

**COUNTY OF JEFFERSON,  
NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information and Federal  
Awards Information for the Year Ended  
December 31, 2017 and Independent Auditors' Reports*



**COUNTY OF JEFFERSON, NEW YORK**  
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**Year Ended December 31, 2017**

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Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

Honorable County Administrator and County Legislature  
County of Jefferson, New York

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Jefferson, 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***

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jefferson County Community College (the "College") and Jefferson County Industrial Development Agency (the "Agency"), which are shown as discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the College and Agency, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2017, the County implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, 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***

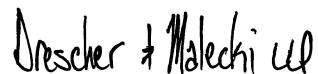
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County’s basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The Supplementary Information, as listed in the table of contents, 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 by us and the other auditors. In our opinion, the Supplementary Information, as listed in the table of contents, 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 *Governmental Auditing Standards*, we have also issued our report dated July 23, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



July 23, 2018



**COUNTY OF JEFFERSON, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

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As management of the County of Jefferson, New York (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information contained in the financial statements and notes to the financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

**Financial Highlights**

- The liabilities and deferred inflows of resources of the County's primary government exceeded its assets and deferred outflows of resources at December 31, 2017 by \$(237,931,880) (net position). This consists of \$133,706,321 net investment in capital assets, \$10,674,459 restricted for specific purposes, offset by an unrestricted net position of \$(382,312,660).
- The County's total primary government net position decreased by \$23,467,216 during the year ended December 31, 2017. Governmental activities decreased the County's net position by \$23,536,626, while the net position of the County's business-type activity increased \$69,410.
- As of December 31, 2017, the County's governmental funds reported combined fund balances of \$53,238,026, an increase of \$9,619,778 in comparison with the prior year. General Fund fund balance of \$11,976,570 is available to meet the County's current and future needs (unassigned fund balance).
- General Fund fund balance increased \$2,498,001 during the year ended December 31, 2017 and ended the year with a total fund balance of \$33,283,959. Of this, \$4,775,823 is considered nonspendable, \$2,357,133 is restricted, and \$14,174,433 is assigned for other specified purposes by County management.
- The County's governmental activities' total serial bonds outstanding increased by \$4,156,500 during the current year as a result of the issuance of serial bonds of \$6,206,500 offset by scheduled principal payments of \$2,050,000.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that principally are supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government support, education, public safety, public health, transportation, economic assistance and opportunity, culture and recreation, home and community services, and interest and fiscal charges. The business-type activity of the County is the Solid Waste Management Fund.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Community College and an Industrial Development Agency for which the County is financially accountable. Financial information presented for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, a proprietary fund, and the fiduciary fund.

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

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

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated

presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary Information section of this report.

The County adopts an annual appropriated budget for its General Fund, County Road Fund, Road Machinery Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund, a major fund, within the required supplementary information to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Proprietary funds.** The County maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as a *business-type activity* in the government-wide financial statements. The County uses an enterprise fund to account for its Solid Waste Facility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of the funds are not available to support the County's own programs.

The County maintains one type of fiduciary fund. The Agency Fund reports resources held by the County in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statement can be found on page 24 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-67 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the County's net pension liability/(asset), the County's progress in funding its obligation to provide postemployment benefits to its employees, and budgetary comparison schedule for the General Fund. Required Supplementary Information and a related note to the required supplementary information can be found on pages 68-75 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 76-77.

The Federal Awards Information presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 78-89 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, liabilities and deferred inflows of resources of the County's primary

government exceeded its assets and deferred outflows of resources at December 31, 2017 by \$(237,931,880) at the close of the most recent fiscal year.

The County's combined net position during fiscal year ended December 31, 2017 decreased from December 31, 2016, by \$23,467,216. By far, the largest portion of the County's net position at December 31, 2017, \$133,706,321, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) net of 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.

An additional portion of the County's net position, \$10,674,459 represents resources subject to external restrictions on how they may be used and are reported as restricted net position. The remaining category of total net position, \$(382,312,660), is considered to be unrestricted. This deficit does not mean the County does not have resources available to meet its obligations in the ensuing year. Rather, it is the result of having long-term commitments that are greater than currently available resources. Payments for these liabilities are to be budgeted in the year that actual payment will be made.

Table 1, as presented below, shows the net position as of December 31, 2017 and 2016 of the County's Governmental and business-type activity.

**Table 1—Condensed Statement of Net Position—Primary Government**

	Governmental activities		Business-type activity		Total	
	December 31,		December 31,		December 31,	
	2017	2016 (as restated)	2017	2016	2017	2016 (as restated)
Current assets	\$ 101,409,437	\$ 85,539,510	\$ 494,433	\$ 156,337	\$ 101,903,870	\$ 85,695,847
Noncurrent assets	950,000	1,000,000	-	-	950,000	1,000,000
Capital assets	137,945,499	137,656,818	3,072,092	3,306,272	141,017,591	140,963,090
Total assets	240,304,936	224,196,328	3,566,525	3,462,609	243,871,461	227,658,937
Deferred outflows of resources	30,732,802	28,764,445	-	-	30,732,802	28,764,445
Current liabilities	40,304,384	33,178,036	236,159	155,824	40,540,543	33,333,860
Noncurrent liabilities	463,044,080	431,954,959	988,945	1,034,774	464,033,025	432,989,733
Total liabilities	503,348,464	465,132,995	1,225,104	1,190,598	504,573,568	466,323,593
Deferred inflows of resources	7,962,575	4,564,453	-	-	7,962,575	4,564,453
Net position:						
Net investment in capital assets	131,584,229	130,753,957	2,122,092	3,306,272	133,706,321	134,060,229
Restricted	10,570,854	2,615,896	103,605	103,584	10,674,459	2,719,480
Unrestricted	(382,428,384)	(350,106,528)	115,724	(1,137,845)	(382,312,660)	(351,244,373)
Total net position	\$ (240,273,301)	\$ (216,736,675)	\$ 2,341,421	\$ 2,272,011	\$ (237,931,880)	\$ (214,464,664)

Table 2, presented below, shows the changes in net position for the years ended December 31, 2017 and December 31, 2016.

**Table 2—Condensed Statement of Changes in Net Position—Primary Government**

	Governmental activities		Business-type activity		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2017	2016 (as restated)	2017	2016	2017	2016 (as restated)
Revenues:						
Program revenues	\$ 68,494,918	\$ 73,114,932	\$ 2,844,786	\$ 2,585,702	\$ 71,339,704	\$ 75,700,634
General revenues	138,449,105	141,466,784	75,299	63,649	138,524,404	141,530,433
Total revenues	<u>206,944,023</u>	<u>214,581,716</u>	<u>2,920,085</u>	<u>2,649,351</u>	<u>209,864,108</u>	<u>217,231,067</u>
Total expenses	<u>230,480,649</u>	<u>226,787,843</u>	<u>2,850,675</u>	<u>2,616,096</u>	<u>233,331,324</u>	<u>229,403,939</u>
Change in net position	(23,536,626)	(12,206,127)	69,410	33,255	(23,467,216)	(12,172,872)
Net position—beginning	<u>(216,736,675)</u>	<u>17,150,804</u>	<u>2,272,011</u>	<u>2,238,756</u>	<u>(214,464,664)</u>	<u>19,389,560</u>
Restatement	-	(221,681,352)	-	-	-	(221,681,352)
Net position—ending	<u>\$ (240,273,301)</u>	<u>\$ (216,736,675)</u>	<u>\$ 2,341,421</u>	<u>\$ 2,272,011</u>	<u>\$ (237,931,880)</u>	<u>\$ (214,464,664)</u>

Governmental activities decreased the County’s net position by \$23,536,626. The decrease in net position is primarily due to the allocated expenses related to the OPEB liability. Operations of the business-type activity increased the County’s net position by \$69,410 for the year ended December 31, 2017.

A summary of sources of revenues for the years ended December 31, 2017 and December 31, 2016 is presented below in Table 3.

**Table 3—Summary of Sources of Revenues—Governmental Activities**

	Year Ended December 31,		Increase/(decrease)	
	2017	2016	Dollars	Percent
Charges for services	\$ 15,387,755	\$ 15,384,006	\$ 3,749	0.0
Operating grants and contributions	43,802,926	45,737,614	(1,934,688)	(4.2)
Capital grants and contributions	9,304,237	14,348,112	(5,043,875)	(35.2)
Property taxes and tax items	58,022,765	57,914,412	108,353	0.2
Non-property taxes	75,086,503	74,235,698	850,805	1.1
Other general revenues	<u>5,339,837</u>	<u>6,961,874</u>	<u>(1,622,037)</u>	<u>(23.3)</u>
Total revenues	<u>\$ 206,944,023</u>	<u>\$ 214,581,716</u>	<u>\$ (7,637,693)</u>	<u>(3.6)</u>

The most significant source of revenues is non-property taxes, which accounts for \$75,086,503, or 36.3 percent, of total governmental activities revenues, for the year ended December 31, 2017, and \$74,235,698, or 34.6 percent, of total governmental activities revenues, for the year ended December 31, 2016. The next largest source of revenue is property taxes and tax items, which comprises 28.0 percent and 27.0 percent of total governmental activities revenues for the years ended December 31, 2017 and 2016, respectively.

Revenues during the year ended December 31, 2017 decreased by 3.6 percent from the year ended December 31, 2016. Changes in revenues were largely due to the following:

- Other general revenues decreased \$1,622,037 primarily due to additional one-time tobacco settlement funds received in 2016, offset by additional sales taxes received during 2017.
- Operating grants and contributions decreased \$1,934,688 due to less funds received for programs eligible for state aid.
- Capital grants and contributions decreased \$5,043,875 mainly due to decreased aid received for the Airport Improvement Project.

As presented in Table 4, below, the County’s significant expense items for governmental activities were economic assistance and opportunity of \$74,644,866 or 32.4 percent, of total governmental activities expenses, general government support of \$63,325,908, or 27.0 percent, of total governmental activities expenses, public safety of \$33,997,901, or 14.8 percent, of total governmental activities expenses, transportation of \$24,564,652, or 10.7 percent, of total governmental activities expenses, and education of \$14,141,648, or 6.1 percent of total governmental activities expenses for the year ended December 31, 2017. Similarly, for the year ended December 31, 2016 significant expense items for governmental activities were economic assistance and opportunity of \$74,126,706, or 32.7 percent, of total governmental activities expenses, general government support of \$60,761,529, or 26.8 percent, of total governmental activities expenses, public safety of \$32,043,712, or 14.1 percent, of total governmental activities expenses, transportation of \$22,912,384, or 10.1 percent, of total governmental activities expenses, and education of \$17,273,678, or 7.6 percent of total governmental activities expenses.

**Table 4—Summary of Program Expenses—Governmental Activities**

	Year Ended December 31,		Increase/(decrease)	
	2017	2016	Dollars	Percent
General government support	\$ 63,325,908	\$ 60,761,529	\$ 2,564,379	4.2
Education	14,141,648	17,273,678	(3,132,030)	(18.1)
Public safety	33,997,901	32,043,712	1,954,189	6.1
Public health	16,032,035	16,230,384	(198,349)	(1.2)
Transportation	24,564,652	22,912,384	1,652,268	7.2
Economic assistance and opportunity	74,644,866	74,126,706	518,160	0.7
Culture and recreation	335,012	279,332	55,680	19.9
Home and community services	2,632,236	2,599,900	32,336	1.2
Interest and fiscal charges	806,391	560,218	246,173	43.9
Total program expenses	<u>\$ 230,480,649</u>	<u>\$ 226,787,843</u>	<u>\$ 3,692,806</u>	1.6

Significant changes in the County’s expenses from 2016 to 2017 are identified as follows:

- Expenses for education decreased by \$3,132,030 primarily due to incurring less for the Jefferson Community College Collaborative Learning Project than in the prior year.
- Expenses for general government support increased by \$2,564,379 primarily due to employee benefit costs in relation to OPEB.



- Expenses for transportation increased \$1,652,268 also primarily due to employee benefit costs in relation to OPEB.

**Business-type Activity.** Business-type activity increased the County’s net position by \$69,410 due to normal operations.

Revenues relating to the County’s business-type activity increased by 11.4 percent and expenses increased 10.2 percent for the year ended December 31, 2017, from the year ended December 31, 2016.

A summary of sources of revenues and expenditures for the County’s business-type activity for the years ended December 31, 2017 and December 31, 2016 is presented below in Table 6.

**Table 6—Summary of Sources of Revenues and Expenses—Business-type Activity**

	Year Ended December 31,		Increase/(decrease)	
	2017	2016	Dollars	Percent
Charges for services	\$ 2,819,790	\$ 2,573,800	\$ 245,990	9.6
Operating grants and contributions	24,996	11,902	13,094	110.0
General revenues (expenses)	75,298	35,320	39,978	113.2
Total program revenues	<u>\$ 2,920,084</u>	<u>\$ 2,621,022</u>	<u>\$ 299,062</u>	11.4
Solid waste management expenses	<u>\$ 2,850,675</u>	<u>\$ 2,587,767</u>	<u>\$ 262,908</u>	10.2

**Financial Analysis of the Governmental Funds**

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

**Governmental funds.** The focus of the County’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the County’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Legislators.

As of the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of \$53,238,026, an increase of \$9,619,778 in comparison with the prior year. Total *unassigned fund balance* is \$9,715,811 which is 4.6 percent of total governmental expenditures. Additionally, the County’s total *assigned fund balances* total \$25,572,891 or 12.0 percent of total governmental expenditures. Together, *unassigned* and *assigned fund balance* represents \$35,288,702, or 16.6 percent of total governmental expenditures. *Restricted fund balance* of \$13,029,110 represent resources for which spending is restricted for a special purpose. *Nonspendable* amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. *Nonspendable* fund balance consists of \$3,930,313 of prepaid items, \$39,901 of inventory, and \$950,000 representing long-term receivables at December 31, 2017.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$11,976,570, while total fund balance was \$33,283,959. The General Fund fund balance increased \$2,498,001 from the prior year, as compared to the planned use of fund balance of \$7,428,298 from appropriation of fund balance during the budget process and carryover of prior year encumbrances. As a measure of the General Fund's liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total expenditures and transfers out. *Unassigned fund balance* represents 6.3 percent of General Fund expenditures and transfers out, while total fund balance represents 17.4 percent of that same amount.

The fund balance in the Capital Projects Fund increased \$9,272,201 from December 31, 2016. This increase is due to serial bond and capital lease proceeds.

**Proprietary fund.** The County's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

The net position of Solid Waste Management Fund (the County's only enterprise fund) at December 31, 2017, amounted to \$2,341,421 and unrestricted net position was \$115,724. The operating activities of the Solid Waste Management Fund during 2017 resulted in an operating income of \$5,994 and the nonoperating revenues and expenses netted to total nonoperating revenue of \$63,416. At December 31, 2017, the Solid Waste Management Fund reports a noncurrent interfund loan from the General Fund of \$950,000. This amount is included as nonspendable fund balance within the General Fund. The Solid Waste Management Fund made a \$50,000 payment on the noncurrent loan during the year ended December 31, 2017.

### General Fund Budgetary Highlights

The County adopts an annual appropriated budget for all governmental funds, except the Capital Projects Fund. A budgetary comparison schedule for the General Fund has been provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended December 31, 2017 is presented in Table 7 below:

**Table 7—Summary of General Fund Results of Operations**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues and other financing sources	\$ 194,533,396	\$ 198,537,107	\$ 193,794,858	\$ (4,742,249)
Expenditures and other financing uses	201,961,694	202,619,473	191,296,857	11,322,616
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (7,428,298)	\$ (4,082,366)	\$ 2,498,001	\$ 6,580,367

**Original budget compared to final budget.** During the year, the budget is modified, primarily to reflect the acceptance of new state and federal grants and related expenditures. These grants explain the majority of increases in appropriations and revenue from the original adopted budget final budget. Significant grants for which the budget was modified were for state aid.

**Final budget compared to actual results.** The General Fund had a favorable variance from final budgetary appropriations of \$11,322,616. The primary positive variances were realized in economic assistance and opportunity, employee benefits, and health.

### Capital Assets and Debt Administration

**Capital assets.** The County’s investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$141,017,591 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, improvements other than buildings, machinery and equipment and infrastructure.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets net of depreciation for the governmental activities and business-type activities at the years ended December 31, 2017 and December 31, 2016 are presented in Table 8 below:

**Table 8—Summary of Capital Assets (Net of Depreciation)**

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,625,768	\$ 2,625,768	\$ 12,415	\$ 12,415	\$ 2,638,183	\$ 2,638,183
Construction in progress	11,489,034	3,897,372	-	-	11,489,034	3,897,372
Buildings and building improvements	44,392,410	44,944,596	2,453,962	2,506,418	46,846,372	47,451,014
Improvements other than buildings	218,029	250,725	-	-	218,029	250,725
Machinery and equipment	7,473,074	8,315,120	605,715	787,439	8,078,789	9,102,559
Infrastructure	71,747,184	77,623,237	-	-	71,747,184	77,623,237
Total	<u>\$ 137,945,499</u>	<u>\$ 137,656,818</u>	<u>\$ 3,072,092</u>	<u>\$ 3,306,272</u>	<u>\$ 141,017,591</u>	<u>\$ 140,963,090</u>

The County’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financials statements. The County has elected to depreciate its infrastructure assets. Additional information on County’s capital assets can be found in Note 5 of this report.

**Long-term liabilities.** In 2017, the County’s long-term liabilities, as reported on the County-wide statement of net position, continue to reflect a dramatic change, since GASB requires that the County recognize, according to a prescribed calculation, its obligation for other postemployment benefits (“OPEB”). In the case of the County, this obligation consists of health benefits promised to its current and future retirees. Based on a study of the County’s numerous benefit packages and the affected population, actuaries have determined the value of these benefits earned in prior years, as well as the value earned during 2017.

This obligation is a commitment the County has made to its employees pursuant to contract negotiations. County management has attempted to minimize the impact of dramatic health cost increases as new contracts have been negotiated. Newer contracts require greater employee contributions and increased length of employment to qualify for retiree health benefits.

Governmental activities outstanding net bonded indebtedness increased \$4,157,041.

