

**COUNTY OF JEFFERSON,
NEW YORK**

*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and Federal
Awards Information for the Year Ended
December 31, 2019 and Independent Auditors' Reports*

COUNTY OF JEFFERSON, NEW YORK
Table of Contents
Year Ended December 31, 2019

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet—Governmental Funds	17
Reconciliation of the Balance Sheet—Governmental Funds to the Government-wide Statement of Net Position.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances— Governmental Funds to the Government-wide Statement of Activities.....	20
Statement of Net Position—Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Net Position— Proprietary Fund.....	22
Statement of Cash Flows—Proprietary Fund	23
Statement of Net Position—Fiduciary Fund.....	24
Statement of Changes in Net Position—Fiduciary Fund	25
Notes to the Financial Statements	26

(continued)

COUNTY OF JEFFERSON, NEW YORK
Table of Contents
Year Ended December 31, 2019

(concluded)

Required Supplementary Information:

Schedule of the Local Government’s Proportionate Share of the Net Pension Liability (Asset)—Teachers’ Retirement System	72
Schedule of Local Government’s Contributions—Teachers’ Retirement System	73
Schedule of Local Government’s Proportionate Share of the Net Pension Liability—Employees’ Retirement System	74
Schedule of Local Government’s Contributions—Employees’ Retirement System.....	75
Schedule of Changes in the College’s Total OPEB Liability and Related Ratios.....	76
Schedule of Changes in the County’s Total OPEB Liability and Related Ratios	77
Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—General Fund.....	78
Notes to the Required Supplementary Information.....	79

Supplementary Information:

Combining Balance Sheet—Nonmajor Governmental Funds.....	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds	81

Federal Awards Information:

Schedule of Expenditures of Federal Awards	82
Notes to the Schedule of Expenditures of Federal Awards	86
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	89
Schedule of Findings and Questioned Costs	91

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable County Board of Legislators and County Administrator
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, 2019 (with the Jefferson County Community College for the fiscal year ended August 31, 2019 and the Jefferson County Industrial Development Agency for the fiscal year ended September 30, 2019), 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.

Auditors' 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, 2019, 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, 2019, the County implemented Governmental Accounting Standards Board (“GASB”) Statement No. 84, *Fiduciary Activities*, and updated its policies and procedures for recognition of other postemployment benefits and net pension liability for business-type activity. Our opinion is not modified with respect to these matters.

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.

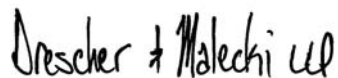
Other Information

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 10, 2020 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 solely 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 effectiveness of the County's 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 10, 2020

COUNTY OF JEFFERSON, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2019

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, 2019. This document should be read in conjunction with additional information that we have furnished in the County's 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, 2019 by \$232,109,780 (net position). This consists of \$144,642,187 net investment in capital assets, \$3,419,270 restricted for specific purposes, offset by an unrestricted net position of \$(380,171,237).
- The County's total primary government net position increased by \$3,085,085 during the year ended December 31, 2019. Governmental activities increased the County's net position by \$3,626,177, while the net position of the County's business-type activity decreased \$541,092.
- As of December 31, 2019, the County's governmental funds reported combined fund balances of \$62,663,157, an increase of \$5,472,536 in comparison with the prior year.
- General Fund fund balance increased \$5,328,656 during the year ended December 31, 2019 and ended the year with a total fund balance of \$45,397,489. Of this, \$3,666,547 is considered nonspendable, \$3,026,109 is restricted, and \$15,997,456 is assigned for other specified purposes by County management. General Fund fund balance of \$22,707,377 is available to meet the County's current and future needs (unassigned fund balance).
- The County's governmental activities' total serial bonds outstanding decreased by \$2,145,000 during the current year as a result of scheduled principal payments.

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 Management 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 County. The fiduciary funds are not reflected 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 fiduciary fund, the Custodial Fund.

The Custodial Fund reports resources held by the County in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on pages 24-25 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 26-71 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 changes in the County's total other postemployment benefits ("OPEB") obligation, and budgetary comparison schedule for the General Fund. Required Supplementary Information and the related notes to the required supplementary information can be found on pages 72-79 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 80-81.

The Federal Awards Information presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 82-92 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, 2019 by

\$232,109,780 at the close of the most recent fiscal year, as compared to \$235,194,865, as restated, at the close of the fiscal year ended December 31, 2018.

Table 1, as presented below, shows the net position as of December 31, 2019 and 2018 of the County's governmental activities 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,	
	2019	2018 (as restated)	2019	2018 (as restated)	2019	2018 (as restated)
Current assets	\$ 105,022,869	\$ 103,824,585	\$ 798,892	\$ 770,494	\$ 105,821,761	\$ 104,595,079
Noncurrent assets	850,000	900,000	-	-	850,000	900,000
Capital assets	149,165,590	145,250,150	2,960,215	2,869,887	152,125,805	148,120,037
Total assets	<u>255,038,459</u>	<u>249,974,735</u>	<u>3,759,107</u>	<u>3,640,381</u>	<u>258,797,566</u>	<u>253,615,116</u>
Deferred outflows of resources	<u>28,536,879</u>	<u>31,809,328</u>	<u>486,991</u>	<u>-</u>	<u>29,023,870</u>	<u>31,809,328</u>
Current liabilities	32,978,937	38,417,595	337,302	421,648	33,316,239	38,839,243
Noncurrent liabilities	<u>418,356,429</u>	<u>409,616,705</u>	<u>7,316,531</u>	<u>8,014,441</u>	<u>425,672,960</u>	<u>417,631,146</u>
Total liabilities	<u>451,335,366</u>	<u>448,034,300</u>	<u>7,653,833</u>	<u>8,436,089</u>	<u>458,989,199</u>	<u>456,470,389</u>
Deferred inflows of resources	<u>59,012,952</u>	<u>64,148,920</u>	<u>1,079,065</u>	<u>-</u>	<u>60,092,017</u>	<u>64,148,920</u>
Net position:						
Net investment						
in capital assets	142,531,972	138,032,815	2,110,215	1,969,887	144,642,187	140,002,702
Restricted	3,334,597	2,917,930	84,673	83,962	3,419,270	3,001,892
Unrestricted	<u>(372,639,549)</u>	<u>(371,349,902)</u>	<u>(7,531,688)</u>	<u>(6,849,557)</u>	<u>(380,171,237)</u>	<u>(378,199,459)</u>
Total net position	<u>\$ (226,772,980)</u>	<u>\$ (230,399,157)</u>	<u>\$ (5,336,800)</u>	<u>\$ (4,795,708)</u>	<u>\$ (232,109,780)</u>	<u>\$ (235,194,865)</u>

The County's combined net position during fiscal year ended December 31, 2019 increased from December 31, 2018, by \$3,085,085. By far, the largest portion of the County's net position at December 31, 2019, \$144,642,187, 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, \$3,419,270 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, \$(380,171,237), 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 2, presented below, shows the changes in net position for the years ended December 31, 2019 and December 31, 2018.

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,	
	2019	2018 (as restated)	2019	2018 (as restated)	2019	2018 (as restated)
Revenues:						
Program revenues	\$ 73,081,822	\$ 74,277,972	\$ 3,252,445	\$ 3,122,027	\$ 76,334,267	\$ 77,399,999
General revenues	151,092,042	147,440,699	74,045	100,596	151,166,087	147,541,295
Total revenues	<u>224,173,864</u>	<u>221,718,671</u>	<u>3,326,490</u>	<u>3,222,623</u>	<u>227,500,354</u>	<u>224,941,294</u>
Total expenses	<u>220,547,687</u>	<u>218,932,319</u>	<u>3,867,582</u>	<u>3,271,960</u>	<u>224,415,269</u>	<u>222,204,279</u>
Change in net position	3,626,177	2,786,352	(541,092)	(49,337)	3,085,085	2,737,015
Net position—beginning	<u>(230,399,157)</u>	<u>(240,273,301)</u>	<u>(4,795,708)</u>	<u>2,341,421</u>	<u>(235,194,865)</u>	<u>(237,931,880)</u>
Restatement	-	7,087,792	-	(7,087,792)	-	-
Net position—ending	<u>\$ (226,772,980)</u>	<u>\$ (230,399,157)</u>	<u>\$ (5,336,800)</u>	<u>\$ (4,795,708)</u>	<u>\$ (232,109,780)</u>	<u>\$ (235,194,865)</u>

Governmental activities increased the County’s net position by \$3,626,177. Operations of the business-type activity decreased the County’s net position by \$541,092 for the year ended December 31, 2019.

A summary of sources of revenues for the years ended December 31, 2019 and December 31, 2018 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2019	2018	Dollars	Percent
Charges for services	\$ 15,692,153	\$ 14,998,815	\$ 693,338	4.6
Operating grants and contributions	45,154,476	46,885,576	(1,731,100)	(3.7)
Capital grants and contributions	12,235,193	12,393,581	(158,388)	(1.3)
Property taxes and tax items	61,669,202	60,011,826	1,657,376	2.8
Non-property taxes	79,863,540	78,658,684	1,204,856	1.5
Other general revenues	9,559,300	8,770,189	789,111	9.0
Total revenues	<u>\$ 224,173,864</u>	<u>\$ 221,718,671</u>	<u>\$ 2,455,193</u>	1.1

The most significant source of revenues is non-property taxes, which accounts for \$79,863,540, or 35.6 percent, of total governmental activities revenues, for the year ended December 31, 2019, and \$78,658,684, or 35.5 percent, of total governmental activities revenues, for the year ended December 31, 2018. The next largest source of revenue is property taxes and tax items, which comprises 27.5 percent and 27.1 percent of total governmental activities revenues for the years ended December 31, 2019 and 2018, respectively.

During the year ended December 31, 2019 revenues increased by 1.1 percent from the year ended December 31, 2018. Changes in revenues were largely due to the following:

- Property taxes and tax items increased \$1,657,376 due to a budgeted increase in real property taxes levied.
- Non-property taxes increased \$1,204,856 due to an underlying increase in sales subject to sales tax.
- Other general revenues increased \$789,111 due to workers compensation refund and recovery as a result of increased claim recoveries received.
- Operating grants and contributions decreased \$1,731,100 due to less funds received for projects eligible for state aid.

As presented in Table 4, below, the County’s significant expense items for governmental activities were economic assistance and opportunity of \$72,509,243 or 32.9 percent, of total governmental activities expenses, general government support of \$64,269,363, or 29.1 percent, of total governmental activities expenses, public safety of \$32,871,271, or 14.9 percent, of total governmental activities expenses, transportation of \$21,096,214, or 9.6 percent, of total governmental activities expenses, and education of \$11,288,550, or 5.1 percent of total governmental activities expenses for the year ended December 31, 2019. Similarly, for the year ended December 31, 2018 significant expense items for governmental activities were economic assistance and opportunity of \$71,787,908, or 32.8 percent, of total governmental activities expenses, general government support of \$63,016,488, or 28.8 percent, of total governmental activities expenses, public safety of \$34,459,991, or 15.7 percent, of total governmental activities expenses, transportation of \$18,696,406, or 8.5 percent, of total governmental activities expenses, and education of \$12,357,976, or 5.6 percent of total governmental activities expenses.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2019	2018	Dollars	Percent
General government support	\$ 64,269,363	\$ 63,016,488	\$ 1,252,875	2.0
Education	11,288,550	12,357,976	(1,069,426)	(8.7)
Public safety	32,871,271	34,459,991	(1,588,720)	(4.6)
Public health	15,103,020	15,243,552	(140,532)	(0.9)
Transportation	21,096,214	18,696,406	2,399,808	12.8
Economic assistance and opportunity	72,509,243	71,787,908	721,335	1.0
Culture and recreation	350,930	376,851	(25,921)	(6.9)
Home and community services	2,183,744	2,136,914	46,830	2.2
Interest and fiscal charges	875,352	856,233	19,119	2.2
Total program expenses	<u>\$ 220,547,687</u>	<u>\$ 218,932,319</u>	<u>\$ 1,615,368</u>	0.7

Significant changes in the County’s expenses from 2018 to 2019 are identified as follows:

- Expenses for transportation increased by \$2,399,808 primarily due to an increase in repair and maintenance expenditures.
- Expenses for public safety decreased \$1,588,720 primarily due to allocated employee benefit costs related to the other postemployment benefits (“OPEB”) obligation and net pension liability.

- Expenses for education decreased \$1,069,426 primarily due to incurring less for the Jefferson Community College Revitalization Project than in the prior year.

Business-type Activity. Business-type activity decreased the County’s net position by \$541,092 due to an allocation of employee benefit costs related to OPEB.

Revenues relating to the County’s business-type activity increased by 3.2 percent and expenses increased 18.2 percent for the year ended December 31, 2019 from the year ended December 31, 2018. Expenses in 2018 did not include an allocation of costs related to the OPEB obligation and net pension liability. In 2019 the County began allocating these expenses to its business-type activities.

A summary of sources of revenues and expenditures for the County’s business-type activity for the years ended December 31, 2019 and December 31, 2018 is presented below in Table 6.

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

	Year Ended December 31,		Increase/(decrease)	
	2019	2018	Dollars	Percent
Charges for services	\$ 2,958,118	\$ 3,093,962	\$ (135,844)	(4.4)
Operating grants and contributions	294,327	28,065	266,262	948.7
General revenues	74,045	100,596	(26,551)	(26.4)
Total program revenues	<u>\$ 3,326,490</u>	<u>\$ 3,222,623</u>	<u>\$ 103,867</u>	3.2
Solid waste management expenses	<u>\$ 3,867,582</u>	<u>\$ 3,271,960</u>	<u>\$ 595,622</u>	18.2

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 \$62,663,157, an increase of \$5,472,536 in comparison with the prior year. Total *unassigned fund balance* is \$22,707,377 which is 10.4 percent of total governmental funds’ expenditures. Additionally, the County’s total *assigned fund balances* total \$27,002,968 or 12.4 percent of total governmental funds’ expenditures. Together, *unassigned* and *assigned fund balance* represents \$49,710,345, or 22.8 percent of total governmental expenditures. *Restricted fund balance* of \$9,137,210 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 \$2,919,796 of prepaid items, \$45,806 of inventory, and \$850,000 representing long-term receivables at December 31, 2019.

