>	<u>Total Net Position/ Fund Balance</u>	<u>Total Revenues</u>
Governmental activities	2%	8%	1%
Aggregate remaining fund information	20%	25%	8%
Aggregate discretely presented business-type component units	73%	65%	95%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Cayuga County Development Corporation were not audited in accordance with *Government Auditing Standards*. 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.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cayuga, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of County's Contributions - NYSLRS Pension Plan, Schedule of County's Proportionate Share of the Net Pension Liability - NYSLRS Pension Plan, Budgetary Comparison Schedule, Schedule of Funding Progress, and the related notes to the required supplementary information on pages 4-4k, and 59-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 non-major fund financial statements and the Schedule of Expenditures of Federal Awards 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 August 2, 2018, on our consideration of the County of Cayuga'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 of Cayuga's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
August 2, 2018

COUNTY OF CAYUGA

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

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

FINANCIAL HIGHLIGHTS

- Liabilities and deferred inflows of resources of the County's governmental activities exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$(33,770,166) (net deficit). The deficit is primarily attributable to the County's liabilities for other post-employment benefits (OPEB) of \$75,477,045.
- The County's net position of governmental activities decreased by \$(5,759,068), or (20.56)%, primarily due to increases in noncurrent liabilities, including OPEB of \$6,332,135.
- The County's business-type activities, which consist of the County's Health Insurance Consortium, reported net position of \$11,683,915 at 12/31/17, a decrease of \$988,966. Net position consisted of \$3,773,758 in unrestricted reserves and \$7,910,157 in remaining unrestricted net position.
- The General Fund recorded an increase of \$3,170,947 in 2017 and ended the year with a fund balance of \$29,609,394, which is within the County's fund balance policy described on page 25. Of this fund balance, \$18,903,839 was unassigned. This increase was primarily due to an increase in sales tax and the transfer of a receivable from the Capital Fund.
- The County's short-term and long-term debt at year end totaled \$60,840,555, a decrease of \$(3,225,776) from 2016. This decrease is primarily due to principal payments in accordance with debt amortization schedules.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 5-6a) provide information about the County as a whole and present a longer-term view of the County's finances. Governmental Fund financial statements start on page 7. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in greater detail than the Government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the Government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's General Fund budget for the year, a Schedule of Funding Progress related to the County's other postemployment benefits, a Schedule of County's Contributions related to pensions, and a Schedule of the County's Proportionate Share of Net Pension Liability.

COUNTY OF CAYUGA

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

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

Reporting the County as a Whole

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

These two statements report the County's net resources and changes in them. The County's net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources is one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating.

One needs to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

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

- **Governmental Activities:** Most of the County's services are reported in this category, including public safety, public health, economic assistance, transportation, and general administration. Property and sales taxes, and state and federal grants finance most of these activities.
- **Business-type Activities:** The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Cayuga County Health Consortium is reported here. Complete financial statements for the Consortium can be obtained from the County Treasurer's office.
- **Component Units:** The County includes seven separate legal entities in its report - Cayuga County Health Insurance Consortium (reported as a business-type activity), Cayuga Tobacco Asset Securitization Corporation (reported as a blended governmental fund), Cayuga County Soil and Water Conservation District, Cayuga County Water and Sewer Authority, Cayuga Community College, Cayuga County Industrial Development Agency and Cayuga County Development Corporation (discretely presented component units). Although legally separate, these component units are important because the County is financially accountable for them. Complete financial statements can be obtained from their administrative offices.

COUNTY OF CAYUGA

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

Reporting the County's Most Significant Funds

Fund Financial Statements

Analysis of the County's Major Funds begins on page 7. The Governmental Fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The County's three types of funds - Governmental, Fiduciary, and Proprietary - use different accounting approaches.

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

Proprietary Funds: When the County charges customers for the services it provides - whether to outside customers or to other units of the County - these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Cayuga County Health Insurance Consortium is reported as a Proprietary Fund.

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

THE COUNTY AS A WHOLE

Governmental Activities:

Net position may serve over time as a useful indicator of a government's financial position. As stated earlier, the primary cause of this decrease in net position is due to the growing liability associated with other postemployment benefits as well as the increase in the County's proportionate share of the NYSLRS net pension liability. The OPEB liability will continue to grow, as there is currently no legal mechanism for the County to fund it.

COUNTY OF CAYUGA

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

The largest portion of the County's net position of \$31,923,042 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net position of \$6,795,877, represents resources subject to external restrictions on how they may be used and is reported as restricted.

The remaining category of total net position is unrestricted net position (deficit) of \$(72,489,085), largely due to the liability for other postemployment benefits and County's proportionate share of the NYSLRS net pension liability of \$(75,477,045) and \$(12,502,938), respectively. Included in unrestricted net position is the County's appropriation of \$582,592 to fund the subsequent year's budget, funds committed for capital projects of \$610,616 and encumbrances of \$598,079. An additional \$1,454,684 has been designated for specific purposes, including claims, liabilities, and unemployment costs.

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

Figure 1 - Governmental Activities Net Position

	<i>Governmental Activities</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016-2017</i>	<i>2016-2017</i>
<i>Current assets</i>	\$ 49,274,138	\$ 42,043,788	\$ (7,230,350)	-14.67%
<i>Capital assets, net</i>	60,866,824	60,844,716	(22,108)	-0.04%
<i>Other noncurrent assets</i>	12,520,344	19,479,554	6,959,210	55.58%
<i>Total Assets</i>	122,661,306	122,368,058	(293,248)	-0.24%
<i>Pensions</i>	21,437,259	10,695,350	(10,741,909)	-50.11%
<i>Deferred charges on defeased debt</i>	290,711	250,079	(40,632)	-13.98%
<i>Total Deferred Outflows of Resources</i>	21,727,970	10,945,429	(10,782,541)	-49.63%
<i>Current liabilities</i>	16,312,837	18,691,886	2,379,049	14.58%
<i>Noncurrent liabilities</i>	151,848,755	144,753,712	(7,095,043)	-4.67%
<i>Total Liabilities</i>	168,161,592	163,445,598	(4,715,994)	-2.80%
<i>Pensions</i>	4,238,782	3,638,055	(600,727)	-14.17%
<i>Total Deferred Inflows of Resources</i>	4,238,782	3,638,055	(600,727)	-14.17%
<i>Net investment in capital assets</i>	29,645,323	31,923,042	2,277,719	7.68%
<i>Restricted</i>	3,220,976	6,795,877	3,574,901	110.99%
<i>Unrestricted</i>	(60,877,397)	(72,489,085)	(11,611,688)	19.07%
<i>Total Net Position (Deficit)</i>	\$ (28,011,098)	\$ (33,770,166)	\$ (5,759,068)	-20.56%

COUNTY OF CAYUGA

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

Current assets decreased and other non-current assets increased primarily due to the purchase of long-term certificates of deposit as well as creation of two capital reserves in the General Fund totaling \$4,000,000.

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

Current liabilities increased primarily due to an increase in the current portion of TASC bonds, as well as amounts due to other governments for the remittance of sales tax collected to municipalities within the County. Noncurrent liabilities decreased primarily due to the decrease in the County's proportionate share of the net pension liability and the repayment on long term debt, offset by increases in the liability for other post-employment benefits.

Net investment in capital assets increased due to payments of long-term debt used to finance capital acquisitions. Additionally, restricted net position increased due to the creation of two new capital reserves within the General Fund.

Our analysis in Figure 2 separately considers the operations of Governmental Activities.

Figure 2 - Changes in Net Position

	<i>Governmental Activities</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016-2017</i>	<i>2016 - 2017</i>
REVENUES				
<i>Program Revenues:</i>				
<i>Charges for services</i>	\$ 13,343,590	\$ 14,051,096	\$ 707,506	5.30%
<i>Operating grants</i>	33,428,825	34,537,100	1,108,275	3.32%
<i>Capital grants</i>	3,780,356	2,906,136	(874,220)	-23.13%
<i>General Revenues:</i>				
<i>Property taxes and tax items</i>	40,422,320	40,788,348	366,028	0.91%
<i>Sales and other taxes</i>	43,060,502	47,494,579	4,434,077	10.30%
<i>Tobacco settlement payments</i>	1,363,714	886,880	(476,834)	-34.97%
<i>Sale of property and compensation for loss</i>	229,659	(85,806)	(315,465)	-137.36%
<i>Use of money and property</i>	340,010	400,041	60,031	17.66%
<i>Other</i>	965,813	321,107	(644,706)	-66.75%
Total Revenues	\$ 136,934,789	\$ 141,299,481	\$ 4,364,692	3.19%
PROGRAM EXPENSES				
<i>General government</i>	\$ 38,053,644	\$ 40,329,409	\$ 2,275,765	5.98%
<i>Education</i>	5,817,961	5,769,454	(48,507)	-0.83%
<i>Public safety</i>	21,312,090	21,608,827	296,737	1.39%
<i>Public health</i>	11,013,542	12,377,201	1,363,659	12.38%
<i>Transportation</i>	13,784,537	15,525,908	1,741,371	12.63%
<i>Economic assistance and opportunity</i>	45,381,661	45,606,990	225,329	0.50%
<i>Culture and recreation</i>	1,171,129	1,341,619	170,490	14.56%
<i>Home and community services</i>	1,906,312	1,864,985	(41,327)	-2.17%
<i>Interest on debt</i>	2,775,946	2,634,156	(141,790)	-5.11%
Total Expenses	\$ 141,216,822	\$ 147,058,549	\$ 5,841,727	4.14%
CHANGE IN NET POSITION	\$ (4,282,033)	\$ (5,759,068)	\$ (1,477,035)	-34.49%

COUNTY OF CAYUGA

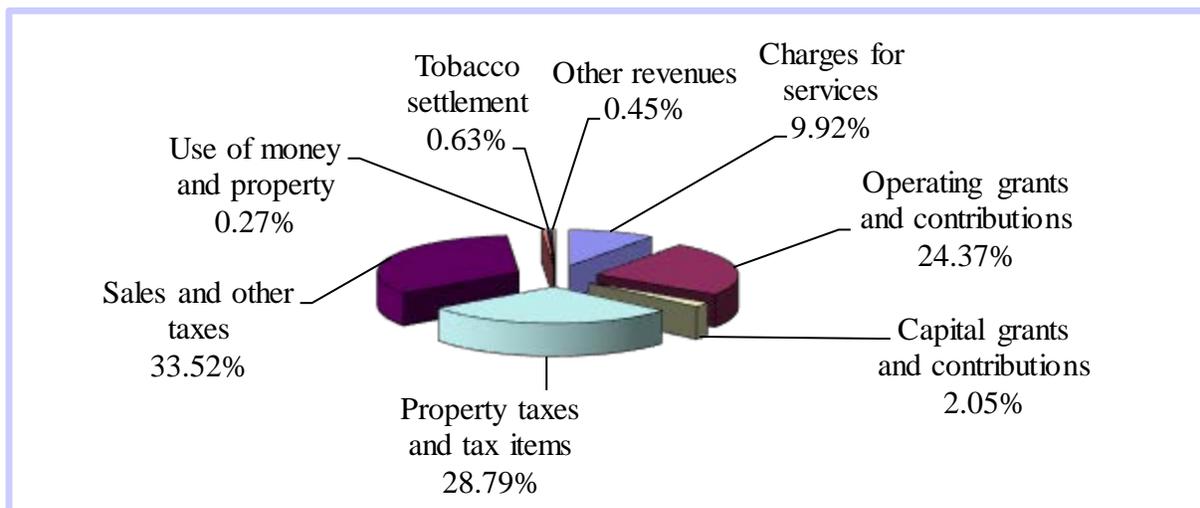
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The increase in revenues was primarily due to an increase in sales tax received of \$4,448,642.

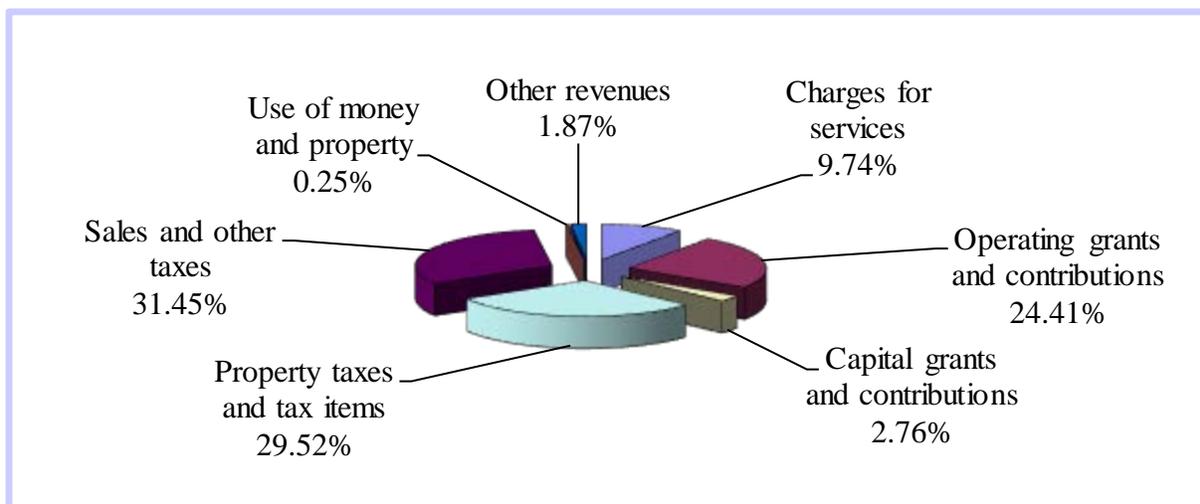
Expenses increased due to increases in the general government, public health and transportation functions. The increase in general governmental expense was due to excess sales tax received over the prior year, a portion of which is remitted to municipalities within the County. Increases in public health and transportation stem from an escalation of contractual mental health services and other post-employment benefits expense allocation to the functions.