**Table 9—Summary of Long-Term Liabilities**

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2017	2016 (as restated)	2017	2016	2017	2016 (as restated)
Net bonds payable	\$ 18,290,053	\$ 14,133,012	\$ -	\$ -	\$ 18,290,053	\$ 14,133,012
Compensated absences	2,202,824	2,117,924	38,945	34,774	2,241,769	2,152,698
Capital lease	5,799,153	-	-	-	5,799,153	-
Claims and judgments	4,595,892	4,868,686	-	-	4,595,892	-
Other postemployment benefits	416,997,121	383,688,755	-	-	416,997,121	383,688,755
Net pension liability	15,159,037	27,146,582	-	-	15,159,037	27,146,582
Total	<u>\$ 463,044,080</u>	<u>\$ 431,954,959</u>	<u>\$ 38,945</u>	<u>\$ 34,774</u>	<u>\$ 447,923,988</u>	<u>\$ 399,974,465</u>

The County carries an Aa3 rating from Moody's.

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

- Until this year, the County experienced a consistent decline in population. While less frequent and in shorter duration than in recent years, brigade components of the US Army's 10th Mountain Division continue to be periodically deployed and remain in rotation to the Middle East. These cycles continue to impact the local housing market, especially the rental market, with variations in demand and vacancy rates noted. The current rental vacancy rate in the greater Watertown area is estimated to be roughly ten percent. The true economic impact of Fort Drum is \$1.7 million based on an economic impact model. The model also estimates an additional 5,622 jobs supported by Fort Drum related activity.
- Commercial, retail, and service business growth throughout the County continues to slow compared to the most robust construction period mid-way through the 3rd Brigade transformation that began in 2006. However, the City of Watertown is benefiting from a number of noteworthy and high profile rehabilitation projects in the downtown core. The nearby historic Woolworth Building on Public Square underwent a \$17 million renovation to create 50 apartments and ground floor commercial space in the six story structure. In addition, the Lincoln Building has been renovated and the Marcy Spa has relocated in the building. There are several new restaurants in the downtown area as well. The City was the recipient of a \$10 million Downtown Revitalization Initiative grant and is working on identifying projects.

- A significant local transportation development is the continued upgrade of the facilities and airfield infrastructure at Watertown International Airport. Due in part to these upgrades and the growth in the County, American Airlines continues daily non-stop commercial flights at the local airport. Daily flights to Philadelphia International Airport are conducted twice each day. Over 35,000 passengers utilized commercial flights at the Watertown Airport in 2016. Beginning July 2017, jet service has returned to the airport. General Aviation activity continues to grow since the opening of the new Fixed Base Operator facility in 2015. There has been over \$46,000 collected in 2018 from airport operations.
- The 2017 U.S. Census Bureau population for Jefferson County was 114,187, which is a 1% increase from 2016.
- In December 2015, the County requested and was granted permission from New York State to increase the rate of sales tax from 7.75% to 8.00%.
- The County's 2018 budget set the full value property tax rate at \$7.15 per thousand which is a 1.96% increase from the 2017 average full value tax rate.

### **Contacting the County's Financial Management**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jefferson County Treasurer's Office, 175 Arsenal Street, Watertown, New York 13601.

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# BASIC FINANCIAL STATEMENTS





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**COUNTY OF JEFFERSON, NEW YORK**  
**Statement of Net Position**  
**December 31, 2017**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activity	Total	Jefferson Community College August 31, 2017	Industrial Development Agency September 30, 2017
<b>ASSETS</b>					
Cash and cash equivalents	\$ 34,518,788	\$ 72,659	\$ 34,591,447	\$ 10,385,255	\$ 2,920,537
Restricted cash and cash equivalents	29,704,657	103,605	29,808,262	2,363,025	4,135,934
Receivables, net of allowances					
Property taxes receivable	9,207,692	-	9,207,692	-	-
Accounts receivable	2,955,798	296,103	3,251,901	4,461,477	21,729
Intergovernmental receivables	21,052,288	-	21,052,288	392,664	-
Prepaid items	3,930,313	22,066	3,952,379	351,435	4,560
Loans and notes receivable, net	-	-	-	-	2,916,683
Inventories	39,901	-	39,901	2,753	-
Notes receivable	-	-	-	463,398	23,479
Interfund loan	950,000	(950,000)	-	-	-
Investments	-	-	-	5,874,109	-
Net pension asset	-	-	-	223,744	-
Capital assets not being depreciated	14,114,802	12,415	14,127,217	1,687,664	1,085,353
Capital assets, net of accumulated depreciation	<u>123,830,697</u>	<u>3,059,677</u>	<u>126,890,374</u>	<u>50,706,420</u>	<u>742,184</u>
Total assets	<u>240,304,936</u>	<u>2,616,525</u>	<u>242,921,461</u>	<u>76,911,944</u>	<u>11,850,459</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows—relating to pensions	12,885,034	-	12,885,034	3,964,837	-
Deferred outflows—relating to OPEB	17,073,577	-	17,073,577	-	-
Deferred charge on refunding bonds	174,330	-	174,330	-	-
Excess consideration provided for acquisition	599,861	-	599,861	-	-
PILOT monies receivable	-	-	-	-	66,542
Total deferred outflows of resources	<u>30,732,802</u>	<u>-</u>	<u>30,732,802</u>	<u>3,964,837</u>	<u>66,542</u>
<b>LIABILITIES</b>					
Accounts payable	10,739,899	236,159	10,976,058	408,299	24,054
Retainages payable	114,966	-	114,966	-	-
Accrued liabilities	-	-	-	451,542	-
Interest payable	174,169	-	174,169	32,881	4,548
Due to other governments	12,083,998	-	12,083,998	4,770,228	-
Bond anticipation notes payable	11,000,000	-	11,000,000	-	-
Unearned revenue	6,156,679	-	6,156,679	2,389,139	-
Other liabilities	34,673	-	34,673	-	96,567
Noncurrent liabilities:					
Due within one year	3,067,002	1,947	3,068,949	475,795	1,571
Due in more than one year	<u>459,977,078</u>	<u>36,998</u>	<u>460,014,076</u>	<u>54,359,812</u>	<u>203,639</u>
Total liabilities	<u>503,348,464</u>	<u>275,104</u>	<u>503,623,568</u>	<u>62,887,696</u>	<u>330,379</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows—relating to pensions	3,995,884	-	3,995,884	1,139,292	-
Deferred inflows—relating to OPEB	3,966,691	-	3,966,691	-	-
Unavailable revenues—grants	-	-	-	921,136	-
Due to other governments	-	-	-	-	118,056
Total deferred inflows of resources	<u>7,962,575</u>	<u>-</u>	<u>7,962,575</u>	<u>2,060,428</u>	<u>118,056</u>
<b>NET POSITION</b>					
Net investment in capital assets	131,584,229	2,122,092	133,706,321	31,371,483	1,827,537
Restricted for:					
General Fund restrictions	2,357,133	-	2,357,133	-	-
Capital projects	7,977,236	103,605	8,080,841	-	-
Road Machinery, Special Grant and Debt					
Service restrictions	236,485	-	236,485	-	-
Community College—expendable	-	-	-	2,404,593	-
Community College—nonexpendable	-	-	-	4,104,962	-
Community development	-	-	-	-	5,096,649
Unrestricted	<u>(382,428,384)</u>	<u>115,724</u>	<u>(382,312,660)</u>	<u>(21,952,381)</u>	<u>4,544,380</u>
Total net position	<u>\$ (240,273,301)</u>	<u>\$ 2,341,421</u>	<u>\$ (237,931,880)</u>	<u>\$ 15,928,657</u>	<u>\$ 11,468,566</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF JEFFERSON, NEW YORK**  
**Statement of Activities**  
**Year Ended December 31, 2017**

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position							
		Primary Government						Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activity	Total	Jefferson Community College August 31, 2017	Industrial Development Agency September 30, 2017
<b>Primary government:</b>									
Governmental activities:									
General government support	\$ 63,325,908	\$ 5,575,215	\$ 1,622,925	\$ 35,290	\$ (56,092,478)	\$ -	\$ (56,092,478)	\$ -	\$ -
Education	14,141,648	-	-	1,907,192	(12,234,456)	-	(12,234,456)	-	-
Public safety	33,997,901	1,518,229	1,059,831	594,630	(30,825,211)	-	(30,825,211)	-	-
Public health	16,032,035	3,808,304	8,983,757	-	(3,239,974)	-	(3,239,974)	-	-
Transportation	24,564,652	1,693,358	156,681	6,767,125	(15,947,488)	-	(15,947,488)	-	-
Economic assistance and opportunity	74,644,866	2,784,599	30,268,634	-	(41,591,633)	-	(41,591,633)	-	-
Culture and recreation	335,012	-	111,824	-	(223,188)	-	(223,188)	-	-
Home and community services	2,632,236	8,050	1,599,274	-	(1,024,912)	-	(1,024,912)	-	-
Interest and fiscal charges	806,391	-	-	-	(806,391)	-	(806,391)	-	-
Total governmental activities	<u>230,480,649</u>	<u>15,387,755</u>	<u>43,802,926</u>	<u>9,304,237</u>	<u>(161,985,731)</u>	<u>-</u>	<u>(161,985,731)</u>	<u>-</u>	<u>-</u>
Business-type activity:									
Solid waste management	2,850,675	2,819,790	24,996	-	-	(5,889)	(5,889)	-	-
Total primary government	<u>\$ 233,331,324</u>	<u>\$ 18,207,545</u>	<u>\$ 43,827,922</u>	<u>\$ 9,304,237</u>	<u>(161,985,731)</u>	<u>(5,889)</u>	<u>(161,991,620)</u>	<u>-</u>	<u>-</u>
<b>Component units:</b>									
Jefferson Community College	\$ 43,844,702	\$ 13,388,271	\$ 2,537,523	\$ -			(27,918,908)	-	
Industrial Development Agency	1,347,449	422,661	706,260	-			-	(218,528)	
Total component units	<u>\$ 45,192,151</u>	<u>\$ 13,810,932</u>	<u>\$ 3,243,783</u>	<u>\$ -</u>			<u>(27,918,908)</u>	<u>(218,528)</u>	
General revenues:									
Property taxes, levied for general purpose					55,336,529	-	55,336,529	-	-
Property tax items					2,686,236	-	2,686,236	-	-
Sales taxes					75,086,503	-	75,086,503	-	-
Other taxes					624,232	-	624,232	-	-
Unrestricted grants and contributions					-	-	-	6,020,928	25,996
Use of money and property					750,104	3,924	754,028	1,125,308	8,650
Miscellaneous					3,763,322	36,051	3,799,373	526,629	-
State and federal appropriations					-	-	-	21,071,489	-
Sale of property and compensation for loss					134,727	35,324	170,051	-	-
Gain on sale of capital assets					67,452	-	67,452	-	-
Additions to permanent endowments					-	-	-	69,414	-
Total general revenues and transfers					<u>138,449,105</u>	<u>75,299</u>	<u>138,524,404</u>	<u>28,813,768</u>	<u>34,646</u>
Change in net position					(23,536,626)	69,410	(23,467,216)	894,860	(183,882)
Net position—beginning, as restated					<u>(216,736,675)</u>	<u>2,272,011</u>	<u>(214,464,664)</u>	<u>15,033,797</u>	<u>11,652,448</u>
Net position—ending					<u>\$ (240,273,301)</u>	<u>\$ 2,341,421</u>	<u>\$(237,931,880)</u>	<u>\$ 15,928,657</u>	<u>\$ 11,468,566</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF JEFFERSON, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**December 31, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,693,989	\$ 2,084,507	\$ 6,740,292	\$ 34,518,788
Restricted cash and cash equivalents	8,465,053	21,012,013	227,591	29,704,657
Receivables, net of allowances:				
Property taxes receivable	9,207,692	-	-	9,207,692
Accounts receivable	1,715,233	-	4,981	1,720,214
Due from other funds	17,990	2,260,759	-	2,278,749
Interfund loan	950,000	-	-	950,000
Intergovernmental receivables	18,415,528	2,325,443	311,317	21,052,288
Inventory	39,901	-	-	39,901
Prepaid items	3,785,922	-	144,391	3,930,313
Total assets	<u>\$ 68,291,308</u>	<u>\$ 27,682,722</u>	<u>\$ 7,428,572</u>	<u>\$ 103,402,602</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,910,180	\$ 1,208,916	\$ 620,803	\$ 10,739,899
Intergovernmental payables	12,083,998	-	-	12,083,998
Due to other funds	-	-	2,278,749	2,278,749
Bond anticipation notes payable	-	11,000,000	-	11,000,000
Unearned revenue	6,107,920	-	48,759	6,156,679
Other liabilities	34,673	-	-	34,673
Total liabilities	<u>27,136,771</u>	<u>12,208,916</u>	<u>2,948,311</u>	<u>42,293,998</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues—grants	482,642	-	-	482,642
Unavailable revenues—property taxes	7,387,936	-	-	7,387,936
Total deferred inflows of resources	<u>7,870,578</u>	<u>-</u>	<u>-</u>	<u>7,870,578</u>
<b>FUND BALANCES</b>				
Nonspendable	4,775,823	-	144,391	4,920,214
Restricted	2,357,133	10,435,492	236,485	13,029,110
Assigned	14,174,433	5,038,314	6,360,144	25,572,891
Unassigned	11,976,570	-	(2,260,759)	9,715,811
Total fund balances	<u>33,283,959</u>	<u>15,473,806</u>	<u>4,480,261</u>	<u>53,238,026</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 68,291,308</u>	<u>\$ 27,682,722</u>	<u>\$ 7,428,572</u>	<u>\$ 103,402,602</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF JEFFERSON, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**December 31, 2017**

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Total fund balances—governmental funds (page 17)	\$	53,238,026
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$255,133,263 and the accumulated depreciation is \$117,187,764.		137,945,499
Other long-term assets are not available to pay for current period expenditures and, therefore, are either recorded as unearned revenue or deferred inflows of resources in the funds but are considered government-wide revenues:		
Deferred inflows of resources - grants	\$ 482,642	
Deferred inflows of resources - property taxes	<u>7,387,936</u>	7,870,578
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows related to employer contributions	\$ 4,298,405	
Deferred outflows related to experience and investment earnings one time	8,586,629	
Deferred outflows related to assumptions—OPEB	17,073,577	
Deferred inflows of resources related to pensions	(3,995,884)	
Deferred inflows of resources related to OPEB	<u>(3,966,691)</u>	21,996,036
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		174,330
The excess consideration for acquired assets that have a useful life extending beyond a single reporting period is recorded as an expenditure within the funds but recorded as a deferred outflow of resources on the government-wide financial statements.		599,861
Certain accrued revenues reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds.		1,235,584
Retained percentages are not a current liability and, therefore, are not reported in the funds.		(114,966)
Net accrued interest expense for serial bonds is not reported in the funds.		(174,169)
Long-term liabilities, including bonds payable, compensated absences, capital lease, claims and judgments payable, other post-employment benefits ("OPEB") and the net pension liability are not due and payable in the current period and, therefore, are not reported in the funds. The effect of these items are:		
Bonds payable	\$ (17,786,500)	
Unamortized premiums	(503,553)	
Compensated absences	(2,202,824)	
Capital lease	(5,799,153)	
Claims and judgments	(4,595,892)	
Other postemployment benefits	(416,997,121)	
Net pension liability	<u>(15,159,037)</u>	<u>(463,044,080)</u>
Net position of governmental activities		<u>\$ (240,273,301)</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF JEFFERSON, NEW YORK**  
**Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds**  
**Year Ended December 31, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 54,902,976	\$ -	\$ -	\$ 54,902,976
Real property tax items	2,686,236	-	-	2,686,236
Non-property tax items	75,710,735	-	-	75,710,735
Departmental income	10,408,327	-	853,438	11,261,765
Intergovernmental charges	2,268,002	-	110,748	2,378,750
Use of money and property	755,795	367	135,393	891,555
Licenses and permits	36,303	-	5,020	41,323
Fines and forfeitures	195,085	-	-	195,085
Sale of property and compensation for loss	1,265,202	106,888	34,864	1,406,954
Miscellaneous	4,869,367	-	13,210	4,882,577
Interfund revenues	-	-	248,671	248,671
State aid	17,982,620	2,918,450	4,912,487	25,813,557
Federal aid	22,686,652	1,520,464	3,078,987	27,286,103
Total revenues	<u>193,767,300</u>	<u>4,546,169</u>	<u>9,392,818</u>	<u>207,706,287</u>
<b>EXPENDITURES</b>				
Current:				
General government support	56,066,389	-	-	56,066,389
Education	10,288,405	-	-	10,288,405
Public safety	22,254,590	-	612,948	22,867,538
Health	13,025,194	-	-	13,025,194
Transportation	1,974,351	-	14,351,471	16,325,822
Economic assistance and opportunity	62,669,099	-	2,450,100	65,119,199
Culture and recreation	334,839	-	-	334,839
Home and community services	841,683	-	1,542,431	2,384,114
Employee benefits	9,585,371	-	47,032	9,632,403
Debt service:				
Principal	-	-	4,225,000	4,225,000
Interest and fiscal charges	67,811	-	573,648	641,459
Capital outlay	-	11,356,800	-	11,356,800
Total expenditures	<u>177,107,732</u>	<u>11,356,800</u>	<u>23,802,630</u>	<u>212,267,162</u>
Excess (deficiency) of revenues over expenditures	<u>16,659,568</u>	<u>(6,810,631)</u>	<u>(14,409,812)</u>	<u>(4,560,875)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	27,558	1,902,179	13,922,193	15,851,930
Transfers out	(14,189,125)	-	(1,662,805)	(15,851,930)
Serial bond proceeds	-	6,206,500	-	6,206,500
Proceeds of capital lease	-	7,974,153	-	7,974,153
Total other financing sources (uses)	<u>(14,161,567)</u>	<u>16,082,832</u>	<u>12,259,388</u>	<u>14,180,653</u>
Net change in fund balances	2,498,001	9,272,201	(2,150,424)	9,619,778
Fund balances—beginning	<u>30,785,958</u>	<u>6,201,605</u>	<u>6,630,685</u>	<u>43,618,248</u>
Fund balances—ending	<u>\$ 33,283,959</u>	<u>\$ 15,473,806</u>	<u>\$ 4,480,261</u>	<u>\$ 53,238,026</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF JEFFERSON, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended December 31, 2017**

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances—total governmental funds (page 19)		\$ 9,619,778
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital asset additions	\$ 10,486,167	
Depreciation expense	(8,142,481)	
Loss on disposition	<u>(2,055,005)</u>	288,681
<p>Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:</p>		
County pension contributions	\$ 4,298,405	
Cost of benefits earned net of employee contributions	<u>(6,725,199)</u>	(2,426,794)
<p>Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization.</p>		
Deferred inflows between expected and actual experience	(3,966,691)	
Deferred outflows relating to changes in assumptions	<u>17,073,577</u>	13,106,886
<p>For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge on the government-wide statements and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.</p>		
		(80,461)
<p>Governmental funds report excess consideration paid for assets as expenditures in the year of acquisition. However, in the County's statement of activities the cost of consideration is allocated over the estimated useful life and impaired accordingly.</p>		
		(41,851)
<p>Certain tax and other revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.</p>		
Change in deferred inflows of resources - property taxes	\$ 433,553	
Change in deferred inflows of resources - grants	(107,553)	
Change in other receivable	<u>(1,088,264)</u>	(762,264)
<p>Governmental funds report retained percentages expenditures on construction contracts when such a retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues.</p>		
		(80,005)
<p>In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.</p>		
		(83,930)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:</p>		
Proceeds from serial bonds	\$ (6,206,500)	
Proceeds from capital lease	(7,974,153)	
Principal payments on serial bonds	2,050,000	
Principal payments on capital lease	2,175,000	
Premium from issuance of serial bonds	(141,240)	
Amortization of premium on serial bonds	140,699	
Change in compensated absences	(84,900)	
Change in claims and judgments	272,794	
Change in other postemployment benefits	<u>(33,308,366)</u>	<u>(43,076,666)</u>
Change in net position of governmental activities		<u>\$ (23,536,626)</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF JEFFERSON, NEW YORK**  
**Statement of Net Position—Proprietary Fund**  
**December 31, 2017**

	<u><b>Business-type Activity— Enterprise Fund Solid Waste Management</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 72,659
Restricted cash	103,605
Accounts receivable	296,103
Prepaid items	<u>22,066</u>
Total current assets	<u>494,433</u>
Noncurrent assets:	
Capital assets not being depreciated	12,415
Capital assets, net of accumulated depreciation	<u>3,059,677</u>
Total noncurrent assets	<u>3,072,092</u>
Total assets	<u>3,566,525</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>236,159</u>
Total current liabilities	<u>236,159</u>
Noncurrent liabilities:	
Compensated absences—due within one year	1,947
Compensated absences—due in more than one year	36,998
Interfund loan	<u>950,000</u>
Total noncurrent liabilities	<u>988,945</u>
Total liabilities	<u>1,225,104</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,122,092
Restricted for capital projects	103,605
Unrestricted	<u>115,724</u>
Total net position	<u>\$ 2,341,421</u>

The notes to the financial statements are an integral part of this statement.