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 \$22,707,377, while total fund balance was \$45,397,489. The General Fund fund balance increased \$5,328,656 from the prior year, as compared to the planned use of fund balance of \$7,105,148 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 11.4 percent of General Fund expenditures and transfers out, while total fund balance represents 22.7 percent of that same amount.

The fund balance in the Capital Projects Fund decreased \$431,420 from December 31, 2018. This decrease is due to capital outlay expenditures exceeding revenues.

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, 2019, amounted to \$(5,336,800) and unrestricted net position was \$(7,531,688). The operating activities of the Solid Waste Management Fund during 2019 resulted in an operating loss of \$864,554 and the nonoperating revenues and expenses netted to total nonoperating revenue of \$323,462. At December 31, 2019, the Solid Waste Management Fund reports a noncurrent interfund loan from the General Fund of \$850,000. 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, 2019.

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, 2019 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	\$ 201,774,088	\$ 209,235,406	\$ 205,255,351	\$ (3,980,055)
Expenditures and other financing uses	208,879,236	211,668,047	199,926,695	11,741,352
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (7,105,148)	\$ (2,432,641)	\$ 5,328,656	\$ 7,761,297

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 and non-property tax items. These grants and sales tax items 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 and federal aid.

Final budget compared to actual results. The General Fund had a favorable variance from final budgetary appropriations of \$11,741,352. The primary positive variances were realized in economic assistance and opportunity, employee benefits, education, public health and general government support related to less than anticipated expenses.

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, 2019 amounts to \$152,125,805 (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, 2019 and December 31, 2018 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,	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,625,768	\$ 2,625,768	\$ 12,415	\$ 12,415	\$ 2,638,183	\$ 2,638,183
Construction in progress	28,833,019	21,809,386	-	-	28,833,019	21,809,386
Buildings and building improvements	42,045,355	43,925,635	2,349,050	2,401,506	44,394,405	46,327,141
Improvements other than buildings	155,338	185,651	-	-	155,338	185,651
Machinery and equipment	7,874,950	6,713,588	598,750	455,966	8,473,700	7,169,554
Infrastructure	67,631,160	69,990,122	-	-	67,631,160	69,990,122
Total	<u>\$ 149,165,590</u>	<u>\$ 145,250,150</u>	<u>\$ 2,960,215</u>	<u>\$ 2,869,887</u>	<u>\$ 152,125,805</u>	<u>\$ 148,120,037</u>

The County’s infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financial 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 2019, the County’s long-term liabilities, as reported on the County-wide statement of net position, continue to reflect a dramatic change, since Governmental Accounting Standards Board (“GASB”) requires that the County recognize, according to a prescribed calculation, its obligation for 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 2019.

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 bonds payable decreased \$2,288,641.

Table 9—Summary of Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2019	2018 (as restated)	2019	2018 (as restated)	2019	2018 (as restated)
Net bonds payable	\$ 13,601,271	\$ 15,889,912	\$ -	\$ -	\$ 13,601,271	\$ 15,889,912
Compensated absences	2,225,513	2,200,176	25,033	26,649	2,250,546	2,226,825
Capital lease	4,673,741	5,242,433	-	-	4,673,741	5,242,433
Claims and judgments	3,576,190	4,170,506	-	-	3,576,190	4,170,506
Other postemployment benefits	382,899,885	377,091,320	7,120,207	7,012,194	390,020,092	384,103,514
Net pension liability	11,379,829	5,022,358	171,291	75,598	11,551,120	5,097,956
Total	<u>\$ 418,356,429</u>	<u>\$ 409,616,705</u>	<u>\$ 7,316,531</u>	<u>\$ 7,114,441</u>	<u>\$ 425,672,960</u>	<u>\$ 416,731,146</u>

The County carries an Aa3 rating from Moody’s. Additional information on the County’s long-term liabilities can be found in Note 14 to the financial statements.

Economic Factors and Next Year’s Budgets and Rates

- The County experiences fluctuations in population generally due to the movements of troops stationed at Fort Drum. 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 in 2019 is \$1.3 billion based on an economic impact model, a 9.2% decrease primarily due to a one time build of Candlewood Suites and a reduction of construction of new homes. The model also estimates an additional 4,000 jobs supported by Fort Drum related activity.
- 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. Furthermore, the Marcy Spa, and a microbrewery have relocated and opened in the building as well as a new tapas restaurant in the downtown Watertown area. 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 46,000 and 48,000 passengers utilized commercial flights at the Watertown Airport in 2019 and 2018, respectively. This is a result of the jet service that has returned to the airport. General Aviation activity continues to grow since the opening of the new Fixed Base Operator (FBO) facility in 2015. There has been over \$1,668,000 collected in 2019 from airport and FBO operations. A new Fire and Rescue (AARF) building is being constructed on site.

- The fiscal year 2020 will be impacted by the COVID-19 virus, the extent of the effects are unknown at this time. Sales tax for second quarter has been reduced by approximately 30% through mid-June and state aid is expected to be impacted.
- The 2019 U.S. Census Bureau population for Jefferson County was 109,834, which is a 1.7% decrease from 2018.
- 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 2020 budget set the full value property tax rate at \$7.38 per thousand which is a 1.2% increase from the 2019 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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activity	Total	Community College August 31, 2019	Industrial Development Agency September 30, 2019
ASSETS					
Cash and cash equivalents	\$ 17,467,150	\$ 416,362	\$ 17,883,512	\$ 8,491,115	\$ 3,039,908
Restricted cash and cash equivalents	18,126,547	84,673	18,211,220	2,047,820	5,011,064
Investments	27,211,106	-	27,211,106	7,854,263	-
Receivables, net of allowances					
Property taxes receivable	10,089,178	-	10,089,178	-	-
Accounts receivable	3,257,391	280,723	3,538,114	4,364,383	11,910
Intergovernmental receivables	25,905,895	-	25,905,895	715,938	-
Prepaid items	2,919,796	17,134	2,936,930	65,713	2,695
Inventories	45,806	-	45,806	211	-
Loans and notes receivable	-	-	-	390,473	1,525,971
Internal balances	850,000	(850,000)	-	-	-
Net pension asset	-	-	-	712,461	-
Capital assets not being depreciated	31,458,787	12,415	31,471,202	2,053,244	1,204,581
Capital assets, net of accumulated depreciation	117,706,803	2,947,800	120,654,603	48,914,425	486,926
Total assets	255,038,459	2,909,107	257,947,566	75,610,046	11,283,055
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows—relating to pensions	9,544,557	143,667	9,688,224	3,120,946	-
Deferred outflows—relating to OPEB	18,462,755	343,324	18,806,079	8,198,791	-
Deferred charge on refunding bonds	13,408	-	13,408	-	-
Excess consideration provided for acquisition	516,159	-	516,159	-	-
PILOT monies receivable	-	-	-	-	387,646
Total deferred outflows of resources	28,536,879	486,991	29,023,870	11,319,737	387,646
LIABILITIES					
Accounts payable	11,655,532	337,302	11,992,834	443,326	32,869
Retainages payable	244,080	-	244,080	-	-
Accrued liabilities	-	-	-	143,158	-
Interest payable	48,325	-	48,325	25,957	5,574
Due to other governments	7,956,838	-	7,956,838	4,175,759	-
Bond anticipation notes payable	9,000,000	-	9,000,000	-	-
Unearned revenue	3,986,932	-	3,986,932	1,863,839	76,294
Other liabilities	87,230	-	87,230	-	92,048
Noncurrent liabilities:					
Due within one year	2,925,880	1,252	2,927,132	573,703	1,880
Due in more than one year	415,430,549	7,315,279	422,745,828	90,244,601	200,065
Total liabilities	451,335,366	7,653,833	458,989,199	97,470,343	408,730
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	5,167,228	77,778	5,245,006	1,665,779	-
Deferred inflows—relating to OPEB	53,845,724	1,001,287	54,847,011	1,735,621	-
Unavailable revenues—grants	-	-	-	468,021	-
Due to other governments	-	-	-	-	431,902
Total deferred inflows of resources	59,012,952	1,079,065	60,092,017	3,869,421	431,902
NET POSITION					
Net investment in capital assets	142,531,972	2,110,215	144,642,187	29,548,184	1,511,347
Restricted for:					
General Fund restrictions	3,026,109	-	3,026,109	-	-
Capital projects	-	84,673	84,673	-	-
Road Machinery, Special Grant and Debt					
Service restrictions	308,488	-	308,488	-	-
Community College—expendable	-	-	-	2,193,396	-
Community College—nonexpendable	-	-	-	4,336,658	-
Community development	-	-	-	-	4,787,280
Unrestricted	(372,639,549)	(7,531,688)	(380,171,237)	(50,488,219)	4,531,442
Total net position	\$ (226,772,980)	\$ (5,336,800)	\$ (232,109,780)	\$ (14,409,981)	\$ 10,830,069

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, 2019

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	Community College August 31, 2019	Industrial Development Agency September 30, 2019	
Primary government:										
Governmental activities:										
General government support	\$ 64,269,363	\$ 5,425,867	\$ 1,869,953	\$ -	\$ (56,973,543)	\$ -	\$ (56,973,543)	\$ -	\$ -	
Education	11,288,550	-	-	247,927	(11,040,623)	-	(11,040,623)	-	-	
Public safety	32,871,271	1,455,652	1,207,740	1,792,446	(28,415,433)	-	(28,415,433)	-	-	
Public health	15,103,020	3,571,789	9,720,309	-	(1,810,922)	-	(1,810,922)	-	-	
Transportation	21,096,214	1,757,415	28,812	10,194,820	(9,115,167)	-	(9,115,167)	-	-	
Economic assistance and opportunity	72,509,243	3,471,430	31,065,442	-	(37,972,371)	-	(37,972,371)	-	-	
Culture and recreation	350,930	-	98,667	-	(252,263)	-	(252,263)	-	-	
Home and community services	2,183,744	10,000	1,163,553	-	(1,010,191)	-	(1,010,191)	-	-	
Interest and fiscal charges	875,352	-	-	-	(875,352)	-	(875,352)	-	-	
Total governmental activities	<u>220,547,687</u>	<u>15,692,153</u>	<u>45,154,476</u>	<u>12,235,193</u>	<u>(147,465,865)</u>	<u>-</u>	<u>(147,465,865)</u>	<u>-</u>	<u>-</u>	
Business-type activity:										
Solid waste management	<u>3,867,582</u>	<u>2,958,118</u>	<u>294,327</u>	<u>-</u>	<u>-</u>	<u>(615,137)</u>	<u>(615,137)</u>	<u>-</u>	<u>-</u>	
Total primary government	<u>\$ 224,415,269</u>	<u>\$ 18,650,271</u>	<u>\$ 45,448,803</u>	<u>\$ 12,235,193</u>	<u>(147,465,865)</u>	<u>(615,137)</u>	<u>(148,081,002)</u>	<u>-</u>	<u>-</u>	
Component units:										
Jefferson Community College	\$ 44,481,199	\$ 10,977,356	\$ 3,254,095	\$ -			(30,249,748)		-	
Industrial Development Agency	<u>1,533,145</u>	<u>354,391</u>	<u>718,612</u>	<u>-</u>			<u>-</u>		<u>(460,142)</u>	
Total component units	<u>\$ 46,014,344</u>	<u>\$ 11,331,747</u>	<u>\$ 3,972,707</u>	<u>\$ -</u>			<u>(30,249,748)</u>		<u>(460,142)</u>	
General revenues:										
Property taxes, levied for general purpose					58,703,213	-	58,703,213	-	-	
Property tax items					2,965,989	-	2,965,989	-	-	
Sales taxes					79,863,540	-	79,863,540	-	-	
Other taxes					634,987	-	634,987	-	-	
Unrestricted grants and contributions					-	-	-	6,400,288	151,800	
Use of money and property					1,352,915	6,617	1,359,532	474,887	12,904	
Miscellaneous					4,531,725	44,730	4,576,455	-	-	
State and federal appropriations					-	-	-	17,213,964	-	
Sale of property and compensation for loss					2,995,714	22,698	3,018,412	-	-	
Gain on sale of capital assets					43,959	-	43,959	-	-	
Total general revenues					<u>151,092,042</u>	<u>74,045</u>	<u>151,166,087</u>	<u>24,089,139</u>	<u>164,704</u>	
Change in net position					3,626,177	(541,092)	3,085,085	(6,160,609)	(295,438)	
Net position—beginning, as restated					<u>(230,399,157)</u>	<u>(4,795,708)</u>	<u>(235,194,865)</u>	<u>(8,249,372)</u>	<u>11,125,507</u>	
Net position—ending					<u>\$ (226,772,980)</u>	<u>\$ (5,336,800)</u>	<u>\$ (232,109,780)</u>	<u>\$ (14,409,981)</u>	<u>\$ 10,830,069</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, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 7,349,934	\$ 2,710,135	\$ 7,407,081	\$ 17,467,150
Restricted cash and cash equivalents	6,843,929	10,896,535	386,083	18,126,547
Investments	27,211,106	-	-	27,211,106
Receivables, net of allowances:				
Property taxes receivable	10,089,178	-	-	10,089,178
Accounts receivable	1,914,386	-	-	1,914,386
Due from other funds	262,963	-	-	262,963
Interfund loan	850,000	-	-	850,000
Intergovernmental receivables	18,676,337	5,719,160	1,510,398	25,905,895
Inventory	45,806	-	-	45,806
Prepaid items	2,770,741	-	149,055	2,919,796
Total assets	<u>\$ 76,014,380</u>	<u>\$ 19,325,830</u>	<u>\$ 9,452,617</u>	<u>\$ 104,792,827</u>
LIABILITIES				
Accounts payable	\$ 9,574,828	\$ 1,195,927	\$ 884,777	\$ 11,655,532
Intergovernmental payables	7,956,838	-	-	7,956,838
Due to other funds	-	-	262,963	262,963
Bond anticipation notes payable	-	9,000,000	-	9,000,000
Unearned revenue	3,817,820	78,545	90,567	3,986,932
Other liabilities	87,230	-	-	87,230
Total liabilities	<u>21,436,716</u>	<u>10,274,472</u>	<u>1,238,307</u>	<u>32,949,495</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues—grants	674,812	-	-	674,812
Unavailable revenues—property taxes	8,505,363	-	-	8,505,363
Total deferred inflows of resources	<u>9,180,175</u>	<u>-</u>	<u>-</u>	<u>9,180,175</u>
FUND BALANCES				
Nonspendable	3,666,547	-	149,055	3,815,602
Restricted	3,026,109	5,802,613	308,488	9,137,210
Assigned	15,997,456	3,248,745	7,756,767	27,002,968
Unassigned	22,707,377	-	-	22,707,377
Total fund balances	<u>45,397,489</u>	<u>9,051,358</u>	<u>8,214,310</u>	<u>62,663,157</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 76,014,380</u>	<u>\$ 19,325,830</u>	<u>\$ 9,452,617</u>	<u>\$ 104,792,827</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, 2019