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

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



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



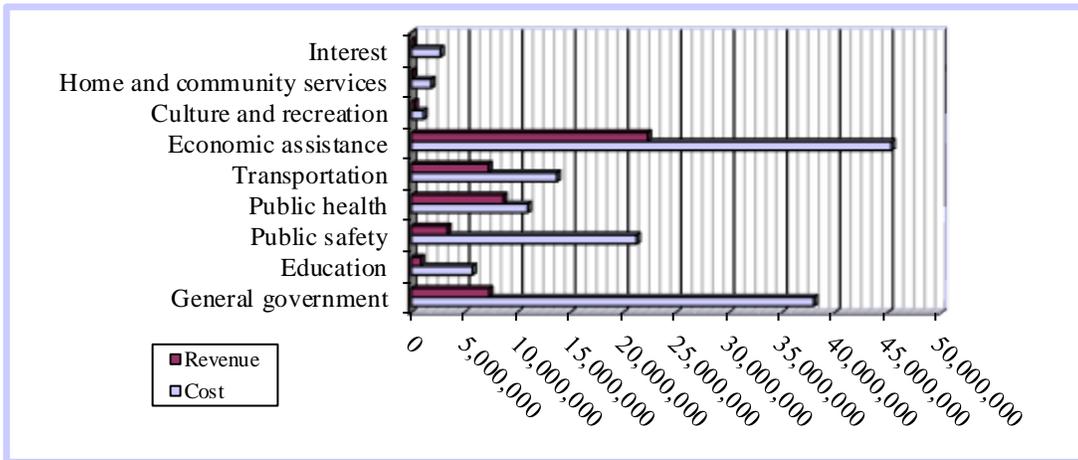
COUNTY OF CAYUGA

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

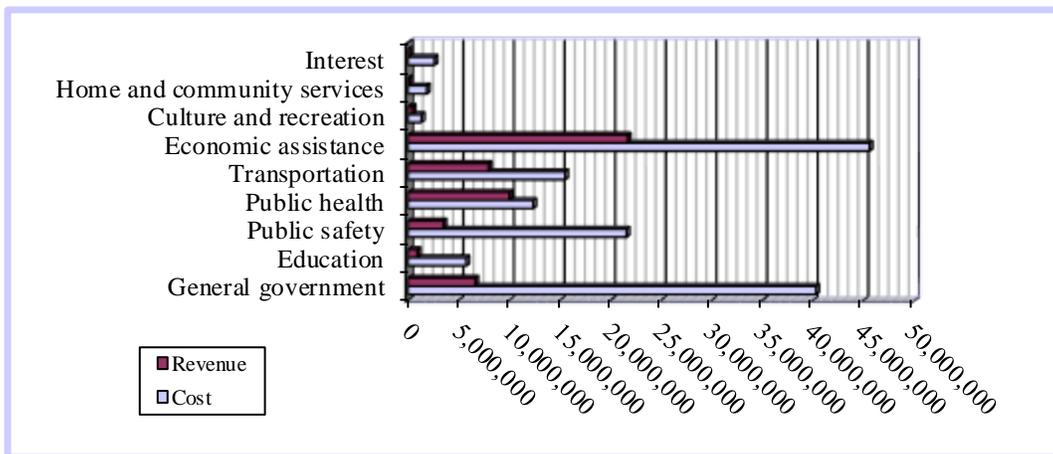
The cost of all Governmental Activities this year was \$147,058,549. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County property and other tax revenues was \$95,564,217, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues were \$51,494,332.

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

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



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



COUNTY OF CAYUGA

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

Business-type Activities

During the current fiscal year, the Consortium's total assets decreased based on a budgeted deficit designed to stabilize rates for members. A deficit exceeded the budgeted deficit because revenues were less than expected due to a reduction in enrollment and membership negotiated plan changes to lower premium plans during the 2017 plan year.

Figure 7 - Business-type Activities Net Position

	2016	2017	Dollar Change	Percent Change
<i>Current assets</i>	\$ 9,117,247	\$ 11,485,742	\$ 2,368,495	25.98%
<i>Noncurrent assets</i>	4,765,440	1,763,400	(3,002,040)	-63.00%
<i>Total Assets</i>	13,882,687	13,249,142	(633,545)	-4.56%
<i>Total Liabilities</i>	1,209,806	1,565,227	355,421	29.38%
<i>Net Position</i>	\$ 12,672,881	\$ 11,683,915	\$ (988,966)	-7.80%

Total operating and nonoperating revenues, as well as operating expenses increased from 2016, primarily due to the addition of the City of Auburn to the Cayuga County Health Insurance Consortium.

Figure 8 - Business-type Activities Changes in Net Position

	2016	2017	Dollar Change	Percent Change
<i>Operating revenues</i>	\$ 13,244,185	\$ 19,148,076	\$ 5,903,891	44.58%
<i>Nonoperating revenues</i>	43,711	62,203	18,492	42.31%
<i>Total Revenues</i>	13,287,896	19,210,279	5,922,383	44.57%
<i>Operating expenses</i>	14,872,328	20,199,245	5,326,917	35.82%
<i>(Decrease) in Net Position</i>	\$ (1,584,432)	\$ (988,966)	\$ 595,466	-37.58%

COUNTY OF CAYUGA

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

THE COUNTY'S FUNDS

At December 31, 2017, the County's Governmental Funds, are presented in the Balance Sheets on page 7.

Of the amounts below, \$3,369,226 was non-spendable, \$6,795,877 was restricted, \$610,616 was committed, and \$10,218,697 was assigned, leaving \$18,903,839 in unassigned fund balance. Figure 7 shows the changes in fund balance for the County's Governmental Funds.

*Figure 9 - Governmental Funds
Fund Balance at Years Ended*

	2016	2017	Dollar Change	Percent Change
<i>Major Funds:</i>				
<i>General Fund</i>	\$ 26,438,447	\$ 29,609,394	\$ 3,170,947	11.99%
<i>Non-Major Funds:</i>				
<i>Capital Fund</i>	2,166,179	239,887	(1,926,292)	-88.93%
<i>County Road Fund</i>	2,742,629	2,781,022	38,393	1.40%
<i>Special Grant Fund</i>	2,195,531	2,222,132	26,601	1.21%
<i>Road Machinery Fund</i>	1,559,406	1,592,168	32,762	2.10%
<i>Miscellaneous Special Revenue Fund</i>	720,768	853,853	133,085	18.46%
<i>CTASC Debt Service Fund</i>	2,692,118	2,599,781	(92,337)	-3.43%
Totals	\$ 38,515,078	\$ 39,898,237	\$ 1,383,159	3.59%

Fund balances of the County's major and non-major funds increased primarily due to an increase in fund balance of the General Fund offset by a decrease in Capital Fund balance. This change stemmed from the transfer of an outstanding receivable from Cayuga County Soil and Water Conservation District between the General and Capital Funds. Also contributing to the increase in General Fund was an increase in sales tax revenue.

General Fund Budgetary Highlights

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

COUNTY OF CAYUGA

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

**Figure 10 - Budgetary Comparison Schedule - General Fund
December 31, 2017**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Fav.(Unfav.)</i>
REVENUES				
<i>Real property taxes and tax items</i>	\$ 40,934,116	\$ 40,934,116	\$ 41,066,314	\$ 132,198
<i>Nonproperty tax items</i>	44,324,000	44,878,448	47,738,622	2,860,174
<i>Departmental income</i>	10,584,707	11,233,693	10,365,804	(867,889)
<i>Intergovernmental charges</i>	2,374,977	2,374,977	2,517,320	142,343
<i>Use of money and property</i>	308,490	308,490	384,341	75,851
<i>Licenses and permits</i>	15,000	15,000	17,843	2,843
<i>Fines and forfeitures</i>	165,005	165,005	142,036	(22,969)
<i>Sale of property and compensation for loss</i>	70,000	70,000	(12,515)	(82,515)
<i>Miscellaneous local sources</i>	131,150	156,150	(79,761)	(235,911)
<i>State sources</i>	15,970,462	18,519,563	17,164,262	(1,355,301)
<i>Federal sources</i>	12,432,080	14,351,128	12,430,319	(1,920,809)
<i>Interfund transfers in</i>	250,000	250,000	1,648,832	1,398,832
Total Revenues and Other Financing Sources	\$ 127,559,987	\$ 133,256,570	\$ 133,383,417	\$ 126,847
Appropriated Fund Balances	\$ 480,382	\$ 537,823		
EXPENDITURES				
<i>General government</i>	\$ 35,533,440	\$ 36,196,560	\$ 36,196,560	\$ -
<i>Education</i>	5,731,275	5,533,803	5,450,479	83,324
<i>Public safety</i>	18,465,013	18,814,630	18,107,926	706,704
<i>Public health</i>	10,391,341	11,982,226	10,887,363	1,094,863
<i>Transportation</i>	162,400	162,400	162,396	4
<i>Economic assistance and opportunity</i>	42,548,765	43,384,551	42,593,242	791,309
<i>Culture and recreation</i>	1,018,791	1,204,897	1,162,219	42,678
<i>Home and community services</i>	1,688,430	1,801,140	1,661,365	139,775
<i>Employee benefits</i>	456,631	2,301,479	2,246,657	54,822
<i>Debt Service</i>	4,931,933	4,931,933	4,919,895	12,038
<i>Interfund transfers out</i>	7,112,350	7,480,774	7,480,774	-
Total Expenditures and Other Financing Uses	\$ 128,040,369	\$ 133,794,393	\$ 130,868,876	\$ 2,925,517
<i>Excess of Revenues and Other Financing Uses</i>	\$ -	\$ -	\$ 2,514,541	\$ 3,052,364

COUNTY OF CAYUGA

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2017, the County had \$125,878,942, net of accumulated depreciation of \$(65,034,226), invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges.

Figure 11 - Capital Assets, Net of Depreciation

	<i>Governmental Activities</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016-2017</i>	<i>2016 - 2017</i>
<i>Land</i>	\$ 2,866,463	\$ 2,866,463	\$ -	0.00%
<i>Construction in progress</i>	5,789,360	7,887,109	2,097,749	36.23%
<i>Buildings and improvements</i>	44,128,395	42,212,082	(1,916,313)	-4.34%
<i>Equipment</i>	2,785,028	3,039,984	254,956	9.15%
<i>Infrastructure</i>	5,297,578	4,839,078	(458,500)	-8.65%
<i>Totals</i>	\$ 60,866,824	\$ 60,844,716	\$ (22,108)	-0.04%

Construction in progress	\$ 2,289,013
Buildings and building improvements	248,864
Machinery and equipment	1,273,072
Total Additions	3,810,949
Less reclassifications from construction in progress	(191,264)
Less depreciation expense	(3,544,418)
Less loss on disposal	(97,375)
Change in Capital Assets, Net of Accumulated Depreciation	\$ (22,108)

Debt Administration

The County's outstanding debt obligations are shown in Figure 12. Of the total indebtedness of the County, \$28,615,000 was subject to the constitutional debt limit and represented approximately 9.08% of the County's statutory debt limit. Tobacco settlement pass-through bonds are debt of the Cayuga Tobacco Asset Securitization Corporation (CTASC), under which the County's future tobacco settlement proceeds were securitized. The County is not responsible for this debt in the event the CTASC were to default on repayment of the bonds.

COUNTY OF CAYUGA

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

Figure 12 - Outstanding Debt at Years Ended

	<i>Governmental Activities</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016 - 2017</i>	<i>2016 - 2017</i>
<i>Serial bonds</i>	\$ 31,512,212	\$ 29,171,753	\$ (2,340,459)	-7.43%
<i>Tobacco settlement pass through bonds</i>	25,098,481	25,889,686	791,205	3.15%
<i>Certificates of participation - Hospital</i>	6,350,000	4,735,000	(1,615,000)	-25.43%
<i>Installment purchase</i>	1,105,638	1,044,116	(61,522)	-5.56%
<i>Totals</i>	\$ 64,066,331	\$ 60,840,555	\$ (3,225,776)	-5.04%

The County continues to maintain excellent financial credit as reflected by a Moody's bond rating of A1. More detailed information about the County's outstanding debt is presented in Note 13 to the basic financial statements.

ECONOMIC FACTORS

Other than a slight decrease in the unemployment rate, there have been no significant changes in economic factors that would affect the County either negatively or positively.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact the Office of the Cayuga County Treasurer, 160 Genesee Street, 5th Floor, Auburn, New York 13021.

COUNTY OF CAYUGA

STATEMENT OF NET POSITION DECEMBER 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental	Business-type
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 12,762,257	\$ 3,002,164	\$ 15,764,421	\$ 357,803	\$ 7,029,434
Restricted cash and cash equivalents	-	-	-	1,357,018	226,440
Investments	-	4,658,677	4,658,677	-	-
Restricted investments	-	3,773,758	3,773,758	-	14,115,517
Taxes receivable, net	8,446,231	-	8,446,231	-	-
Other receivables, net	1,556,352	51,143	1,607,495	38,582	2,340,463
Due from state and federal governments	14,770,705	-	14,770,705	61,967	558,611
Due from other governments	102,280	-	102,280	-	1,588,164
Loans and notes receivable, current portion	1,814,974	-	1,814,974	-	12,533
Internal balances	-	-	-	342,798	(342,798)
Due from Cayuga Community College	391,763	-	391,763	-	(391,763)
Due from Cayuga County Soil and Water Conservation District, current portion	55,000	-	55,000	-	(55,000)
Prepaid expenses	2,144,226	-	2,144,226	-	371,814
Total Current Assets	42,043,788	11,485,742	53,529,530	2,158,168	25,453,415
Noncurrent Assets					
Restricted cash and cash equivalents	5,705,877	-	5,705,877	-	432,193
Investments	8,548,129	-	8,548,129	-	-
Loans and notes receivable, long-term portion	4,055,548	-	4,055,548	-	109,455
Due from Cayuga County Soil and Water Conservation District	1,170,000	-	1,170,000	-	(1,170,000)
Other assets	-	1,763,400	1,763,400	-	768,975
Net pension asset	-	-	-	-	172,146
Land lease receivable	-	-	-	-	2,350,227
Capital assets, net of accumulated depreciation	60,844,716	-	60,844,716	276,741	50,266,235
Total Noncurrent Assets	80,324,270	1,763,400	82,087,670	276,741	52,929,231
Total Assets	122,368,058	13,249,142	135,617,200	2,434,909	78,382,646
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	10,695,350	-	10,695,350	233,448	4,106,822
Deferred charges on defeased debt	250,079	-	250,079	-	-
Total Deferred Outflows of Resources	10,945,429	-	10,945,429	233,448	4,106,822

COUNTY OF CAYUGA

STATEMENT OF NET POSITION (Continued) DECEMBER 31, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental	Business-type
LIABILITIES					
Current Liabilities					
Accounts payable	1,455,928	23,787	1,479,715	100,646	2,639,253
Accrued liabilities	2,653,930	1,050,000	3,703,930	19,933	997,632
Accrued interest payable	300,053		300,053		10,159
Due to other governments	6,897,552		6,897,552	133,050	303,992
Due to Employees' Retirement System			-	75,505	-
Unearned revenue	895,058	491,440	1,386,498	882,064	1,135,308
Long-term obligations due within one year	6,489,365		6,489,365	22,058	6,920,456
Total Current Liabilities	18,691,886	1,565,227	20,257,113	1,233,256	12,006,800
Long-term obligations due in more than one year	144,753,712		144,753,712	3,282,368	23,075,183
Total Liabilities	163,445,598	1,565,227	165,010,825	4,515,624	35,081,983
DEFERRED INFLOWS OF RESOURCES					
Pensions	3,638,055		3,638,055	59,047	1,185,355
Deferred tuition assistance program			-		804,626
Total Deferred Inflows of Resources	3,638,055	-	3,638,055	59,047	1,989,981
NET POSITION					
Net investment in capital assets	31,923,042		31,923,042	206,817	36,002,059
Restricted:					
Capital projects	4,000,000		4,000,000		
Debt service	2,599,781		2,599,781		
Other	196,096		196,096	441,205	10,554,630
Unrestricted	(72,489,085)	11,683,915	(60,805,170)	(2,554,336)	(1,139,185)
Total Net (Deficit) Position	\$ (33,770,166)	\$ 11,683,915	\$ (22,086,251)	\$ (1,906,314)	\$ 45,417,504