**COUNTY OF JEFFERSON, NEW YORK**  
**Statement of Revenues, Expenses and Changes in Fund Net Position—Proprietary Fund**  
**Year Ended December 31, 2017**

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	<b>Business-type Activity— Enterprise Fund</b>
	<b>Solid Waste Management</b>
Operating revenues:	
Charges for services	\$ 2,199,945
Recycling income	619,845
Miscellaneous	<u>36,051</u>
Total operating revenues	<u>2,855,841</u>
Operating expenses:	
Salaries, wages and employee benefits	942,012
Tipping fees	1,668,341
Depreciation	<u>239,494</u>
Total operating expenses	<u>2,849,847</u>
Operating income	<u>5,994</u>
Nonoperating revenues (expenses):	
State aid and local grants	24,996
Investment earnings	3,924
Gain on sale of capital assets	35,324
Financing interest	<u>(828)</u>
Total nonoperating revenues (expenses)	<u>63,416</u>
Change in net position	69,410
Total net position—beginning	<u>2,272,011</u>
Total net position—ending	<u>\$ 2,341,421</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF JEFFERSON, NEW YORK**  
**Statement of Cash Flows—Proprietary Fund**  
**Year Ended December 31, 2017**

	<u><b>Business-type Activity— Enterprise Fund Solid Waste Management</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from services provided	\$ 2,169,609
Receipts from other operating revenue	655,896
Payments to employees	(937,841)
Payments to suppliers	<u>(1,587,769)</u>
Net cash provided by operating activities	<u>299,895</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grants received	36,898
Interfund loans	<u>(248,019)</u>
Net cash used for noncapital financing activities	<u>(211,121)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital purchases	(9,840)
Proceeds from sale of assets	39,850
Financing interest	(828)
Payment on noncurrent interfund loan	<u>(50,000)</u>
Net cash provided by capital and related financing activities	<u>(20,818)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>3,924</u>
Net cash provided by investing activities	<u>3,924</u>
Net increase in cash and cash equivalents	71,880
Cash and cash equivalents—beginning	<u>104,384</u>
Cash and cash equivalents—ending	<u><u>\$ 176,264</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 5,994
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	239,494
(Increase) in accounts receivable	(30,336)
Decrease in prepaid items	237
Increase in accounts payable	80,335
Increase in compensated absences	<u>4,171</u>
Total adjustments	<u>293,901</u>
Net cash provided by operating activities	<u><u>\$ 299,895</u></u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF JEFFERSON, NEW YORK**  
**Statement of Net Position—Fiduciary Fund**  
**December 31, 2017**

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 1,425,874
Total assets	<u>\$ 1,425,874</u>
 <b>LIABILITIES</b>	
Agency liabilities	\$ 1,425,874
Total liabilities	<u>\$ 1,425,874</u>

The notes to the financial statements are an integral part of this statement.

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**COUNTY OF JEFFERSON, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Description of Government-wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

***Financial Reporting Entity***

The County, which was established in 1805, is governed by County local law and other general laws of the State of New York and various local laws. The Board of Legislators is the legislative body responsible for overall operations, the Chairman of the Board serves as chief executive officer and the County Treasurer serves as chief fiscal officer. Independent elected officials of the County include 15 legislators, the District Attorney, the County Clerk, the County Treasurer, and the County Sheriff.

The County provides mandated social service programs such as Medicaid and Temporary Assistance for Needy Families. The County also provides the following basic services: maintenance of County roads, health and social services (including Office for the Aging), public safety (including law enforcement, jail, probation, District Attorney and Public Defender), general administrative services, culture and recreation, solid waste management (including recycling) and among others, operation of a Community College and an airport.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

***Discretely Presented Component Units***—The component unit columns in the basic financial statements include the financial data of the County’s two discretely presented component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

**Jefferson Community College**—The Jefferson Community College (the “College”) was established in 1961 with the County as the local sponsor under provisions of Article 126 of the Education Law. The College is administered by a Board of Trustees consisting of ten members, five appointed by the County governing body, four by the Governor and one student trustee. Also, the College budget is subject to the approval of the County Board of Legislators and the County provides one half of capital costs for the College. Real property of the College vests with the County and bonds and notes for the College capital costs are issued by the County and represent County debt. Mandated by New York State Law, the fiscal year end for the College is August 31.

The County budget for 2017 included an appropriation of \$4,864,436 in support of the College budget for the College fiscal year ended August 31, 2017. In addition to the funds contributed for the support of the College budget for 2016-2017, the General Fund budget supports the debt service on other college capital improvement bonds as outlined in the following paragraphs.

In 2005, the College began work on a new capital improvement plan for which the County has responsibility for the debt issued in 2006. In 2017, the County paid \$489,096 in debt service on the 2006 debt issue. The principal payment was \$420,000, and interest was paid in the amount of \$69,096. Outstanding debt on this issue at December 31, 2017, was \$1,365,000.

In 2015, the County issued \$7,000,000 in public improvement serial bonds for the Jefferson Community College Collaborative Learning Project. In 2017, the County paid \$471,575 in debt service on the 2015 debt issue. The principal payment was \$285,000, and interest was paid in the amount of \$186,575. Outstanding debt on this issue at December 31, 2017, was \$6,525,000.

In 2017, the County issued \$6,206,500 in public improvement serial bonds of which \$1,500,000 was on behalf of the College. Of this amount, \$1,448,400 was for the campus building reconstruction at Jefferson Community College and \$51,600 was for purchasing a loader. In 2017, no payments were due on the bond. Payments will commence in June 2018. The current interest rate on this bond is 2.25%.

In addition, in 2017 the County issued an \$11,000,000 bond anticipation notes (“BAN”) of which \$2,000,000 was for the purpose of additional work on the Jefferson Community College Learning Center. It is anticipated that this BAN will be converted to a bond in 2018 or 2019 once the work has been completed on the various projects for which the funds are to be used. The interest rate on this BAN is 2.50%.

Jefferson County paid \$377,485 to other New York State Community Colleges for its residents attending community colleges outside the County.

**Jefferson County Industrial Development Agency**—The Jefferson County Industrial Development Agency (the “Agency”) is a public benefit corporation created by Article 18A of New York State General Municipal Law to promote the economic welfare, recreation opportunities and prosperity of County inhabitants. Members of the Agency are appointed by the County Board of Legislators which exercises no oversight responsibility for fiscal matters. The Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The County is not liable for agency bonds or notes.

In addition, the Agency administers a \$4,419,309 revolving loan fund, a \$414,851 micro-enterprise loan program which provides loans to small businesses and a \$262,489 Watertown Economic Growth Fund which provides support to enterprises in the City of Watertown. These funds are used to provide loans to eligible businesses that save and create employment opportunities for residents of Jefferson County. The Agency works closely with Jefferson County Job Development Corporation (“JCJDC”) through funding of certain programs for economic development activities. The Agency has no staff; staff is supplied by the JCJDC under contract. The Agency includes two blended component units, the Jefferson County Local Development Corporation and the Jefferson County Civic Facilities Development Corporation.

Separate financial statements can be obtained by writing the Agency’s administration office, 800 Starbuck Avenue, Suite 800, Watertown, New York 13601.

***Excluded from the Financial Reporting Entity***—Although the following are related to the County, they are not included in the County reporting entity:

***Jefferson County Soil and Water Conservation District***—The Board of Legislators has declared the County to be a Soil and Water Conservation District in accordance with the provisions of the Soil and Water Conservation District Law. Members of the Board of Directors have been appointed by the County governing body and administrative costs of the District are provided primarily through County appropriations. The Board of Legislators retains general oversight responsibilities including monitoring district activities through detailed reporting to the Board of Legislators by the District Directors of its work and transactions in such periods as the Board of Legislators may direct. However, the County cannot impose will upon the District nor is there a financial benefit/burden relationship with the County to require it to be presented as a component unit of the County.

The annual financial report can be obtained from the District’s administration office at Jefferson County Soil and Water Conservation District, 21168 State Route 232, PO Box 838, Watertown, NY 13601.

***Thousand Islands Bridge Authority***—The Thousand Islands Bridge Authority is a public benefit corporation created by State Legislation to promote the economic welfare, recreation, and prosperity of the County inhabitants. Members of the agency are appointed by the municipal governing body which exercises no oversight responsibility. The Authority members have complete responsibility for management of the Authority and accountability for fiscal matters. The County is not liable for Authority bonds or notes.

***Basis of Presentation—Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, its proprietary fund, and its fiduciary fund, even though the latter is excluded from the government-wide financial statements.

As discussed earlier, the government has two discretely presented component units. Jefferson Community College and the Jefferson County Industrial Development Agency are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the government. Elimination of these changes would distort the direct costs and program revenues reported for the various functions concerned.

### ***Basis of Presentation—Fund Financial Statements***

The fund financial statements provide information about the County's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- *General Fund*—This fund is the principal operating fund of the County and is used to account for all financial resources except those required to be accounted for in other funds.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by the enterprise fund. The County utilizes separate funds to account for capital projects benefiting the following programs: general government, public safety, transportation, sanitation, and recreation.

Additionally, the County reports the following nonmajor governmental funds:

*Special Revenue Funds*—used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

- *County Road Fund*—The County Road Fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.
- *Road Machinery Fund*—The Road Machinery Fund is used to account for the purchase, repair, maintenance and storage of highway machinery, tools and equipment pursuant to Section 133 of the Highway Law.
- *Special Grant Fund*—The Special Grant Fund is used to account for funds received under the Job Training Partnership Act/Workforce Investment Act and for Community Block Grant funds received from the Department of Housing and Urban Development.

*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.

The County reports the following major enterprise fund:

- *Solid Waste Management Fund*—The Solid Waste Management Fund accounts for the handling of solid waste, including a recycling facility and transfer station, where the governing officials have determined that the costs of operations are to be financed through charges for services to users.

*Fiduciary Fund*—The Fiduciary Fund is used to account for assets held by the County in a trustee or custodial capacity, and therefore are not available to support the County's programs. The following is the County's Fiduciary Fund:

- *Agency Fund*—The Agency Fund is used to account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The most significant of the County's Agency accounts are mortgage tax and social service trust accounts.



During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/due to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activity column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are recorded at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### ***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property tax collected within 60 days after the end of the current fiscal period to be available and recognizes them as revenues of the current year, all other revenues are deemed to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of the end of the current fiscal period). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of the end of the current fiscal period). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis* of accounting. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

***Assets, Liabilities Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents are considered to be cash on hand, certificates of deposits, demand deposits and short-term investments with original maturities of 90 days or less from the date of acquisition. The primary government had no investments at December 31, 2017. However, when the County does have investments, it is the County’s policy to record them at fair value based on quoted market prices.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represent unspent proceeds from debt, amounts received for grants but not yet spent, and amounts to support restricted fund balances.

***Receivables***—Receivables are stated net of allowances for estimated uncollectible amounts. Intergovernmental receivables include amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs.

All major revenues of the County are considered “susceptible to accrual” under the modified accrual basis. These include property tax, sales tax, state tax, State and Federal aid, and various grant program revenues.

***Inventory***—Inventory associated with the governmental activities is valued at the lower of cost or market using the average cost method.

***Prepaid Items***—Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense when consumed rather than when purchased.

***Capital Assets***—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County as assets with an initial, individual cost of more than \$5,000, or \$10,000 for heavy equipment, and an estimated useful life in excess of two years. For infrastructure (including buildings) assets, the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$25,000 are reported as capital assets.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Major outlay for capital assets and improvements are capitalized as projects are constructed. Expenditures reported in the Capital Projects Fund are classified as capital outlays. Routine capital expenditures in other governmental funds are included in the appropriate functional category (i.e. purchase of new highway equipment as part of current expenditures – transportation). Additionally, the amount reported as capital outlay in the Capital Projects Fund includes certain non-capitalized costs (i.e. furnishings below the capitalization threshold).

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Land and construction in progress are not depreciated. The other property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the estimated useful lives as shown on the following page.

Capitalization Threshold and Useful Lives		
Class of Asset	Threshold	Useful Life
Land	\$ 5,000	n/a
Works of art and historical treasures	5,000	n/a
Construction in progress	5,000	n/a
Land improvements	5,000	20
Buildings	25,000	50
Building improvements	5,000	20
Machinery and equipment:		
Office equipment	5,000	10
Furniture	5,000	10
Computer and computer equipment	5,000	5
Vehicles	5,000	7
Heavy equipment	10,000	7
Other	5,000	10
Infrastructure		
Roads, network	25,000	25
Bridges (includes culverts)	25,000	40
Improvements other than land or buildings	5,000	7

When capital assets are retired, or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period in the government-wide financial statements. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

**Unearned revenue**—Certain amounts received have not been spent or otherwise used to meet the revenue recognition criteria for government-wide or fund financial purposes. At December 31, 2017, the County reported unearned revenues of \$6,107,920 and \$48,759 within the General Fund and Nonmajor Funds, respectively.

**Deferred Outflows/Inflows of Resources**—In addition to assets, the statement of financial position and the balance sheet 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The primary government has four types of items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the County's proportion of the collective net pension asset or liability, and the difference during the measurement period between the County's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense and any contributions to the pension systems made subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the County's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. The third is a deferred charge on refunding bonds that is being amortized over the life of the refunded debt and is reported in the government-wide statement of net position. The last item is the excess consideration provided for the acquisition of the fixed based operation at the airport and is reported in the government-wide statement of net position. The excess results from the difference in the carrying value of the items purchased and the acquisition price. This amount is considered deferred and is being impaired over the life of the assets that were acquired.

In addition to liabilities, the statement of financial 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. The primary government has four types of items, which qualify for reporting in this category. The first item represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement periods between the County's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. The second item represents the effects of the change in the District's proportion of the collective net OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability and is reported in the government-wide statements. Additionally, under the modified accrual basis of accounting, the governmental funds report unavailable revenues from two sources: property taxes and some nonexchange State aid that will more than likely not be realized within one year. These amounts are deferred and recognized in the period that the amounts become available. Accordingly, the items, *unavailable revenue*, are reported as deferred inflows of resources only in the governmental funds balance sheet.

***Net Position Flow Assumption***—Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's position to consider restricted—net position to have been depleted before unrestricted—net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the County's highest level of decision-making authority. The Board of Legislators is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Legislators has by resolution authorized the County Administrator to recommend assignments to a committee which can then approve, reject or adjust the assignments of fund balance. The Board of Legislators may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and

appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenditures/Expenses***

***Program Revenues***—The amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operation or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

***Real Property Taxes***—Real property taxes are levied annually no later than December 31, and become a lien on January 1. Town and County taxes are collected by the towns during the period January 1 to late March, as specified in their warrants. Towns return unpaid taxes to the County by appointment in March. Delinquent taxes accrue interest at 1% per month beginning on February 1. A 5% penalty is added to any taxes due upon settlement between the Towns and the County. Upon settlement, the County assumes collection of delinquent taxes until they are enforced, no earlier than 24 months after lien date. Towns and special districts receive the full amount of their levies annually from the first amounts collected on the combined bills.

For years prior to 1995, unpaid taxes were/are enforced in accordance with the provision of Chapter 157 of the Law of 1883, as amended; the end result being that the individual towns made the taxes whole to the County. The County Treasurer acts as central collection for all delinquent taxes outside the City of Watertown.

Since 1995, pursuant to Article 11 of New York State Real Property Tax Law, the County assumes enforcement responsibility for all taxes levied outside the city, with the County Attorney acting as the Tax Enforcement Officer.

In 2017, the County Attorney, as Tax Enforcement Officer, conducted the County's fourteenth sale of properties acquired through tax foreclosure. Of 66 properties acquired through foreclosure in 2017 and remaining unsold from 2016, 60 were sold at auction, generating receipts of \$621,950.