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

Total fund balances—governmental funds (page 17)		\$ 62,663,157
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$279,927,009 and the accumulated depreciation is \$130,761,419.		149,165,590
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	\$ 674,812	
Deferred inflows of resources - property taxes	<u>8,505,363</u>	9,180,175
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	\$ 5,660,535	
Deferred outflows related to experience and investment earnings one time	3,884,022	
Deferred inflows of resources related to pensions	<u>(5,167,228)</u>	4,377,329
Deferred outflows and inflows of resources related to differences between expected and actual experience and changes of assumptions in other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements.		
Deferred outflows of resources related to OPEB	\$ 18,462,755	
Deferred inflows of resources related to OPEB	<u>(53,845,724)</u>	(35,382,969)
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.		13,408
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.		516,159
Certain accrued revenues reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds.		1,343,005
Retained percentages are not a current liability and, therefore, are not reported in the funds.		(244,080)
Net accrued interest expense for serial bonds is not reported in the funds.		(48,325)
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	\$ (13,385,000)	
Unamortized premium	(216,271)	
Compensated absences	(2,225,513)	
Capital lease	(4,673,741)	
Claims and judgments	(3,576,190)	
Other postemployment benefits	(382,899,885)	
Net pension liability	<u>(11,379,829)</u>	<u>(418,356,429)</u>
Net position of governmental activities		<u>\$ (226,772,980)</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, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 58,156,806	\$ -	\$ -	\$ 58,156,806
Real property tax items	2,965,989	-	-	2,965,989
Non-property tax items	80,827,377	-	-	80,827,377
Departmental income	11,254,719	-	793,383	12,048,102
Intergovernmental charges	3,215,872	207,725	125,934	3,549,531
Use of money and property	1,320,956	18,511	189,544	1,529,011
Licenses and permits	22,790	-	4,235	27,025
Fines and forfeitures	248,936	-	-	248,936
Sale of property and compensation for loss	1,313,619	-	406,470	1,720,089
Miscellaneous	4,440,482	-	65,768	4,506,250
Interfund revenues	-	-	275,122	275,122
State aid	21,998,791	2,316,660	5,609,490	29,924,941
Federal aid	19,489,014	5,208,772	2,846,579	27,544,365
Total revenues	<u>205,255,351</u>	<u>7,751,668</u>	<u>10,316,525</u>	<u>223,323,544</u>
EXPENDITURES				
Current:				
General government support	59,132,954	-	-	59,132,954
Education	10,817,384	-	-	10,817,384
Public safety	22,741,546	-	594,114	23,335,660
Health	13,513,001	-	-	13,513,001
Transportation	2,095,987	-	14,468,788	16,564,775
Economic assistance and opportunity	64,314,386	-	2,728,708	67,043,094
Culture and recreation	352,031	-	-	352,031
Home and community services	895,710	-	1,135,456	2,031,166
Employee benefits	8,658,036	-	35,234	8,693,270
Debt service:				
Principal	-	-	2,713,692	2,713,692
Interest and fiscal charges	390,000	-	572,196	962,196
Capital outlay	-	12,691,785	-	12,691,785
Total expenditures	<u>182,911,035</u>	<u>12,691,785</u>	<u>22,248,188</u>	<u>217,851,008</u>
Excess (deficiency) of revenues over expenditures	<u>22,344,316</u>	<u>(4,940,117)</u>	<u>(11,931,663)</u>	<u>5,472,536</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	4,509,073	14,445,003	18,954,076
Transfers out	<u>(17,015,660)</u>	<u>(376)</u>	<u>(1,938,040)</u>	<u>(18,954,076)</u>
Total other financing sources (uses)	<u>(17,015,660)</u>	<u>4,508,697</u>	<u>12,506,963</u>	<u>-</u>
Net change in fund balances	5,328,656	(431,420)	575,300	5,472,536
Fund balances—beginning	40,068,833	9,482,778	7,639,010	57,190,621
Fund balances—ending	<u>\$ 45,397,489</u>	<u>\$ 9,051,358</u>	<u>\$ 8,214,310</u>	<u>\$ 62,663,157</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, 2019

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) \$ 5,472,536

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.

Capital asset additions	\$ 11,937,708	
Depreciation expense	(7,863,610)	
Loss on disposal of capital assets	<u>(158,658)</u>	3,915,440

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

County pension contributions	\$ 5,660,535	
Cost of benefits earned net of employee contributions	<u>(6,726,048)</u>	(1,065,513)

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.

Deferred inflows between expected and actual experience	\$ (7,540,901)	
Deferred outflows relating to changes in assumptions	<u>4,234,774</u>	(3,306,127)

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. (80,461)

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. (41,851)

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.

Change in deferred inflows of resources - property taxes	\$ 546,407	
Change in deferred inflows of resources - grants	131,385	
Change in other receivable	<u>172,528</u>	850,320

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. 240,422

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. 23,664

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:

Principal payments on serial bonds	\$ 2,145,000	
Amortization of premium on serial bonds	143,641	
Change in compensated absences	(25,337)	
Principal payments on capital lease	568,692	
Change in claims and judgments	594,316	
Change in other postemployment benefits	<u>(5,808,565)</u>	<u>(2,382,253)</u>

Change in net position of governmental activities \$ 3,626,177

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, 2019

	<u>Business-type Activity— Enterprise Fund Solid Waste Management</u>
ASSETS	
Current assets:	
Cash	\$ 416,362
Restricted cash	84,673
Accounts receivable	280,723
Prepaid items	<u>17,134</u>
Total current assets	<u>798,892</u>
Noncurrent assets:	
Capital assets not being depreciated	12,415
Capital assets, net of accumulated depreciation	<u>2,947,800</u>
Total noncurrent assets	<u>2,960,215</u>
Total assets	<u>3,759,107</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	143,667
Deferred outflows—relating to OPEB	<u>343,324</u>
Total deferred outflows of resources	<u>486,991</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>337,302</u>
Total current liabilities	<u>337,302</u>
Noncurrent liabilities:	
Compensated absences—due within one year	1,252
Compensated absences—due in more than one year	23,781
Other postemployment benefits obligation	7,120,207
Interfund loan	850,000
Net pension liability	<u>171,291</u>
Total noncurrent liabilities	<u>8,166,531</u>
Total liabilities	<u>8,503,833</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	77,778
Deferred inflows—relating to OPEB	<u>1,001,287</u>
Total deferred inflows of resources	<u>1,079,065</u>
NET POSITION	
Net investment in capital assets	2,110,215
Restricted for capital projects	84,673
Unrestricted	<u>(7,531,688)</u>
Total net position	<u>\$ (5,336,800)</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, 2019

	Business-type Activity— Enterprise Fund
	Solid Waste Management
Operating revenues:	
Charges for services	\$ 2,691,499
Recycling income	266,619
Miscellaneous	44,730
Total operating revenues	3,002,848
Operating expenses:	
Salaries, wages and employee benefits	1,682,041
Tipping fees	2,011,075
Depreciation	174,286
Total operating expenses	3,867,402
Operating loss	(864,554)
Nonoperating revenues (expenses):	
State aid and local grants	294,327
Investment earnings	6,617
Gain on sale of capital assets	22,698
Financing interest	(180)
Total nonoperating revenues (expenses)	323,462
Change in net position	(541,092)
Total net position—beginning, as restated	(4,795,708)
Total net position—ending	\$ (5,336,800)

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, 2019

	<u>Business-type Activity— Enterprise Fund</u> <u>Solid Waste Management</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from services provided	\$ 2,739,934
Receipts from other operating revenue	311,349
Payments to employees	(887,876)
Payments to suppliers	(2,093,714)
Net cash provided by operating activities	<u>69,693</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants received	<u>322,392</u>
Net cash provided by noncapital financing activities	<u>322,392</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital purchases	(276,496)
Proceeds from sale of assets	34,580
Financing interest	(180)
Payment on noncurrent interfund loan	(50,000)
Net cash used for capital and related financing activities	<u>(292,096)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>6,617</u>
Net cash provided by investing activities	<u>6,617</u>
Net increase in cash and cash equivalents	106,606
Cash and cash equivalents—beginning	<u>394,429</u>
Cash and cash equivalents—ending	<u>\$ 501,035</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (864,554)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	174,286
Decrease in accounts receivable	48,435
Decrease in prepaid items	1,708
(Increase) in deferred outflows of resources	(486,991)
(Decrease) in accounts payable	(84,346)
Increase in other postemployment benefits	108,013
(Decrease) in compensated absences	(1,616)
Increase in net pension liability	95,693
Increase in deferred inflows of resources	<u>1,079,065</u>
Total adjustments	<u>934,247</u>
Net cash provided by operating activities	<u>\$ 69,693</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, 2019

	<u>Custodial Fund</u>
ASSETS	
Restricted cash and cash equivalents	\$ 6,010,013
Total assets	<u>\$ 6,010,013</u>
LIABILITIES	
Accounts payable and other liabilities	<u>5,335,833</u>
Total liabilities	<u>5,335,833</u>
NET POSITION	
Restricted for bail and employee health insurance	<u>674,180</u>
Total net position	<u>\$ 674,180</u>

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

COUNTY OF JEFFERSON, NEW YORK
Statement of Changes in Net Position—Fiduciary Fund
December 31, 2019

	<u>Custodial Fund</u>
ADDITIONS	
Funds received on behalf of individuals	\$ 794,114
Total additions	<u>794,114</u>
DEDUCTIONS	
Funds distributed to individuals	<u>854,386</u>
Total deductions	<u>854,386</u>
Change in net position	(60,272)
Net position—beginning, as restated	<u>734,452</u>
Net position—ending	<u>\$ 674,180</u>

COUNTY OF JEFFERSON, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2019

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 2019 included an appropriation of \$5,060,959 in support of the College budget for the College fiscal year ended August 31, 2019. In addition to the funds contributed for the support of the College budget for 2018-2019, 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 2019, the County paid \$491,196 in debt service on the 2006 debt issue. The principal payment was \$455,000, and interest was paid in the amount of \$36,196. Outstanding debt on this issue at December 31, 2019, was \$470,000.

In 2015, the County issued \$7,000,000 in public improvement serial bonds for the Jefferson Community College Collaborative Learning Project. In 2019, the County paid \$474,925 in debt service on the 2015 debt issue. The principal payment was \$290,000, and interest was paid in the amount of \$174,925. Outstanding debt on this issue at December 31, 2019, was \$5,935,000.

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 2019, the County paid \$98,653 in debt service on the 2017 debt issue. The principal payment was \$59,000, and interest was paid in the amount of \$39,653. Outstanding debt on this issue at December 31, 2019 was \$1,398,000.

In addition, in 2019 the County issued a \$9,000,000 bond anticipation notes (“BAN”) of which \$1,945,000 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 2020 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 1.75%.

Jefferson County paid \$370,734 to other New York State Community Colleges for its residents attending community colleges outside the County.

Separate financial statements can be obtained by writing the College’s administration office, 1220 Coffeen Street, Watertown, New York 13601.

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 \$4,152,999 revolving loan fund, a \$356,864 micro-enterprise loan program which provides loans to small businesses and a \$277,417 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.

Additionally, the County reports the following fund type:

- *Fiduciary Fund*—The Custodial Fund is used to account for assets held by the County as an agent for other governments or individuals.

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 and the Custodial Fund are reported using the *economic resources measurement focus* and the *accrual basis* of accounting.

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. State statutes and various resolutions of the Board of Legislators govern the County’s investment policies. Permissible investments include obligations of the U.S Treasury and U.S Government Agencies, repurchase agreements and obligations of New York State or its localities. The County’s investments are recorded at fair value in accordance with GASB.

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, 2019, the County reported unearned revenues of \$3,817,820, \$78,545 and \$90,567 within the General Fund, Capital Projects 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 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 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 2019, the County Attorney, as Tax Enforcement Officer, conducted the County's fifteenth sale of properties acquired through tax foreclosure. Of 76 properties acquired through foreclosure in 2019 and remaining unsold from 2018, 69 were sold at auction, generating receipts of \$733,475.