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities:				
General government	\$ 40,329,409	\$ 3,106,616	\$ 2,032,421	\$ 1,528,169
Education	5,769,454		946,606	
Public safety	21,608,827	2,811,294	704,967	
Public health	12,377,201	4,598,152	5,424,543	
Transportation	15,525,908	2,457,579	4,141,330	1,377,967
Economic assistance and opportunity	45,606,990	825,881	20,899,165	
Culture and recreation	1,341,619	224,302	239,030	
Home and community services	1,864,985	27,272	149,038	
Interest on long-term debt	2,634,156			
Total Governmental Activities	147,058,549	14,051,096	34,537,100	2,906,136
Business-type Activities:				
Cayuga County Health Insurance Consortium	20,199,245	18,822,155	325,921	
Total Primary Government	\$ 167,257,794	\$ 32,873,251	\$ 34,863,021	\$ 2,906,136
Component Units				
Governmental:				
CC Soil and Water Conservation District	\$ 2,937,743	\$ 540,848	\$ 2,060,173	
Business-type:				
CC Soil and Water Conservation District	66,900	(453)	134	
CC Water and Sewer Authority	1,866,702	1,373,880		
Cayuga Community College	40,226,342	9,367,467	3,480,238	
CC Industrial Development Agency	36,143	18,575		
CC Development Corporation	19,939		4,500	
Total Component Units	\$ 45,153,769	\$ 11,300,317	\$ 5,545,045	\$ -

Net (Expense) Revenue and Changes in Net Position brought forward

GENERAL REVENUES

Property taxes, levied for general purposes
Property tax items
Sales taxes
Tobacco settlement payments
Grants and contributions not restricted to specific programs
Use of money and property
Miscellaneous
Sale of property and compensation for loss
Total

Change in Net Position

Net (Deficit) Position - Beginning of Year

Net (Deficit) Position - End of Year

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Governmental	Business-type
\$ (33,662,203)	\$ _____	\$ (33,662,203)	\$ _____	\$ _____
(4,822,848)	_____	(4,822,848)	_____	_____
(18,092,566)	_____	(18,092,566)	_____	_____
(2,354,506)	_____	(2,354,506)	_____	_____
(7,549,032)	_____	(7,549,032)	_____	_____
(23,881,944)	_____	(23,881,944)	_____	_____
(878,287)	_____	(878,287)	_____	_____
(1,688,675)	_____	(1,688,675)	_____	_____
(2,634,156)	_____	(2,634,156)	_____	_____
(95,564,217)	_____	(95,564,217)	_____	_____
_____	(1,051,169)	(1,051,169)	_____	_____
(95,564,217)	(1,051,169)	(96,615,386)	_____	_____
_____	_____	_____	(336,722)	_____
_____	_____	_____	_____	(67,219)
_____	_____	_____	_____	(492,822)
_____	_____	_____	_____	(27,378,637)
_____	_____	_____	_____	(17,568)
_____	_____	_____	_____	(15,439)
_____	_____	_____	(336,722)	(27,971,685)
_____	_____	_____	(336,722)	(27,971,685)
38,994,573	_____	38,994,573	_____	210,777
1,793,775	_____	1,793,775	_____	_____
47,494,579	_____	47,494,579	_____	_____
886,880	_____	886,880	_____	_____
199,544	_____	199,544	_____	24,781,706
400,041	62,498	462,539	100,815	1,405,871
121,563	(295)	121,268	112,382	144,869
(85,806)	_____	(85,806)	112,570	_____
89,805,149	62,203	89,867,352	325,767	26,543,223
(5,759,068)	(988,966)	(6,748,034)	(10,955)	(1,428,462)
(28,011,098)	12,672,881	(15,338,217)	(1,895,359)	46,845,966
\$ (33,770,166)	\$ 11,683,915	\$ (22,086,251)	\$ (1,906,314)	\$ 45,417,504

COUNTY OF CAYUGA

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2017

	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Non-Major</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and cash equivalents - Unrestricted	\$ 4,814,599	\$ 7,947,658	\$ 12,762,257
Cash and cash equivalents - Restricted	4,196,096	1,509,781	5,705,877
Investments	8,548,129		8,548,129
Taxes receivable, net	8,446,231		8,446,231
Other receivables, net	235,756	1,320,596	1,556,352
Due from state and federal governments	12,648,455	2,122,250	14,770,705
Due from other governments	494,043		494,043
Due from other funds	1,943,206		1,943,206
Due from Soil and Water Conservation District	1,225,000		1,225,000
Prepaid expenses	2,038,488	105,738	2,144,226
Loans and notes receivable	5,779,116	91,406	5,870,522
Total Assets	\$ 50,369,119	\$ 13,097,429	\$ 63,466,548
LIABILITIES			
Accounts payable	\$ 997,313	\$ 458,615	\$ 1,455,928
Accrued liabilities	2,383,705	270,225	2,653,930
Due to other funds		1,943,206	1,943,206
Due to other governments	6,852,418	45,134	6,897,552
Unearned revenues	895,058		895,058
Total Liabilities	11,128,494	2,717,180	13,845,674
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	9,631,231	91,406	9,722,637
FUND BALANCES			
Nonspendable	3,263,488	105,738	3,369,226
Restricted	4,196,096	2,599,781	6,795,877
Committed	610,616		610,616
Assigned	2,635,355	7,583,324	10,218,679
Unassigned	18,903,839		18,903,839
Total Fund Balances	29,609,394	10,288,843	39,898,237
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 50,369,119	\$ 13,097,429	\$ 63,466,548

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

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

Total Governmental Fund Balances \$ 39,898,237

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

Capital assets with a historical cost used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Historical cost	\$ 125,878,942	
Accumulated depreciation	<u>(65,034,226)</u>	<u>60,844,716</u>

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

9,722,637

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represent a consumption of net position that applies to future periods and, therefore, is not reported in governmental funds. Deferred inflows of resources, including pensions, represent an acquisition of net position that applies to future periods and, therefore, is not reported in governmental funds.

Deferred outflows of resources - Pensions	\$ 10,695,350	
Deferred inflows of resources - Pensions	(3,638,055)	
Deferred outflows of resources - Amortized deferred charges on defeased debt	<u>250,079</u>	<u>7,307,374</u>

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

Bonds payable	\$ (28,615,000)	
Unamortized bond premium	(556,753)	
Bonds payable - CTASC	(25,889,686)	
Certificates of participation - Hospital	(4,735,000)	
Capital lease - Cayuga Community College	(1,044,116)	
Other postemployment benefits	(75,477,045)	
Pension liability - Employer's proportionate share	(12,502,938)	
Compensated absences	<u>(2,422,539)</u>	<u>(151,243,077)</u>

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the governmental funds.

Accrued interest payable		<u>(300,053)</u>
--------------------------	--	------------------

Net (Deficit) of Governmental Activities \$ (33,770,166)

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

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

	<u>Major Funds</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>		
REVENUES			
Real property taxes	\$ 39,272,539	\$	\$ 39,272,539
Real property tax items	1,793,775		1,793,775
Nonproperty tax items	47,738,622		47,738,622
Departmental income	10,405,170	248,993	10,654,163
Intergovernmental charges	2,517,320	799,261	3,316,581
Use of money and property	385,549	18,937	404,486
Licenses and permits	17,843	190	18,033
Fines and forfeitures	142,036		142,036
Sale of property and compensation for loss	(12,515)	910,964	898,449
Miscellaneous local sources	(79,761)	270,756	190,995
Interfund revenues		1,658,832	1,658,832
State sources	17,164,262	6,895,077	24,059,339
Federal sources	12,430,319	815,447	13,245,766
Total Revenues	<u>131,775,159</u>	<u>11,618,457</u>	<u>143,393,616</u>
EXPENDITURES			
General governmental support	35,999,088	254,782	36,253,870
Education	5,450,479		5,450,479
Public safety	18,016,225	1,300	18,017,525
Public health	10,829,869		10,829,869
Transportation	162,396	14,505,989	14,668,385
Economic assistance and opportunity	42,547,111	722,099	43,269,210
Culture and recreation	1,141,321		1,141,321
Home and community services	1,659,229	13,133	1,672,362
Employee benefits	2,246,657		2,246,657
Debt service principal and interest	4,919,895	930,943	5,850,838
Capital outlay		2,609,941	2,609,941
Total Expenditures	<u>122,972,270</u>	<u>19,038,187</u>	<u>142,010,457</u>
Excess of Revenues (Expenditures)	<u>8,802,889</u>	<u>(7,419,730)</u>	<u>1,383,159</u>
OTHER FINANCING (USES) SOURCES			
Interfund transfers in	1,848,832	7,482,675	9,331,507
Interfund transfers (out)	(7,480,774)	(1,850,733)	(9,331,507)
Total Other Financing (Uses) Sources	<u>(5,631,942)</u>	<u>5,631,942</u>	<u>-</u>
Excess of Revenues (Expenditures) over Other Financing Sources (Uses)	<u>3,170,947</u>	<u>(1,787,788)</u>	<u>1,383,159</u>
Fund Balances, Beginning of Year	<u>26,438,447</u>	<u>12,076,631</u>	<u>38,515,078</u>
Fund Balances, End of Year	<u>\$ 29,609,394</u>	<u>\$ 10,288,843</u>	<u>\$ 39,898,237</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

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

Net Change in Fund Balances - Total Governmental Funds **\$ 1,383,159**

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

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

Capital outlay, net	\$ 3,619,685	
Net book value of disposals	(97,375)	
Depreciation expense	<u>(3,544,418)</u>	<u>(22,108)</u>

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

Change in deferred taxes	\$ (277,966)	
Changes in other loans and notes receivable	(1,676,522)	
Principal payments on community development loans net of new loans	<u>(42,272)</u>	<u>(1,996,760)</u>

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments of bond principal and installment purchase debt exceed proceeds from debt.

Principal payments on debt	\$ <u>4,181,522</u>	<u>4,181,522</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Change in accrued interest payable	\$ 31,538	
Amortization of bond discount	(9,279)	
Amortization of bond premium	90,459	
Amortization of deferred charges on defeased debt	(40,632)	
Increase in accreted interest on capital appreciation bonds	(1,036,926)	
Change in pollution remediation liabilities	26,000	
Change in compensated absences	(136,539)	
Changes in the proportionate share of pension liabilities and associated deferred outflows and inflows of resources	(1,897,367)	
Change in other postemployment benefits payable	<u>(6,332,135)</u>	<u>(9,304,881)</u>

Change in Net Position of Governmental Activities **\$ (5,759,068)**

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

STATEMENT OF NET POSITION PROPRIETARY FUND DECEMBER 31, 2017

	<u>Cayuga County Health Insurance Consortium</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 3,002,164
Investments	<u>4,658,677</u>
Accounts receivable, net	<u>51,143</u>
Total Current Assets	<u>7,711,984</u>
Noncurrent Assets	
Other assets - Premium claims deposit	<u>1,763,400</u>
Restricted investments	<u>3,773,758</u>
Total Noncurrent Assets	<u>5,537,158</u>
Total Assets	<u>13,249,142</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>23,787</u>
Accrued liabilities	<u>1,050,000</u>
Unearned revenues	<u>491,440</u>
Total Current Liabilities	<u>1,565,227</u>
NET POSITION	
Unrestricted	
Rate stabilization reserve	<u>1,910,580</u>
Catastrophic claims reserve	<u>1,863,178</u>
Remaining net position	<u>7,910,157</u>
Total Net Position	<u>\$ 11,683,915</u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

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

	<u>Cayuga County Health Insurance Consortium</u>
OPERATING REVENUES	
Charges for services - Premiums	
County	\$ 7,722,877
Other governments	9,087,774
Participants	2,011,504
Total Charges for Services	<u>18,822,155</u>
Other operating revenues - Insurance rebates	<u>325,921</u>
Total Operating Revenues	<u>19,148,076</u>
OPERATING EXPENSES	
Benefit costs	
Health claims expense	18,384,459
Dental claims expense	472,948
Total Benefit Costs	<u>18,857,407</u>
Health claims administrative expense	858,808
Dental claims administrative expense	31,852
Operations	451,178
Total Operating Expenses	<u>20,199,245</u>
Loss on Operations	<u>(1,051,169)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	62,498
Other unclassified revenue	(295)
Total Nonoperating Revenues	<u>62,203</u>
Change in Net Position	<u>(988,966)</u>
Total Net Position, Beginning of Year	<u>12,672,881</u>
Total Net Position, End of Year	<u><u>\$ 11,683,915</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

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

	Cayuga County Health Insurance Consortium
Cash Flows from Operating Activities	
Premiums collected from:	
County	\$ 7,722,877
Other governments	9,087,774
Participants	2,435,445
Rebates received	325,921
Premiums claims deposit	(675,200)
Health claims paid	(18,509,459)
Dental claims paid	(472,948)
Other operating expenses paid	(1,323,200)
Net Cash (Used) by Operating Activities	(1,408,790)
Cash Flows from Investing Activities	-
Cash Flows from Capital and Related Financing Activities	-
Cash Flows from Nonoperating Investing Activities	
Interest income received	78,381
Other revenue	(295)
Proceeds from sale of certificates of deposit	675,200
Purchase of certificates of deposit	(47,950)
Proceeds from sale of investments	850,000
Net Cash Provided by Nonoperating Investing Activities	1,555,336
Cash and Cash Equivalents, January 1,	2,855,618
Cash and Cash Equivalents, December 31,	\$ 3,002,164
Reconciliation of (Deficit) of Operating Revenues under (Expenses) to Net Cash (Used) by Operating Activities	
(Deficit) operating revenues under expenses	\$ (1,051,169)
(Increase) in accounts receivable	(37,842)
(Increase) in premium claims deposit	(675,200)
Increase in accounts payable	18,638
(Decrease) in incurred but not reported health claims	(125,000)
Increase in unearned revenue	461,783
Net Cash (Used) by Operating Activities	\$ (1,408,790)