In 1997, the County enacted a local law to allow payment of current real property taxes in installments commencing in 1998. Each Town has the option to adopt the installment method. Twenty of the County's twenty-two towns participate in installment collections.

Beginning in 1999, non-city school districts were permitted to adopt the installment option of payment for their taxpayers. The program allows for the school district to collect the first installment within the first 30 days of the tax lien. The County is then charged with collecting the second and third installments, after compensating the school districts for these amounts.

In 1996, a local law was approved to allow real property owners in the County owing delinquent taxes to enter into an installment contract. As long as the taxpayer continues payments within the terms of the contract, real property is protected from tax enforcement proceedings.

County taxes collected on properties within the City of Watertown are enforced, and will continue to be enforced, by the City. The County receives the full amount of such taxes in the year due.

Unpaid village taxes and non-city school district taxes are turned over to the County for enforcement. Any such taxes remaining unpaid at year end are re-levied as County taxes in the subsequent year.

School taxes remaining unpaid in the enlarged city school district (outside the City) are turned over to the County Treasurer in December each year and eventually are subject to enforcement by the County within the same time frame as re-levied village and school taxes.

At December 31, 2017, the total real property tax assets relating to the County of \$8,364,573 are offset by an allowance for uncollectible taxes of \$2,446,716 and other items of \$837,034. Additionally, included in real property tax assets are current year returned village and school taxes of \$4,126,869, which are offset by liabilities to the villages and school districts which will be paid no later than April 20, 2018. The remaining portion of tax assets is partially offset by deferred inflows of resources – property taxes of \$7,387,936 in the General Fund and represents an estimate of tax liens which will not be collected within the first sixty (60) days of the subsequent year.

A 4.0% sales tax is levied in and for the County under the 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 4.0% sales and compensating use tax. Net collections, meaning monies collected after deducting them from 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 total \$75,086,503 sales tax collected or accrued for the year ended December 31, 2017, \$39,795,847 was distributed to the towns and villages and the City of Watertown. The amount of sales taxes receivable at year end is \$3,873,650, which includes amounts to be distributed to the towns, villages and the City of Watertown, which are recorded as liabilities.

**Constitutional Tax Limit**—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 Board of Legislators) 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	<u>\$ 7,867,877,664</u>
Tax limit @ 1.5%	\$ 118,018,165
Tax levy subject to tax limit	<u>54,443,929</u>
Tax margin	<u>\$ 63,574,236</u>

**Property Tax Revenue Recognition**—The County-wide property tax is levied by the Board of Legislators effective January 1 of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on that date of the year for which they are levied. Accordingly, property tax is only 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 or 60 days thereafter in the governmental fund financial statements.

The County's tax sale procedures have resulted in cumulative net gain. The County does not consider its delinquent property taxes for prior years to be uncollectible. However, delinquent property taxes not collected at year end (excluding collections in the 60 day subsequent period) are recorded as deferred inflows of resources in the Governmental Fund financial statements. Any taxes not collectible pursuant to a court order are recorded as a reduction to prior year revenue when the Court determines them to be uncollectible.

***Compensated Absences***—Most employees are granted vacation, personal, and sick leave and earn compensatory time in varying amounts. In the event of termination, an employee is entitled to payment for accumulated vacation and compensatory time. Upon retirement, an employee is entitled to vacation and unused compensatory absences at various rates subject to certain maximum limitations.

Full time employees are entitled to earn 15 days of sick time annually which is accrued proportionately with each bi-weekly pay period, and may accumulate credit up to a maximum of 200 days. The County has no liability for sick leave upon retirement; any unused sick leave is applied toward service time for retirement benefits as outlined in Section 41J of New York State Retirement and Social Security Law.

Compensated absences for vacation and compensatory time for governmental fund type employees are reported as a liability and an expense in the government-wide financial statements. For business-type activities employees, the accumulation is recorded as an accrued liability and/or other long-term obligation of the business-type activities.

The compensated absences liability for the primary government at year end totaled \$2,241,769 and is reported as governmental activities at \$2,202,824, business-type activities at \$38,945. The College reports \$498,303 as its liability for compensated absences.

Payment of vacation and compensatory time is recorded in the governmental funds is dependent upon many factors. Therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and compensatory time when such payment becomes due.

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***—Operating revenues of enterprise funds consist mainly of user fees. Operating expenses of enterprise funds consist of salaries, wages and benefits, contractual services and depreciation and amortization. Transactions related to capital and financing activities, non-capital financing activities, investing activities and interfund transfers from other funds and State appropriations are components of non-operating income. Subsidies and grants to proprietary funds which finance either capital or current operations are reported as nonoperating revenue.

***Pensions***—The County is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension (asset)/liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included at Note 6.

***Other Postemployment Benefits***—In addition to providing pension benefits, the County provides retired employees with group health insurance benefits. The obligation of the County to contribute to the cost of providing this benefit has been established pursuant to legislative resolution and various collective bargaining agreements. Substantially all employees become eligible for such benefit if they have been continuously employed by the County for the equivalent of at least ten years at the time of retirement.

Regarding the County's postemployment benefits, retirees' and their survivor's health care benefits are provided through an insurance company whose premiums are based on historic experience. Additionally the County finances the plan on a pay-as-you-go basis, and the cost of retiree group health insurance benefits is recognized as an expenditure/expense based on premiums paid during the year. During 2017, \$9,309,351 was paid by the County on behalf of eligible retirees, including their dependents and survivors.

### ***Other***

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

***Adoption of New Accounting Pronouncements***—During the year ended December 31, 2017, the County implemented GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, No. 80, *Blended Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ended December 31, 2017. The objective of GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statements No. 73, 74, 80, 81, and 82 did not have a material impact on the County's financial position or results from operations. The impact of the implementation of GASB Statement No. 75 is discussed in Note 2.

***Future Impacts of Accounting Pronouncements***—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018, and No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; and No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending December 31, 2019, and No. 87, *Leases* and No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ending December 31, 2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 83, 84, 85, 86, 87, 88, and 89 will have on its financial position and results of operations.



## ***Stewardship, Compliance and Accountability***

***Legal Compliance—Budgets***—The County follows these procedures in establishing the budgetary data reflected in the financial statements:

The County’s annual procedures in establishing the budgetary data reflected in the basic financial statements are as follows:

- No later than November 15, the budget officer submits a tentative budget to the Board of Legislators for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the General Fund, County Road Fund, Road Machinery Fund and Debt Service Fund.
- After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.
- All amendments of the budget must be approved by the governing board. However, the County Administrator is authorized to transfer certain budgeted amounts within departments, upon request of the department head.
- Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.

***Deficit Fund Balance***—At December 31, 2017, the County’s Debt Service Fund, a nonmajor governmental fund, reported an ending fund balance deficit of \$2,124,332. This is the result of an interfund loan for the payment of debt service that was incurred prior to claiming the reimbursement from state aid.

## **2. RESTATEMENT OF PRIMARY GOVERNMENT NET POSITION**

During the year, the County adopted Government Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of GASB Statement No. 75 requires the County’s net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. As a result, OPEB liability was restated from \$162,007,403 to \$383,688,755 at December 31, 2016. Net position of governmental activities at December 31, 2016 has been restated.

The County’s net position of governmental activities as of December 31, 2016 has been restated as follows:

Net position—December 31, 2016, as previously stated	\$ 4,944,677
GASB Statement No. 75 implementation:	
OPEB liability	<u>(221,681,352)</u>
Net position—December 31, 2016, as restated	<u><u>\$ (216,736,675)</u></u>

## **3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Available cash of the County is deposited and invested in accordance with the provisions of applicable State statutes. The County also has its own written investment guidelines which have been established by the Board of Legislators.

The County deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts at, or certificates of deposit issued by, FDIC-insured commercial banks or trust companies located within the State. Some of the County's accounts are required by various statutes and borrowing restrictions for specific funds, while the remainder are used for County operating cash and for investment purposes. The County's bank accounts are maintained in separate demand accounts with the respective offset being to various fund equities in pooled cash, investments, and restricted cash. Interest income from the pooled accounts is allocated based on the funds' respective share of the pool.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, contractual repurchase agreements, and obligations of New York State. Per existing policies, the underlying securities for repurchase transactions must only be federal obligations.

Cash at year-end consisted of:

	Governmental Activities	Business-type Activity	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 5,745	\$ 800	\$ -	\$ 6,545
Deposits	<u>64,217,700</u>	<u>175,464</u>	<u>1,425,874</u>	<u>65,819,038</u>
Total	<u>\$ 64,223,445</u>	<u>\$ 176,264</u>	<u>\$ 1,425,874</u>	<u>\$ 65,825,583</u>

**Deposits and Cash with Fiscal Agent**—All deposits and cash with fiscal agent are carried at fair value.

	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 18,939,321	\$ 18,776,253
Uninsured:		
Collateral held by bank's agent in the County's name	46,033,320	45,134,789
Uncollateralized	<u>1,986,706</u>	<u>1,907,996</u>
Total	<u>\$ 66,959,347</u>	<u>\$ 65,819,038</u>

**Custodial Credit Risk**—In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. For investments, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2017, the County's deposits, except for \$1,986,706, were FDIC insured or collateralized. The County pools its cash from all funds, except for cash required by law to be segregated, into a concentration account for investment purposes.

**Interest Rate Risk**—In accordance with its investment policy, the County manages exposures by limiting investments to low risk type investments governed by New York State statutes. At December 31, 2017, the primary government had no investments.

**Restricted Cash**—Restricted cash and cash equivalents include the following:

	Purpose	Amount
Governmental activities:		
General Fund	Workers' compensation	\$ 108,615
General Fund	Unemployment insurance	69,866
General Fund	Insurance	1,902,395
General Fund	Advanced fundings	1,662,185
General Fund	Child welfare	4,345,677
General Fund	Law enforcement and prosecution	376,315
Capital Projects Fund	Unspent BAN proceeds	10,576,521
Capital Projects Fund	Unspent bond proceeds	2,461,339
Capital Projects Fund	Unspent lease proceeds	7,974,153
Nonmajor Funds:		
Road Machinery Fund	Highway equipment reserve	100,058
Debt Service Fund	Debt service	127,533
Business-type activities:		
Solid Waste Management Fund	Capital projects	<u>103,605</u>
Total primary government		<u>\$ 29,808,262</u>

Amounts restricted for General Fund reserves are subject to externally enforceable legal purpose restrictions, which are authorized by General Municipal Law, and for cash advances related to grant funding. Amounts restricted with the Capital Projects Fund are for unspent debt proceeds. Amounts restricted for debt service represent unexpended fund balances of completed capital projects and/or interest earned from the investment of debt proceeds which will be used to reduce future debt service per New York State Local Finance Law. Amounts restricted for capital projects within the Solid Waste Management Enterprise Fund are reserved to finance future costs of equipment replacement and capital improvements, including facility reconstruction. The fund is managed in accordance with section 6-c of the Municipal Law.

***Discretely Presented Component Units***

**Jefferson Community College**—The College and its component units had unrestricted deposits of \$7,417,366 and \$2,967,889, respectively. The College has an Insured Cash Sweep (ICS) account utilizing Promontory Interfinancial Network through banking relationships with Watertown Savings Municipals Bank. The account provides multi-million dollar Federal Depository Insurance Coverage by distributing monies through other member banks in amounts below the standard FDIC insurance maximum of \$250,000.

Accounting standards provide the 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described on the following page.

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> <li>• quoted prices for similar assets or liabilities in active markets;</li> <li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• inputs other than quoted prices that are observable for the asset or liability;</li> <li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The primary institution of the College had no investments as of August 31, 2017. Its component units had investments as of August 31, 2017 with a market value of \$5,874,109. All investment held by the component unit are deemed to be observable in active markets and are therefore considered to be Level 1.

<u>JCC-Component Units</u>	<u>Market</u>	<u>Cost</u>
Equity investments RBC Dain Rauscher:		
PAG Prime Income	\$ 770,103	\$ 663,699
PAG Dividend Growth	794,667	623,765
PAG ADR Investment	266,985	252,506
Fox Asset Management	428,155	379,772
Madison Investments	519,693	358,137
Focus Investments	738,035	586,025
ClearBridge Investments	453,770	277,578
Fixed income funds RBC Dain Rauscher	<u>1,902,701</u>	<u>2,077,794</u>
Total investments	<u>\$ 5,874,109</u>	<u>\$ 5,219,276</u>

The Jefferson Community College Foundation, Inc. and the Jefferson FSA Auxiliary, LLC, component units of the College, have restricted cash of \$2,363,025, consisting of various reserve funds.

**Jefferson County Industrial Development Agency**—The Agency had unrestricted deposits of \$2,920,537 and restricted deposits of \$4,135,934 which were insured or collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Agency's name, with a carrying value of \$6,330,451.

#### 4. RECEIVABLES

Other receivables, representing amounts due from various sources, as of December 31, 2017, are as follows:

Governmental funds:	
Various fees and charges:	
General Fund	\$ 1,818,509
Other governmental funds	4,981
Less allowance for doubtful accounts	<u>(103,276)</u>
Total	<u>\$ 1,720,214</u>
Enterprise Fund:	
Various fees and charges	<u>\$ 296,103</u>
Total	<u>\$ 296,103</u>

Intergovernmental receivables as of December 31, 2017, are as follows:

Governmental funds:	
General Fund:	
Due from State and Federal	\$ 12,424,128
Due from other governments	5,991,400
Capital Projects Fund:	
Due from State and Federal	2,315,513
Due from other governments	9,930
Other governmental funds:	
Due from State and Federal	239,057
Due from other governments	<u>72,260</u>
Total	<u>\$ 21,052,288</u>

#### *Discretely Presented Component Units*

**Jefferson Community College**—Significant receivables include amounts due from students for fees and tuitions. These receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated and recorded based on the College's historical bad debt experience, and based on management's judgment. At August 31, 2017, the College reported total accounts receivable of \$4,461,477, intergovernmental receivables of \$392,664 and notes receivable of \$463,398.

**Jefferson County Industrial Development Agency**—Significant receivables of the Agency include loans receivable, accounts receivable and notes receivable. Loans receivable, net of allowance, totaled \$2,915,112 at September 30, 2017. The Agency also had accounts receivable of \$21,729 and notes receivable of \$25,050.

## 5. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for the primary government’s governmental activities, for fiscal year ended December 31, 2017, was as follows:

	Balance 1/1/2017	Additions and Reclassifications	Deletions and Reclassifications	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 2,625,768	\$ -	\$ -	\$ 2,625,768
Construction in progress	<u>3,897,372</u>	<u>7,591,662</u>	<u>-</u>	<u>11,489,034</u>
Total capital assets not being depreciated	<u>6,523,140</u>	<u>7,591,662</u>	<u>-</u>	<u>14,114,802</u>
Capital assets, being depreciated:				
Buildings and building improvements	81,369,873	1,378,253	(22,373)	82,725,753
Improvements other than buildings	1,418,719	-	(10,798)	1,407,921
Machinery and equipment	28,743,600	1,250,710	(768,435)	29,225,875
Infrastructure	<u>151,003,395</u>	<u>265,542</u>	<u>(23,610,025)</u>	<u>127,658,912</u>
Total capital assets being depreciated	<u>262,535,587</u>	<u>2,894,505</u>	<u>(24,411,631)</u>	<u>241,018,461</u>
Less accumulated depreciation for:				
Buildings and building improvements	(36,425,277)	(1,908,066)	-	(38,333,343)
Improvements other than buildings	(1,167,994)	(32,157)	10,259	(1,189,892)
Machinery and equipment	(20,428,480)	(1,924,063)	599,742	(21,752,801)
Infrastructure	<u>(73,380,158)</u>	<u>(4,278,195)</u>	<u>21,746,625</u>	<u>(55,911,728)</u>
Total accumulated depreciation	<u>(131,401,909)</u>	<u>(8,142,481)</u>	<u>22,356,626</u>	<u>(117,187,764)</u>
Total capital assets, being depreciated, net	<u>131,133,678</u>	<u>(5,247,976)</u>	<u>(2,055,005)</u>	<u>123,830,697</u>
Governmental activities capital assets, net	<u>\$ 137,656,818</u>	<u>\$ 2,343,686</u>	<u>\$ (2,055,005)</u>	<u>\$ 137,945,499</u>

Depreciation expense for governmental activities was charged to functions and programs of the primary government as follows:

Governmental activities:	
General government support	\$ 1,178,245
Public safety	1,166,191
Public health	41,678
Transportation	5,487,931
Economic assistance and opportunity	<u>268,436</u>
Total depreciation expense—governmental activities	<u>\$ 8,142,481</u>

**Business-type activity**—Capital asset activity for the primary government’s business-type activity (Enterprise Fund), for fiscal year ended December 31, 2017, as presented below:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 12,415	\$ -	\$ -	\$ 12,415
Total capital assets not being depreciated	<u>12,415</u>	<u>-</u>	<u>-</u>	<u>12,415</u>
Capital assets, being depreciated:				
Buildings	3,228,022	-	-	3,228,022
Machinery and equipment	<u>3,195,029</u>	<u>9,840</u>	<u>(69,421)</u>	<u>3,135,448</u>
Total capital assets being depreciated	<u>6,423,051</u>	<u>9,840</u>	<u>(69,421)</u>	<u>6,363,470</u>
Less accumulated depreciation for:				
Buildings	(721,604)	(52,456)	-	(774,060)
Machinery and equipment	<u>(2,407,590)</u>	<u>(187,038)</u>	<u>64,895</u>	<u>(2,529,733)</u>
Total accumulated depreciation	<u>(3,129,194)</u>	<u>(239,494)</u>	<u>64,895</u>	<u>(3,303,793)</u>
Total capital assets, being depreciated, net	<u>3,293,857</u>	<u>(229,654)</u>	<u>(4,526)</u>	<u>3,059,677</u>
Business-type activity capital assets, net	<u>\$ 3,306,272</u>	<u>\$ (229,654)</u>	<u>\$ (4,526)</u>	<u>\$ 3,072,092</u>

Depreciation expense for business-type activity was charged to functions and programs of the primary government as follows:

Business-type activity:	
Home and community services	<u>\$ 239,494</u>

***Discretely Presented Component Units***

***Jefferson Community College***—Capital asset activity for Jefferson Community College was as follows:

	Balance 9/1/2016 (as restated*)	Additions	Deletions	Balance 8/31/2017
Capital assets, not being depreciated:				
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Construction in progress	<u>5,039,005</u>	<u>4,059,661</u>	<u>(7,650,002)</u>	<u>1,448,664</u>
Total capital assets not being depreciated	<u>\$ 5,184,005</u>	<u>\$ 4,059,661</u>	<u>\$ (7,650,002)</u>	<u>\$ 1,593,664</u>
Capital assets, being depreciated:				
Land improvements and infrastructure	5,457,291	-	1,252,405	6,709,696
Buildings	35,096,445	498,798	6,375,093	41,970,336
Furniture and equipment	3,963,732	46,950	9,336	4,020,018
Library books	<u>4,855,871</u>	<u>125,473</u>	<u>-</u>	<u>4,981,344</u>
Total capital assets being depreciated	<u>49,373,339</u>	<u>671,221</u>	<u>7,636,834</u>	<u>57,681,394</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	(2,652,589)	(229,378)	-	(2,881,967)
Buildings	(12,131,618)	(1,158,304)	-	(13,289,922)
Furniture and equipment	(3,595,429)	(120,404)	13,168	(3,702,665)
Library books	<u>(4,497,456)</u>	<u>(145,380)</u>	<u>-</u>	<u>(4,642,836)</u>
Total accumulated depreciation	<u>(22,877,092)</u>	<u>(1,653,466)</u>	<u>13,168</u>	<u>(24,517,390)</u>
Total capital assets, being depreciated, net	<u>26,496,247</u>	<u>(982,245)</u>	<u>7,650,002</u>	<u>33,164,004</u>
Governmental activities capital assets, net	<u>\$ 31,680,252</u>	<u>\$ 3,077,416</u>	<u>\$ -</u>	<u>\$ 34,757,668</u>

In addition to the capital assets reported above, the College reports net capital assets of its discretely presented component units in the amount of \$17,636,416.