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, 2019, the total real property tax assets relating to the County of \$9,138,912 are offset by an allowance for uncollectible taxes of \$2,714,453 and other items of \$612,020. Additionally, included in real property tax assets are current year returned village and school taxes of \$4,276,739, which are offset by liabilities to the villages and school districts which will be paid no later than April 20, 2020. The remaining portion of tax assets is partially offset by deferred inflows of resources – property taxes of \$8,505,364 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 \$79,863,540 sales tax collected or accrued for the year ended December 31, 2019, \$42,327,676 was distributed to the towns, villages and the City of Watertown, of which, \$7,641,705 is recorded as liabilities to be distributed.

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, 2019 is computed as follows:

Five-year average full valuation of taxable real estate	<u>\$ 8,026,089,202</u>
Tax limit @ 1.5%	\$ 120,391,338
Tax levy subject to tax limit	<u>57,324,119</u>
Tax margin	<u>\$ 63,067,219</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 \$2,250,546 and is reported as governmental activities at \$2,225,513, business-type activities at \$25,033. The College reports \$506,614 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.

Pensions—The County and the College are 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 2019, \$10,200,302 was paid by the County on behalf of eligible retirees, including their dependents and survivors.

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.

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, 2019, the County implemented GASB Statements No. 83, *Certain Asset Retirement Obligations*; No. 84, *Fiduciary Activities*; No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*; No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; and No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (“AROs”). GASB Statement No. 84 enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. GASB Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Other than the matter discussed in Note 2, the implementation of GASB Statements No. 83, 84, 88, 90 and 95 did not have a material impact on the County’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements 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, 2021, No. 91, *Conduit Debt Obligations*; No. 92, *Omnibus 2020*; No. 93, *Replacement of Interbank Offered Rates*; and No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the year ending December 31, 2022, and No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending December 31, 2023. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 92, 93, 94, 96, and 97 will have on its financial position and results of operations when such statements are adopted.

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.

2. RESTATEMENT OF NET POSITION

During the year ended December 31, 2019, the County implemented GASB Statement No. 84, *Fiduciary Activities*. The implementation of GASB Statement No. 84 establishes criteria for identifying fiduciary activities of state and local governments. This Statement also provides for the recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

Additionally, during the year ended December 31, 2019, the County updated its policies and procedures to allocate the other postemployment benefits obligation and net pension liability for business-type activities.

The effect of these restatements to the County’s business type activities and fiduciary funds are summarized as follows:

	Governmental Activities	Business-type Activity	Custodial Fund
Net position—December 31, 2018, as previously stated	\$ (237,486,949)	\$ 2,292,084	\$ -
Other postemployment benefits obligation	7,012,194	(7,012,194)	-
Net pension liability	75,598	(75,598)	-
GASB Statement No. 84 implementation	-	-	734,452
Net position—December 31, 2018, as restated	\$ (230,399,157)	\$ (4,795,708)	\$ 734,452

Reclassifications and Restatements—During the year, the County’s discretely presented component unit, the College, adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, related to one of the College’s discretely presented component units, Faculty Student Association. A prior-period adjustment to net position of \$53,770 was made to the net position of the College to reflect the implementation of GASB 75. The restated net position of the College as of September 1, 2018 is \$(8,249,372).

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.

Cash at year-end consisted of:

	Governmental Activities	Business-type Activity	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 14,720	\$ 800	\$ -	\$ 15,520
Deposits	<u>35,578,977</u>	<u>500,235</u>	<u>6,010,013</u>	<u>42,089,225</u>
Total	<u>\$ 35,593,697</u>	<u>\$ 501,035</u>	<u>\$ 6,010,013</u>	<u>\$ 42,104,745</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)	\$ 2,289,400	\$ 2,289,400
Uninsured:		
Collateral held by bank's agent in the County's name	<u>40,489,141</u>	<u>39,799,825</u>
Total	<u>\$ 42,778,541</u>	<u>\$ 42,089,225</u>

Custodial Credit Risk—Deposits—Custodial credit risk 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, 2019, the County's deposits 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—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of deposits and investments. The County minimizes the risk by structuring the investment portfolio so that the deposits and investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell deposits and investments on the open market prior to maturity.

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

	Purpose	Amount
Governmental activities:		
General Fund	Workers' compensation	\$ 296,117
General Fund	Unemployment insurance	70,757
General Fund	Insurance	1,926,655
General Fund	Advanced fundings	917,157
General Fund	Child welfare	2,780,278
General Fund	Law enforcement and prosecution	331,150
General Fund	BAN Premium	42,930
General Fund	Wireless 911 Surcharge	478,885
Capital Projects Fund	Unspent BAN proceeds	5,015,376
Capital Projects Fund	Unspent bond proceeds	2,061,516
Capital Projects Fund	Flood mitigation project	78,545
Capital Projects Fund	Unspent capital lease proceeds	3,741,098
Nonmajor Funds:		
Road Machinery Fund	Highway equipment reserve	69
Special Grants Fund	Unspent grant proceeds	90,567
Debt Service Fund	Debt service	295,447
Business-type activities:		
Solid Waste Management Fund	Capital projects	84,673
Total primary government		<u>\$ 18,211,220</u>
Fiduciary Fund:		
Custodial Fund	Custodial liabilities	<u>\$ 6,010,013</u>
Total Fiduciary Fund		<u>\$ 6,010,013</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. Amounts restricted with the Custodial Fund are for property taxes collected by the County on behalf of Villages and School Districts, along with social services trust accounts.

Investments—All investments are reported using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the County has access at the measurement date.
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - Inputs derived principally from, or corroborated by, observable market data correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

The County has the following fair value measurements as of December 31, 2019:

- Certificates of deposit of \$17,230,000 are valued based on quoted market prices for similar assets in active markets (level 2 input).
- U.S Treasury bills of \$9,981,106 are valued using quoted market prices for identical assets in active markets (level 1 input).

Custodial Credit Risk—Investments— Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The County minimizes credit risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the County does business, and diversifying the investment portfolio so that potential losses on individual securities are minimized. The U.S Government Securities are not considered to have credit risk and do not require disclosure of credit quality.

Discretely Presented Component Units

Jefferson Community College—The College and its component units had unrestricted deposits of \$5,338,175 and \$3,152,940, 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.

The primary institution of the College had investments comprised of certificates of deposit with a market value of \$1,207,962 as of August 31, 2019. Its component units had investments as of August 31, 2019 with a market value of \$6,646,301. 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	\$ 913,114	\$ 781,813
PAG Dividend Growth	1,037,943	794,233
PAG ADR Investment	368,346	378,868
Fox Asset Management	443,028	405,941
Madison Investments	699,188	444,796
Focus Investments	711,622	590,878
ClearBridge Investments	486,422	279,575
Fixed income funds RBC Dain Rauscher	<u>1,986,638</u>	<u>1,922,027</u>
Total investments	<u>\$ 6,646,301</u>	<u>\$ 5,598,131</u>

The Jefferson Community College Foundation, Inc. and the Jefferson FSA Auxiliary, LLC, component units of the College, have restricted cash of \$2,047,820, consisting of various reserve funds.

Jefferson County Industrial Development Agency—The Agency had unrestricted deposits of \$3,039,908 and restricted deposits of \$5,011,064 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.

4. RECEIVABLES

Accounts receivable, representing amounts due from various sources, as of December 31, 2019, are as follows:

Governmental funds:	
General Fund:	
Various fees and charges	\$ 1,966,571
Less allowance for doubtful accounts	<u>(52,185)</u>
Total	<u>\$ 1,914,386</u>
Enterprise Fund:	
Various fees and charges	\$ 372,106
Less allowance for doubtful accounts	<u>(91,383)</u>
Total	<u>\$ 280,723</u>

Intergovernmental receivables as of December 31, 2019, are as follows:

Governmental funds:	
General Fund:	
Due from State and Federal	\$ 12,827,951
Due from other governments	5,848,386
Capital Projects Fund:	
Due from State and Federal	5,709,153
Due from other governments	10,007
Other governmental funds:	
Due from State and Federal	1,461,843
Due from other governments	<u>48,555</u>
Total	<u>\$ 25,905,895</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, 2019, the College reported total accounts receivable of \$4,364,383, intergovernmental receivables of \$715,938 and notes receivable of \$390,473.

Jefferson County Industrial Development Agency—Significant receivables of the Agency include accounts receivable and loans and notes receivable. The Agency had accounts receivable of \$11,910 and loans and notes receivable of \$1,525,971 at September 30, 2019.

5. CAPITAL ASSETS

Governmental activities—Capital asset activity for the primary government’s governmental activities, for year ended December 31, 2019 was as follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Capital assets, not being depreciated:				
Land	\$ 2,625,768	\$ -	\$ -	\$ 2,625,768
Construction in progress	21,809,386	8,936,396	(1,912,763)	28,833,019
Total capital assets not being depreciated	<u>24,435,154</u>	<u>8,936,396</u>	<u>(1,912,763)</u>	<u>31,458,787</u>
Capital assets, being depreciated:				
Buildings and building improvements	84,167,184	-	-	84,167,184
Improvements other than buildings	1,407,921	-	-	1,407,921
Machinery and equipment	28,951,415	3,001,312	(1,130,374)	30,822,353
Infrastructure	130,158,001	1,912,763	-	132,070,764
Total capital assets being depreciated	<u>244,684,521</u>	<u>4,914,075</u>	<u>(1,130,374)</u>	<u>248,468,222</u>
Less accumulated depreciation for:				
Buildings and building improvements	(40,241,549)	(1,880,280)	-	(42,121,829)
Improvements other than buildings	(1,222,270)	(30,313)	-	(1,252,583)
Machinery and equipment	(22,237,827)	(1,681,292)	971,716	(22,947,403)
Infrastructure	(60,167,879)	(4,271,725)	-	(64,439,604)
Total accumulated depreciation	<u>(123,869,525)</u>	<u>(7,863,610)</u>	<u>971,716</u>	<u>(130,761,419)</u>
Total capital assets, being depreciated, net	<u>120,814,996</u>	<u>(2,949,535)</u>	<u>(158,658)</u>	<u>117,706,803</u>
Governmental activities capital assets, net	<u>\$ 145,250,150</u>	<u>\$ 5,986,861</u>	<u>\$ (2,071,421)</u>	<u>\$ 149,165,590</u>

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

Governmental activities:	
General government support	\$ 959,374
Public safety	1,118,843
Public health	35,846
Transportation	5,480,022
Economic assistance and opportunity	269,525
Total depreciation expense—governmental activities	<u>\$ 7,863,610</u>

Business-type activity—Capital asset activity for the primary government’s business-type activity (Enterprise Fund), for fiscal year ended December 31, 2019, as presented below:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
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>3,128,667</u>	<u>276,496</u>	<u>(176,041)</u>	<u>3,229,122</u>
Total capital assets being depreciated	<u>6,356,689</u>	<u>276,496</u>	<u>(176,041)</u>	<u>6,457,144</u>
Less accumulated depreciation for:				
Buildings	(826,516)	(52,456)	-	(878,972)
Machinery and equipment	<u>(2,672,701)</u>	<u>(121,830)</u>	<u>164,159</u>	<u>(2,630,372)</u>
Total accumulated depreciation	<u>(3,499,217)</u>	<u>(174,286)</u>	<u>164,159</u>	<u>(3,509,344)</u>
Total capital assets, being depreciated, net	<u>2,857,472</u>	<u>102,210</u>	<u>(11,882)</u>	<u>2,947,800</u>
Business-type activity capital assets, net	<u>\$ 2,869,887</u>	<u>\$ 102,210</u>	<u>\$ (11,882)</u>	<u>\$ 2,960,215</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>\$ 174,286</u>

Discretely Presented Component Units

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

	Balance 9/1/2018	Additions	Deletions	Balance 8/31/2019
Capital assets, not being depreciated:				
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Construction in progress	<u>1,845,848</u>	<u>981,761</u>	<u>(1,013,365)</u>	<u>1,814,244</u>
Total capital assets not being depreciated	<u>1,990,848</u>	<u>981,761</u>	<u>(1,013,365)</u>	<u>1,959,244</u>
Capital assets, being depreciated:				
Land improvements and infrastructure	6,709,697	-	-	6,709,697
Buildings	43,813,847	24,071	981,879	44,819,797
Furniture and equipment	4,273,606	38,468	(3,107)	4,308,967
Library books	<u>5,015,522</u>	<u>30,366</u>	<u>-</u>	<u>5,045,888</u>
Total capital assets being depreciated	<u>59,812,672</u>	<u>92,905</u>	<u>978,772</u>	<u>60,884,349</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	(3,139,884)	(257,917)	-	(3,397,801)
Buildings	(14,662,006)	(1,443,320)	-	(16,105,326)
Furniture and equipment	(3,793,457)	(177,381)	34,593	(3,936,245)
Library books	<u>(4,774,924)</u>	<u>(109,388)</u>	<u>-</u>	<u>(4,884,312)</u>
Total accumulated depreciation	<u>(26,370,271)</u>	<u>(1,988,006)</u>	<u>34,593</u>	<u>(28,323,684)</u>
Total capital assets, being depreciated, net	<u>33,442,401</u>	<u>(1,895,101)</u>	<u>1,013,365</u>	<u>32,560,665</u>
Governmental activities capital assets, net	<u>\$ 35,433,249</u>	<u>\$ (913,340)</u>	<u>\$ -</u>	<u>\$ 34,519,909</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 \$16,447,760.