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

COMBINING STATEMENT OF NET POSITION PROPRIETARY COMPONENT UNITS DECEMBER 31, 2017

	Cayuga County Soil and Water Conservation District	Cayuga County Water and Sewer Authority	Cayuga Community College	Cayuga County Industrial Development Agency	Cayuga County Development Corporation	Total Business-type Component Units
ASSETS						
Current Assets						
Cash and cash equivalents - Unrestricted	\$ 180,695	\$ 1,383,188	\$ 4,743,610	\$ 650,137	\$ 71,804	\$ 7,029,434
Cash and cash equivalents - Restricted				226,440		226,440
Other receivables, net	106,410	208,314	2,014,103	11,636		2,340,463
Due from state and federal governments			558,611			558,611
Due from other governments			1,588,164			1,588,164
Prepaid expenses		21,524	350,290			371,814
Loans and notes receivable, current portion					12,533	12,533
Total Current Assets	287,105	1,613,026	9,254,778	888,213	84,337	12,127,459
Noncurrent Assets						
Cash and cash equivalents - Restricted		432,193				432,193
Investments - Restricted			14,115,517			14,115,517
Other assets			768,975			768,975
Pension asset			172,146			172,146
Land lease receivable	2,350,227					2,350,227
Capital assets, net of accumulated depreciation	998	14,986,399	34,720,533	558,305		50,266,235
Loans receivable, net, long-term portion					109,455	109,455
Total Noncurrent Assets	2,351,225	15,418,592	49,777,171	558,305	109,455	68,214,748
Total Assets	2,638,330	17,031,618	59,031,949	1,446,518	193,792	80,342,207
DEFERRED OUTFLOWS OF RESOURCES						
Pensions		62,219	4,044,603			4,106,822
LIABILITIES						
Current Liabilities						
Accounts payable	59,890	72,906	2,491,527	14,930		2,639,253
Accrued liabilities		15,054	982,578			997,632
Accrued interest payable	10,159					10,159
Due to other funds	342,798					342,798
Due to other governments			303,992			303,992
Due to Cayuga County	55,000		391,763			446,763
Unearned revenues		34,633	1,090,675	10,000		1,135,308
Long-term liabilities due within one year		98,063	6,822,393			6,920,456
Total Current Liabilities	467,847	220,656	12,082,928	24,930	-	12,796,361
Long-term Liabilities						
Due to Cayuga County	1,170,000					1,170,000
Due in more than one year		3,706,649	19,368,534			23,075,183
Total Noncurrent Liabilities	1,170,000	3,706,649	19,368,534			24,245,183
Total Liabilities	1,637,847	3,927,305	31,451,462	24,930	-	37,041,544
DEFERRED INFLOWS OF RESOURCES						
Pensions		21,615	1,163,740			1,185,355
Deferred tuition assistance program			804,626			804,626
Total Deferred Inflows of Resources		21,615	1,968,366			1,989,981
NET POSITION						
Net investment in capital assets	998	11,257,603	24,743,458			36,002,059
Restricted			10,554,630			10,554,630
Unrestricted	999,485	1,887,314	(5,641,364)	1,421,588	193,792	(1,139,185)
Total Net Position	\$ 1,000,483	\$ 13,144,917	\$ 29,656,724	\$ 1,421,588	\$ 193,792	\$ 45,417,504

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

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

	Cayuga County Soil and Water Conservation District	Cayuga County Water and Sewer Authority	Cayuga Community College	Cayuga County Industrial Development Agency	Cayuga County Development Corporation	Total Business-type Component Units
REVENUES						
Charges for services	\$ (453)	\$ 1,373,880	\$ 9,367,467	\$ 18,575		\$ 10,759,469
Use of money and property					4,500	4,500
State sources			926,705			926,705
Federal sources			212,660			212,660
Other grants			585,520			585,520
Other operating revenue	134		1,755,353			1,755,487
Total Revenues	(319)	1,373,880	12,847,705	18,575	4,500	14,244,341
EXPENSES						
Instruction			12,162,814			12,162,814
Public service			208,042			208,042
Academic support			4,485,833			4,485,833
Student services			4,046,430			4,046,430
Operation and maintenance			4,894,720			4,894,720
Administration	287	59,983	6,765,949	28,765		6,854,984
Student aid payments			4,220,248			4,220,248
Auxiliary enterprises			2,043,265			2,043,265
Water and sewer		706,383				706,383
Salaries and employee benefits		267,701				267,701
Utilities	101	30,771				30,872
Other contractual	5,765	29,189		7,378	19,939	62,271
Depreciation	1,000	683,923	1,399,041			2,083,964
Capital outlay						
Total Expenditures	7,153	1,777,950	40,226,342	36,143	19,939	42,067,527
Excess of (Expenditures) Revenues	(7,472)	(404,070)	(27,378,637)	(17,568)	(15,439)	(27,823,186)
NON OPERATING REVENUES (EXPENSES)						
Interest income	123,654	3,830	1,271,156	7,216	15	1,405,871
Federal and State financial aid			8,008,270			8,008,270
State appropriations			7,959,201			7,959,201
Local appropriations	139,436		7,737,190			7,876,626
Private contributions			710,508			710,508
Property taxes		210,777				210,777
Interest expense	(59,747)	(88,752)				(148,499)
Other non operating revenues (expenses)		(9,551)	154,420			144,869
Sale of capital assets						
Total Non-operating revenues (expenses)	203,343	116,304	25,840,745	7,216	15	26,167,623
Net Gain (Loss) before Contributions	195,871	(287,766)	(1,537,892)	(10,352)	(15,424)	(1,655,563)
Capital contributions			227,101			227,101
Change in Net Position	195,871	(287,766)	(1,310,791)	(10,352)	(15,424)	(1,428,462)
Net Position Beginning of Year	804,612	13,432,683	30,967,515	1,431,940	209,216	46,845,966
Net Position, End of Year	\$ 1,000,483	\$ 13,144,917	\$ 29,656,724	\$ 1,421,588	\$ 193,792	\$ 45,417,504

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS DECEMBER 31, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents - Unrestricted	\$ <u>1,386,528</u>
Total Assets	\$ <u><u>1,386,528</u></u>
LIABILITIES	
Agency liabilities	\$ <u>1,386,528</u>
Total Liabilities	\$ <u><u>1,386,528</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

***Note 1* Nature of Business and Summary of Significant Accounting Policies**

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

Financial Reporting Entity

The County of Cayuga, New York (the County) is governed by County law, general laws of the State of New York and various local laws and ordinances. The County Board of Legislators (Board of Legislators), which is the legislative body responsible for the overall operation of the County, consists of the fifteen legislators representing the districts in the County. The Chairman of the Board of Legislators serves as chief executive officer and the County Treasurer serves as chief fiscal officer of the County.

The County provides the following basic services: general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services.

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

The financial reporting entity consists of (a) the primary government which is the County of Cayuga, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus."

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Numbers 39 and 61, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following are included as component units:

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 **Nature of Business and Summary of Significant Accounting Policies - Continued**

Blended Component Units

Cayuga Tobacco Asset Securitization Corporation (CTASC)

CTASC is a special purpose, bankruptcy-remote local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. CTASC was established in October 2000. CTASC is presented in the financial reporting entity as a blended component unit based on the criteria that CTASC serves and benefits the County exclusively. CTASC is presented as a governmental fund type and blended with the Debt Service Fund. Separate audited financial statements for CTASC may be obtained by contacting CTASC directly.

On December 7, 2000, pursuant to a Purchase and Sale Agreement with the County, the County sold to CTASC all of its future rights, title and interest in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement between the settling states and the Participating Manufacturers (PMs), and the decree and final judgment.

The purchase price of the County's future right, title and interest in the TSRs has been financed by the issuance of serial bonds. 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 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 CTASC to pay various expenses, debt service or required reserves with respect to the bonds are transferred to the CTASC Residual Trust (the Trust). The County is the beneficial owner of the Trust and thus the funds received by the Trust will ultimately transfer to the County

Cayuga County Health Insurance Consortium (the Consortium)

The County, CCC, and the SWCD are all participants in a municipal cooperation agreement to create the Consortium for the sole purpose of purchasing a health insurance policy for its members. The participants have established a joint body which oversees administration of the plan. Each participant shares in the cost of, and assumes the liabilities for medical, surgical, hospital, and prescription drug benefits provided under the plan. The Consortium is presented in the financial reporting entity as a blended component unit based on the criteria that the Consortium serves and benefits the County almost exclusively. The Consortium is presented as a blended proprietary fund type. Separate audited financial statements for the Consortium may be obtained by contacting the Consortium directly.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 **Nature of Business and Summary of Significant Accounting Policies - Continued**

Blended Component Units - Continued

Each participating municipal corporation joining the Consortium must remain a member for a minimum of three years; a municipality may withdraw with written notice prior to October 31st of the end of the Consortium year. Municipalities applying for membership in the Consortium may do so on approval of two-thirds of the entire Board. Consortium underwriting and rate setting policies have been established after consultation with actuaries. Consortium members are subject to supplemental assessment in the event of deficiencies. Premium assessments are determined annually, and should the assets of the Consortium be exhausted, members would be responsible for the Consortium's liabilities. The Consortium's members currently include the County of Cayuga, Cayuga County Soil and Water Conservation District, Cayuga Community College, and the City of Auburn.

Discretely Presented Component Units

Cayuga County Soil and Water Conservation District (SWCD)

SWCD was established in September 1940, in accordance with the Soil and Water Conservation Districts Law, to provide for the conservation of the County's soil and water resources. SWCD is presented in the financial reporting entity as a discretely presented component unit based on the criteria that members of the SWCD's Board of Directors are appointed by the County Board of Legislators, and the County has the potential to provide a financial benefit or burden on SWCD. SWCD has both governmental and proprietary fund types and as such is presented as a proprietary fund type in the governmental activities. Separate audited financial statements for the SWCD may be obtained by contacting SWCD directly.

In 2011, SWCD borrowed \$1,500,000 from the County. At December 31, 2017, remaining balance due was \$1,225,000. SWCD total interest expense during the fiscal year ending December 31, 2017 was \$59,747. At December 31, 2016, total accrued interest was \$10,159. SWCD recorded revenue from the County in the amount of \$648,517 for the year ending December 31, 2017.

Cayuga County Water and Sewer Authority (CCWSA)

CCWSA is a public benefit corporation organized in July 1995 pursuant to Title 8-G of the Public Authorities Law of the State of New York. The CCWSA was created to finance, construct, operate, and maintain water and sewage facilities for the benefit of the residents of the County. CCWSA is presented in the financial reporting entity as a discretely presented component unit based on the criteria that members of the CCWSA are appointed by the County Board of Legislators and the County has the potential to provide a financial benefit or burden on CCWSA. CCWSA is presented as a proprietary fund type. Separate audited financial statements for the CCWSA may be obtained by contacting CCWSA directly.

During the fiscal year ending December 31, 2017, CCWSA did not receive intergovernmental assistance from the County.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 **Nature of Business and Summary of Significant Accounting Policies - Continued**

Discretely Presented Component Units - Continued

Cayuga Community College (CCC)

CCC was established in 1975 with the County as the local sponsor under the provisions of Article 126 of the Education Law. A Board of Trustees consisting of ten voting members administers the CCC; five are appointed by the County Legislature, four by the governor and one is elected by the students of CCC. The CCC budget is subject to approval of the County Legislature. The County provides approximately one-half of the capital costs and one-third of the operating costs for CCC. Real property of CCC vests with the County. Certain bonds and notes for CCC capital costs are issued and guaranteed by the County. Although these assets and related debt are recorded on the financial statements of CCC, they are considered to be assets and debt of the County. To avoid recording these transactions twice, the Statement of Net Position reflects these items in the CCC column and they are eliminated from the Governmental Activities column. The County also pays a portion of tuition and capital costs charged for County residents attending other community colleges. CCC is presented in the financial reporting entity as a discretely presented component unit based on the criteria that CCC is fiscally dependent on the County and the County has the potential to provide a financial benefit or burden on CCC. CCC is presented as a proprietary fund type.

The CCC financial statements include two discretely reported component units; the Cayuga County Community College Foundation, Inc. and the Faculty Student Association of Cayuga County Community College, Inc. of which are included in this financial reporting entity as part of CCC. CCC has a fiscal year ending August 31. Balances for CCC in the County's December 31, 2017 financial statements reflect balances at August 31, 2017. Separate audited financial statements for CCC may be obtained by contacting CCC directly.

Cayuga County Industrial Development Agency (CCIDA)

CCIDA is a public benefit corporation created by state legislation to promote the economic welfare, opportunities, and prosperity of the County's inhabitants. CCIDA has the authority to issue tax exempt and taxable industrial revenue bonds for eligible projects in the County. CCIDA is presented in the financial reporting entity as a discretely presented component unit based on the criteria that members of CCIDA are appointed by the County Legislator and the County has the potential to provide a financial benefit or burden on the CCIDA. CCIDA is presented as a proprietary fund type. Separate audited financial statements for the CCIDA may be obtained by contacting CCIDA directly.

Cayuga County Development Corporation (CCDC)

CCDC is a local development corporation whose purpose is to relieve and reduce unemployment; promote and provide for additional employment and maintain job opportunities; lessen the burden of government, and act in the public interest. CCDC is presented in the financial reporting entity as a discretely presented component unit based on the criteria that the County appoints a voting majority of CCDC's governing body and there is a potential for the County to impose its will on CCDC as the County is the sole member of CCDC. CCDC is presented as a proprietary fund type. Separate audited financial statements for the CCDC may be obtained by contacting CCDC directly.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Basic Financial Statements

The County's basic financial statements include both Government-wide (reporting the County as a whole) and fund financial statements (reporting the County's Major Funds). Both the Government-wide and fund financial statements categorize primary activities as either governmental or business type. The County's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. Services relating to the Consortium are classified as Business-type Activities.

Government-wide Financial Statements

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

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

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

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

The County does not allocate indirect costs. Indirect costs are reported in the function entitled "general government."

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Governmental Fund Financial Statements

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

Governmental Funds

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

Major Funds

- General Fund - principal fund of the County and includes all operations not required to be recorded in other funds. The self-insurance fund of the County is reported here for financial reporting purposes, but is excluded from the budgetary comparison, as it does not have a legally adopted budget.

Non-Major Funds

- Special Revenue Funds - account for proceeds of specific revenue sources legally restricted to expenditures for specified purposes.
 - County Road Fund - Accounts for expenditures for highway purposes authorized by Section 114 of the Highway Law.
 - Road Machinery Fund - Accounts for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to § 133 of the Highway Law.
 - Special Grant Fund - Accounts for funds received under the Workforce Investment Act (WIA) and from the Department of Housing and Urban Development (HUD).
 - Miscellaneous Special Revenue Fund - Accounts for funds received for various purposes.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Non-Major Funds - Continued

- Capital Fund - accounts for financial resources to be used for the acquisition, construction or renovation of capital facilities, or acquisition of equipment.
- CTASC Debt Service Fund - Used to account for current payments of principal and interest on general obligation long-term debt and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness not being financed by proprietary funds. As noted previously, CTASC is reported as a blended component unit.

Proprietary Funds

Account for activities similar to those often found in the private sector. The costs of providing goods or services to the general public are financed or recovered primarily through user fees. The measurement focus is upon determination of operating income, changes in net position, financial position, and cash flows. The following Proprietary Funds are utilized:

- Health Consortium - Accounts for activities of the Health Consortium. See description under Blended Component Units.

Fiduciary Funds

Account for assets held by the local government in a trustee or custodial capacity.

- Agency Funds - Account for money (and/or property) received and held in the capacity of trustee, custodian or agent.

Basis of Accounting/Measurement Focus

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

Accrual Basis

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

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Modified Accrual Basis

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The County considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. All other revenues deemed collectible within one year after year-end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

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

Government-wide Financial Statements

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

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of net resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other net resources that do not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund Financial Statements

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

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

***Note 1* Nature of Business and Summary of Significant Accounting Policies - Continued**

Governmental Fund Financial Statements - Continued

- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the County's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The County commits fund balance by adopting resolutions by the County Legislature. Currently, fund balance is assigned by the County Treasurer for encumbrances and designations and the County Legislature, by resolution, approves fund balance appropriations for next year's budget. The County has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the County's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Fund Balance Policy

It is the policy of the County Legislature to maintain an unappropriated unassigned fund balance at a level that falls between a maximum of 15% of General Fund revenues and a minimum of 10% of General Fund revenues. In the event the fund balance exceeds or falls below or above this goal, the County Administrator will submit to the Ways and Means Committee a plan to restore fund balance to the stated goal. The Ways and Means Committee will recommend this plan to the County Legislature for complementation during the annual budget process.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents/Investments

For financial statement purposes, the County considers all highly liquid investments with original maturities of three months or less as cash equivalents. Investments consist of certificates of deposit with original maturities greater than three months and are valued at cost, which approximates fair value.