For the year ended August 31, 2017, the College restated beginning net position by \$1,106,794 which represents an overstatement of the previous years' construction work-in-progress. The overstatement of construction work-in-progress related to non-capitalized items that were below the College's capitalization threshold that were improperly included in the prior year balance.



**Jefferson County Industrial Development Agency**—Capital asset activity for the Jefferson County Industrial Development Agency was as follows:

	Balance 10/1/2016	Additions	Deletions	Balance 9/30/2017
Capital assets, not being depreciated:				
Land and land improvements	\$ 862,189	\$ 223,164	\$ -	\$ 1,085,353
Total capital assets not being depreciated	<u>862,189</u>	<u>223,164</u>	<u>-</u>	<u>1,085,353</u>
Capital assets, being depreciated:				
Equipment	188,803	-	-	188,803
Buildings	1,738,690	-	-	1,738,690
Total capital assets, being depreciated:	<u>1,927,493</u>	<u>-</u>	<u>-</u>	<u>1,927,493</u>
Less accumulated depreciation for:				
Buildings	(1,040,750)	(144,559)	-	(1,185,309)
Total accumulated depreciation	<u>(1,040,750)</u>	<u>(144,559)</u>	<u>-</u>	<u>(1,185,309)</u>
Total capital assets, being depreciated, net	<u>886,743</u>	<u>(144,559)</u>	<u>-</u>	<u>742,184</u>
Governmental activities capital assets, net	<u>\$ 1,748,932</u>	<u>\$ 78,605</u>	<u>\$ -</u>	<u>\$ 1,827,537</u>

## 6. PENSION PLANS

### *Plan Description and Benefits Provided*

**Employees' Retirement System**—The County and the College participate in the New York State and Local Employees' Retirement System ("ERS"), a cost-sharing multiple-employer retirement system (the "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 assets and record changes in fiduciary 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 ("NYSRSSL"). 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 regards to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://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.

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, who generally contribute three percent (3%) to three and one half percent (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. 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.

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At December 31, 2017, the County reported the liability shown below for their proportionate share of the net pension liability for ERS. 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 actuarial valuations as of April 1, 2016, with update procedures used to roll forward the total net pension liability to the measurement date. The County’s proportion of the net pension liability was based on projections 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 provided by the System in reports provided to the County.

Measurement date	March 31, 2017
Net pension liability	\$ 15,159,037
County's portion of the Plan's total net pension liability	0.1617458%

For the year ended December 31, 2017, the County recognized a pension expense of \$8,119,802 for the ERS. At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown in the chart below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>ERS</u>	
Differences between expected and actual experiences	\$ 379,871	\$ 2,301,986
Change in assumptions	5,178,883	
Net difference between projected and actual earnings on pension plan investments	3,027,875	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	46,833	1,693,898
County contributions subsequent to the measurement date	<u>4,251,572</u>	<u>-</u>
Total	<u>\$ 12,885,034</u>	<u>\$ 3,995,884</u>

The County’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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 shown below:

<u>Year Ending December 31,</u>	<u>ERS</u>
2018	\$ 2,305,660
2019	2,305,660
2020	2,246,465
2021	(2,220,207)

**Actuarial Assumptions**—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>
Measurement date	March 31, 2017
Actuarial valuation date	April 1, 2016
Interest rate	7.0%
Salary scale	3.8%
Decrement tables	April 1, 2010- March 31, 2015
Inflation rate	2.5%
Cost-of-living adjustments	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale 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.

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>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Measurement date	<u>March 31, 2017</u>	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.8
Real estate	10.0	5.8
Absolute return strategies	2.0	4.0
Opportunistic portfolio	3.0	5.9
Real assets	3.0	5.5
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.5
Total	<u>100.0 %</u>	

**Discount Rate**—The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart on the following page presents the County’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the County’s proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Governmental Activities:			
Employer's proportionate share of the net pension liability/(asset)—ERS	\$ 48,414,961	\$ 15,159,037	\$ (12,958,783)

**Pension Plan Fiduciary Net Position**—The components of the current-year net pension liabilities of the employers as of the valuation dates were as follows:

	(Dollars in Thousands)
	ERS
Valuation date	March 31, 2017
Employers' total pension liability	\$ 177,400,586
Plan fiduciary net position	168,004,363
Employers' net pension liability	\$ 9,396,223
System fiduciary net position as a percentage of total pension liability	94.7%

**Discretely Presented Component Units**

**Jefferson Community College**—The College participates in the ERS and the Teachers’ Retirement System (“TRS”).

**Plan Description and Benefits Provided**

**Employees’ Retirement System**—The College participates in the ERS. The plan description is the same as disclosed previously within this footnote.

**Teachers’ Retirement System**—The College participates in the New York State Teachers’ Retirement System (“TRS”). This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law (“NYSRSSL”). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching

assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, 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. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS' website at [www.nystrs.org](http://www.nystrs.org).

Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute three percent (3.0%) to three and one half percent (3.5%) of their annual salary. Employees in the System more than ten years are no longer required to contribute. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At August 31, 2017, the College reported the following liabilities for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2017 for ERS and June 30, 2017 for TRS. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of April 1, 2016 for ERS and June 30, 2017 for TRS. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS and TRS in reports provided to the College.

Measurement date	June 30, 2017	March 31, 2017
Net pension (asset)/liability	\$ (223,744)	\$ 1,739,478
The College's portion of the Plan's total net pension (asset)/liability	0.0294360%	0.0185125%

For the year ended August 31, 2017, the College recognized pension expense of \$577,260 for TRS and a pension expense of \$931,736 for ERS. At August 31, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown below:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences of economic and demographic assumptions	\$ 184,086	\$ 43,590	\$ 87,235	\$ 264,150
Changes in assumptions	2,276,639	594,270	-	-
Net difference between projected and actual earnings on pension plan investments	-	347,444	526,982	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	160,627	5,374	66,553	194,372
College contributions subsequent to the measurement date	62,519	290,288	-	-
Total	<u>\$ 2,683,871</u>	<u>\$ 1,280,966</u>	<u>\$ 680,770</u>	<u>\$ 458,522</u>

The College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2018. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to ERS and TRS will be recognized as pension expense below:

Year Ending August 31,	TRS	ERS
2018	\$ 66,518	\$ 264,571
2019	617,070	264,571
2020	445,777	257,779
2021	121,745	(254,765)
2022	444,523	-
Thereafter	244,949	-

**Actuarial Assumptions**—The pension liability as of the measurement date was determined by using an actuarial valuation date as noted below with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2017
Actuarial valuation date	June 30, 2016	April 1, 2016
Interest rate	7.25%	7.0%
Salary scale	1.90%-4.72%	3.8%
Decrement tables	July 1, 2009 June 30, 2014	April 1, 2010- March 31, 2015
Inflation rate	2.5%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2009-June 30, 2014. System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target asset allocation is summarized below:

	TRS	ERS	TRS	ERS
	Target Allocation		Long-Term Expected Real Rate of Return	
Measurement date			June 30, 2017	March 31, 2017
Asset class:				
Domestic equities	35.0 %	36.0 %	5.9 %	4.6 %
International equities	18.0	14.0	7.4	6.3
Private equity	8.0	10.0	0.0	7.8
Real estate	11.0	10.0	4.3	5.8
Absolute return strategies	0.0	2.0	0.0	4.0
Opportunistic portfolio	0.0	3.0	0.0	5.9
Real assets	0.0	3.0	0.0	5.5
Bonds and mortgages	3.0	17.0	2.8	1.3
Cash	1.0	1.0	0.0	(0.3)
Inflation-indexed bonds	0.0	4.0	0.0	1.5
Alternative investments	8.0	0.0	9.0	0.0
Fixed income securities	16.0	0.0	6.8	0.0
Short-term	0.0	0.0	0.6	0.0
Total	100 %	100 %		

**Discount Rate**—The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.25% for TRS for the year ending August 31, 2017. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 (asset)/liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart below presents the College’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS at August 31 2017, as well as what the College’s proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.25% for TRS and 6.0% for ERS) or one percentage-point higher (8.25% for TRS and 8.0% for ERS) than the current rate.

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<b>TRS</b>			
Employer's proportionate share of the net pension liability/(asset)	\$ 3,854,447	\$ (223,744)	\$ (3,639,026)
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<b>ERS</b>			
Employer's proportionate share of the net pension liability/(asset)	\$ 5,555,549	\$ 1,739,478	\$ (1,487,002)

**Pension Plan Fiduciary Net Position**—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Valuation date	June 30, 2017	March 31, 2017	
Employers' total pension liability	\$ 114,708,261	\$ 177,400,586	\$ 292,108,847
Plan fiduciary net position	<u>115,468,360</u>	<u>168,004,363</u>	<u>283,472,723</u>
Employers' net pension (asset)/liability	<u>\$ (760,099)</u>	<u>\$ 9,396,223</u>	<u>\$ 8,636,124</u>
System fiduciary net position as a percentage of total pension liability	100.7%	94.7%	97.0%

## 7. OTHER POSTEMPLOYMENT BENEFITS

**Plan Description and Benefits Provided**—The County may pay for a portion of eligible retirees’ health insurance dependent upon such factors as age, years of service and associated group or union. While benefits change over time as union contracts are renegotiated, current benefits are as follows:

- (1) **CSEA**—An employee must be eligible to retire under NYSERS and have at least 10 years of service with the County. For retirees hired prior to January 1, 1999, the County pays for 100% of the

medical premiums for single and family coverage. For employees hired between January 1, 1999 and December 31, 2007, the County pays 50% of medical premiums for employees with between 10 and less than 15 years of service, 75% of premiums with 15 years but less than 20 years of service and 100% for employees with 20 or more years of service. For employees hired on or after January 1, 2008, the County pays medical premiums for 25% of the cost for those with 10 years of service but less than 15 years, 50% for those with 15 years of service but less than 20 years and 75% for those with 20 or more years of service.

- (2) *Management*—An employee must be eligible to retire under NYSERS and have at least 10 years of service with the County. For retirees hired prior to January 1, 1998, the County pays 100% of medical premiums for single and family coverage. For employees hired between January 1, 1998 and December 31, 2005, the County pays 50% of medical premiums for employees with between 10 and less than 15 years of service, 75% of premiums with 15 years but less than 20 years of service and 100% for employees with 20 or more years of service. For employees hired on or after January 1, 2006, the County pays medical premiums for 25% of the cost for those with 10 years of service but less than 15 years, 50% for those with 15 years of service but less than 20 years and 75% for those with 20 or more years of service.
- (3) *Deputy Sheriff*—An employee must be eligible to retire under NYSERS and have at least 10 years of service with the County. For retirees hired prior to January 1, 1998, the County pays 100% of medical premiums for single and family coverage. For employees hired between January 1, 1998 and December 31, 2006, the County pays 50% of medical premiums for employees with between 10 and less than 15 years of service, 75% of premiums with 15 years but less than 20 years of service and 90% for employees with 20 or more years of service. For employees hired on or after January 1, 2007, the County pays medical premiums for 20% of the cost for those with 10 years of service but less than 15 years, 30% for those with 15 years of service but less than 20 years and 70% for those with 20 or more years of service.
- (4) *Corrections/Dispatch*—An employee must be eligible to retire under NYSERS and have at least 10 years of service with the County. For retirees hired prior to January 1, 2001, the County pays 100% of medical premiums for single and family coverage. For employees hired between January 1, 2001 and December 31, 2007, the County pays 50% of medical premiums for employees with between 10 and less than 15 years of service, 75% of premiums with 15 years but less than 20 years of service and 90% for employees with 20 or more years of service. For employees hired on or after January 1, 2008, the County pays medical premiums for 25% of the cost for those with 10 years of service but less than 15 years, 50% for those with 15 years of service but less than 20 years and 75% for those with 20 or more years of service.

***Employees Covered by Benefit Terms***—At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	549
Active employees	<u>723</u>
	<u><u>1,272</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.



**Total OPEB Liability**

The County’s total OPEB liability of \$416,997,121 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

**Actuarial Methods and Assumptions**—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the December 31, 2017 actuarial valuation, the Entry Age Normal over a level percent of pay was used. The single discount rate changed from 4.00% to 3.81% effective January 1, 2017, and 3.56% effective December 31, 2017. The salary scale used is based on the New York State Employees Retirement System and Police and Fire Retirement System which vary by age. Mortality rates are based on the RPH-2017 Total Dataset or Disabled Retiree Mortality Table fully generational using MP-2017. The 2015 New York State Employees Retirement System and Police and Fire Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 9.00%, while the ultimate healthcare cost trend rate is 5.00%.

**Changes in the Total OPEB Liability**—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balances at 12/31/2016, as restated:	\$ 383,688,755
Changes for the year:	
Service Cost	12,139,584
Interest	14,442,856
Changes of assumptions	19,919,173
Differences between expected and actual experience	(4,627,806)
Contributions—employer	(9,309,351)
Changes in benefit terms	743,910
Net changes	33,308,366
Balances at 12/31/2017	\$ 416,997,121

**Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate**—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 498,835,435	\$ 416,997,121	\$ 353,036,012

Additionally, healthcare costs can be subject to considerable volatility over time. The table on the following page presents the effect on the net OPEB liability of a 1% change in the initial (9.0%)/ ultimate (5.0%) healthcare cost trend rates.

	1% Decrease (8.0%/ 4.0%)	Healthcare Cost Trend Rates (9.0%/5.0%)	1% Decrease (10.0%/ 6.0%)
Net OPEB liability	\$ 348,610,225	\$ 416,997,121	\$ 506,169,183

**Funding Policy**—Authorization for the County to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the County’s Board of Legislators. The County recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. County governmental activities contributed \$9,309,351 for the fiscal year ended December 31, 2017.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**—The County reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability are required to be determined. The table below presents the County’s deferred outflows and inflows of resources at December 31, 2017.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,966,691
Changes of assumptions	17,073,577	-
Total	<u>\$ 17,073,577</u>	<u>\$ 3,966,691</u>

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

	<u>Year ending December 31,</u>
2018	\$ (2,184,481)
2019	(2,184,481)
2020	(2,184,481)
2021	(2,184,481)
2022	(2,184,481)
Thereafter	(2,184,481)

### **Discretely Presented Component Units**

#### **Jefferson Community College**

**Plan Description**—The College administers the Jefferson Community College Retiree Medical Plan (the “Plan”) as a single-employer defined benefit other post-employment benefit plan (“OPEB”). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the College subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

**Funding Policy**—The obligations of the Plan members, employers and other entities are established by action of the College pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The College currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. For fiscal year 2017, the College contributed \$1,024,238 for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on date of hire. The costs of administering the plan are paid by the College.

**Annual OPEB Cost and Net OPEB Obligation**—The College’s annual 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. 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 (or funding excess) over a period not to exceed thirty years. The table on the following page shows the components of the College’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College’s net OPEB obligation to the Plan.

	Year Ended August 31,		
	2017	2016	2015
Annual required contribution	\$ 3,728,778	\$ 5,002,531	\$ 4,768,392
Interest on net OPEB obligation	1,103,934	970,054	842,157
Adjustment to annual required contribution	(1,596,015)	(1,402,458)	(1,217,550)
Annual OPEB cost (expense)	3,236,697	4,570,127	4,392,999
Contributions made	(1,024,238)	(1,223,122)	(1,195,572)
Increase in net OPEB obligation	2,212,459	3,347,005	3,197,427
Net OPEB obligation—beginning of year	27,598,349	24,251,344	21,053,917
Net OPEB obligation—end of year	<u>\$ 29,810,808</u>	<u>\$ 27,598,349</u>	<u>\$ 24,251,344</u>
Percentage of ARC contributed	27.5%	24.5%	25.1%

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Year Ended August 31,	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 3,236,697	\$ 1,024,238	32%	\$ 29,810,808
2016	4,570,127	1,223,122	27%	27,598,349
2015	4,392,999	1,217,550	27%	24,251,344

The projection of benefits is based on the types of benefits provided under the substantive Plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members of the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**Actuarial Methods and Assumptions**—The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse’s benefits is known as the Projected Unit Credit Actuarial Cost Method. Under this method, each participant’s projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial date and actuarial assumptions. The actuarial assumptions included annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after ten years. The discount rate as of September 1, 2016 and August 31, 2017 was 4% per year compounded

annually. This is the rate used to discount future benefit liabilities into today’s dollars. The College’s unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year period. A single amortization base is re-amortized each year (open basis, as defined under GASB 45).