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

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Capital assets, not being depreciated:				
Land and land improvements	\$ 1,094,321	\$ -	\$ -	\$ 1,094,321
Construction in progress	-	110,260	-	110,260
Total capital assets not being depreciated	<u>1,094,321</u>	<u>110,260</u>	<u>-</u>	<u>1,204,581</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	(1,326,178)	(114,389)	-	(1,440,567)
Total accumulated depreciation	<u>(1,326,178)</u>	<u>(114,389)</u>	<u>-</u>	<u>(1,440,567)</u>
Total capital assets, being depreciated, net	<u>601,315</u>	<u>(114,389)</u>	<u>-</u>	<u>486,926</u>
Governmental activities capital assets, net	<u>\$ 1,695,636</u>	<u>\$ (4,129)</u>	<u>\$ -</u>	<u>\$ 1,691,507</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 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, 2019, 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, 2019. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of April 1, 2018, 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.

	ERS	
	Governmental Activities	Business-type Activities
Measurement date	March 31, 2019	
Net pension liability	\$ 11,379,829	\$ 171,291
County's portion of the Plan's total net pension liability	0.1606118%	0.0024175%

For the year ended December 31, 2019, the County recognized a pension expense of \$6,789,976 for the ERS. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown in the chart below.

	ERS			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experiences	\$ 2,240,926	\$ 33,731	\$ 763,907	\$ 11,498
Changes of assumptions	2,860,424	43,056	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	2,920,694	43,963
Changes in proportion and differences between the County's contributions and proportionate share of contributions	263,641	3,968	1,482,627	22,317
County contributions subsequent to the measurement date	4,179,566	62,912	-	-
Total	<u>\$ 9,544,557</u>	<u>\$ 143,667</u>	<u>\$ 5,167,228</u>	<u>\$ 77,778</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, 2020. 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>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2020	\$ 1,808,916	\$ 27,228
2021	(2,639,962)	(39,737)
2022	(432,181)	(6,505)
2023	1,460,990	21,991

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, 2019
Actuarial valuation date	April 1, 2018
Interest rate	7.0%
Salary scale	4.2%
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, 2018 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 on the following page.

Measurement date	ERS	
	Target Allocation	Long-Term Expected Real Rate of Return
	March 31, 2019	
Asset class:		
Domestic equities	36.0 %	4.6 %
International equities	14.0	6.4
Private equity	10.0	7.5
Real estate	10.0	5.6
Absolute return strategies	2.0	3.8
Opportunistic portfolio	3.0	5.7
Real assets	3.0	5.3
Bonds and mortgages	17.0	1.3
Cash	1.0	(0.3)
Inflation-indexed bonds	4.0	1.3
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 below 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—ERS	\$ 49,754,432	\$ 11,379,829	\$ (20,857,558)
Business-type Activities:			
Employer's proportionate share of the net pension liability—ERS	\$ 748,914	\$ 171,291	\$ (313,952)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liabilities of the employers as of the valuation dates are summarized on the following page.

	<u>(Dollars in Thousands)</u>
	<u>ERS</u>
Valuation date	April 1, 2018
Employers' total pension liability	\$ 189,803,429
Plan fiduciary net position	<u>182,718,124</u>
Employers' net pension liability	<u>\$ 7,085,305</u>
System fiduciary net position as a percentage of total pension liability	96.3%

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.

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, 2018, 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, 2018 for ERS and June 30, 2018 for TRS. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of April 1, 2017 for ERS and June 30, 2018 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, as shown on the following page.

Measurement date	TRS	ERS
	June 30, 2019	March 31, 2019
Net pension (asset)/liability	\$ (712,461)	\$ 1,398,566
The College's portion of the Plan's total net pension (asset)/liability	0.0274230%	0.0197390%

For the year ended August 31, 2018, the College recognized pension expense of \$448,434 for TRS and a pension expense of \$174,817 for ERS. At August 31, 2019, 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	\$ 482,817	\$ 275,407	\$ 52,980	\$ 93,883
Changes in assumptions	1,345,934	351,542	328,177	-
Net difference between projected and actual earnings on pension plan investments	-	-	571,357	358,949
Changes in proportion and differences between the College's contributions and proportionate share of contributions	278,667	32,401	78,219	182,214
College contributions subsequent to the measurement date	<u>50,976</u>	<u>303,202</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,158,394</u>	<u>\$ 962,552</u>	<u>\$ 1,030,733</u>	<u>\$ 635,046</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, 2020. 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
2020	\$ 355,793	\$ 222,313
2021	53,918	(324,448)
2022	354,624	(53,115)
2023	256,896	179,554
2024	48,842	-
Thereafter	6,612	-

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, as shown on the following page.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2019	March 31, 2019
Actuarial valuation date	June 30, 2018	April 1, 2018
Interest rate	7.10%	7.0%
Salary scale	1.90%-4.72%	4.2%
Decrement tables	July 1, 2009 June 30, 2014	April 1, 2010- March 31, 2015
Inflation rate	2.2%	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:

	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Measurement date			<u>June 30, 2019</u>	<u>March 31, 2019</u>
Asset class:				
Domestic equities	33.0 %	36.0 %	6.3 %	4.6 %
International equities	16.0	14.0	7.8	6.4
Private equity	8.0	10.0	9.9	7.5
Global equities	4.0	0.0	7.2	0.0
Real estate	11.0	10.0	4.6	5.6
Absolute return strategies	0.0	2.0	0.0	3.8
Opportunistic portfolio	0.0	3.0	0.0	5.7
Real assets	0.0	3.0	0.0	5.3
Bonds and mortgages	0.0	17.0	0.0	1.3
Cash	0.0	1.0	0.0	(0.3)
Inflation-indexed bonds	0.0	4.0	0.0	1.3
Fixed income securities	27.0	0.0	15.2	0.0
Short-term	1.0	0.0	0.3	0.0
Total	<u>100 %</u>	<u>100 %</u>		

Discount Rate—The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.10% for TRS for the year ending August 31, 2019. 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 7.10% for TRS and 7.0% for ERS at August 31, 2019, 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 (6.10% for TRS and 6.0% for ERS) or one percentage-point higher (8.10% for TRS and 8.0% for ERS) than the current rate.

TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability/(asset)	\$ 3,215,975	\$ (712,461)	\$ (4,007,976)

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension liability/(asset)	\$ 6,114,755	\$ 1,398,566	\$ (2,563,367)

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, 2019	March 31, 2018	
Employers' total pension liability	\$ 119,879,474	\$ 189,803,429	\$ 309,682,903
Plan fiduciary net position	<u>122,477,481</u>	<u>182,718,124</u>	<u>305,195,605</u>
Employers' net pension (asset)/liability	<u>\$ (2,598,007)</u>	<u>\$ 7,085,305</u>	<u>\$ 4,487,298</u>
System fiduciary net position as a percentage of total pension liability	102.2%	96.3%	98.6%

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 shown on the following page.

- (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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	579
Active employees	<u>617</u>
	<u>1,196</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 for governmental activities and business-type activities of \$382,899,885 and \$7,120,207, respectively, was measured as of December 31, 2019, 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, 2019 actuarial valuation, the Entry Age Normal over a level percent of pay was used. The single discount rate changed from 3.56% to 4.11% effective January 1, 2019, and 3.26% effective December 31, 2019. 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-2019 Total Dataset or Disabled Retiree Mortality Table fully generational using MP-2019. 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 8.0%, while the ultimate healthcare cost trend rate is 4.50%.

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	
	Governmental Activities	Business-type Activities
Balances at December 31, 2018, as restated	\$ 377,091,320	\$ 7,012,194
Changes for the year:		
Service cost	10,349,198	192,448
Interest	15,720,088	292,323
Changes in assumptions	8,502,861	158,115
Differences between expected and actual experience	(18,749,497)	(348,656)
Contributions-employer	(10,014,085)	(186,217)
Net changes	5,808,565	108,013
Balances at December 31, 2019	\$ 382,899,885	\$ 7,120,207

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 (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Governmental activities:			
Net OPEB liability	\$ 454,086,665	\$ 382,899,885	\$ 317,006,357
Business-type activities:			
Net OPEB liability	8,443,959	7,120,207	5,894,885

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 (8.0%)/ ultimate (4.5%) healthcare cost trend rates.

	1% Decrease (7.0% / 3.5%)	Healthcare Cost Trend Rates (8.0% / 4.5%)	1% Increase (9.0% / 5.5%)
Governmental activities:			
Net OPEB liability	\$ 323,274,321	\$ 382,899,885	\$ 459,909,871
Business-type activities:			
Net OPEB liability	6,011,441	7,120,207	8,552,244

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 and business-type activities contributed \$10,014,085 and \$186,217, respectively, for the fiscal year ended December 31, 2019.

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, 2019.

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experiences	\$ -	\$ -	\$ 33,709,082	\$ 626,837
Changes of assumptions	18,462,755	343,324	20,136,642	374,450
Total	<u>\$ 18,462,755</u>	<u>\$ 343,324</u>	<u>\$ 53,845,724</u>	<u>\$ 1,001,287</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:

Year Ending December 31,	Governmental Activities	Business-type Activities
2020	\$ (6,354,914)	\$ (118,173)
2021	(6,354,914)	(118,173)
2022	(6,354,914)	(118,173)
2023	(6,354,914)	(118,173)
2024	(8,499,510)	(158,052)
Thereafter	(1,463,802)	(27,220)

Discretely Presented Component Units

Jefferson Community College

Plan Description—The College’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the College. The plan is a single-employer defined benefit OPEB plan administered by the College. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the College Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees Covered by Benefit Terms—At August 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	118
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>207</u>
Total covered employees	<u><u>325</u></u>

Total OPEB Liability—The College’s total OPEB liability of \$65,591,862 was measured as of August 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumption—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, 2018 and August 31, 2019 was 3% 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.

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 8/31/2018:	<u>\$ 53,544,474</u>
Changes for the year:	
Service cost	1,579,263
Interest	2,135,025
Changes of assumptions	5,914,791
Difference between expected and actual experience	3,571,095
Contributions—employer	(1,670,147)
Changes in benefit terms	<u>517,361</u>
Net changes	<u>12,047,388</u>
Balances at 8/31/2019	<u><u>\$ 65,591,862</u></u>

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 (1.63%)	Current Discount Rate (2.63%)	1% Increase (3.63%)
Net OPEB liability	\$ 77,476,159	\$ 65,591,862	\$ 56,142,544

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 current rate of 3.78% of healthcare cost trend rates.

	1% Decrease (2.78%)	Health Care Cost Trend Rates (3.78%)	1% Increase (4.78%)
Net OPEB liability	\$ 53,322,298	\$ 65,591,862	\$ 81,861,264

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 2019, the College contributed \$1,670,147 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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended August 31, 2019, the College recognized OPEB expense of \$3,556,896. At August 31, 2019, the College reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,086,550	\$ -
Changes of assumptions	5,112,241	1,735,621
Total	<u>\$ 8,198,791</u>	<u>\$ 1,735,621</u>

College benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended August 31, 2020, if applicable. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year ending December 31,
2020	\$ (995,394)
2021	(995,394)
2022	(995,394)
2023	(995,394)
2024	(995,394)
Thereafter	(1,486,200)

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, 2019 because they did not meet the criteria for recognition as fund liabilities.

The changes since January 1, 2018 in the reported Governmental Activities for risk financing activities claims and judgments were as follows:

Year Ended <u>December 31,</u>	Liability Beginning <u>of Year</u>	Claims and <u>Adjustments</u>	Claim Payments and <u>Adjustments</u>	Liability End <u>of Year</u>
2019	\$ 4,170,506	\$ 461,357	\$ 1,055,673	\$ 3,576,190
2018	4,595,892	609,247	1,034,633	4,170,506

10. OPERATING LEASES

The County leases three refueler trucks for the airport on a month to month basis. Additionally, during 2018 the County entered into a four year lease on copier equipment to expire in June 2022. Total costs for such leases were \$101,115 for the year ended December 31, 2019.

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, 2019. 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:

<u>Year Ending December 31,</u>	<u>Copier Lease</u>
2020	\$ 70,582
2021	70,582
2022	<u>35,291</u>
Total	<u>\$ 176,455</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. 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, 2019, \$3,741,098 of unspent proceeds are restricted in the Capital Projects Fund.

The future minimum lease payments are shown below:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 580,922	\$ 96,884
2021	593,414	84,391
2022	606,176	71,630
2023	619,211	58,593
2024	632,527	45,278
2025-2027	<u>1,641,491</u>	<u>53,020</u>
Total	<u>\$ 4,673,741</u>	<u>\$ 409,796</u>

The County has purchased assets in the amount of \$3,618,382 with the proceeds of the lease. The assets are recorded within construction in progress and have not yet been placed in service.