Certificates of deposit held for investment are included in investments. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as investments within current assets on the Statement of Net Position. Certificates of deposit with remaining maturities greater than one year are classified as investments within noncurrent assets on the Statement of Net Position.

Statutes authorize the County to invest its surplus cash in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities of the United States, 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. CTASC is authorized to invest its surplus cash in the same manner as the County as well as short-term commercial paper. Investments for the County, as well as for its component units, are reported at fair value.

Other Receivables

Accounts receivable in the primary government are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided in the General Fund or Capital Fund, as it is believed such allowance would not be material. Amounts due from State and Federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs.

Accounts receivable reported by CCC are reported net of an estimate of uncollectible student tuition and fees of \$1,896,022.

Notes and Loans Receivable

Notes and loans receivable consists of microenterprise development loans funded through the Small Cities Community Development Block Grant within the Special Grant Fund, and a sublease agreement with Auburn Memorial Hospital (the Hospital) initiated in 1994 to secure financing related to a Certificate of Participation (COP) issued by the County for hospital improvements recorded in the General Fund. The County entered into a capital lease on behalf of CCC, for which the County recognizes a capital lease payable and a receivable from CCC. Receivables from Auburn Memorial Hospital and CCC are reported in the General Fund.

Due From Other Governments

Due from other governments includes reimbursement claims for various grant programs from state and federal agencies.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements, as applicable.

Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. All land and buildings originally purchased or acquired, equipment purchased or acquired with an original cost of over \$5,000, and improvements purchased or acquired with an original cost over \$10,000, and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets of the primary government are as follows:

Buildings	30 years
Land improvements	20 years
Machinery and equipment	3 - 5 years
Infrastructure	20 years

Property, plant, and equipment acquired by Proprietary Funds is stated at cost, (or estimated historical cost) including interest capitalized during construction, where applicable. Contributed fixed assets are recorded at fair market value at the date received. Depreciation has been provided using the straight-line method over estimated useful lives ranging from two to 40 years.

When capital assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is reflected as a component of non-operating income for the period. Maintenance and repairs are charged to expense as incurred; significant renewals and improvements are capitalized.

Compensated Absences

A liability for compensated absences (unused vacation and compensatory time) is attributable to services already rendered and is not contingent on a specific event that is outside the control of the employer or employee. Compensated absences are accrued as employees earn the rights to the benefits and are expended in the General, County Road, Road Machinery, and Special Grant Funds.

County employees are granted varying amounts of vacation, compensatory and sick leave in accordance with their employee group and various employee unions. Upon retirement, unused sick time may be applied towards additional service credit pursuant to § 33 and 41J of the Retirement and Social Security Law; therefore, no payments are made for unused sick leave.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Compensated Absences - Continued

The County has computed the value of earned and unused vacation and compensatory time related to the governmental activities as of December 31, 2017 to be \$2,422,539. This represents vacation and compensatory time earned but not usable until 2018. The earned and unused leave has been recorded as a liability in the government-wide financial statements. The expenditure for these fringe benefits is recorded in the applicable governmental fund at the time the benefit is paid.

Postemployment Benefits

In addition to providing pension benefits, the County provides health insurance coverage and survivor benefits for 461 retired employees and their survivors. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County recognizes the cost of providing benefits by recording its share of insurance premiums as an expense in the year paid. The County's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with GASB Statement No. 45. See Note 9 for additional information.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government reports a deferred outflow of resources associated with pensions and deferred charges on defeased debt in the government-wide statements.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. On the Balance Sheet, the County reports unavailable revenue, one type of deferred inflow, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from loans receivable and taxes receivable that remain uncollected 60 days after year-end, as well as receivables from Auburn Memorial Hospital and CCC. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The County also reports a deferred inflow of resources related to pensions in the government-wide statements.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Unpaid Claims Liabilities

The Consortium establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are periodically recomputed to produce current estimates that reflect recent settlements and other factors, and are adjusted. The liability for the year ended December 31, 2017 is based on the report of the actuary. The incurred but not reported health claims amounted to \$1,050,000 at December 31, 2017.

Reinsurance

The Consortium uses reinsurance agreements to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the primary liability of the Consortium as direct insurer of the risks reinsured. The Consortium does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by the reinsurer.

Health and Dental Claims

The Consortium uses a third party to process all claims incurred, which are presented in the financial statements net of any refund credited to the Consortium. The third party charges the Consortium a fixed charge per person currently enrolled in the plan. This per person charge is included with the costs of the health and dental claims reported in these financial statements.

Revenues

Substantially all Governmental Fund revenues are accrued. Property tax receivables expected to be received later than 60 days after year end are reported as deferred inflows of resources. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements are met. Resources transmitted before time eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflows of resources revenue by the recipient. Resources transmitted before all other eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Property Taxes

County real property taxes are levied annually no later than December 31, become a lien on January 1 and are due within 30 days. Taxes are collected during the period from January 1 to no later than November 30. Taxes for County purposes apportioned to the area of the County outside the City of Auburn are levied together with taxes for town and special district purposes as a single bill. Accordingly, property tax is recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period of sixty days thereafter. Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are included in deferred inflow of resources. The County assumes enforcement responsibility for all taxes levied within the towns. The collection of County taxes levied on properties within the City of Auburn are enforced by the city; the County receives the full amount of such taxes within the year of the levy. All unpaid non-city school district taxes and village taxes are turned over to the County and are relieved as County taxes in the subsequent year.

Returned school and delinquent town taxes represent the unpaid portion of taxes from other governments which will be added to the County levy on the following January 1. These assets are offset by an allowance for doubtful accounts of \$202,743 and deferred tax revenue of \$3,852,115 that represents the amount of taxes not expected to be collected within 60 days after year end.

The County is permitted by the New York State Constitution to levy taxes up to 2.0% of the most recent five-year average full valuation of taxable real property (the “legal margin”).

Sales Tax Revenues

Sales tax revenues are reported on an accrual basis to include the portion of sales tax revenues attributable to the current year that is remitted to New York State and ultimately paid to the County in the subsequent year.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Proprietary Fund are charged to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted Resources

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

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 1 Nature of Business and Summary of Significant Accounting Policies - Continued

Interfund Activity

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

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.

Note 2 Cash and Investments

The County's investment policies are governed by state statutes. In addition, the County has its own written investment policy. The County's monies must be deposited in FDIC-insured commercial banks or trust companies located within the state. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral (security) is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. While the County does not have a specific policy for custodial credit risk, New York State statutes govern the County's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

Deposits and investments are valued at cost or cost plus interest, and are categorized as either (1) insured and for which the collateral is held by the County's agent in the County's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the County's name, or (3) uncollateralized.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 2 **Cash and Investments - Continued**

Deposits and investments at year-end for the primary government and component units were entirely covered by FDIC insurance or by collateral held by custodial banks in the County's and its component units' names. Total financial institution (bank) balances of the primary government at December 31, 2017 per the bank were \$32,179,451, of which \$8,548,129 are certificates of deposit.

The Consortium's aggregate bank balances of \$3,429,372 at December 31, were either insured or collateralized with securities held by the pledging financial institution in the County of Cayuga's name.

The County also has investments in securities at December 31, 2017 of \$15,071,812 as deferred compensation assets. See Note 12.

Restricted Cash

Restricted cash and cash equivalents consists of \$5,705,877, which represents funds reserved for debt of \$1,509,781, reserved for capital of \$4,000,000 and restricted for other of \$196,096.

Investments

Investments of the County's governmental activities consist of the following at December 31, 2017.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
Certificates of deposit, long-term 0.00%- 2.95%, maturing 10/31/19 - 12/8/32	\$ 8,548,129	\$ 8,548,129	\$ -
Total	\$ 8,548,129	\$ 8,548,129	\$ -

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 2 Cash and Investments - Continued

Consortium

The Consortium's investments consist of the following at December 31, 2017.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
U.S. Treasury Note 2.375% 5/31/18	\$ 251,699	\$ 250,937	\$ (762)
U.S. Treasury Note 2.375% 6/30/18	251,572	251,055	(517)
Total Government Obligations	503,271	501,992	(1,279)
Certificate of deposit 11/5/18	7,930,443	7,930,443	-
Total Investments	\$ 8,433,714	\$ 8,432,435	\$ (1,279)

The Consortium has restricted investments of \$3,773,758; \$1,910,580 is restricted for a rate stabilization reserve and \$1,863,178 is restricted for a catastrophic claims reserve.

Cayuga County Community College Foundation, Inc.

CCC reports investments from the Cayuga County Community College Foundation, Inc. (the Foundation). In accordance with GAAP, gains (losses) on investments of permanently or temporarily restricted net assets are to be classified according to explicit donor stipulations. The Foundation has interpreted New York State law to allow the use of gains (losses) on investments of permanently or temporarily restricted net assets for specific operating purposes absent explicit donor stipulations that all or a portion of such gains (losses) be restricted. Accordingly, such gains (losses) on restricted net assets are reported as unrestricted net assets unless there is a presence of donor stipulation as to their use. The Foundation's investments consisted of the following at August 31, 2017.

	<u>Fair Value</u>
Cash and cash equivalents	\$ 521,354
Corporate bond obligations	228,684
Government bond obligations	545,090
Equity mutual funds	1,401,404
Exchange traded funds	8,026,950
Common stock	3,392,035
Total	\$ 14,115,517

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 2 Cash and Investments - Continued

Fair Value Measurement

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

- Level 1 - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Consortium has the ability to access.
- Level 2 - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly, or indirectly.
- Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Consortium's assets at fair value as of December 31, 2017.

<u>Government Obligations</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Note 2.375% 5/31/18	\$ 250,937	\$	\$	\$ 250,937
U.S. Treasury Note 2.375% 6/30/18	251,055			251,055
Total Government Obligations	501,992			501,992
Certificate of deposit 11/5/18		7,930,443		7,930,443
Total	\$ 501,992	\$ 7,930,443	\$ -	\$ 8,432,435

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 2 Cash and Investments - Continued

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2017.

Assets	Level 1	Level 2	Level 3	Total
Equity mutual funds	\$ 1,401,404		\$	\$ 1,401,404
Exchange traded funds	8,026,950			8,026,950
Common stock	3,392,035			3,392,035
Government bond obligations		545,090		545,090
Corporate bond obligations		228,684		228,684
Total	\$ 12,820,389	\$ 773,774	\$ -	\$ 13,594,163

Note 3 Property Taxes

At December 31, 2017, the County had total real property tax assets of \$8,446,231 net of an allowance for doubtful accounts of \$202,743. Current year returned village and school taxes are offset by liabilities of \$3,990,596 to the villages and school districts which were paid no later than April 15, 2018. The remaining portion of tax assets is offset by deferred inflow of resources of \$3,852,115 in the fund financial statements (which represents an estimate of the taxes which will not be collected within the first sixty (60) days of the subsequent year).

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

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

Five-Year Average Full Valuation of Taxable Real Estate	\$ 4,499,706,530
Tax limit @2.0%	\$ 89,994,131
Tax levy	39,440,625
Less exclusions	(1,468,542)
Tax levy subject to tax limit	37,972,083
Tax Margin	\$ 52,022,048

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 4 Due from State and Federal Governments

Due from state and federal governments at December 31, 2017 consisted of the following, which are stated at net realizable value. The County has deemed the amounts to be fully collectible.

<u>Description</u>	<u>Amount</u>
Social Services	\$ 6,377,228
Sales tax	4,138,475
Consolidated Local Street and Highway Improvement Program	1,594,707
Other	<u>2,660,295</u>
Total	\$ <u><u>14,770,705</u></u>

Note 5 Loans and Notes Receivable

The balance in loans and notes receivable of the primary government at December 31, 2017 was as follows:

Microenterprise development loans	\$ 91,406
Hospital COPs	4,735,000
CCC capital lease	<u>1,044,116</u>
Total	\$ <u><u>5,870,522</u></u>

Note 6 Sales Tax

A 4% sales tax is levied in and for the County under general authority of Article 29 of the Tax Law and specific authority of local law. This tax is administered and collected by the State Sales Tax Commission in the same manner as the state imposed 4.25% sales and compensating use tax. Net collections, meaning monies collected after deducting therefrom expenses of administration and collection and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the state to the County on a monthly basis. Of the \$46,949,879 total sales tax received by the County, \$23,474,940 was retained by the County, \$23,474,939 was distributed to the City of Auburn and the towns based upon assessed value as determined annually. The towns' share is divided and allocated between incorporated villages and the area of the towns outside said villages on the basis of population. All the villages and townships are paid their share in cash.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 7 Capital Assets

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

	<u>Balance at</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2017</u>
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 2,866,463	\$	\$	\$ 2,866,463
Construction in progress	5,789,360	2,289,013	(191,264)	7,887,109
Total Non-depreciable Capital Assets	<u>8,655,823</u>	<u>2,289,013</u>	<u>(191,264)</u>	<u>10,753,572</u>
Depreciable Capital Assets:				
Land improvements	788,708			788,708
Buildings	71,751,801	57,600	191,264	72,000,665
Machinery and equipment	17,804,570	1,273,072	(776,408)	18,301,234
Infrastructure	24,034,763			24,034,763
Total Depreciable Capital Assets	<u>114,379,842</u>	<u>1,330,672</u>	<u>(585,144)</u>	<u>115,125,370</u>
Total Historical Cost	<u>123,035,665</u>	<u>3,619,685</u>	<u>(776,408)</u>	<u>125,878,942</u>
Less Accumulated Depreciation:				
Land improvement	(743,024)	(8,205)		(751,229)
Buildings	(27,669,090)	(2,156,972)		(29,826,062)
Machinery and equipment	(15,019,542)	(920,741)	679,033	(15,261,250)
Infrastructure	(18,737,185)	(458,500)		(19,195,685)
Total Accumulated Depreciation	<u>(62,168,841)</u>	<u>(3,544,418)</u>	<u>679,033</u>	<u>(65,034,226)</u>
Governmental Activities Capital Assets, Net	<u>\$ 60,866,824</u>	<u>\$ 75,267</u>	<u>\$ (97,375)</u>	<u>\$ 60,844,716</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General governmental support	\$ 2,282,288
Public safety	318,558
Public health	14,314
Transportation	852,933
Economic assistance and opportunity	57,528
Home and community services	18,797
Total	<u>\$ 3,544,418</u>

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 7 Capital Assets - Continued

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

	Balance at 8/31/2016	Additions	Deletions	Balance at 8/31/2017
Non-depreciable Capital Assets:				
Land	\$ 1,283,163	\$	\$	\$ 1,283,163
Depreciable Capital Assets:				
Buildings	47,706,105	805,300		48,511,405
Machinery and equipment	4,537,420	104,291		4,641,711
Vehicles	131,375			131,375
Total Depreciable Capital Assets	52,374,900	909,591	-	53,284,491
Total Historical Cost	53,658,063	909,591	-	54,567,654
Less Accumulated Depreciation:				
Buildings	(23,972,114)	(823,757)		(24,795,871)
Machinery and equipment	(3,562,347)	(311,476)		(3,873,823)
Infrastructure	(86,096)	(11,331)		(97,427)
Total Accumulated Depreciation	(27,620,557)	(1,146,564)	-	(28,767,121)
Governmental Activities Capital Assets, Net	\$ 26,037,506	\$ (236,973)	\$ -	\$ 25,800,533

Capital assets, net for the Cayuga County Community College Foundation, Inc. totaled \$8,445,816. Consolidated capital assets, net totaled \$34,720,533 for CCC.