**8. DEFERRED COMPENSATION PLAN**

On October 1, 1997, the New York State Deferred Compensation Board (the “Board”) created a Trust and Custody agreement making JP Morgan Chase Bank the Trustee and Custodian of the Deferred Compensation Plan (the “Plan”). As the Board is no longer the trustee of the Plan, the Plan no longer meets the criteria for inclusion in New York State’s financial statements. Therefore, municipalities which participate in New York State’s Deferred Compensation Plan are no longer required to record the value of the Plan assets. The County participates in the Plan which is administered for them by Nationwide Retirement Solutions.

**9. RISK MANAGEMENT**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; injuries to employees; and natural disasters. The County assumes the liability for most risks including, but not limited to, property damage, personal injury liability, employee health insurance, and workers’ compensation. The County had also elected to purchase minor policies from commercial insurers to provide for items such as property damage coverage, as well as protection of valuable papers and records; settled claims have not exceeded commercial coverage in a material amount in any of the past three fiscal years. Governmental funds estimated current contingent loss liabilities for property damage, personal injury liability, employee health insurance, and workers’ compensation are reported within governmental activities in the government-wide financial statements.

Claims and judgments are recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Such recording is consistent with the requirements of GASB. These liabilities include an estimate of claims that have been incurred but not reported and the effects of both specific, incremental claims adjustment expenditures/expenses and estimated recoveries on unsettled claims, if any.

Business-type fund activity claims and judgments applicable to self-insured claims are recorded as expenses and liabilities in the Enterprise Fund (except workers’ compensation, which is only recognized when invoiced from the County).

Claims and judgments reportable as part of the County’s governmental activities are recognized as expenditures and fund liabilities in the General Fund when payment is due. Claims and judgments are recorded as a governmental activities long-term liability instead of in the General Fund at December 31, 2017 because they did not meet the criteria for recognition as fund liabilities.

The changes since January 1, 2016 in the reported Governmental Activities for risk financing activities claims and judgments were as follows:

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments and Adjustments	Liability End of Year
2017	\$ 4,868,686	\$ 769,554	\$ 1,042,348	\$ 4,595,892
2016	11,087,409	830,295	7,049,018	4,868,686

During the year ended December 31, 2016, the County changed its method of accounting for its workers' compensation liability. Previously, amounts due from outside participants were not recognized until received. During the year ended December 31, 2016, the County began recognizing amounts due from other entities when incurred. The offset is netted against the County's workers' compensation liability and resulted in an adjustment of \$6,765,700 to claims and judgments liability within the government-wide financial statements.

## 10. OPERATING LEASES

The County leases three refueler trucks for the airport on a month to month basis. Additionally, during 2014 the County entered into a four year lease on copier equipment to expire in June 2018. Total costs for such leases were \$103,154 for the year ended December 31, 2017.

During 2012, the County entered into an agreement with the Watertown Savings Bank to lease a building on Coffeen Street to use in operation of its Workforce Development Program. Costs for this lease totaled \$178,800 for the year ended December 31, 2017. The current lease expired on October 31, 2017 and is now considered month to month at \$14,900 pending a new contract.

The future minimum lease payments for operating leases are shown below:

Year Ending December 31,	Vehicles & Copiers Amount
2018	\$ 94,522
Total	<u>\$ 94,522</u>

## 11. CAPITAL LEASE

In 2017, the County entered into a capital lease with Bank of America Public Capital Corporation for the purpose of acquiring, installing and implementing equipment related to the emergency communications project. The original lease amount was \$7,974,153 and an initial payment was made in 2017 in the amount of \$2,175,000. The lease has a 10 year term with an interest rate of 2.14 percent with a maturity of April 14, 2027. As of December 31, 2017, no capital assets have been purchased with these proceeds and \$7,974,153 of cash is restricted in the Capital Projects Fund.

The future minimum lease payments are shown below:

Year Ending December 31,	Principal	Interest
2018	\$ 556,720	\$ 121,085
2019	568,692	109,113
2020	580,922	96,884
2021	593,414	84,391
2022	606,176	71,630
2023-2027	<u>2,893,229</u>	<u>156,891</u>
Total	<u>\$ 5,799,153</u>	<u>\$ 639,994</u>

## 12. JOINT VENTURE/LONG-TERM RECEIVABLE

The County has entered into an intermunicipal agreement with the City of Watertown, New York for the operation of a Public Safety Facility. The County receives a minimum lease payment annually from the City based on the prorated share of square footage utilized by the City. For its prorated share of costs for operation and maintenance in 2017, the City was billed \$143,021 for the lease agreement as well as \$91,566 for joint services. These payments are offset by a percentage of eligible costs incurred by the City.

## 13. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of permanent financing, provided that annual reductions of principal are made.

During the year ended December 31, 2017, the County issued bond anticipation notes in the amount of \$11,000,000 at 2.50% interest to mature on November 1, 2018. The purpose of the BAN was to initiate work on upgrading and replacing the 911 System in the County and for various projects at Jefferson Community College Learning Center.

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

	Original Issue	Interest Rate	Balance 1/1/2017	Issues	Redemptions	Balance 12/31/2017
Bond anticipation notes:						
911 System	2016	2.00%	\$ 450,000	\$ -	\$ 450,000	\$ -
Reconstruction of various						
County buildings	2016	2.00%	1,700,000	-	1,700,000	-
Jefferson Community College	2016	2.00%	1,250,000	-	1,250,000	-
E911 Radio Community Project	2017	2.50%	-	9,000,000	-	9,000,000
JCC Learning Center	2017	2.50%	-	2,000,000	-	2,000,000
			<u>\$ 3,400,000</u>	<u>\$ 11,000,000</u>	<u>\$ 3,400,000</u>	<u>\$ 11,000,000</u>

## 14. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The County’s outstanding long-term liabilities include serial bonds, compensated absences, capital lease, claims and judgments, other postemployment benefits and net pension liabilities.

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

	Balance 1/1/2017 (as restated)	Additions	Decreases	Balance 12/31/2017	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 13,630,000	\$ 6,206,500	\$ 2,050,000	\$ 17,786,500	\$ 2,256,500
Premium	503,012	141,240	140,699	503,553	143,641
Net bonds payable	14,133,012	6,347,740	2,190,699	18,290,053	2,400,141
Compensated absences	2,117,924	2,815,967	2,731,067	2,202,824	110,141
Capital lease	-	7,974,153	2,175,000	5,799,153	556,720
Claims and judgments	4,868,686	769,554	1,042,348	4,595,892	-
Other postemployment benefits	383,688,755	47,245,523	13,937,157	416,997,121	-
Net pension liability*	27,146,582	-	11,987,545	15,159,037	-
Total governmental activities	<u>\$ 431,954,959</u>	<u>\$ 65,152,937</u>	<u>\$ 34,063,816</u>	<u>\$ 463,044,080</u>	<u>\$ 3,067,002</u>
<b>Business type activities:</b>					
Compensated absences	\$ 34,774	\$ 43,915	\$ 39,744	\$ 38,945	\$ 1,947
Total business-type activities	<u>\$ 34,774</u>	<u>\$ 43,915</u>	<u>\$ 39,744</u>	<u>\$ 38,945</u>	<u>\$ 1,947</u>

(\*reductions to the net pension liability are shown net of additions.)

**Bonds Payable**—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.

On June 1, 2017, the County issued \$6,206,500 Public Improvement (Serial) Bonds, 2017. The bonds, which carry an interest rate ranging from 2.00% to 3.50%, were issued to finance public improvements projects in the County (\$4,706,500) and to finance improvements of Jefferson Community College (\$1,500,000). The bonds were issued at a premium of \$141,240.

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.

Governmental Activities Bonds	Original Date Issued	Original Debt	Interest Rate	Date Final Maturity	Balance 12/31/2017
2011 Refunding Bonds	2011	\$ 9,440,000	2.00-5.00%	11/2020	\$ 3,690,000
2017 Public Improvement Bond	2017	4,706,500	2.00-3.50%	06/2037	4,706,500
Issued on behalf of					
Jefferson Community College:					
2006 Public Improvement Bond	2006	4,915,000	3.75-3.95%	11/2020	1,365,000
2015 Public Improvement Bond	2015	7,000,000	2.00-3.50%	06/2035	6,525,000
2017 Public Improvement Bond	2017	1,500,000	2.00-3.50%	06/2037	1,500,000
Total		<u>\$ 27,561,500</u>			<u>\$ 17,786,500</u>

**Compensated Absences**—Represents the value of earned and unused portion of the liability for compensated absences and is liquidated in various funds.

**Capital Lease**—As explained in Note 11, the County obtained a lease for \$7,974,153. The lease has a 10 year term with an interest rate of 2.14 percent with a maturity of April 14, 2027.

**Claims and Judgments**—As further discussed in Note 9, the County is self-insured. Liabilities are established for workers’ compensation and general claims in accordance with GASB requirements. Estimated long-term contingent loss liabilities in the governmental fund types have been reported as long-term liabilities in the government-wide financial statements. The Proprietary Fund has no loss contingency liability except workers’ compensation which is recognized when invoiced from the County.

**Other Postemployment Benefits (“OPEB”) Obligation**—As explained in Note 7, the County provides health insurance coverage for retirees. The County’s annual postemployment benefit (“OPEB”) cost is calculated based in the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated long-term OPEB liability is estimated to be \$416,997,121 at December 31, 2017.

**Net Pension Liability**—The County reports a liability for its proportionate share of the net pension liability for the Employee’s Retirement System. The net pension liability is estimated to be \$15,159,037 in the governmental activities. Refer to Note 6 for additional information related to the County’s net pension liability.

**Constitutional Debt Limit**—Outstanding bond indebtedness aggregated \$17,786,500, all of which was subject to the constitutional debt limit and represented approximately 3.23% of its debt limit.

The following is a maturity schedule of the County’s indebtedness:

Year Ending December 31,	Governmental Activities							Total
	Bonds Payable	Premium	Compensated Absences	Capital Lease	Claims and Judgments	Other Postemployment Benefits	Net Pension Liability	
2018	\$ 2,256,500	\$ 143,641	\$ 110,141	\$ 556,720	\$ -	\$ -	\$ -	\$ 3,067,002
2019	2,145,000	143,641	-	568,692	-	-	-	2,857,333
2020	2,200,000	33,682	-	580,922	-	-	-	2,814,604
2021	575,000	11,686	-	593,414	-	-	-	1,180,100
2022	585,000	11,686	-	606,176	-	-	-	1,202,862
2023-2027	3,160,000	58,430	-	2,893,229	-	-	-	6,111,659
2028-2032	3,620,000	58,430	-	-	-	-	-	3,678,430
2033-2037	3,245,000	42,357	-	-	-	-	-	3,287,357
Thereafter	-	-	2,092,683	-	4,595,892	416,997,121	15,159,037	438,844,733
	<u>\$ 17,786,500</u>	<u>\$ 503,553</u>	<u>\$ 2,202,824</u>	<u>\$ 5,799,153</u>	<u>\$ 4,595,892</u>	<u>\$ 416,997,121</u>	<u>\$ 15,159,037</u>	<u>\$ 463,044,080</u>



Interest requirements on serial bonds are as follows:

Year Ending December 31,	Interest
2018	\$ 625,508
2019	463,084
2020	375,215
2021	314,700
2011	301,788
2023-2027	1,277,063
2028-2032	795,569
2033-2037	217,694
Total	<u>\$ 4,370,621</u>

***Discretely Presented Component Units***

***Jefferson Community College***—The College and its component units' long-term debt activity for the year ended August 31, 2017:

	Balance 9/1/2016	Additions	Decreases	Balance 8/31/2017	Due Within One Year
Compensated absences	\$ 506,643	\$ -	\$ 8,340	\$ 498,303	\$ -
Reserve payable	71,557	8,409	-	79,966	-
Bonds payable	22,185,000	-	871,848	21,313,152	350,000
Capital lease obligation	1,014,036	498,798	118,934	1,393,900	125,795
Other postemployment benefits	27,598,349	2,212,459	-	29,810,808	-
Net pension liability*	3,527,324	-	1,787,846	1,739,478	-
Total governmental activities	<u>\$ 54,902,909</u>	<u>\$ 2,719,666</u>	<u>\$ 2,786,968</u>	<u>\$ 54,835,607</u>	<u>\$ 475,795</u>

(\*reductions to the net pension liability are shown net of additions.)

***Bonds Payable***—Bonds payable reported by the College represents amounts issued by its component units.

***Capital Lease Obligation***—On January 6, 2011, the College entered into an Energy Performance Contract Municipal Lease/Purchase Agreement with Municipal Leasing Consultants. The project includes the replacement of six boilers and campus-wide lighting improvements. The estimated value of the capital improvements at the completion of the project and at the inception of the lease is \$1,311,822. The project was substantially complete as of August 31, 2012 and had resulted in \$1,235,950 of construction costs (net of rebates of \$183,072) which were capitalized in the prior year. The balance as of August 31, 2017 is \$930,502. The capital lease obligation is amortized at an implicit interest rate of approximately 5.44%.

During the year ended August 31, 2017, the College entered into a Lease/Purchase Agreement with Jefferson Community College Foundation, Inc., a discretely presented component unit, for a 2,150 square foot clinical facility on the College's campus. The Lease/Purchase Agreement at the inception of the lease amounted to \$498,798 which covered all costs incurred to construct the building. Balance at August 31, 2017 is \$463,398, with payment terms of 15 years at 5.50%. The agreement states that upon completion of payments, the Foundation will relinquish any title or ownership to the College.

The future minimum obligations under capital leases at August 31, 2017 are as follows:

Year Ending August 31,	Principal	Interest	Total
2018	\$ 125,795	\$ 76,126	\$ 201,921
2019	143,084	69,262	212,346
2020	137,820	61,451	199,271
2021	150,717	53,937	204,654
2022	164,504	45,720	210,224
Thereafter	671,980	125,023	797,003
Total	<u>\$ 1,393,900</u>	<u>\$ 431,519</u>	<u>\$ 1,825,419</u>

**Other Postemployment Benefits**—As explained in Note 8, the College provides health insurance coverage for retirees. The College’s annual postemployment benefit (“OPEB”) cost is calculated based in the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The estimated long-term OPEB liability is estimated to be \$29,810,808 at December 31, 2017.

**Jefferson County Industrial Development Agency**—Grant repayment of 40% of the Industrial Access project due to the New York State Department of Transportation. Payments are to start one year from project completion; however, as of September 30, 2017, the project has not been completed.

Secured notes payable due to the Local Development Corporation of the City of Watertown, interest is due quarterly at 4.0%.

New York State Department of Transportation	\$ 180,160
Total notes payable	180,160
Less: current portion	-
Long-term portion	<u>\$ 180,160</u>

The Agency’s long-term debt activity for the year ended September 30, 2017:

	Balance 10/1/2016	Addition	Decreases	Balance 9/30/2017	Due Within One Year
Notes payable	\$ 180,160	\$ -	\$ -	\$ 180,160	\$ -
Other long-term payables	25,039	-	1,560	25,050	1,571
Total	<u>\$ 205,199</u>	<u>-</u>	<u>\$ 1,560</u>	<u>\$ 205,210</u>	<u>\$ 1,571</u>

## 15. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Governmental Activities	
Capital assets, net of accumulated depreciation	\$ 137,945,499
Related debt:	
Serial bonds issued	(17,786,500)
Bond anticipation notes issued	(11,000,000)
Unamortized bond premium	(503,553)
Less:	
Serial bonds issued on behalf of Jefferson Community College	9,390,000
Bond anticipation notes issued on behalf of Jefferson Community College	2,000,000
Unamortized bond premium on serial bonds issued on behalf of Jefferson Community College	80,527
Unspent serial bond proceeds	2,458,256
Unspent BAN proceeds	<u>9,000,000</u>
	<u>(6,361,270)</u>
Net investment in capital assets	<u>\$ 131,584,229</u>

Business-type Activities	
Capital assets, net of accumulated depreciation	\$ 3,072,092
Related debt:	
Less: Interfund loan	<u>(950,000)</u>
Net investment in capital assets	<u>\$ 2,122,092</u>

- **Restricted**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

A Capital Reserve Fund/Solid Waste Management net asset restriction is reported in the County's Proprietary Fund and was established by the County Board within the Solid Waste Management Enterprise Fund to finance future costs of equipment replacement and capital improvements, including facility reconstruction. By resolution, monies for "the reserve" were taken from those funds equal to the depreciation which had been accumulated. The fund is managed in accordance with section 6-c of the Municipal Law.

- **Unrestricted**—This category represents net assets of the County not restricted for any project or other purpose.

**Fund Balance**—GASB defines the different types of fund balances that a governmental entity must use for financial reporting purposes as the fund balance categories listed below:

- **Nonspendable**—Amount of assets that cannot be spent in the current period because of their form or because they must be maintained intact. As of December 31, 2017, the County had \$3,930,313 of prepaid expenses, \$39,901 of inventory and \$950,000 representing a long term receivable that were classified as nonspendable funds.
- **Restricted**—Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. As of December 31, 2017, the County had the restricted funds listed below.

	General Fund	Capital Projects Fund	Nonmajor Funds		Total
			Road Machinery Fund	Debt Service Fund	
Restricted for:					
Workers' compensation	\$ 108,615	\$ -	\$ -	\$ -	\$ 108,615
Unemployment insurance	69,866	-	-	-	69,866
Insurance	1,902,395	-	-	-	1,902,395
Law enforcement and prosecution	135,017	-	-	-	135,017
Highway equipment	-	-	100,058	-	100,058
Capital projects	-	10,435,492	-	-	10,435,492
Debt service	141,240	-	-	136,427	277,667
Total restricted fund balance	<u>\$ 2,357,133</u>	<u>\$ 10,435,492</u>	<u>\$ 100,058</u>	<u>\$ 136,427</u>	<u>\$ 13,029,110</u>

- **Committed**—Amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority, or by their designated body or official. As of December 31, 2017, the Jefferson County had no committed fund balance.
- **Assigned**—Amounts that are subject to a purpose constraint that represents an intended use established by the County’s Board of Legislators, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2017, the balances presented on the following page were considered to be assigned.