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 2019, the City was billed \$123,737 for the lease agreement as well as \$16,228 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, 2019, the County issued bond anticipation notes in the amount of \$9,000,000 at 1.75% interest to mature on October 30, 2020. 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, 2019:

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance 1/1/2019</u>	<u>Issues</u>	<u>Redemptions</u>	<u>Balance 12/31/2019</u>
Bond anticipation notes:						
E911 Radio Community Project	2019	1.75%	\$ -	\$ 7,055,000	\$ -	\$ 7,055,000
JCC Learning Center	2019	1.75%	-	1,945,000	-	1,945,000
E911 Radio Community Project	2018	3.00%	11,000,000	-	11,000,000	-
JCC Learning Center	2018	3.00%	2,000,000	-	2,000,000	-
			<u>\$ 13,000,000</u>	<u>\$ 9,000,000</u>	<u>\$ 13,000,000</u>	<u>\$ 9,000,000</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, 2019:

	Balance 1/1/2019 (as restated)	Additions	Decreases	Balance 12/31/2019	Due Within One Year
Governmental activities:					
Bonds payable	\$ 15,530,000	\$ -	\$ 2,145,000	\$ 13,385,000	\$ 2,200,000
Premium	359,912	-	143,641	216,271	33,682
Net bonds payable	15,889,912	-	2,288,641	13,601,271	2,233,682
Compensated absences	2,200,176	2,934,958	2,909,621	2,225,513	111,276
Capital lease	5,242,433	-	568,692	4,673,741	580,922
Claims and judgments	4,170,506	461,357	1,055,673	3,576,190	-
Other postemployment benefits	377,091,320	34,572,147	28,763,582	382,899,885	-
Net pension liability*	5,022,358	6,357,471	-	11,379,829	-
Total governmental activities	<u>\$ 409,616,705</u>	<u>\$ 44,325,933</u>	<u>\$ 35,586,209</u>	<u>\$ 418,356,429</u>	<u>\$ 2,925,880</u>
Business type activities:					
Compensated absences	\$ 26,649	\$ 29,769	\$ 31,385	\$ 25,033	\$ 1,252
Other postemployment benefits	7,012,194	642,886	534,873	7,120,207	-
Net pension liability*	75,598	95,693	-	171,291	-
Total business-type activities	<u>\$ 7,114,441</u>	<u>\$ 768,348</u>	<u>\$ 566,258</u>	<u>\$ 7,316,531</u>	<u>\$ 1,252</u>

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

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. 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 12/31/2019
2011 Refunding Bonds	2011	\$ 9,440,000	2.00-5.00%	03/2020	\$ 1,175,000
2017 Public Improvement Bond	2017	4,706,500	2.25-3.00%	06/2037	4,407,000
Issued on behalf of					
Jefferson Community College:					
2006 Public Improvement Bond	2006	4,915,000	3.75-3.95%	11/2020	470,000
2015 Public Improvement Bond	2015	7,000,000	2.00-3.50%	06/2035	5,935,000
2017 Public Improvement Bond	2017	1,500,000	2.00-3.50%	06/2037	1,398,000
Total		<u>\$ 27,561,500</u>			<u>\$ 13,385,000</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. The balance at December 31, 2019 was \$4,673,741.

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 \$382,899,885 and \$7,120,207 for governmental activities and business type activities, respectively, at December 31, 2019.

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 \$11,379,829 and \$171,291 for governmental activities and business-type activities, respectively. Refer to Note 6 for additional information related to the County’s net pension liability.

Constitutional Debt Limit—Outstanding bond indebtedness aggregated \$13,385,000, all of which was subject to the constitutional debt limit and represented approximately 2.38% of its debt limit.

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

Year Ending December 31,	Governmental Activities							
	Bonds Payable	Premium	Compensated Absences	Capital Lease	Claims and Judgments	Other Postemployment Benefits	Net Pension Liability	Total
2020	\$ 2,200,000	\$ 33,682	\$ 111,276	\$ 580,922	\$ -	\$ -	\$ -	\$ 2,925,880
2021	575,000	11,686	-	593,414	-	-	-	1,180,100
2022	585,000	11,686	-	606,176	-	-	-	1,202,862
2023	595,000	11,686	-	619,211	-	-	-	1,225,897
2024	615,000	11,686	-	632,527	-	-	-	1,259,213
2025-2029	3,340,000	58,430	-	1,641,491	-	-	-	5,039,921
2030-2034	3,830,000	58,430	-	-	-	-	-	3,888,430
2035-2038	1,645,000	18,985	-	-	-	-	-	1,663,985
Thereafter	-	-	2,114,237	-	3,576,190	382,899,885	11,379,829	399,970,141
	<u>\$ 13,385,000</u>	<u>\$ 216,271</u>	<u>\$ 2,225,513</u>	<u>\$ 4,673,741</u>	<u>\$ 3,576,190</u>	<u>\$ 382,899,885</u>	<u>\$ 11,379,829</u>	<u>\$ 418,356,429</u>

Interest requirements on serial bonds are as follows:

Year Ending December 31,	Interest
2020	\$ 375,215
2021	314,700
2022	301,788
2023	288,650
2024	273,500
2025-2029	1,097,526
2030-2034	568,250
2035-2038	62,400
Total	<u>\$ 3,282,029</u>

Discretely Presented Component Units

Jefferson Community College—The College and its component units' long-term debt balances for the year ended August 31, 2019:

	Balance 9/1/2018	Balance 8/31/2019	Due Within One Year
Compensated absences	\$ 458,762	\$ 506,614	\$ -
Interest rate swap	368,855	1,388,226	-
Reserve payable	86,207	118,963	-
Bonds payable	20,941,589	20,576,503	400,000
Capital lease obligation	1,414,997	1,237,570	173,703
Other postemployment benefits	53,544,474	65,591,862	-
Net pension liability	591,727	1,398,566	-
Total governmental activities	<u>\$ 77,406,611</u>	<u>\$ 90,818,304</u>	<u>\$ 573,703</u>

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, 2018 is \$734,548. 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, 2019 is \$390,473, 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.

During the year ended August 31, 2018, the College entered into an installment purchase agreement with First American Equipment Finance for multiple printers. The installment purchase agreement at the inception of the lease amounted to \$187,822. Balance at August 31, 2019 is \$112,549, with payment terms of five years at 4.48%.

The future minimum obligations under capital leases at August 31, 2019 are as follows:

Year Ending August 31,	Principal	Interest	Total
2020	\$ 173,703	\$ 66,498	\$ 240,201
2021	188,209	57,375	245,584
2022	203,679	47,477	251,156
2023	179,240	36,752	215,992
2024	194,978	26,982	221,960
Thereafter	297,761	61,289	359,050
Total	<u>\$ 1,237,570</u>	<u>\$ 296,373</u>	<u>\$ 1,533,943</u>

Other Postemployment Benefits—As explained in Note 7, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. The estimated long-term OPEB liability is estimated to be \$65,591,862 at December 31, 2019.

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, 2019, 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, 2019:

	Balance 10/1/2018	Addition	Decreases	Balance 9/30/2019	Due Within One Year
Notes payable	\$ 180,160	\$ -	\$ -	\$ 180,160	\$ -
Other long-term payables	23,490	-	1,705	21,785	1,880
Total	<u>\$ 203,650</u>	<u>-</u>	<u>\$ 1,705</u>	<u>\$ 201,945</u>	<u>\$ 1,880</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	\$ 149,165,590
Related debt:	
Serial bonds issued	\$ (13,385,000)
Bond anticipation notes issued	(9,000,000)
Unamortized bond premium	(216,271)
Capital lease	(4,673,741)
Less:	
Serial bonds issued on behalf of Jefferson Community College	7,803,000
Bond anticipation notes issued on behalf of Jefferson Community College	1,945,000
Unamortized bond premium on serial bonds issued on behalf of Jefferson Community College	75,404
Unspent serial bond proceeds	2,061,516
Unspent BAN proceeds	5,015,376
Unspent capital lease proceeds	3,741,098
	(6,633,618)
Net investment in capital assets	\$ 142,531,972

Business-type Activities	
Capital assets, net of accumulated depreciation	\$ 2,960,215
Related debt:	
Less: Interfund loan	(850,000)
Net investment in capital assets	\$ 2,110,215

- **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 of Legislators 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, 2019, the County had \$2,919,796 of prepaid expenses, \$45,806 of inventory and \$850,000 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, 2019, 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	\$ 296,117	\$ -	\$ -	\$ -	\$ 296,117
Unemployment insurance	70,757	-	-	-	70,757
Insurance	1,926,655	-	-	-	1,926,655
Law enforcement and prosecution	210,765	-	-	-	210,765
Wireless 911 surcharges	478,885	-	-	-	478,885
Highway equipment	-	-	69	-	69
Capital projects	-	5,802,613	-	-	5,802,613
Debt service	42,930	-	-	308,419	351,349
Total restricted fund balance	<u>\$ 3,026,109</u>	<u>\$ 5,802,613</u>	<u>\$ 69</u>	<u>\$ 308,419</u>	<u>\$ 9,137,210</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, 2019, 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, 2019, the balances presented on the following page were considered to be assigned.

	Nonmajor Funds					Total
	General Fund	Capital Projects Fund	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	3,000,000	-	-	-	-	3,000,000
Assigned to compensated absences	2,225,513	-	-	-	-	2,225,513
Assigned to risk retention	3,000,000	-	-	-	-	3,000,000
Encumbrances	552,359	3,248,745	5,560	345,237	38,445	4,190,346
Appropriated for subsequent year's expenditures	6,575,931	-	-	-	-	6,575,931
Assigned to county road	-	-	4,960,541	-	-	4,960,541
Assigned to road machinery	-	-	-	2,406,984	-	2,406,984
Total assigned fund balance	<u>\$ 15,997,456</u>	<u>\$ 3,248,745</u>	<u>\$ 4,966,101</u>	<u>\$ 2,752,221</u>	<u>\$ 38,445</u>	<u>\$ 27,002,968</u>

Unassigned—Represents the residual classification of the government’s General Fund, and could report a surplus or deficit. As of December 31, 2019, the unassigned fund balance of the General Fund represented a surplus totaling \$22,707,377.

Order of Fund Balance Spending Policy—The County’s policy is to expend fund balances in the following order: nonspendable 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, 2019, the County’s available General Fund balance was 20.0% of General Fund annual operating expenditures, which is 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 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. The current balance on the interfund loan as of December 31, 2019 was \$850,000.

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, 2019 are presented below:

	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
Governmental Funds:				
General Fund	\$ 1,112,963	\$ -	\$ -	\$ 17,015,660
Capital Projects Fund	-	-	4,509,073	376
Other nonmajor funds	-	262,963	14,445,003	1,938,040
Business-type Funds:				
Solid Waste Management Fund	-	850,000	-	-
Total	<u>\$ 1,112,963</u>	<u>\$ 1,112,963</u>	<u>\$ 18,954,076</u>	<u>\$ 18,954,076</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, 2019, the significant encumbrances of the County are shown below:

Fund	Purpose	Amount Encumbered
Governmental Funds:		
Capital Projects Fund	Radio Communicatin	\$ 595,923
Capital Projects Fund	Public Safety Building	656,737
Capital Projects Fund	Airport Fire/Rescue Building	4,638,284
Capital Projects Fund	Professional Fees-Airport	120,163
Capital Projects Fund	Professional Services	115,365
Other nonmajor funds	Automobiles	202,958
Business-type Funds:		
Solid Waste Management Fund	Heavy Equipment	136,985

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 2019:

	Taxes Abated	Payments in Lieu of Taxes
Residential housing projects	\$ 824,900	\$ 249,244
Commercial endeavors	859,537	80,968
Manufacturing	1,179,117	75,566

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, 2019, 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 10, 2020, 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 Five Fiscal Years*

	Year Ended August 31,				
	2019	2018	2017	2016	2015
Jefferson County Community College ("JCC"):					
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
JCC's proportion of the net pension liability (asset)	0.027423%	0.030171%	0.029436%	0.031981%	0.030745%
JCC's proportionate share of the net pension liability (asset)	<u>\$ (712,461)</u>	<u>\$ (545,565)</u>	<u>\$ (223,744)</u>	<u>\$ 342,530</u>	<u>\$ (3,193,443)</u>
JCC's covered payroll	\$ 4,919,470	\$ 5,077,016	\$ 4,851,815	\$ 4,850,948	\$ 4,576,270
JCC's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	14.48%	10.75%	4.61%	7.06%	(69.78%)
Plan fiduciary net position as a percentage of the total pension liability	102.2%	101.5%	100.7%	99.0%	110.5%

*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 Five Fiscal Years*

	Year Ended August 31,				
	2019	2018	2017	2016	2015
Jefferson County Community College ("JCC"):					
Contractually required contribution	\$ 486,121	\$ 481,618	\$ 546,698	\$ 654,380	\$ 809,595
Contributions in relation to the contractually required contribution	<u>(486,121)</u>	<u>(481,618)</u>	<u>(546,698)</u>	<u>(654,380)</u>	<u>(809,595)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
JCC's covered payroll	\$ 4,919,470	\$ 5,077,016	\$ 4,851,815	\$ 4,850,948	\$ 4,576,270
Contributions as a percentage of covered payroll	9.9%	9.5%	11.3%	13.5%	17.7%

*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 Six Fiscal Years*

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Jefferson County - Governmental Activities:						
County's proportion of the net pension liability	0.1606118%	0.1556141%	0.1593473%	0.1666266%	0.1637608%	0.1637608%
County's proportionate share of the net pension liability	\$ 11,379,829	\$ 5,022,358	\$ 14,934,244	\$ 26,744,025	\$ 5,532,242	\$ 7,400,122
County's covered payroll	\$ 38,288,079	\$ 38,357,265	\$ 37,119,434	\$ 37,410,024	\$ 38,251,778	\$ 37,745,637
County's proportionate share of the net pension liability as a percentage of its covered payroll	29.7%	13.1%	40.2%	71.5%	14.5%	19.6%
Jefferson County - Business-type Activities:						
Proportion of the net pension liability	0.0024175%	0.0023423%	0.0023985%	0.0025081%	0.0024650%	0.0024650%
Proportionate share of the net pension liability	\$ 171,291	\$ 75,598	\$ 224,793	\$ 402,557	\$ 83,272	\$ 111,388
Covered payroll	\$ 576,320	\$ 577,362	\$ 558,729	\$ 563,104	\$ 575,774	\$ 568,155
Proportionate share of the net pension liability as a percentage of its covered payroll	29.7%	13.1%	40.2%	87.1%	17.8%	24.5%
Plan fiduciary net position as a percentage of its covered payroll	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%
	Year Ended August 31,					
	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Jefferson Community College ("JCC"):						
JCC's proportion of the net pension liability	0.0197379%	0.0183342%	0.0185125%	0.0198426%	0.0195013%	n/a
JCC's proportionate share of the net pension liability	\$ 1,398,566	\$ 591,727	\$ 1,739,478	\$ 3,184,794	\$ 658,804	n/a
JCC's covered payroll	\$ 5,110,419	\$ 4,615,902	\$ 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 payroll	27.37%	12.82%	38.77%	72.18%	14.94%	n/a
Plan fiduciary net position as a percentage of its covered payroll	96.3%	98.2%	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 Six Fiscal Years*