The cost of capital assets, under the terms of capital lease agreements included buildings and related components, net of accumulated amortization, at August 31, 2017, was \$996,867.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS)

Employees' Retirement System (ERS)

The County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

Summary of Significant Accounting Policies

The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

Contributions

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ERS	\$ 4,684,506	\$ 4,382,451	\$ 6,078,507

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

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

At December 31, 2017, the County reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The County's proportionate share of the net pension liability was based on a projection of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from report provided to the County by the ERS System.

	ERS
Actuarial valuation date	April 1, 2016
Net pension liability	\$ 9,396,223,126
County's proportionate share of the Plan's total net pension liability	12,502,938
County's share of the net pension liability	0.1330634%

For the year ended December 31, 2017, the County recognized pension expense of \$6,587,843 for ERS in the financial statements. At December 31, 2017 the County reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	ERS
Deferred Outflows of Resources:	
Differences between expected and actual experience	\$ 313,312
Changes of assumptions	4,271,462
Net differences between projected and actual earnings on pension plan investments	2,497,343
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,300
County's contributions subsequent to the measurement date	3,477,933
Total	\$ 10,695,350
Deferred Inflows of Resources:	
Differences between expected and actual experience	\$ (1,898,642)
Changes in proportion and differences between the County's contributions and proportionate share of contributions	(1,739,413)
Total	\$ (3,638,055)

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

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

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

<u>Year Ended</u>	<u>ERS</u>
2018	\$ 1,792,429
2019	1,792,429
2020	1,753,571
2021	(1,759,067)
2022	
Thereafter	

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

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

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

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

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Actuarial Assumptions - Continued

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

	<u>ERS</u>
Measurement date	March 31, 2017
Asset Type:	
Domestic equities	4.6%
International equities	6.4%
Real estate	5.8%
Private equity/Alternative investments	7.8%
Absolute return strategies	4.0%
Opportunistic portfolio	5.9%
Real assets	5.5%
Cash	-0.3%
Inflation-indexed bonds	1.5%
Mortgages and bonds	1.3%

Discount Rate

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

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

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

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension liability	\$ <u>39,931,906</u>	\$ <u>12,502,938</u>	\$ <u>(1,248,850)</u>

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

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

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) - Continued

Effect on Net Position

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

	Beginning Balance	Change	Ending Balance
Net pension liability	\$ (20,746,753)	\$ 8,243,815	\$ (12,502,938)
Deferred outflows of resources	21,437,259	(10,741,909)	10,695,350
Deferred inflows of resources	(4,238,782)	600,727	(3,638,055)
Total	\$ (3,548,276)	\$ (1,897,367)	\$ (5,445,643)

Expenditures associated with GASB Statement Number 68 are liquidated in the General, County Road, Road Machinery, and Special Grant Funds.

CCC

CCC participates in the SUNY Optional Retirement Plan (ORP), ERS and the Teacher's Retirement System (TRS). CCC's contributions to these plans were as follows:

	2017	2016	2015
ORP	\$ 606,363	\$ 652,970	\$ 678,399
ERS	815,487	762,984	882,805
TRS	515,660	733,987	763,634

CCC had a pension (asset) (TRS) of \$(172,416), a pension liability (ERS) of \$2,375,346, deferred outflows of resources related to pensions of \$4,044,603, and deferred inflows of resources related to pensions of \$1,163,740 at August 31, 2017.

Note 9 Other Postemployment Benefits

The County and CCC Healthcare Plans (the Plans) are single-employer defined benefit Healthcare Plans administered by the County. The Plans provide medical, vision, and reimbursement of Medicare Part B benefits to eligible retirees and their spouses. The County assigns the authority to establish and amend benefit provisions to the County Legislature. The Plans do not issue a stand-alone financial reports.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 9 **Other Postemployment Benefits - Continued**

The contribution requirements of Plan members and the County and CCC are established and may be amended by the County Legislature and CCC Board. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2017, the County and CCC contributed \$3,772,619 (on behalf of 461 employees) and \$1,419,401, respectively, to the Plans for current premiums on an actuarial basis. Plan members receiving benefits may be required to contribute to the Plans depending on their collective bargaining unit.

Annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 21 years.

The following table shows the components of the County's and CCC's annual OPEB costs for the year, the amount actually contributed to the Plans, and changes in the County's and CCC's net OPEB obligation to the Plans:

	<u>County</u>	<u>CCC</u>
Annual Required Contribution	\$ 12,028,051	\$ 3,897,146
Interest on net OPEB obligation	2,765,796	564,817
Adjustment to annual required contribution	<u>(4,739,093)</u>	<u>(1,028,007)</u>
Annual OPEB Cost (Expense)	10,054,754	3,433,956
Contributions made	<u>(3,722,619)</u>	<u>(1,419,401)</u>
Increase in Net OPEB Obligation	6,332,135	2,014,555
Net OPEB Obligation - Beginning of Year	<u>69,144,910</u>	<u>13,992,617</u>
Net OPEB Obligation End of Year	<u>\$ 75,477,045</u>	<u>\$ 16,007,172</u>

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 9 Other Postemployment Benefits - Continued

The County's and CCC's annual OPEB costs, the percentage of annual OPEB costs contributed to the Plans, and the net OPEB obligations for 2017 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
12/31/2017	\$ 10,054,754	37.0%	\$ 75,477,045
12/31/2016	9,143,883	39.9%	69,144,910
12/31/2015	10,627,034	33.5%	63,648,272
CCC:			
12/31/2017	3,433,956	41.3%	16,007,172
12/31/2016	3,323,597	42.2%	13,992,617
12/31/2015	3,309,534	51.6%	12,070,634

As of December 31, 2017, the Plans were not funded. The actuarial accrued liability for benefits was \$116,280,609 and \$38,644,454; there are no assets legally segregated for the Plans. The covered payroll (annual payroll of active employees covered by the Plans) was \$31,303,642 and \$12,327,437 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 371% and 313%.

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

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plans (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques 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, 2016 actuarial valuation, the projected unit credit actuarial cost method was used, with a discount rate of 3.5%. The actuarial assumptions for the County included an annual healthcare cost trend rate of 6.0% initially, reduced to an ultimate rate of 3.8% in 2084. Both rates included a 2.9% inflation assumption. The actuarial assumptions for CCC included a discount rate of 3%.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 10 Compensated Absences

Represents the value of the earned and unused portion of the liability for sick and vacation time, and is liquidated by the General and Special Revenue funds.

	Balance at 12/31/2016	Additions	Decreases	Balance at 12/31/17
Governmental Activities	\$ <u>2,286,000</u>	\$ <u>136,539</u>	\$ <u>-</u>	\$ <u>2,422,539</u>

Note 11 Liabilities - Unpaid Claims

Accrued liabilities of the business-type activities of the primary government consist of incurred but not reported claims (unpaid claims). The BlueCross/BlueShield premiums include claims paid for the year ended December 31, 2017 and an adjustment to account for the BlueCross/BlueShield (BC/BS) financing arrangement of billing the actual claims paid one week in arrears at December 31, 2017. This one week delay requires the Consortium to fund approximated costs, as actual claim payments are charged one week later. No significant differences have been experienced or are expected between weekly adjusted premium billings and actual weekly settlements in succeeding billings. The advance deposit amount required by BlueCross/BlueShield amounted to \$1,763,400 at December 31, 2017.

The Consortium establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities:

	2017	2016
Liability for unpaid claims - Beginning of year	\$ 1,175,000	\$ 900,000
Incurred claims and claim adjustment:		
Claims expense	18,857,407	13,949,573
Claims paid	<u>(18,982,407)</u>	<u>(13,674,573)</u>
Liability for Unpaid Claims - End of Year	\$ <u>1,050,000</u>	\$ <u>1,175,000</u>

Note 12 Deferred Compensation Plan

The County offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all County employees, permits them to defer a portion of their salary until future years. Nationwide Retirement Solutions is the administrator of the Plan.

Employees contribute to the Plan through voluntary salary deductions. Participation in the Plan is voluntary and the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Investments and related net assets for employee's contributions totaled \$15,071,812 at December 31, 2017. Employees contributions for the year ended December 31, 2017 were \$1,506,535.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 12 Deferred Compensation Plan - Continued

In October, 1997, the Governmental Accounting Standards Board issued GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Plans." This statement established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governments.

On November 16, 1998, the Board authorized the Plan assets to be held by an outside trustee. Because Plan assets are held by an outside trustee, they are not reported in the financial statements of the County. Market value of assets of the Plan at December 31, 2017, is \$15,071,812.

Note 13 Long-term Debt

At December 31, 2017, the total outstanding indebtedness of the County aggregated \$51,557,335, of which \$28,615,000 is subject to the constitutional debt limit and represents approximately 9.08% of its debt limit.

Serial Bonds

The County borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Position. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

	Issue Date	Final Maturity	Interest Rate		
Governmental Activities:					
Serial Bonds - excluding CTASC:					
Public improvement serial bonds	2013	2029	2.25-3.00%	\$	16,600,000
Public improvement serial bonds	2013	2033	3.00-4.50%		1,225,000
Public improvement serial bonds	2015	2023	2.00%		2,695,000
Refunding Bonds	2016	2028	2.00%		8,095,000
Subtotal					28,615,000
Add: Premium					556,753
Total				\$	29,171,753

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 13 Long-term Debt - Continued

Serial Bonds - Continued

On June 2, 2016 the County issued \$8,100,000 general obligation bonds, with an interest rate of 2.00%. The County issued the bonds to advance refund \$8,420,000 outstanding general obligation bonds with interest rates ranging between 2.00% and 3.37%. The County used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$8,420,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$8,420,000 at December 31, 2017.

Unamortized deferred charges on defeased debt related to the 2016 bond refunding are amortized over the life of the bonds. Balances and activity for the year are summarized below:

<u>Governmental Activities</u>	<u>Balance at 12/31/16</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance at 12/31/17</u>	<u>Amount Due Within One Year</u>
Unamortized deferred charges on defeased debt	\$ 290,711	\$	\$ (40,632)	\$ 250,079	\$ 39,448
Total	\$ 290,711	\$ -	\$ (40,632)	\$ 250,079	\$ 39,448

Serial Bonds - CTASC

The original purchase price for the County's future rights, title and interest in the Tobacco Settlement Revenues (TSR) was financed through the issuance of Series 2000 bonds in the amount of \$16,740,000. The bonds were sold at a discount of \$241,282, for a net issue price of \$16,498,718. The discount is being amortized over the maturity period of the bonds using the straight-line method. Interest rates on the bonds range from 5.0% to 6.25%. The Series 2000 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. CTASC retains TSRs in an amount sufficient to service its debt and pay its operating expenses.

CTASC issued \$37,338,337 in capital appreciation bonds for proceeds of \$7,334,797 on November 29, 2005. 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 CTASC from the County. The Series 2005 bonds are subordinate and subject to the rights of the holders of the Series 2000 bonds previously issued by CTASC. This series consists of subordinate turbo capital appreciation bonds (CAB) that provide long-dated financing for CTASC 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. CTASC is required by covenant not to issue additional bonds or refunding bonds that would extend the term of the capital appreciation bonds or other outstanding bonds.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 13 Long-term Debt - Continued

Serial Bonds - CTASC - Continued

The Series 2000 bonds are composed of the bonds which mature through June 1, 2042, without flexible amortization, and through June 1, 2026 under a flexible amortization payment schedule. Interest on the bonds ranges from 5.00% to 6.25%. Payments on the term bonds are through 2026. The balance at December 31, 2017 is net of unamortized bond discount of \$83,523.

The Series 2005 bonds are composed of the following:

- \$2,043,971 Tobacco Settlement Asset-Backed Bonds, Series 2005 S1 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date: June 1, 2023, with an accreted value at maturity of \$16,470,000.
- \$1,207,315 Tobacco Settlement Asset-Backed Bonds, Series 2005 S2 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date: June 1, 2026, with an accreted value at maturity of \$17,510,000.
- \$1,163,141 Tobacco Settlement Asset-Backed Bonds, Series 2005 S3 (Tax Exempt Turbo Capital Appreciation Bonds), maturity date: June 1, 2029, with an accreted value at maturity of \$32,645,000.
- \$2,553,792 Tobacco Settlement Asset-Backed Bonds, Series 2005 S4B (Tax Exempt Turbo Capital Appreciation Bonds), maturity date: June 1, 2039, with an accreted value at maturity of \$169,800,000.

Conduit Debt

In 1994, the County issued certificates of participation (COPs) to provide financial assistance to the Hospital for the costs associated with the improvement of certain facilities. The COPs are secured by the property financed and are payable solely from payments received from the Hospital to the County based on a sublease agreement between the County and Cayuga County Hospital Improvement Corporation, a not-for-profit corporation created by the Hospital. Under terms of the agreements, the County is only liable for the amount it has appropriated. The County did appropriate funds in its 2008-2010 budgets for this purpose, offset by an equal amount of estimated revenues from the Hospital. At December 31, 2017, the COPs outstanding aggregated \$4,735,000 and are to be paid serially in varying amounts through 2020. Interest paid in connection with this agreement was \$187,325.

Capital Lease

In 2015, the County entered into a capital lease on behalf of CCC for the purchase of equipment. The amount expended from the proceeds of the lease in 2017 was \$318,975. At December 31, 2017, the outstanding balance totaled \$1,044,116.

Pollution Remediation Obligations

In 2017, the County recognized recoveries in the amount of \$26,000. The expense provision was measured at its current value utilizing the prescribed expected cash flow method. The liability relates to future remediation activities associated with the removal of materials and soil contamination of a landfill.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 13 Long-term Debt - Continued

Summary of Long-Term Debt

The following is a summary of the County's long-term debt for the year ended December 31, 2017:

	Balance at 12/31/16	Additions	Decreases	Balance at 12/31/17	Amount Due Within One Year
<u>Governmental Activities</u>					
Serial bonds and premium	\$ 31,512,212		\$ (2,340,459)	\$ 29,171,753	\$ 2,387,823
Serial bonds - CTASC and discount	17,325,417		(245,721)	17,079,696	2,135,720
Accreted interest - CTASC	7,773,064	1,036,926		8,809,990	
Certificates of participation-Hospital	6,350,000		(1,615,000)	4,735,000	1,660,000
Capital lease - CCC	1,105,638		(61,522)	1,044,116	63,568
Pollution remediation liabilities	26,000		(26,000)	-	
Total Governmental Activities	\$ 64,092,331	\$ 1,036,926	\$ (4,288,702)	\$ 60,840,555	\$ 6,247,111

Interest on long-term debt interest amounted to \$2,634,156 for Governmental Activities, of which \$1,720,797 was related to CTASC bonds for the year ended December 31, 2017.