	General Fund	Capital Projects Fund	Nonmajor Funds			Total
			County Road Fund	Road Machinery Fund	Special Grant Fund	
Assigned for:						
Temporary assistance for needy families reserve	\$ 643,653	\$ -	\$ -	\$ -	\$ -	\$ 643,653
Assigned to workers' compensation	2,500,000	-	-	-	-	2,500,000
Assigned to compensated absences	2,202,824	-	-	-	-	2,202,824
Assigned to risk retention	2,000,000	-	-	-	-	2,000,000
Encumbrances	162,259	3,448,324	-	53,494	13,850	3,677,927
Appropriated for subsequent year's expenditures	6,665,697	-	-	-	-	6,665,697
Assigned to capital projects	-	1,589,990	-	-	-	1,589,990
Assigned to county road	-	-	4,467,172	-	-	4,467,172
Assigned to road machinery	-	-	-	1,825,628	-	1,825,628
Total assigned fund balance	<u>\$ 14,174,433</u>	<u>\$ 5,038,314</u>	<u>\$ 4,467,172</u>	<u>\$ 1,879,122</u>	<u>\$ 13,850</u>	<u>\$ 25,572,891</u>

**Unassigned**—Represents the residual classification of the government’s General Fund, and could report a surplus or deficit. As of December 31, 2017, the unassigned fund balance of the General Fund represented a surplus totaling \$11,976,570. Additionally, other governmental funds of the County could report a fund balance deficit as an unassigned fund balance. At December 31, 2017, the County’s nonmajor funds reported an unassigned fund balance of \$(2,260,759), related to a deficit fund balance within the Debt Service Fund.

**Order of Fund Balance Spending Policy**—The County’s policy is to expend fund balances in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

**Minimum Fund Balance**—It is the intention of the Board of Legislators to maintain adequate reserves in the General Fund unassigned fund balance equal to two months of General Fund operating expenditures (approximately 16.67% of operating expenditures), net of local sales tax distribution. If the General Fund’s fund balance should fall 10% above or below (between 6.67% and 26.67% of operating expenditures) the level set by the policy, the County Administrator shall recommend increasing or decreasing the use of fund balance appropriated in the following year’s budget, such that in his estimation over the course of no more than three years, the fund balance will be again within the level set by the fund balance policy. At December 31, 2017, the County’s available General Fund balance was 12.8% of General Fund annual operating expenditures, which within the 10% of the level set by the policy.

## 16. INTERFUND LOAN

The long-term interfund loan balance within the General Fund and the Solid Waste Management Fund consists of a \$1,300,000 loan made during the year ended December 31, 2010. A pre-determined interest rate is not included within the terms of the agreement. The County will charge the Solid Waste Management Facility an interest rate, on its outstanding debt to the General Fund, equal to the average interest it receives in its interest bearing accounts. During the years ended December 31, 2016, 2015 and 2014, the Solid Waste Fund was unable to make a payment and borrowed an additional funds from the General Fund. On December 13, 2016, the County amended its original agreement decreasing the annual payment from \$100,000 to \$50,000 for a period of 20 years effective during the year ending December 31, 2017. During the year ended December 31, 2017, the additional borrowing was repaid and the agreed upon \$50,000

payment plus past interest was paid. The current balance on the interfund loan as of December 31, 2017 was \$950,000.

## 17. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification.

Interfund receivables, payables, and transfers of the County as of, and for the year ended December 31, 2017 are presented below:

	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
Governmental Funds:				
General Fund	\$ 967,990	\$ -	\$ 27,558	\$ 14,189,125
Capital Projects Fund	2,260,759	-	1,902,179	-
Other nonmajor funds	-	2,278,749	13,922,193	1,662,805
Business-type Funds:				
Solid Waste Management Fund	-	950,000	-	-
Total	<u>\$ 3,228,749</u>	<u>\$ 3,228,749</u>	<u>\$ 15,851,930</u>	<u>\$ 15,851,930</u>

## 18. COMMITMENTS

**Encumbrances**—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations.

The County considers encumbrances significant if they are in excess of \$100,000. As of December 31, 2016, the significant encumbrances of the County are shown below:

Fund	Purpose	Amount Encumbered
Capital Projects Fund	Tower Installation- Emergency Communications	\$ 2,271,229
Capital Projects Fund	Tower Steel for Emergency Communications	571,044
Capital Projects Fund	Public Health Building Elevator	159,900

## 19. TAX ABATEMENTS

The County provides tax abatements under several different programs: low income housing, economic assistance to startup or incubator businesses, residential real estate ventures and other commercial and manufacturing projects new to Jefferson County. Part of these abatements are done through the offices of the Jefferson County Industrial Development Agency (the “Agency”). The Agency is authorized and empowered by the provisions of Chapter 1030 of the 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the Enabling Act) and Chapter 77 of the 1974 Laws of New York, as amended, constituting Section 902 of said General Municipal Law.

Abatements are generally for the purpose of reducing the real estate tax burden during the construction period of building residential units as well as a reduction during the early years while occupancy is low. Abatements are usually fifty percent of the actual tax and progresses on a sliding scale over a period of fifteen years until 100% is reached. In commercial and manufacturing, the abatements of real estate taxes range from five to twenty years while the business is being developed. Under agreements made through JCIDA, the following amounts were abated and collected as payments in lieu of taxes in 2017:

	Taxes Abated	Payments in Lieu of Taxes
Residential housing projects	\$ 809,461	\$ 383,236
Commercial endeavors	514,233	95,375
Manufacturing	1,536,427	183,947
Other	-	50,000

The County has entered into agreements with three low income housing projects for a reduction in real estate taxes that results in \$25,000 in tax abatements in 2017.

In addition to real estate tax abatements, there is an agreement with two entities for a sales tax abatement of up to \$2,063,200 in the first two years of the construction phase of the projects. This is the second year of the construction phases for these two projects. During 2017, no mortgage tax abatements were granted.

## 20. CONTINGENCIES

**Sales tax audits**—The State of New York periodically audits its distribution of sales tax revenues to counties throughout the State. Subsequent revisions to the revenues recorded as of December 31, 2017, if any, would be reflected in the operations statement in the year they are calculated.

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

**Other**—The County is also involved in litigation arising in the ordinary course of its operations. The County believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the County’s financial condition or results of operations.

## 21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 23, 2018, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

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## REQUIRED SUPPLEMENTARY INFORMATION



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**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of the Local Government's Proportionate Share of the**  
**Net Pension Liability (Asset)—Teachers' Retirement System**  
**Last Three Fiscal Years\***

	Year Ended August 31,			
	2017	2016	2015	2014
<b>Jefferson County Community College ("JCC"):</b>				
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
JCC's proportion of the net pension liability (asset)	0.029436%	0.031981%	0.030745%	n/a
JCC's proportionate share of the net pension liability (asset)	<u>\$ (223,744)</u>	<u>\$ 342,530</u>	<u>\$ (3,193,443)</u>	n/a
JCC's covered-employee payroll	\$ 4,851,815	\$ 4,850,948	\$ 4,576,270	n/a
JCC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	4.61%	7.06%	(69.78%)	n/a
Plan fiduciary net position as a percentage of the total pension liability	100.7%	99.0%	110.5%	n/a

\*Information prior to the year ended August 31, 2015 is not available.

**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of the Local Government's Contributions—**  
**Teachers' Retirement System**  
**Last Three Fiscal Years\***

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	Year Ended August 31,			
	2017	2016	2015	2014
<b>Jefferson County Community College ("JCC"):</b>				
Contractually required contribution	\$ 546,698	\$ 654,380	\$ 809,595	n/a
Contributions in relation to the contractually required contribution	<u>(546,698)</u>	<u>(654,380)</u>	<u>(809,595)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
JCC's covered-employee payroll	\$ 4,851,815	\$ 4,850,948	\$ 4,576,270	n/a
Contributions as a percentage of covered-employee payroll	11.3%	13.5%	17.7%	n/a

\*Information prior to the year ended August 31, 2015 is not available.

**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of the Local Governments' Proportionate Share of the**  
**Net Pension Liability—Employees' Retirement System**  
**Last Four Fiscal Years\***

	Year Ended December 31,			
	2017	2016	2015	2014
<b>Jefferson County ("County"):</b>				
Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
County's proportion of the net pension liability (asset)	0.1617458%	0.1691347%	0.1662258%	0.1662258%
County's proportionate share of the net pension liability (asset)	<u>\$ 15,159,037</u>	<u>\$ 27,146,582</u>	<u>\$ 5,615,514</u>	<u>\$ 7,511,510</u>
County's covered-employee payroll	\$ 37,678,163	\$ 37,973,128	\$ 38,827,552	\$ 38,313,792
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.23%	71.49%	14.46%	19.61%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	97.2%
	Year Ended August 31,			
	2017	2016	2015	2014

**Jefferson County Community College ("JCC"):**

Measurement date	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
JCC's proportion of the net pension liability	0.0185125%	0.0198426%	0.0195013%	n/a
JCC's proportionate share of the net pension liability	<u>\$ 1,739,478</u>	<u>\$ 3,184,794</u>	<u>\$ 658,804</u>	n/a
JCC's covered-employee payroll	\$ 4,486,774	\$ 4,412,165	\$ 4,409,421	n/a
JCC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.77%	72.18%	14.94%	n/a
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%	n/a

\*Information prior to the year ended December 31, 2014 is not available for the County. Information prior to the year ended August 31, 2015 is not available for the College.

**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of the Local Governments' Contributions—**  
**Employees' Retirement System**  
**Last Four Fiscal Years\***

	Year Ended December 31,			
	2017	2016	2015	2014
<b>Jefferson County ("County"):</b>				
Contractually required contribution	\$ 5,673,400	\$ 6,492,714	\$ 6,983,586	\$ 8,020,528
Contributions in relation to the contractually required contribution	<u>(5,673,400)</u>	<u>(6,492,714)</u>	<u>(6,983,586)</u>	<u>(8,020,528)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 38,721,355	\$ 38,142,608	\$ 37,898,143	\$ 38,984,787
Contributions as a percentage of covered-employee payroll	14.7%	17.0%	18.4%	20.6%
	Year Ended August 31,			
	2017	2016	2015	2014
<b>Jefferson County Community College ("JCC"):</b>				
Contractually required contribution	\$ 651,958	\$ 768,765	\$ 868,711	n/a
Contributions in relation to the contractually required contribution	<u>(651,958)</u>	<u>(768,765)</u>	<u>(868,711)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
JCC's covered-employee payroll	\$ 4,486,774	\$ 4,412,165	\$ 4,409,421	n/a
Contributions as a percentage of covered-employee payroll	14.5%	17.4%	19.7%	n/a

\*Information prior to the year ended December 31, 2014 is not available for the County. Information prior to the year ended August 31, 2015 is not available for the College.

**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Funding Progress—Other Postemployment Benefits Plan**  
**Year Ended December 31, 2017**

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Jefferson County Community College:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
September 1, 2016	-	\$ 42,613,272	\$ 42,613,272	0.0%	n/a	n/a
September 1, 2015	-	55,087,029	55,087,029	0.0%	n/a	n/a
September 1, 2014	-	51,075,990	51,075,990	0.0%	n/a	n/a



**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Changes in the County's Total OPEB Liability and Related Ratios**  
**For the Year Ended December 31, 2017\***

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<b>Total OPEB Liability</b>	
Service cost	\$ 12,139,584
Interest	14,442,856
Differences between expected and actual experience	(4,627,806)
Changes of assumptions	19,919,173
Change of benefit terms	743,910
Benefit payments	<u>(9,309,351)</u>
Net changes in total OPEB liability	<u>33,308,366</u>
Total OPEB liability—beginning	<u>383,688,755</u>
Total OPEB liability—ending (a)	<u>\$ 416,997,121</u>
<b>Plan fiduciary net position</b>	
Contributions—employer	9,309,351
Benefit payments	(9,309,351)
Net change in plan fiduciary net position	-
Plan fiduciary net position—beginning	<u>-</u>
Plan fiduciary net position—ending (b)	<u>\$ -</u>
<b>County's net OPEB liability—ending (a) - (b)</b>	<u>\$ 416,997,121</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	\$ 35,561,798
County's net OPEB liability as a percentage of covered-employee payroll	1172.60%

\*Information prior to the year ended December 31, 2017 is not available.

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**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Real property taxes	\$ 55,346,679	\$ 55,346,679	\$ 54,902,976	\$ (443,703)
Real property tax items	2,500,000	2,500,000	2,686,236	186,236
Non-property tax items	74,224,484	75,003,309	75,710,735	707,426
Departmental income	11,961,637	11,979,888	10,408,327	(1,571,561)
Intergovernmental charges	3,290,876	3,290,876	2,268,002	(1,022,874)
Use of money and property	1,014,158	1,031,891	755,795	(276,096)
Licenses and permits	25,000	25,000	36,303	11,303
Fines and forfeitures	231,375	231,375	195,085	(36,290)
Sale of property and compensation for loss	1,338,000	1,338,000	1,265,202	(72,798)
Miscellaneous	2,632,959	2,636,567	4,869,367	2,232,800
State aid	19,773,686	22,922,145	17,982,620	(4,939,525)
Federal aid	22,172,042	22,203,819	22,686,652	482,833
Total revenues	<u>194,510,896</u>	<u>198,509,549</u>	<u>193,767,300</u>	<u>(4,742,249)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	56,968,226	57,138,748	56,066,389	1,072,359
Education	11,337,436	11,337,436	10,288,405	1,049,031
Public safety	21,944,290	23,114,028	22,254,590	859,438
Health	13,373,530	14,287,837	13,025,194	1,262,643
Transportation	2,382,654	2,430,802	1,974,351	456,451
Economic assistance and opportunity	68,565,278	66,547,529	62,669,099	3,878,430
Culture and recreation	335,740	335,740	334,839	901
Home and community services	969,176	1,026,036	841,683	184,353
Employee benefits	11,985,341	12,144,192	9,585,371	2,558,821
Debt service	68,000	68,000	67,811	189
Total expenditures	<u>187,929,671</u>	<u>188,430,348</u>	<u>177,107,732</u>	<u>11,322,616</u>
Excess of revenues over expenditures	<u>6,581,225</u>	<u>10,079,201</u>	<u>16,659,568</u>	<u>6,580,367</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	22,500	27,558	27,558	-
Transfers out	<u>(14,032,023)</u>	<u>(14,189,125)</u>	<u>(14,189,125)</u>	<u>-</u>
Total other financing sources (uses)	<u>(14,009,523)</u>	<u>(14,161,567)</u>	<u>(14,161,567)</u>	<u>-</u>
Net change in fund balances*	(7,428,298)	(4,082,366)	2,498,001	6,580,367
Fund balances—beginning	30,785,958	30,785,958	30,785,958	-
Fund balances—ending	<u>\$ 23,357,660</u>	<u>\$ 26,703,592</u>	<u>\$ 33,283,959</u>	<u>\$ 6,580,367</u>

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

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**COUNTY OF JEFFERSON, NEW YORK**  
**Note to the Required Supplementary Information**  
**Year Ended December 31, 2017**

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**1. BUDGETARY INFORMATION**

*Budgetary Basis of Accounting*—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, County Road Fund, Road Machinery Fund, and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. The Special Grant Fund does not have an appropriated budget since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. However, amendments of the budget must be approved by the governing board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriation and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

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## SUPPLEMENTARY INFORMATION





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**COUNTY OF JEFFERSON, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**December 31, 2017**

	<b>County Road Fund</b>	<b>Road Machinery Fund</b>	<b>Special Grant Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,725,822	\$ 1,955,849	\$ 58,621	\$ -	\$ 6,740,292
Restricted cash and cash equivalents	-	100,058	-	127,533	227,591
Accounts receivables, net of allowances	4,670	-	311	-	4,981
Intergovernmental receivables	47,290	19,241	235,892	8,894	311,317
Prepaid items	100,583	12,326	31,482	-	144,391
Total assets	<u>\$ 4,878,365</u>	<u>\$ 2,087,474</u>	<u>\$ 326,306</u>	<u>\$ 136,427</u>	<u>\$ 7,428,572</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 310,610	\$ 95,968	\$ 214,225	\$ -	\$ 620,803
Due to other funds	-	-	17,990	2,260,759	2,278,749
Unearned revenue	-	-	48,759	-	48,759
Total liabilities	<u>310,610</u>	<u>95,968</u>	<u>280,974</u>	<u>2,260,759</u>	<u>2,948,311</u>
<b>FUND BALANCES</b>					
Nonspendable	100,583	12,326	31,482	-	144,391
Restricted	-	100,058	-	136,427	236,485
Assigned	4,467,172	1,879,122	13,850	-	6,360,144
Unassigned	-	-	-	(2,260,759)	(2,260,759)
Total fund balances	<u>4,567,755</u>	<u>1,991,506</u>	<u>45,332</u>	<u>(2,124,332)</u>	<u>4,480,261</u>
Total liabilities and fund balances	<u>\$ 4,878,365</u>	<u>\$ 2,087,474</u>	<u>\$ 326,306</u>	<u>\$ 136,427</u>	<u>\$ 7,428,572</u>

**COUNTY OF JEFFERSON, NEW YORK**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2017**

	<b>County Road Fund</b>	<b>Road Machinery Fund</b>	<b>Special Grant Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Funds</b>
<b>REVENUES</b>					
Departmental income	\$ -	\$ -	\$ 853,438	\$ -	\$ 853,438
Intergovernmental charges	48,948	61,800	-	-	110,748
Use of money and property	15,082	10,345	109,966	-	135,393
Licenses and permits	5,020	-	-	-	5,020
Sale of property and compensation for loss	1,080	33,784	-	-	34,864
Miscellaneous	-	58	4,257	8,895	13,210
Interfund revenues	151	248,520	-	-	248,671
State aid	4,860,335	-	-	52,152	4,912,487
Federal aid	105,116	-	2,973,871	-	3,078,987
Total revenues	<u>5,035,732</u>	<u>354,507</u>	<u>3,941,532</u>	<u>61,047</u>	<u>9,392,818</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	612,948	-	-	-	612,948
Transportation	12,122,194	2,229,277	-	-	14,351,471
Economic assistance and opportunity	-	-	2,450,100	-	2,450,100
Home and community services	-	-	1,542,431	-	1,542,431
Employee benefits	42,820	4,212	-	-	47,032
Debt service:					
Principal	-	-	-	4,225,000	4,225,000
Interest and fiscal charges	-	-	-	573,648	573,648
Total expenditures	<u>12,777,962</u>	<u>2,233,489</u>	<u>3,992,531</u>	<u>4,798,648</u>	<u>23,802,630</u>
Deficiency of revenues over expenditures	<u>(7,742,230)</u>	<u>(1,878,982)</u>	<u>(50,999)</u>	<u>(4,737,601)</u>	<u>(14,409,812)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	9,287,367	2,131,879	-	2,502,947	13,922,193
Transfers out	<u>(1,550,000)</u>	<u>(107,747)</u>	<u>-</u>	<u>(5,058)</u>	<u>(1,662,805)</u>
Total other financing sources (uses)	<u>7,737,367</u>	<u>2,024,132</u>	<u>-</u>	<u>2,497,889</u>	<u>12,259,388</u>
Net change in fund balances	(4,863)	145,150	(50,999)	(2,239,712)	(2,150,424)
Fund balances—beginning	<u>4,572,618</u>	<u>1,846,356</u>	<u>96,331</u>	<u>115,380</u>	<u>6,630,685</u>
Fund balances—ending	<u>\$ 4,567,755</u>	<u>\$ 1,991,506</u>	<u>\$ 45,332</u>	<u>\$ (2,124,332)</u>	<u>\$ 4,480,261</u>