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Jefferson County - Governmental Activities						
Contractually required contributions	\$ 5,660,535	\$ 5,704,344	\$ 5,589,269	\$ 6,396,434	\$ 6,880,026	\$ 7,901,592
Contributions in relation to the contractually required contribution	<u>(5,660,535)</u>	<u>(5,704,344)</u>	<u>(5,589,269)</u>	<u>(8,485,275)</u>	<u>(9,277,770)</u>	<u>(10,794,337)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 38,784,057	\$ 38,357,851	\$ 38,147,156	\$ 37,576,991	\$ 37,336,151	\$ 38,406,682
Contributions as a percentage of covered payroll	14.6%	14.9%	14.7%	14.5%	15.7%	18.5%
Jefferson County - Business-type Activities						
Contractually required contributions	\$ 85,204	\$ 85,863	\$ 84,131	\$ 96,280	\$ 103,560	\$ 118,936
Contributions in relation to the contractually required contribution	<u>(85,204)</u>	<u>(85,863)</u>	<u>(84,131)</u>	<u>(96,280)</u>	<u>(103,560)</u>	<u>(118,936)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 583,786	\$ 577,370	\$ 574,199	\$ 565,617	\$ 561,992	\$ 578,105
Contributions as a percentage of covered payroll	14.6%	14.9%	14.7%	17.0%	18.4%	20.6%
Year Ended August 31,						
	2019	2018	2017	2016	2015	2014
Jefferson Community College ("JCC")						
Contractually required contributions	\$ 695,165	\$ 645,916	\$ 651,958	\$ 768,765	\$ 868,711	n/a
Contributions in relation to the contractually required contribution	<u>(695,165)</u>	<u>(645,916)</u>	<u>(651,958)</u>	<u>(768,765)</u>	<u>(868,711)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	n/a
JCC's covered payroll	\$ 5,110,419	\$ 4,615,902	\$ 4,486,774	\$ 4,412,165	\$ 4,409,421	n/a
Contributions as a percentage of covered payroll	13.6%	14.0%	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 Changes in the College's Total OPEB Liability and Related Ratios
Last Two Fiscal Years*

Jefferson County Community College:

	Year Ended December 31,	
	2019	2018
Total OPEB Liability		
Service cost	\$ 1,579,263	\$ 1,474,246
Interest	2,135,025	1,781,419
Differences between expected and actual experience	3,571,095	-
Changes of assumptions	5,914,791	(2,319,023)
Change of benefit terms	517,361	2,531,456
Benefit payments	(1,670,147)	(1,075,293)
Net changes in total OPEB liability	12,047,388	2,392,805
Total OPEB liability—beginning	53,544,474	51,151,669
Total OPEB liability—ending (a)	\$ 65,591,862	\$ 53,544,474
Plan fiduciary net position		
Contributions—employer	1,670,147	1,075,293
Benefit payments	(1,670,147)	(1,075,293)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending (b)	\$ -	\$ -
JCC's net OPEB liability—ending (a) - (b)	\$ 65,591,862	\$ 53,544,474
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%
Covered-employee payroll	\$ 12,875,107	\$ 13,220,846
JCC's net OPEB liability as a percentage of covered-employee payroll	509.45%	405.00%

*Information prior to the year ended December 31, 2018 is not available.

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

COUNTY OF JEFFERSON, NEW YORK
Schedule of Changes in the County's Total OPEB Liability and Related Ratios
Last Three Fiscal Years*

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Jefferson County - Governmental Activities:			
Total OPEB liability			
Service cost	\$ 10,349,198	\$ 12,058,234	\$ 11,917,964
Interest	15,720,088	14,828,158	14,179,187
Changes of assumptions	8,502,861	(28,191,299)	19,555,529
Change of benefit terms	-	-	730,329
Differences between expected and actual experience	(18,749,497)	(21,058,663)	(4,543,321)
Contributions-employer	<u>(10,014,085)</u>	<u>(9,929,532)</u>	<u>(9,139,399)</u>
Net changes in total OPEB liability	<u>5,808,565</u>	<u>(32,293,101)</u>	<u>32,700,288</u>
Total OPEB liability—beginning	<u>377,091,320</u>	<u>409,384,422</u>	<u>376,684,133</u>
Total OPEB liability—ending (a)	<u>\$ 382,899,885</u>	<u>\$ 377,091,320</u>	<u>\$ 409,384,422</u>
Plan fiduciary net position			
Contributions—employer	\$ 10,014,085	\$ 9,929,532	\$ 9,139,399
Benefit payments	<u>(10,014,085)</u>	<u>(9,929,532)</u>	<u>(9,139,399)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's net OPEB liability—ending (a) - (b)	<u>\$ 382,899,885</u>	<u>\$ 377,091,320</u>	<u>\$ 409,384,422</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 31,393,231	\$ 35,785,396	\$ 34,912,582
County's net OPEB liability as a percentage of covered-employee payroll	1219.69%	1053.76%	1172.60%
Jefferson County - Business-type Activities:			
Total OPEB liability			
Service cost	\$ 192,448	\$ 224,229	\$ 221,620
Interest	292,323	275,737	263,669
Changes of assumptions	158,115	(524,231)	363,644
Change of benefit terms	-	-	13,581
Differences between expected and actual experience	(348,656)	(391,596)	(84,485)
Contributions-employer	<u>(186,217)</u>	<u>(184,644)</u>	<u>(169,952)</u>
Net changes in total OPEB liability	<u>108,013</u>	<u>(600,506)</u>	<u>608,078</u>
Total OPEB liability—beginning	<u>7,012,194</u>	<u>7,612,699</u>	<u>7,004,622</u>
Total OPEB liability—ending (a)	<u>\$ 7,120,207</u>	<u>\$ 7,012,194</u>	<u>\$ 7,612,699</u>
Plan fiduciary net position			
Contributions—employer	\$ 186,217	\$ 184,644	\$ 169,952
Benefit payments	<u>(186,217)</u>	<u>(184,644)</u>	<u>(169,952)</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position—beginning	-	-	-
Plan fiduciary net position—ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's net OPEB liability—ending (a) - (b)	<u>\$ 7,120,207</u>	<u>\$ 7,012,194</u>	<u>\$ 7,612,699</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 583,772	\$ 665,447	\$ 649,216
County's net OPEB liability as a percentage of covered-employee payroll	1219.69%	1053.76%	1172.60%

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

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

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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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 58,287,908	\$ 58,287,908	\$ 58,156,806	\$ (131,102)
Real property tax items	2,700,000	2,894,714	2,965,989	71,275
Non-property tax items	75,098,085	77,957,676	80,827,377	2,869,701
Departmental income	12,309,625	12,360,838	11,254,719	(1,106,119)
Intergovernmental charges	3,455,313	3,663,038	3,215,872	(447,166)
Use of money and property	1,728,105	1,728,105	1,320,956	(407,149)
Licenses and permits	50,000	50,000	22,790	(27,210)
Fines and forfeitures	173,385	173,385	248,936	75,551
Sale of property and compensation for loss	1,237,000	1,237,000	1,313,619	76,619
Miscellaneous	3,349,572	4,349,722	4,440,482	90,760
State aid	22,987,381	23,595,765	21,998,791	(1,596,974)
Federal aid	20,397,714	22,937,255	19,489,014	(3,448,241)
Total revenues	<u>201,774,088</u>	<u>209,235,406</u>	<u>205,255,351</u>	<u>(3,980,055)</u>
EXPENDITURES				
Current:				
General government support	57,425,489	60,265,133	59,132,954	1,132,179
Education	11,157,219	11,179,690	10,817,384	362,306
Public safety	23,766,383	25,141,297	22,741,546	2,399,751
Health	14,609,976	14,803,524	13,513,001	1,290,523
Transportation	2,341,727	2,454,590	2,095,987	358,603
Economic assistance and opportunity	70,734,835	67,361,536	64,314,386	3,047,150
Culture and recreation	277,568	354,777	352,031	2,746
Home and community services	977,693	1,008,432	895,710	112,722
Employee benefits	11,334,059	11,345,408	8,658,036	2,687,372
Debt service:				
Interest and fiscal charges	390,000	390,000	390,000	-
Total expenditures	<u>193,014,949</u>	<u>194,304,387</u>	<u>182,911,035</u>	<u>11,393,352</u>
Excess of revenues over expenditures	<u>8,759,139</u>	<u>14,931,019</u>	<u>22,344,316</u>	<u>7,413,297</u>
OTHER FINANCING USES				
Transfers out	<u>(15,864,287)</u>	<u>(17,363,660)</u>	<u>(17,015,660)</u>	<u>348,000</u>
Total other financing sources uses	<u>(15,864,287)</u>	<u>(17,363,660)</u>	<u>(17,015,660)</u>	<u>348,000</u>
Net change in fund balances*	(7,105,148)	(2,432,641)	5,328,656	7,761,297
Fund balances—beginning	<u>40,068,833</u>	<u>40,068,833</u>	<u>40,068,833</u>	<u>-</u>
Fund balances—ending	<u>\$ 32,963,685</u>	<u>\$ 37,636,192</u>	<u>\$ 45,397,489</u>	<u>\$ 7,761,297</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 notes to the required supplementary information is an integral part of this schedule.

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COUNTY OF JEFFERSON, NEW YORK
Notes to the Required Supplementary Information
Year Ended December 31, 2019

1. OPEB Liability

Changes of Assumptions—Changes in assumptions reflect the effects of changes in the long-term discount rate, and the healthcare trend rate. The discount rate changed from 4.11% at December 31, 2018 to 3.26% at December 31, 2019. The health care trend rate decreased from 8.50% at December 31, 2018 to 8.0% at December 31, 2019.

Jefferson Community College (“JCC”)—The discount rate changed from 3.69% at August 31, 2018 to 2.63% at August 31, 2019. The health care trend rate decreased from 3.89% at August 31, 2018 to 3.78% at August 31, 2019.

2. 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, 2019

	County Road Fund	Road Machinery Fund	Special Grant Fund	Debt Service Fund	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ 4,457,741	\$ 2,861,088	\$ 88,252	\$ -	\$ 7,407,081
Restricted cash and cash equivalents	-	69	90,567	295,447	386,083
Intergovernmental receivables	759,887	15,792	721,747	12,972	1,510,398
Prepaid items	104,886	16,190	27,979	-	149,055
Total assets	<u>\$ 5,322,514</u>	<u>\$ 2,893,139</u>	<u>\$ 928,545</u>	<u>\$ 308,419</u>	<u>\$ 9,452,617</u>
LIABILITIES					
Accounts payable	\$ 251,527	\$ 124,659	\$ 508,591	\$ -	\$ 884,777
Due to other funds	-	-	262,963	-	262,963
Unearned revenue	-	-	90,567	-	90,567
Total liabilities	<u>251,527</u>	<u>124,659</u>	<u>862,121</u>	<u>-</u>	<u>1,238,307</u>
FUND BALANCES					
Nonspendable	104,886	16,190	27,979	-	149,055
Restricted	-	69	-	308,419	308,488
Assigned	4,966,101	2,752,221	38,445	-	7,756,767
Total fund balances	<u>5,070,987</u>	<u>2,768,480</u>	<u>66,424</u>	<u>308,419</u>	<u>8,214,310</u>
Total liabilities and fund balances	<u>\$ 5,322,514</u>	<u>\$ 2,893,139</u>	<u>\$ 928,545</u>	<u>\$ 308,419</u>	<u>\$ 9,452,617</u>

COUNTY OF JEFFERSON, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—
Nonmajor Governmental Funds
Year Ended December 31, 2019

	County Road Fund	Road Machinery Fund	Special Grant Fund	Debt Service Fund	Total Nonmajor Funds
REVENUES					
Departmental income	\$ -	\$ -	\$ 793,383	\$ -	\$ 793,383
Intergovernmental charges	41,407	84,527	-	-	125,934
Use of money and property	33,691	26,784	126,654	2,415	189,544
Licenses and permits	4,235	-	-	-	4,235
Sale of property and compensation for loss	554	405,916	-	-	406,470
Miscellaneous	-	-	-	65,768	65,768
Interfund revenues	-	275,122	-	-	275,122
State aid	4,844,817	-	62,757	701,916	5,609,490
Federal aid	28,812	-	2,817,767	-	2,846,579
Total revenues	<u>4,953,516</u>	<u>792,349</u>	<u>3,800,561</u>	<u>770,099</u>	<u>10,316,525</u>
EXPENDITURES					
Current:					
Public safety	594,114	-	-	-	594,114
Transportation	11,796,403	2,672,385	-	-	14,468,788
Economic assistance and opportunity	-	-	2,728,708	-	2,728,708
Home and community services	-	-	1,135,456	-	1,135,456
Employee benefits	35,234	-	-	-	35,234
Debt service:					
Principal	-	-	-	2,713,692	2,713,692
Interest and fiscal charges	-	-	-	572,196	572,196
Total expenditures	<u>12,425,751</u>	<u>2,672,385</u>	<u>3,864,164</u>	<u>3,285,888</u>	<u>22,248,188</u>
Deficiency of revenues over expenditures	<u>(7,472,235)</u>	<u>(1,880,036)</u>	<u>(63,603)</u>	<u>(2,515,789)</u>	<u>(11,931,663)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	9,607,443	2,223,311	43,750	2,570,499	14,445,003
Transfers out	(1,938,040)	-	-	-	(1,938,040)
Total other financing sources (uses)	<u>7,669,403</u>	<u>2,223,311</u>	<u>43,750</u>	<u>2,570,499</u>	<u>12,506,963</u>
Net change in fund balances	197,168	343,275	(19,853)	54,710	575,300
Fund balances—beginning	4,873,819	2,425,205	86,277	253,709	7,639,010
Fund balances—ending	<u>\$ 5,070,987</u>	<u>\$ 2,768,480</u>	<u>\$ 66,424</u>	<u>\$ 308,419</u>	<u>\$ 8,214,310</u>