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

Year	Serial Bonds		COPs		Capital Lease		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 2,300,000	\$ 729,363	\$ 1,660,000	\$ 139,683	\$ 63,568	\$ 34,571	\$ 4,927,185
2019	2,355,000	679,294	1,710,000	90,713	65,749	32,390	4,933,146
2020	2,415,000	627,925	1,365,000	40,268	68,005	30,134	4,546,332
2021	2,480,000	571,650			70,338	27,801	3,149,789
2022	2,555,000	509,309			72,751	25,388	3,162,448
2023-2027	11,920,000	1,570,988			402,952	87,741	13,981,681
2028-2032	4,485,000	160,697			300,753	18,134	4,964,584
2033	105,000	2,362					107,362
Total	\$ 28,615,000	\$ 4,851,588	\$ 4,735,000	\$ 270,664	\$ 1,044,116	\$ 256,159	\$ 39,772,527

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 13 Long-term Debt - Continued

Summary of Long-Term Debt - Continued

The following is a summary of maturing debt service requirements, including accreted interest, for CTASC. Principal payments (including discount and accretion on capital appreciation bonds) based on the required maturities are as follows for the years ended December 31:

Year	CTASC Series 2000		CTASC
	Principal	Interest	Series 2005 Principal and Accreted Interest
2018	\$ 2,145,000	\$ 598,478	\$ 672,877
2019	945,000	498,783	704,101
2020	1,005,000	435,788	733,189
2021	1,070,000	368,181	765,024
2022	1,125,000	295,972	807,726
2023-2027	3,905,000	413,897	8,054,352
2028-2032			10,036,044
2033-2037			10,649,097
2038-2042			4,329,203
Total	\$ 10,195,000	\$ 2,611,099	\$ 36,751,613

Note 14 Long-term Debt - Discretely Presented Component Units

CCWSA

Long-term debt reported by CCWSA consists of notes payable to the New York State Environmental Facilities Corporation (NYSEFC) and bonds payable to the United States Department of Agriculture Rural Development Agency (RDA). Proceeds of the notes and bonds were used for water and sewer infrastructure construction and improvements. The notes and bonds are due in varying principal amounts through 2051 and carry interest rates varying from 0.51% to 5.5%.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 14 Long-term Debt - Discretely Presented Component Units - Continued

CCWSA - Continued

The following is a summary of maturing debt service requirements for the year ending December 31,:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 88,928	\$ 84,720	\$ 173,648
2019	95,174	82,823	177,997
2020	96,432	80,818	177,250
2021	96,702	78,750	175,452
2022	106,987	76,480	183,467
2023-2027	503,718	348,198	851,916
2028-2032	568,281	285,954	854,235
2033-2037	640,561	213,680	854,241
2038-2042	654,013	131,641	785,654
2043-2047	530,000	67,433	597,433
2048-2051	348,000	12,803	360,803
Total	\$ 3,728,796	\$ 1,463,300	\$ 5,192,096

CCC

Lease Agreements

River Glen leases space in Fulton, New York to the College and an unrelated party under noncancellable leases that extend through 2031. The terms of the agreements are as follows:

River Glen leases space to the College through 2031, unless extended or terminated by either party. The College pays monthly base rental amounts of \$13,170. Rental income under this agreement totaled \$158,040 for the year ended August 31, 2016. In addition, the College is required to pay additional rental fees equal to amounts required by River Glen's mortgage agreement. Additional rental fees were \$82,831 for the year ended August 31, 2016. Additionally, upon termination of the lease agreement between River Glen and an unrelated party, the College is required to pay base rent to River Glen equal to or greater than the base rent of the unrelated third party. In accordance with the lease agreement, the College is responsible for all common area maintenance costs. River Glen remits common area maintenance fees paid by other tenants to the College. Common area maintenance collected and paid to the College totaled \$18,937 for year ended August 31, 2016.

River Glen leases space to an unrelated party (the Tenant). Per the terms of the lease agreement, the minimum annual rent is \$545,202. In addition, the Tenant is required to pay its pro rata share of real estate taxes and common area maintenance based on square footage. As described above, as the property is currently in receivership, all tenant rental payments, including common area maintenance and additional rental fees, are being collected directly by the receiver of rents. Therefore, River Glen has not recognized rental income and fees from amounts paid to the receiver of rents in 2017. In 2017, River Glen recognized \$32,925 in rental income from the College for rental fees paid in advance.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 14 Long-term Debt - Discretely Presented Component Units - Continued

Long-Term Debt

In April 2016, River Glen did not make its scheduled balloon payment of principal on its mortgage payable, thereby triggering an act of default per the terms of the mortgage agreement. While River Glen is working to refinance the mortgage, an agreement has not been reached. Accordingly, the mortgage has been classified as a current liability on the accompanying Statement of Net Position. Per the terms of the mortgage agreement, River Glen is required to accrue interest on the outstanding principal at 10.75% during the period of default. At August 31, 2017 and 2016, River Glen has accrued \$1,083,379 and \$351,808, respectively, in interest expense, which is included within accrued expenses on the accompanying statement of net position. Additionally, the property serving as collateral for this mortgage payable is currently in receivership and all tenant rental payments are being collected directly by the receiver of rents.

Mortgage Payable

CCC reports debt of its component unit, the Cayuga College Community Foundation, Inc. (the Foundation). The Foundation's debt consists of a mortgage payable to a bank. The mortgage payable balance was \$6,757,678 at August 31, 2017 and 2016 and is collateralized by property held.

Note 15 Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. This includes expenditures and transfers of resources; primarily to provide services. The Governmental Funds' financial statements generally reflect such transactions as transfers whereas the Proprietary Fund records such transactions as non-operating revenues or expenses.

Interfund transactions for the year ended December 31, 2017 were as follows:

	<u>Interfund Receivable</u>	<u>Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,943,206	\$ -	\$ 1,848,832	\$ 7,480,774
Non-Major Funds	-	1,943,206	7,482,675	1,850,733
Totals	\$ 1,943,206	\$ 1,943,206	\$ 9,331,507	\$ 9,331,507

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 16 Equity Detail

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>
<u>Nonspendable</u>		
Due from Soil and Water Conservation District	\$ 1,225,000	\$
Prepaid Expenses	<u>2,038,488</u>	<u>105,738</u>
Total Nonspendable Fund Balance	\$ <u><u>3,263,488</u></u>	\$ <u><u>105,738</u></u>
<u>Restricted</u>		
Public safety	\$ 196,096	\$
Debt - CTASC		2,599,781
Capital projects	<u>4,000,000</u>	<u></u>
Total Restricted Fund Balance	\$ <u><u>4,196,096</u></u>	\$ <u><u>2,599,781</u></u>
<u>Committed</u>		
Capital projects	<u>610,616</u>	<u></u>
Total Committed Fund Balance	\$ <u><u>610,616</u></u>	\$ <u><u>-</u></u>
Appropriated for next year's budget	\$ 582,592	\$
Encumbered for:		
General government support	379,719	
Public safety	91,701	
Public health	57,494	
Economic assistance and opportunity	46,131	
Home and community and culture and recreation	23,034	
Claims and liabilities	895,455	
Unemployment	559,229	
Transportation		4,279,511
Community development		2,210,073
Capital projects		239,887
Miscellaneous		<u>853,853</u>
Total Assigned Fund Balance	\$ <u><u>2,635,355</u></u>	\$ <u><u>7,583,324</u></u>

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 16 **Equity Detail - Continued**

Board Designated Net Position

Board designated net position consists of cash asset reserves held by the Consortium assigned to cover a direct liability or assist the Consortium with cash flow and provide protection during times when paid claim projections are exceeded. These cash assets have also been a source of revenue to the Consortium, allowing management to contain premium increases. Included in unrestricted net position are:

- Rate Stabilization Reserve - This reserve was established to protect the Consortium from the ill effects associated with times when actual paid claims exceed projections. The current Rate Stabilization Reserve has been established at 10% of budgeted premiums. The balance at December 31, 2017 was \$1,910,580.
- Catastrophic Claims Reserve - The Catastrophic Claims reserve was established in lieu of purchasing aggregate and stop-loss insurance. The Catastrophic Claims Reserve has been set at an amount equal to 15% of budgeted paid claims. The balance at December 31, 2017 was \$1,863,178.

Note 17 **Commitments and Contingent Liabilities**

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

The County participates in a number of federally and state assisted programs which are subject to periodic program compliance audits by the grantors or their representatives. Accordingly, any noncompliance by the County with the applicable programs could be established at some future date and have a material effect on the financial condition of the County. There were no material questioned or disallowed costs which have been communicated by grantors as a result of audits for the year ended December 31, 2017.

Note 18 **Future Changes in Accounting Standards**

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending December 31, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending December 31, 2019.

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

***Note 18* Future Changes in Accounting Standards - Continued**

- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending December 31, 2019. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ending December 31, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ending December 31, 2018.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending December 31, 2020.

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

***Note 19* Tax Abatements**

For the year ended December 31, 2017, the County was subject to tax abatements negotiated by the Cayuga County Industrial Development Agency (CCIDA), a discretely presented component unit, the Town of Mentz, and the Town of Brutus (the Towns).

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

COUNTY OF CAYUGA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Note 19 Tax Abatements - Continued

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

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated</u>
Economic Development:	
Real Property Tax	\$ 597,731
Sales Tax	<u>65,092</u>
Total	\$ <u><u>662,823</u></u>

The Towns entered into a property tax abatement agreements with a local business under Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth. Under the Act, localities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Towns. Under these programs, the Towns abated taxes by 89% and 56% to apartment complexes within their respective Towns.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated</u>
Economic Development:	
Real Property Tax	\$ <u>6,381</u>
Total	\$ <u><u>6,381</u></u>

COUNTY OF CAYUGA

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

	Original Budget	Final Budget
REVENUES		
Real property taxes	\$ 39,011,995	\$ 39,011,995
Real property tax items	1,922,121	1,922,121
Nonproperty tax items	44,324,000	44,878,448
Departmental income	10,584,707	11,233,693
Intergovernmental charges	2,374,977	2,374,977
Use of money and property	308,490	308,490
Licenses and permits	15,000	15,000
Fines and forfeitures	165,005	165,005
Sale of property and compensation for loss	70,000	70,000
Miscellaneous local sources	131,150	156,150
State sources	15,970,462	18,519,563
Federal sources	12,432,080	14,351,128
Total Revenues	127,309,987	133,006,570
EXPENDITURES		
General governmental support	35,533,440	36,196,560
Education	5,731,275	5,533,803
Public safety	18,465,013	18,814,630
Public health	10,391,341	11,982,226
Transportation	162,400	162,400
Economic assistance and opportunity	42,548,765	43,384,551
Culture and recreation	1,018,791	1,204,897
Home and community services	1,688,430	1,801,140
Employee benefits	456,631	2,301,479
Debt service (principal and interest)	4,931,933	4,931,933
Total Expenditures	120,928,019	126,313,619
Excess of Revenues	6,381,968	6,692,951
OTHER FINANCING SOURCES (USES)		
Interfund transfers in	250,000	250,000
Interfund transfers (out)	(7,112,350)	(7,480,774)
Total Other Financing (Uses)	(6,862,350)	(7,230,774)
Excess of (Expenditures) Revenues and Other Financing (Uses) Sources	(480,382)	(537,823)
Appropriated Fund Balance	480,382	537,823
Net Increase	\$ -	\$ -

Fund Balance, Beginning of Year

Fund Balance, End of Year

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 39,272,539	\$	\$ 260,544
1,793,775		(128,346)
47,738,622		2,860,174
10,365,804		(867,889)
2,517,320		142,343
384,341		75,851
17,843		2,843
142,036		(22,969)
(12,515)		(82,515)
(79,761)		(235,911)
17,164,262		(1,355,301)
12,430,319		(1,920,809)
<u>131,734,585</u>		<u>(1,271,985)</u>
35,816,841	379,719	-
5,450,479		83,324
18,016,225	91,701	706,704
10,829,869	57,494	1,094,863
162,396		4
42,547,111	46,131	791,309
1,141,321	20,898	42,678
1,659,229	2,136	139,775
2,246,657		54,822
4,919,895		12,038
122,790,023	598,079	2,925,517
8,944,562	(598,079)	1,653,532
1,648,832		1,398,832
(7,480,774)		-
(5,831,942)		1,398,832
<u>3,112,620</u>	<u>\$ (598,079)</u>	<u>\$ 3,052,364</u>
<u>3,112,620</u>		
<u>25,612,330</u>		
<u>\$ 28,724,950</u>		

COUNTY OF CAYUGA

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

Actuarial Valuation Date	Fiscal Year End	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Cayuga County							
1/1/2016	12/31/2017	\$ -	\$ 116,280,609	\$ 116,280,609	0%	\$ 31,303,642	371%
1/1/2016	12/31/2016	-	111,857,814	111,857,814	0%	30,515,390	367%
1/1/2014	12/31/2015	-	121,039,188	121,039,188	0%	28,345,409	427%
1/1/2014	12/31/2014	-	115,804,817	115,804,817	0%	28,338,318	409%
1/1/2012	12/31/2013	-	135,809,943	135,809,943	0%	21,162,919	642%
1/1/2012	12/31/2012	-	132,472,578	132,472,578	0%	31,694,972	418%
Cayuga Community College							
9/1/2016	8/31/2017	\$ -	\$ 38,644,454	\$ 38,644,454	0%	\$ 12,327,437	313%
9/1/2014	8/31/2016	-	36,642,885	36,642,885	0%	11,960,705	306%
9/1/2014	8/31/2015	-	36,642,885	36,642,885	0%	12,524,367	293%
9/1/2012	8/31/2014	-	29,240,904	29,240,904	0%	10,512,009	278%

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

COUNTY OF CAYUGA

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,684,506	\$ 4,382,451	\$ 6,078,507
Contributions in relation to the contractually required contribution	(4,684,506)	(4,382,451)	(6,078,507)
Contribution deficiency (excess)	-	-	-
County's covered - Employee payroll	28,806,439	27,023,417	30,573,891
Contributions as a percentage of covered - Employee payroll	16.3%	16.2%	19.9%

Note: Covered payroll for 2013 through 2008 is not available

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 6,114,554	\$ 5,604,588	\$ 5,210,874	\$ 4,620,561	\$ 3,869,513	\$ 2,469,740	\$ 2,745,135
(6,114,554)	(5,604,588)	(5,210,874)	(4,620,561)	(3,869,513)	(2,469,740)	(2,745,135)
-	-	-	-	-	-	-
30,564,765						
20.0%						

COUNTY OF CAYUGA

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability	0.1330634%	0.1292610%	0.1442153%
County's proportionate share of the net pension liability	\$ 12,502,938	\$ 20,746,753	\$ 4,871,946
County's covered-employee payroll during the measurement period	28,770,837	27,023,417	30,449,443
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	43.5%	76.8%	16.0%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%

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

COUNTY OF CAYUGA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2017

Note 1 Budget Basis of Accounting

Budgeting Policies

The budget policies are as follows:

- No later than November 15, the budget officer submits a tentative budget to the Clerk of the Board of Representatives for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except the Capital Projects and Self-Insurance Funds.
- After public hearings are conducted to obtain taxpayer comments, no later than December 20, the Board of Representatives adopts the budget.
- Budget modifications are authorized by resolution of the Board of Representatives.
- Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects and remain in effect for the life of the project. Budget controls for the Self-Insurance Fund are established through separate annual resolutions.