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# FEDERAL AWARDS INFORMATION



**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

Federal Grantor/Pass Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number	Passed Through to Sub- recipients	Total Federal Expenditures (1c)
<b>U.S. Department of Agriculture:</b>				
Direct Grant:				
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	N/A	\$ -	\$ 10,800
Passed through NYS Office of Temporary and Disability Assistance:				
<i>SNAP Cluster:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	-	2,108,371
<i>Total SNAP Cluster</i>			-	2,108,371
<b>Total U.S. Department of Agriculture</b>			-	2,119,171
<b>U.S. Department of Housing and Urban Development:</b>				
Direct Grant:				
Home Investment Partnerships Program	14.239	N/A	675,271	683,321
<i>Continuum of Care Program</i>				
Continuum of Care Program	14.267	NY0712L2C221506	33,980	33,980
Continuum of Care Program	14.267	NY0712L2C221607	40,161	43,044
Continuum of Care Program	14.267	NY0713L2C221506	347,439	376,736
Continuum of Care Program	14.267	NY0713L2C221607	262,978	283,479
<i>Total Continuum of Care Program</i>			684,558	737,239
Passed through NYS Homes & Community Renewal:				
<i>Community Development Block Grants:</i>				
Community Development Block Grants	14.228	581HR337-14	-	66,331
Community Development Block Grants	14.228	581HR326-15	-	745,630
Community Development Block Grants	14.228	581HR301-16	-	47,150
<i>Total Community Development Block Grants</i>			-	859,111
Passed through NYS Office of Temporary and Disability Assistance:				
Emergency Solutions Grant Program	14.231	C021789	298,524	298,524
<b>Total U.S. Department of Housing and Urban Development</b>			1,658,353	2,578,195
<b>U.S. Department of Justice:</b>				
Passed through City of Watertown:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	-	4,586
Passed through NYS Division of Criminal Justice:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	T637251	-	17,132
<b>Total U.S. Department of Justice</b>			-	21,718
<b>U.S. Department of Labor:</b>				
Passed through NYS Office for the Aging:				
Senior Community Service Employment Program	17.235	Title V	-	26,715
Passed through NYS Department of Labor:				
Trade Adjustment Assistance	17.245	N/A	-	34,366
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	C015170 Job Driven-NEG	-	15,841
<i>WIOA cluster:</i>				
WIOA Adult Program	17.258	N/A	95,585	497,367
WIOA Youth Activities	17.259	N/A	85,008	393,677
WIOA Dislocated Worker Formula Grants	17.278	N/A	28,853	274,135
<i>Total WIOA cluster</i>			209,446	1,165,179
<b>Total U.S. Department of Labor</b>			209,446	1,242,101

(continued)

**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

Federal Grantor/Pass Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number	Passed Through to Sub- recipients	Total Federal Expenditures (1c)
<b>U.S. Department of Transportation:</b>				
Direct Grant:				
<i>Airport Improvement Program:</i>				
Airport Improvement Program	20.106	3-36-0120-46-16	-	23,047
Airport Improvement Program	20.106	3-36-0120-47-16	-	180,570
<i>Total Airport Improvement Program:</i>			-	203,617
Payments for Small Community Air Service Development	20.930	N/A	-	51,565
Passed through NYS Department of Transportation:				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	D034852; PIN 7753.56	-	50,027
Highway Planning and Construction	20.205	D034827; PIN 7753.44	-	81,758
Highway Planning and Construction	20.205	D034853; PIN 7753.59	-	3,746
Highway Planning and Construction	20.205	D035516; PIN 7753.65	-	103,411
Highway Planning and Construction	20.205	D034771; PIN 7753.43	-	120,572
Highway Planning and Construction	20.205	D034698; PIN 7753.19	-	925,952
<i>Total Highway Planning and Construction Cluster</i>			-	1,285,466
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	N/A	-	105,116
<i>Highway Safety Cluster:</i>				
Passed through NYS Governor's Traffic Safety:				
State and Community Highway Safety	20.600	PTS-2017-JC SO-00284-(023)	-	9,600
State and Community Highway Safety	20.600	HS1-2017-JCPH-00025-(023)	-	10,323
State and Community Highway Safety	20.600	HS1-2018-JCPH-00004-(023)	-	3,261
National Priority Safety Programs	20.616	CPS-2017-JC SO-00049-(023)	-	100
Passed through NYS Stop DWI Foundation, Inc.:				
National Priority Safety Programs	20.616	HS1-2017-DWI Fnd-00183-(088)	-	5,330
National Priority Safety Programs	20.616	HS1-2018-DWI Fnd-00173-(088)	-	7,757
Passed through NYS Division of Criminal Justice Services:				
National Priority Safety Programs	20.616	HS1-2017-NYSDCJ-00228-099	-	8,167
National Priority Safety Programs	20.616	HS1-2018-NYSDCJ-00115-099	-	2,722
<i>Total Highway Safety cluster</i>			-	47,260
<b>Total U.S. Department of Transportation</b>			-	1,693,024
<b>U.S. Environmental Protection Agency:</b>				
Passed through the NYS Department of Health:				
State Indoor Radon Grants	66.032	T30733GG	-	5,043
<b>Total U.S. Environmental Protection Agency</b>			-	5,043
<b>U.S. Department of Education:</b>				
Passed through Jefferson Community College:				
Career and Technical Education—Basic Grants to States (Perkins IV)	84.048	N/A	-	12,123
Passed through NYS Department of Health:				
Special Education - Grants for Infants and Families	84.181	C31638GG	-	59,132
<b>Total U.S. Department of Education</b>			-	71,255
<b>U.S. Election Assistance Commission:</b>				
Passed through NYS Board of Elections:				
Help America Vote Act Requirement Payments	90.401	C003225	-	30,302
<b>Total U.S. Election Assistance Commission</b>			-	30,302

(continued)



**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

Federal Grantor/Pass Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Pass-Through Entity Identifying Number	Passed Through to Sub- recipients	Total Federal Expenditures (1c)
<b>U.S. Department of Health and Human Services:</b>				
Passed through NYS Office for the Aging:				
<i>Aging Cluster:</i>				
Special Programs for Aging, Title III, Part B—Grants for Supportive Services and Senior Centers	93.044	Title III-B	-	91,109
Special Programs for Aging, Title III, Part C—Nutrition Services	93.045	Title III-C	-	181,346
Nutrition Services Incentive Program	93.053	NSIP	-	93,518
<i>Total Aging Cluster</i>			-	365,973
Special Programs for Aging Title III , Part D_Disease Prevention and Health Promotion Services	93.043	Title III-D	-	2,623
National Family Caregiver Support Title III, Part E	93.052	Title III-E	-	43,232
Medicare Enrollment Assistance Program	93.071	MIPPA/ADRC	-	8,695
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HIICAP	-	18,885
Passed through the Health Research Institute:				
Public Health Emergency Program	93.069	1615-10	-	49,507
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	1615-11	-	45,215
Passed through NYS Department of Health:				
Immunization Cooperative Agreements	93.268	C028297	-	10,908
Passed through NYS Office of Temporary and Disability Assistance:				
Child Support Enforcement	93.563	N/A	-	736,594
Low Income Home Energy Assistance	93.568	N/A	-	4,464,278
Passed through the Office of Children and Family Services:				
Promoting Safe and Stable Families	93.556	N/A	-	5,135
<i>CCDF Cluster:</i>				
Child Care and Development Block Grant	93.575	CCRR15	132,092	1,878,922
<i>Total CCDF Cluster</i>			-	1,878,922
Foster Care—Title IV-E	93.658	N/A	-	1,831,232
Adoption Assistance	93.659	N/A	-	1,424,492
Social Services Block Grant	93.667	N/A	-	3,509,291
Child Abuse and Neglect State Grants	93.669	N/A	-	41,671
Chafee Foster Care Independence Program	93.674	N/A	-	11,435
Passed through NYS Department of Health:				
<i>Maternal and Child Health Services Block Grant to the States:</i>				
Maternal and Child Health Services Block Grant to the States	93.994	C029720	-	13,738
Maternal and Child Health Services Block Grant to the States	93.994	C32665GG	-	3,961
Maternal and Child Health Services Block Grant to the States	93.994	C30897GG	-	15,308
<i>Total Maternal and Child Health Services Block Grant to the States</i>			-	33,007
<i>Medicaid Cluster:</i>				
Passed through NYS Department of Health:				
Medical Assistance Program	93.778	N/A	-	1,430,388
Passed through NYS Office of Mental Health:				
Medical Assistance Program	93.778	Medicaid Admin	-	73,556
Passed through NYS Office For the Aging:				
Medical Assistance Program	93.778	BIP	-	90,457
<i>Total Medicaid Cluster</i>			-	1,594,401

(continued)

**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

<b>Federal Grantor/Pass Through Grantor/Program Cluster Title (1a)</b>	<b>Federal CFDA Number (1b)</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Through to Sub- recipients</b>	<b>Total Federal Expenditures (1c)</b>
(concluded)				
Passed through NYS Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	1,021,426	1,021,426
<i>TANF Cluster:</i>				
Passed through NYS Office of Temporary and Disability Assistance:				
Temporary Assistance to Needy Families	93.558	N/A	-	6,898,208
Temporary Assistance to Needy Families	93.558	SYEP	-	231,985
<i>Total TANF Cluster</i>			-	7,130,193
<b>Total U.S. Department of Health and Human Services</b>			<u>1,153,518</u>	<u>24,227,115</u>
<b>U.S. Social Security Administration:</b>				
Passed through Reasearch Foundation for Mental Hygiene, Inc:				
<i>Social Security-Work Incentives Planning and Assistance Program</i>	96.008	Ticket-to-Work	-	6,491
<b>Total U.S. Social Security Administration:</b>			-	6,491
<b>U.S. Department of Homeland Security:</b>				
Passed through NYS Division of Homeland Security and Emergency Services:				
<i>Homeland Security Grant Program:</i>				
Homeland Security Grant Program	97.067	C173459	-	3,153
Homeland Security Grant Program	97.067	T180042	-	3,186
Homeland Security Grant Program	97.067	T971152	-	37
Homeland Security Grant Program	97.067	T971162	-	30,325
Homeland Security Grant Program	97.067	C189059	-	14,742
Homeland Security Grant Program	97.067	C189069	-	678
Homeland Security Grant Program	97.067	C971150	-	95,059
Homeland Security Grant Program	97.067	C971160	-	9,000
Homeland Security Grant Program	97.067	C971170	-	1,012
<i>Total Homeland Security Grant Program</i>			-	157,192
<i>Emergency Management Performance Grants:</i>				
Emergency Management Performance Grants	97.042	T190165	-	11,764
Emergency Management Performance Grants	97.042	T190175	-	48,217
<i>Total Emergency Management Performance Grants</i>			-	59,981
Direct Grant:				
<i>Law Enforcement Officer Reimbursement Agreement Program:</i>				
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0213HSLR818	-	3,872
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0216HSLR705	-	32,850
<i>Total Enforcement Officer Reimbursement Agreement Program:</i>			-	36,722
<b>Total U.S. Department of Homeland Security</b>			-	253,895
<b>Total Expenditures of Federal Awards (1d)</b>			<u>\$ 3,027,317</u>	<u>\$ 32,248,310</u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**COUNTY OF JEFFERSON, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2017**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the County of Jefferson, New York (the “County”) under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a select portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- (a) Includes all federal award programs of the County of Jefferson, New York. The federal expenditures of the Jefferson Community College and Jefferson County Industrial Development Agency have not been included.
- (b) Source: Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) A reconciliation to the financial statements is available.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**3. MATCHING COSTS**

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

**4. 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 allocation of administrative costs to the individual federal programs.

**5. AMOUNTS PROVIDED TO SUBRECIPIENTS**

Certain program funds are passed through the County to subrecipient organizations. The County identifies, to the extent practical, the total amount provided to subrecipients from each federal program, however, the Schedule does not contain separate schedules disclosing how the subrecipients outside of the County’s control utilize the funds. The County requires subrecipients receiving funds to submit separate audit reports disclosing the use of the program funds.

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Certified Public Accountants

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

Honorable County Administrator and County Legislature  
County of Jefferson, 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 activity, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Jefferson, 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, and have issued our report thereon dated July 23, 2018. Our report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75 and includes a reference to other auditors who audited the financial statements of the Jefferson Community College and Jefferson County Industrial Development Agency, as described in our report on the County's financial statements. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

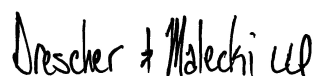
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

### **The County's Response to Findings**

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



July 23, 2018

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable County Administrator and County Legislature  
County of Jefferson, New York

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

We have audited the County of Jefferson, New York's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("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.

The County's basic financial statements include the operations of the Jefferson Community College and the Jefferson County Industrial Development Agency, which received \$15,837,437 and \$0 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2017. Our compliance audit, described below, did not include the operations of the Jefferson Community College and the Jefferson County Industrial Development Agency, because the component unites engaged other auditors to perform an audit in accordance with the Uniform Guidance.

***Management's Responsibility***

The County's 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 ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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 the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Drescher & Malecki LLP*

July 23, 2018



**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2017**

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**Part I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of report the auditor issued: Unmodified\*  
 (\*which report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 75 and includes a reference to other auditors)

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	✓	No
Significant deficiency(ies) identified?	_____	✓	Yes	_____	None reported
Noncompliance material to the financial statements noted?	_____	Yes	_____	✓	No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	✓	No
Significant deficiency(ies) identified?	_____	Yes	_____	✓	None reported

Type of report the auditor 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
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Identification of major federal programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
14.231	Emergency Solutions Grant Program
20.205	Highway Planning and Construction Cluster
93.658	Foster Care—Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs?	\$ <u>967,449</u>
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Auditee qualified as low-risk auditee?	_____	✓	Yes	_____	No
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**COUNTY OF JEFFERSON, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2017**

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**Part II. Financial statement findings section**

*We consider the deficiency presented below to be a significant deficiency in internal control.*

**Finding 2017-001—Solid Waste Management Fund**

*Criteria:* Since the Solid Waste Management Fund is reported as an Enterprise Fund within the County it should independently operate.

*Condition and Context:* During the year ended December 31, 2010 an interfund loan was made between the General Fund and the Solid Waste Management Fund under the agreement that the Solid Waste Management Fund annually repay \$100,000 of principal in addition to interest. On December 13, 2016, the County amended the original agreement decreasing the annual payment from \$100,000 to \$50,000 for a period of 20 years beginning with the year ending December 31, 2017. Although the Solid Waste Management Fund was unable to make a loan payment during the years ended December 31, 2015 and 2016, the cash flows during the year ended December 31, 2017 permitted the Solid Waste Management Fund to repay all short term cash advances and make a \$50,000 payment on the noncurrent interfund loan.

*Cause:* The use of cash for operations and capital asset purchases exceeding cash received from operations and grants can hinder the Solid Waste Management Fund's ability to make consistent loan payments.

*Effect or Potential Effect:* The inability for the Solid Waste Management Fund to make schedule payments to the General Fund.

*Recommendation:* The County should continue to monitor operations of the Solid Waste Management Fund to ensure that the General Fund consistently receives repayment on the noncurrent interfund loan.

*Managements Corrective Action Plan:* During the 2017 fiscal year, the negative cash position was eliminated and payment was resumed on the interfund loan. The Recycling and Waste Management Department will continue to look closely for new avenues of revenue and monitor expenses in order to continue to make annual scheduled payments to the General Fund.

**Part III. Federal award findings and questioned costs section**

No findings noted.

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**COUNTY OF JEFFERSON, NEW YORK**  
**Summary Schedule of Prior Year Audit Findings and**  
**Corrective Action Plan**  
**Year Ended December 31, 2017**  
**(Follow Up on December 31, 2016 Findings)**

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**Finding 2016-001—Solid Waste Management Fund**

*Criteria:* Since the Solid Waste Management Fund is reported as an Enterprise Fund within the County it should independently operate.

*Condition and Context:* During the year ended December 31, 2010 an interfund loan was made between the General Fund and the Solid Waste Management Fund under the agreement that the Solid Waste Management Fund annually repay \$100,000 of principal in addition to interest. During the years ended December 31, 2015 and 2014, the Solid Waste Management Fund was unable to make a payment. During the year ended December 31, 2016, a payment of \$613,516 was made from the Solid Waste Management Fund to the General Fund, however due to insufficient cash flow, at year end an additional loan of \$248,019 was made leaving a balance of \$1,248,019. On December 13, 2016, the County amended its original agreement decreasing the annual payment from \$100,000 to \$50,000 for a period of 20 years effective during the year ending December 31, 2017.

*Cause:* The consistent use of cash for operations and capital asset expenses exceeding cash received from operations and grants.

*Effect or Potential Effect:* Continued use of cash at this level without a sustainable increase in the current level of revenue will further deteriorate the Solid Waste Management Fund's situation. This trend negatively impacts the General Fund, which is owed \$1,248,019 at year end. The General Fund will continue to have to provide additional cash to fund deficit operations in the Solid Waste Management Fund.

*Recommendation:* The County should consider its revenue estimates and sources of revenue and consider actions necessary to implement cost savings and/or operating transfers from the General Fund.

*Managements Corrective Action Plan:* Restricted cash for capital asset additions was reduced to cover part of the deficit cash position. In addition, the facility was able to liquidate much of the much of the recyclable goods that were not sold in the prior year due to poor market prices. The minimum fee charged for dropping off trash was increased a raise in the cost of garbage bags sold at the Recycling Center. The agreement between the County and the Recycling Center has been amended to reduce the annual payment from \$100,000 to \$50,000 per year.

*Current Status:* See Finding 2017-001 within the Schedule of Findings and Questioned Costs for current status.

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