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FEDERAL AWARDS INFORMATION

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. Department of Agriculture:				
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	\$ -	\$ 2,285,244
<i>Total SNAP Cluster</i>			-	2,285,244
Total U.S. Department of Agriculture			-	2,285,244
U.S. Department of Housing and Urban Development:				
Direct Grant:				
<i>Home Investment Partnerships Program</i>				
Home Investment Partnerships Program	14.239	M-12-DC-36-0512	44,883	44,883
Home Investment Partnerships Program	14.239	M-14-DC-36-0512	37,238	37,238
Home Investment Partnerships Program	14.239	M-15-DC-36-0512	129,373	129,373
Home Investment Partnerships Program	14.239	M-16-DC-36-0512	205,171	205,171
Home Investment Partnerships Program	14.239	M-17-DC-36-0512	261,434	261,434
Home Investment Partnerships Program	14.239	M-18-DC-36-0512	233,495	233,495
Home Investment Partnerships Program	14.239	M-19-DC-36-0512	45,000	45,000
<i>Total Home Investment Partnership Program</i>			956,594	956,594
<i>Continuum of Care Program</i>				
Continuum of Care Program	14.267	NY0712L2C221708	-	54,739
Continuum of Care Program	14.267	NY0713L2C221708	-	382,570
Continuum of Care Program	14.267	NY0712L2C221809	-	32,722
Continuum of Care Program	14.267	NY0713L2C221809	-	226,347
Continuum of Care Program	14.267	NY12170D2C221800	-	21,924
<i>Total Continuum of Care Program</i>			-	718,302
Passed through NYS Homes & Community Renewal:				
Community Development Block Grants	14.228	581HR300-18	-	132,670
Passed through NYS Office of Temporary and Disability Assistance:				
Emergency Solutions Grant Program	14.231	C021789	312,131	312,131
Total U.S. Department of Housing and Urban Development			1,268,725	2,119,697
U.S. Department of Justice:				
Direct Grant:				
State Criminal Alien Assistance Program	16.606	SCAAP 2019-AP-BX-0557	-	10,090
State Criminal Alien Assistance Program	16.606	SCAAP 2019-AP-BX-1045	-	13,115
<i>Total State Criminal Alien Assistance Program</i>			-	23,205
Passed through City of Watertown:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0138	-	5,220
Total U.S. Department of Justice			-	28,425
U.S. Department of Labor:				
Passed through NYS Department of Labor:				
Trade Adjustment Assistance	17.245	N/A	-	104,909
<i>WIOA cluster:</i>				
WIOA Adult Program	17.258	N/A	123,409	449,861
WIOA Youth Activities	17.259	N/A	54,243	460,002
WIOA Dislocated Worker Formula Grants	17.278	N/A	13,803	396,931
<i>Total WIOA cluster</i>			191,455	1,306,794
Total U.S. Department of Labor			191,455	1,411,703

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. Department of Transportation:				
Direct Grant:				
<i>Airport Improvement Program:</i>				
Airport Improvement Program	20.106	3-36-0120-50-18; 7906.22	-	239,410
Airport Improvement Program	20.106	3-36-0120-51-18; 7906.23	-	63,227
Airport Improvement Program	20.106	3-36-0120-52-18; 7906.24	-	266,308
Airport Improvement Program	20.106	3-36-0120-53-18; 7906.25	-	1,050,565
Airport Improvement Program	20.106	3-36-0120-54-19; 7906.26	-	326,209
Airport Improvement Program	20.106	3-36-0120-55-19; 7906.27	-	14,269
<i>Total Airport Improvement Program:</i>			-	1,959,988
Passed through NYS Department of Transportation:				
<i>Highway Planning and Construction Cluster:</i>				
Highway Planning and Construction	20.205	D034853; PIN 7753.59	-	63,792
Highway Planning and Construction	20.205	D036280; PIN 7753.85	-	41,047
Highway Planning and Construction	20.205	D036435; PIN 7753.88	-	40,600
Highway Planning and Construction	20.205	D034827; PIN 7753.44	-	663,326
Highway Planning and Construction	20.205	D036140; PIN 7753.44	-	769,100
Highway Planning and Construction	20.205	D034771; PIN 7753.43	-	65,887
Highway Planning and Construction	20.205	D035516; PIN 7753.65	-	1,452,550
<i>Total Highway Planning and Construction Cluster</i>			-	3,096,302
Metropolitan Transportation Planning and State and Non-				
Metropolitan Planning and Research	20.505	D035476	-	28,812
<i>Highway Safety Cluster:</i>				
Passed through NYS Governor's Traffic Safety:				
State and Community Highway Safety	20.600	PTS-2019-JC SO-00251-(023)	-	6,118
State and Community Highway Safety	20.600	HS1-2020-JC PH-00049-(023)	-	2,127
National Priority Safety Programs	20.616	HS1-2019-JC PH-00036-(023)	-	9,448
National Priority Safety Programs	20.616	CPS-2019-JC SO-00011-(023)	-	1,255
Passed through NYS Stop DWI Foundation, Inc.:				
National Priority Safety Programs	20.616	HS1-2019-DWI Fnd-00181-(088)	-	8,222
National Priority Safety Programs	20.616	HS1-2018-DWI Fnd-00261-(088)	-	9,996
Passed through NYS Division of Criminal Justice Services:				
National Priority Safety Programs	20.616	HS1-2019-NYS DCJ-00172-(099)	-	8,261
National Priority Safety Programs	20.616	HS1-2018-NYS DCJ-00167-(099)	-	2,722
<i>Total Highway Safety cluster</i>			-	48,149
Total U.S. Department of Transportation			-	5,133,251
U.S. Environmental Protection Agency:				
Passed through the NYS Department of Health:				
State Indoor Radon Grants	66.032	T30733GG	-	4,964
Total U.S. Environmental Protection Agency			-	4,964

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. Department of Education:				
Passed through Jefferson Community College:				
Career and Technical Education—Basic Grants to States (Perkins IV)	84.048	N/A	-	11,553
Passed through NYS Department of Health:				
Special Education - Grants for Infants and Families	84.181	C31638GG	-	54,474
Total U.S. Department of Education			-	66,027
U.S. Department of Health and Human Services:				
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	-	87,594
Special Programs for Aging, Title III, Part C—Nutrition Services	93.045	Title III-C	-	192,042
Nutrition Services Incentive Program	93.053	NSIP	-	99,156
<i>Total Aging Cluster</i>			-	378,792
Special Programs for Aging Title III , Part D_Disease Prevention and Health Promotion Services				
	93.043	Title III-D	-	13,325
Natonal Family Caregiver Support Title III, Part E	93.052	Title III-E	-	45,445
Medicare Enrollment Assistance Program	93.071	MIPPA/ADRC	-	13,496
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HIICAP	-	13,815
Passed through the Health Research Institute:				
Public Health Emergency Preparedness	93.069	1615-13	-	49,599
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	1615-12	-	40,163
Passed through NYS Department of Health:				
Immunization Cooperative Agreements	93.268	C32522GG	-	568
Passed through NYS Office of Temporary and Disability Assistance:				
Child Support Enforcement	93.563	N/A	-	722,140
Low Income Home Energy Assistance	93.568	N/A	-	4,888,808
Passed through the Office of Children and Family Services:				
Kinship Guardianship Assistance	93.090	N/A	-	1,277
Promoting Safe and Stable Families	93.556	N/A	-	26,091
<i>CCDF Cluster:</i>				
Child Care and Development Block Grant	93.575	CCRR15	132,092	1,687,523
<i>Total CCDF Cluster</i>			132,092	1,687,523
Stephanie Tubbs Jones Child Welfare Service Program	93.645	N/A	-	67,201
Foster Care—Title IV-E	93.658	N/A	-	2,154,240
Adoption Assistance	93.659	N/A	-	1,649,755
Social Services Block Grant	93.667	N/A	-	3,461,869
Child Abuse and Neglect State Grants	93.669	N/A	-	47,392
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	N/A	-	5,970

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/Program Cluster Title (1a)	Federal CFDA Number (1b)	Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
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	C32665GG	-	22,432
Maternal and Child Health Services Block Grant to the States	93.994	C30897GG	-	13,056
<i>Total Maternal and Child Health Services Block Grant to the States</i>			-	35,488
<i>Medicaid Cluster:</i>				
Passed through NYS Department of Health:				
Medical Assistance Program	93.778	N/A	-	1,229,789
Passed through NYS Office of Mental Health:				
Medical Assistance Program	93.778	Medicaid Admin	-	130,712
<i>Total Medicaid Cluster</i>			-	1,360,501
Passed through NYS Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	510,712	510,712
<i>TANF Cluster:</i>				
Passed through NYS Office of Temporary and Disability Assistance:				
Temporary Assistance to Needy Families	93.558	N/A	-	7,316,768
Temporary Assistance to Needy Families	93.558	SYEP	-	299,441
<i>Total TANF Cluster</i>			510,712	7,616,209
Total U.S. Department of Health and Human Services			642,804	24,790,379
U.S. Social Security Administration:				
Passed through Reasearch Foundation for Mental Hygiene, Inc:				
<i>Social Security-Work Incentives Planning and Assistance Program</i>	96.008	Ticket-to-Work	-	659
Total U.S. Social Security Administration:			-	659
U.S. Department of Homeland Security:				
Passed through NYS Division of Homeland Security and Emergency Services:				
<i>Disaster Grants-Public Assistance:</i>				
Disaster Grants-Public Assistance	97.036	4348 DR NY PW#126v0; #37321	-	25,524
Disaster Grants-Public Assistance	97.036	4348 DR NY PW#155v0; #37194	-	25,315
Disaster Grants-Public Assistance	97.036	4348 DR NY PW#38v0; #37319	-	44,206
Disaster Grants-Public Assistance	97.036	4348 DR NY PW#44v0; #37330	-	7,398
Disaster Grants-Public Assistance	97.036	4348 DR NY PW#125v0; #37930	-	26,335
Disaster Grants-Public Assistance	97.036	4348 DR NY PW#36v0; #35857	-	23,703
<i>Total Disaster Grants-Public Assistance</i>			-	152,481
<i>Homeland Security Grant Program:</i>				
Homeland Security Grant Program	97.067	C173469	-	43,351
Homeland Security Grant Program	97.067	C173479	-	2,411
Homeland Security Grant Program	97.067	T180119	-	2,500
Homeland Security Grant Program	97.067	C189069	10,931	11,453
Homeland Security Grant Program	97.067	C835979	14,000	19,742
Homeland Security Grant Program	97.067	C971160	-	57,584
Homeland Security Grant Program	97.067	C971170	-	9,911
Homeland Security Grant Program	97.067	C971180	-	71,047
<i>Total Homeland Security Grant Program</i>			-	217,999
Emergency Management Performance Grant	97.042	T835985	-	48,129
<i>Total Emergency Management Performance Grant</i>			-	48,129
Direct Grant:				
<i>Law Enforcement Officer Reimbursement Agreement Program:</i>				
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0216HSLR705	-	41,375
<i>Total Enforcement Officer Reimbursement Agreement Program:</i>			-	41,375
Total U.S. Department of Homeland Security			-	459,984
Total Expenditures of Federal Awards (1e)			\$ 2,102,984	\$ 36,300,333

(concluded)

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, 2019

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, 2019. 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 County 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 Board of Legislators and County Administrator
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, 2019, 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 10, 2020. Our report includes an emphasis of matter paragraph regarding the implementation of GASB Statement No. 84 and a change in accounting policies and procedures and includes a reference to other auditors who audited the financial statements of the Jefferson County 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 County'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.

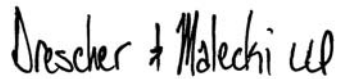
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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.

Compliance and Other Matters

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

Purpose of this Report

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



July 10, 2020

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 Board of Legislators and County Administrator
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, 2019. 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 \$14,058,639 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, 2019. Our compliance audit, described below, did not include the operations of the Jefferson Community College and the Jefferson County Industrial Development Agency, because other auditors were engaged to perform such audits 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, 2019.

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 10, 2020

COUNTY OF JEFFERSON, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

Part I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified*
 (*which report includes a reference to other auditors and an emphasis of matter paragraph regarding the implementation of GASB Statement No. 84 and a change in accounting policies and procedures)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No	

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported	

Type of report the auditor issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <input checked="" type="checkbox"/> No	
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Identification of major federal programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258, 17.259, 17.278	WIOA Cluster
20.106	Airport Improvement Program
93.568	Low Income Home Energy Assistance
93.575	Child Care and Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs?	\$ <u>1,089,010</u>
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Auditee qualified as low-risk auditee?	_____ <input checked="" type="checkbox"/> Yes	_____ No	
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COUNTY OF JEFFERSON, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Part II. Financial statement findings section

No findings were reported.

Part III. Federal award findings and questioned costs section

No findings were reported.

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