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

An annual legal budget is not adopted for the Special Grant Fund, which is a Special Revenue Fund. Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements.

Note 2 Reconciliation of the Budget Basis to GAAP

The General Fund budget does not include the activities of the self-insurance fund, which have been eliminated from the actual amounts reported in the Budgetary Comparison Schedule.

	Budgetary Basis	GAAP Basis
Revenue and other financing sources	\$ 133,383,417	\$ 133,623,991
Expenditures and other financing uses	(130,270,797)	(130,453,044)
Changes in fund balances	3,112,620	3,170,947
Beginning fund balance	25,612,330	26,438,447
Ending Fund Balance	\$ 28,724,950	\$ 29,609,394

COUNTY OF CAYUGA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2017

Note 3 Schedule of Funding Progress - Other Postemployment Benefits

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

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and the information presented is intended to approximate the funding progress of the Plan.

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

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

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

NYSLRS:

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2016 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2016 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2016 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

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

COUNTY OF CAYUGA

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

	Special Revenue Funds				Capital Fund	CTASC Debt Service Fund	Total Non-Major Governmental Funds
	County Road Fund	Road Machinery Fund	Special Grant Fund	Miscellaneous Special Revenue Fund			
ASSETS							
Assets							
Cash and cash equivalents - Unrestricted	\$ 1,151,029	\$ 1,798,867	\$ 2,242,604	\$ 728,370	\$ 2,026,788	\$	\$ 7,947,658
Cash and cash equivalents - Restricted						1,509,781	1,509,781
Other receivables, net		64,360	351	126,641	39,244	1,090,000	1,320,596
Due from state and federal governments	1,842,319		108,625		171,306		2,122,250
Prepaid expenses	77,499	16,180	12,059				105,738
Loans and notes receivable			91,406				91,406
Total Assets	\$ 3,070,847	\$ 1,879,407	\$ 2,455,045	\$ 855,011	\$ 2,237,338	\$ 2,599,781	\$ 13,097,429
LIABILITIES							
Liabilities							
Accounts payable	\$ 188,311	\$ 268,981	\$ 165	\$ 1,158	\$	\$	\$ 458,615
Accrued liabilities	101,514	18,258	16,208		134,245		270,225
Due to other funds			80,000		1,863,206		1,943,206
Due to other governments			45,134				45,134
Total Liabilities	289,825	287,239	141,507	1,158	1,997,451	-	2,717,180
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue			91,406				91,406
FUND BALANCES							
Fund Balances							
Nonspendable	\$ 77,499	\$ 16,180	\$ 12,059	\$	\$	\$	\$ 105,738
Restricted						2,599,781	2,599,781
Assigned	2,703,523	1,575,988	2,210,073	853,853	239,887		7,583,324
Total Fund Balances	2,781,022	1,592,168	2,222,132	853,853	239,887	2,599,781	10,288,843
Total Deferred Inflows of Resources, Liabilities and Fund Balances	\$ 3,070,847	\$ 1,879,407	\$ 2,455,045	\$ 855,011	\$ 2,237,338	\$ 2,599,781	\$ 13,097,429

See Independent Auditor's Report

COUNTY OF CAYUGA

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

	Special Revenue Funds				Capital Fund	CTASC Debt Service Fund	Total Non-Major Governmental Funds
	County Road Fund	Road Machinery Fund	Special Grant Fund	Miscellaneous Special Revenue Fund			
REVENUES							
Departmental income	\$	\$	\$ 46,581	\$ 202,412	\$	\$	\$ 248,993
Intergovernmental charges	2,644	796,103		514			799,261
Use of money and property			1,711		3,220	14,006	18,937
Licenses and permits	190						190
Sale of property and compensation for loss	1,860	22,224				886,880	910,964
Miscellaneous local sources	4,033			1,143	265,580		270,756
Interfund revenues		1,658,832					1,658,832
State sources	4,995,835	371,073			1,528,169		6,895,077
Federal sources			663,058		152,389		815,447
Total Revenues	5,004,562	2,848,232	711,350	204,069	1,949,358	900,886	11,618,457
EXPENDITURES							
General governmental support				192,502		62,280	254,782
Public safety				1,300			1,300
Transportation	11,690,519	2,815,470					14,505,989
Economic assistance and opportunity			671,616	50,483			722,099
Home and community services			13,133				13,133
Debt service principal and interest						930,943	930,943
Capital outlay					2,609,941		2,609,941
Total Expenditures	11,690,519	2,815,470	684,749	244,285	2,609,941	993,223	19,038,187
Excess of (Expenditures) Revenues	(6,685,957)	32,762	26,601	(40,216)	(660,583)	(92,337)	(7,419,730)
OTHER FINANCING SOURCES							
Interfund transfers in	6,762,350			173,301	547,024		7,482,675
Interfund transfers (out)	(38,000)				(1,812,733)		(1,850,733)
Total Other Financing Sources	6,724,350	-	-	173,301	(1,265,709)	-	5,631,942
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	38,393	32,762	26,601	133,085	(1,926,292)	(92,337)	(1,787,788)
Fund Balances, Beginning of Year	2,742,629	1,559,406	2,195,531	720,768	2,166,179	2,692,118	12,076,631
Fund Balances, End of Year	\$ 2,781,022	\$ 1,592,168	\$ 2,222,132	\$ 853,853	\$ 239,887	\$ 2,599,781	\$ 10,288,843

See Independent Auditor's Report

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

Honorable Patrick Mahunik, Chairman
and Honorable Members of the County Legislature
County of Cayuga
Auburn, 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 Cayuga (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated August 2, 2018. Our report includes a reference to the other auditors who audited the financial statements of the Cayuga Tobacco Asset Securitization Corporation (aggregate remaining fund information), Cayuga Community College, Cayuga County Industrial Development Agency or Cayuga County Development Corporation, as described in our report on the County’s financial statements. The financial statements of the Cayuga County Development Corporation were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
August 2, 2018

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

Honorable Patrick Mahunik, Chairman
and Honorable Members of the County Legislature
County of Cayuga
Auburn, New York

Report on Compliance for Each Major Federal Program

We have audited the County of Cayuga's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Cayuga complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully Submitted,



Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
August 2, 2018

COUNTY OF CAYUGA

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal Catalog #	Pass-Through Grantor #	Pass-Through to Subrecipients	Expenditures
U.S. Department of Agriculture				
Passed Through NYS Department of Health:				
SNAP Cluster:				
State Administrative Matching Grants for SNAP	10.561	(1)	\$ _____	\$ 854,510
Total SNAP Cluster				854,510
WIC Special Supplemental Nutrition Program for Women, Infants and Children	10.557	C30446		500,339
WIC Special Supplemental Nutrition Program for Women, Infants and Children -				
WIC Food Instruments	10.557	(1)	_____	898,965
Total WIC				1,399,304
WIC Farmers' Market Nutrition Program (FMNP)	10.572	(1)	_____	8,856

TOTAL U.S. DEPARTMENT OF AGRICULTURE				2,262,670
U.S. Department of Housing and Urban Development				
Passed Through the NYS Homes and Community Renewal:				
Emergency Solutions Grant Program	14.231	C-021832	_____	109,552

TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				109,552
U.S. Department of Labor				
Passed Through NYS Department of Labor:				
WIA/WIOA Cluster:				
WIA/WIOA Adult Program	17.258	(1)		133,674
WIA/WIOA Youth Activities	17.259	(1)		128,446
WIA/WIOA Dislocated Worker Formula Grants	17.278	(1)	_____	137,190
Total WIA/WIOA Cluster				399,310

TOTAL U.S. DEPARTMENT OF LABOR				399,310
U.S. Department of Transportation				
Passed Through NYS Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	D034603		44,420
Highway Planning and Construction	20.205	D034208		55,753
Highway Planning and Construction	20.205	D034823	_____	52,058
Total Highway Planning and Construction Cluster				152,231
Passed Through NYS Office of Emergency Management:				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	(1)		24,445

TOTAL U.S. DEPARTMENT OF TRANSPORTATION				176,676
U.S. Department of Education				
Passed through NYS Department of Health:				
Special Education - Grants for Infants and Families with Disabilities	84.181	C027468	_____	23,086

TOTAL U.S. DEPARTMENT OF EDUCATION				23,086

Subtotal Expenditures of Federal Awards				2,971,294

N/A - Denotes Not Applicable (Direct Program)

(1) - Denotes unable to obtain from Pass-Through Entity

No amounts were provided to subrecipients

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

COUNTY OF CAYUGA

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal Catalog #	Pass-Through Grantor #	Pass-Through to Subrecipients	Expenditures
Subtotal Expenditures of Federal Awards Brought Forward			\$	\$ 2,971,294
U.S. Department of Health and Human Services				
Passed Through NYS Office for the Aging:				
Title III-D, Disease Prevention and Health Promotion Services	93.043	(1)		5,115
Aging Cluster:				
Special Programs for the Aging, Title III-B, Grants for Supportive Services and Senior Centers	93.044	(1)		81,230
Special Programs for the Aging, Title III-C, Nutrition Services	93.045	C1		64,710
Special Programs for the Aging, Title III-C, Nutrition Services	93.045	C2		121,646
Total Special Programs for the Aging, Title III-C, Nutrition Services				186,356
Nutrition Services Incentive Program	93.053	(1)		50,413
Total Aging Cluster				317,999
National Family Caregiver Support, Title III-E	93.052	(1)		40,524
Medicare Enrollment Assistance Program	93.071	(1)		8,771
Centers for Medicare and Medical Services Research,				
Passed through Health Research, Inc.:				
Public Health Emergency Preparedness	93.069	1585-10		54,844
Public Health Emergency Preparedness	93.069	1585-11		19,374
Total Public Health Emergency Preparedness				74,218
Hospital Preparedness Program and Public Health Emergency	93.074	1585-10		17
Hospital Preparedness Program and Public Health Emergency	93.074	1585-11		4,894
Total Hospital Preparedness Program and Public Health Emergency				4,911
Demonstrations and Evaluations	93.779	(1)		18,847
Passed Through NYS Department of Health:				
Comprehensive Community Mental Health Services for				
Children with Serious Emotional Disturbances (SED)	93.104	1H79SM063409-01		987,321
Immunization Cooperative Agreements	93.268	C-028280		23,571
Maternal and Child Health Services Block Grant to the States:				
Maternal and Child Health Services Block Grant to the States	93.994	C-32651		8,479
Maternal and Child Health Services Block Grant to the States	93.994	C-29705		11,727
Maternal and Child Health Services Block Grant to the States	93.994	C-030881		48,279
Total Maternal and Child Health Services Block Grant to the States				68,485
Medicaid Cluster:				
Medical Assistance Program	93.778	(1)		943,293
Total Medicaid Cluster				943,293
Passed Through NYS Office of Temporary and Disability Assistance:				
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	(1)		6,715,545
Total TANF Cluster				6,715,545
Child Support Enforcement	93.563	(1)		374,843
Low-Income Home Energy Assistance	93.568	(1)		2,997,874
Passed Through NYS Office of Children and Family Services:				
CCDF Cluster:				
Child Care and Development Block Grant	93.575	(1)		1,392,740
Total CCDF Cluster				1,392,740
Stephanie Tubbs Jones Child Welfare Services Program	93.645	(1)		81,000
Foster Care - Title IV-E	93.658	(1)		1,233,621
Adoption Assistance	93.659	62402		599,586
Social Services Block Grant	93.667	(1)		524,237
Child Abuse and Neglect State Grants	93.669	(1)		51,568
Passed Through NYS State Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(1)	211,406	211,406
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			211,406	16,675,475
Subtotal Expenditures of Federal Awards			\$ 211,406	\$ 19,646,769

N/A - Denotes Not Applicable (Direct Program)

(1) - Denotes unable to obtain from Pass-Through Entity

No amounts were provided to subrecipients

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

COUNTY OF CAYUGA

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal Catalog #	Pass-Through Grantor #	Pass-Through to Subrecipients	Expenditures
Subtotal Expenditures of Federal Awards Brought Forward			\$ 211,406	\$ 19,646,769
U.S. Department of Homeland Security				
Passed Through NYS Division of Homeland Security and Emergency Services:				
Emergency Management Performance Grant	97.042	T-182025		34,977
Homeland Security Grant Program	97.067	WM15969452		6,034
Homeland Security Grant Program	97.067	C-969450		40,636
Homeland Security Grant Program	97.067	C-969460		17,180
Homeland Security Grant Program	97.067	C-182059		7,101
Homeland Security Grant Program	97.067	C-182069		6,086
Homeland Security Grant Program	97.067	C-182329		16,248
Homeland Security Grant Program	97.067	WM14182349		49,768
Homeland Security Grant Program	97.067	WM15969462		39,917
Total Homeland Security Grant Program				182,970
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				217,947
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 211,406	\$ 19,864,716

N/A - Denotes Not Applicable (Direct Program)
 (1) - Denotes unable to obtain from Pass-Through Entity
 No amounts were provided to subrecipients

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

COUNTY OF CAYUGA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2017

Note 1 Basis of Presentation

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

Note 2 Basis of Accounting

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

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

Note 3 Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The County has not elected to use the 10% de minimis indirect cost rate.

Note 4 Matching Costs

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

Note 5 Department of Social Services - Administrative Costs

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

Note 6 Low-Income Home Energy Assistance

Differences between the amounts reflected in the Schedule of Expenditures of Federal Awards and the Department of Social Services' federal financial reports (RF-2 claims) are due to payments distributed by the State of New York directly to recipients totaling \$3,408,826.

COUNTY OF CAYUGA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2017

Note 7 **Expenditures of Federal Revenue**

The County operates a revolving loan program utilizing federal financial assistance received under current and prior Community Development Block Grants (CDBG). Loans outstanding at December 31, 2017 under these programs, reported as part of loans receivable in the County's basic financial statements, are as follows:

Loans Receivable - Economic Development	\$ 91,406
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Loan principal repayments totaling \$42,272 were made during the year from economic development loans. No economic development loans were written off in 2017. Program income of \$42,272 consisted of principal payments.

COUNTY OF CAYUGA

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

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
<u>93.778</u>	<u>Medical Assistance Program</u>
<u>93.959</u>	<u>Block Grant for Prevention and Treatment of Substance Abuse</u>
<u>93.558</u>	<u>Temporary Assistance for Needy Families</u>
<u>93.044, 93.045, 93.053</u>	<u>Aging Cluster</u>
<u>93.104</u>	<u>Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)</u>

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee: yes no

Section II - Financial Statement Findings - None noted.

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