

**AUDITED
BASIC FINANCIAL STATEMENTS**

COUNTY OF GENESEE, NEW YORK

DECEMBER 31, 2016

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the County Legislature
County of Genesee, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Genesee, New York (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Genesee Tobacco Asset Securitization Corporation (TASC), which represents 4.82%, 248.37% and 2.87%, respectively, of the assets, deficit net position, and operating revenues of the business-type activities. We also did not audit the financial statements of Genesee Community College, Genesee County Economic Development Center and the Genesee County Soil and Water Conservation District, which represent 100% of the assets, net position, and operating revenues of the discretely presented component units. Those statements, with the exception of Genesee County Soil and Water Conservation District, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Genesee Community College, Genesee County Economic Development Center and TASC is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Genesee County Nursing Home were not audited in accordance with *Government Auditing Standards*.

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 County'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 County'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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of New York State Department of Transportation Assistance Expended is presented for purposes of additional analysis, as required by Draft Part 43 of NYCRR, and both are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Schedule of New York State Department of Transportation Assistance Expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Schedule of Expenditures of Federal Awards and the Schedule of New York State Department of Transportation Assistance Expended are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017 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.

Freed Maxick CPAs, P.C.

Batavia, New York
July 25, 2017

Management's Discussion and Analysis County of Genesee, New York Fiscal Year Ended December 31, 2016

This section of County of Genesee, New York's (the County) annual financial report presents its discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2016. Please read it in conjunction with the County's financial statements, which immediately follow this section. In this section, **ALL AMOUNTS ARE EXPRESSED IN THOUSANDS OF DOLLARS, UNLESS OTHERWISE INDICATED.**

Financial Highlights

- The County's total primary government governmental activities net position at year end totaled approximately \$109,754, of which approximately \$94,578 was the net investment in capital assets.
- The County's total primary government governmental activities net position decreased approximately \$2,078 from the prior year, primarily from the County funded portion of outlays for ongoing capital projects.
- During the year ended December 31, 2016 the County's primary government invested \$11,396 in governmental activities capital assets, including \$7,457 in buildings and improvements, \$2,568 in infrastructure, \$1,346 in equipment, machinery, and other capital assets and \$25 to the motor pool.
- The County tax rate was \$9.86 per thousand dollars of assessed value in 2016, which did not change from the 2015 County tax rate.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County, reporting the County's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as public safety and transportation were financed in the short term as well as what remains for future spending.
- The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its Nursing Home, TASC, Workers' Compensation, Self-Insurance and Water funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles and for its management information systems. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

- Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Nursing Home, TASC, Workers' Compensation and Self Insurance, which are considered to be major funds of the County. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.
- Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of County of Genesee, New York's Annual Financial Report

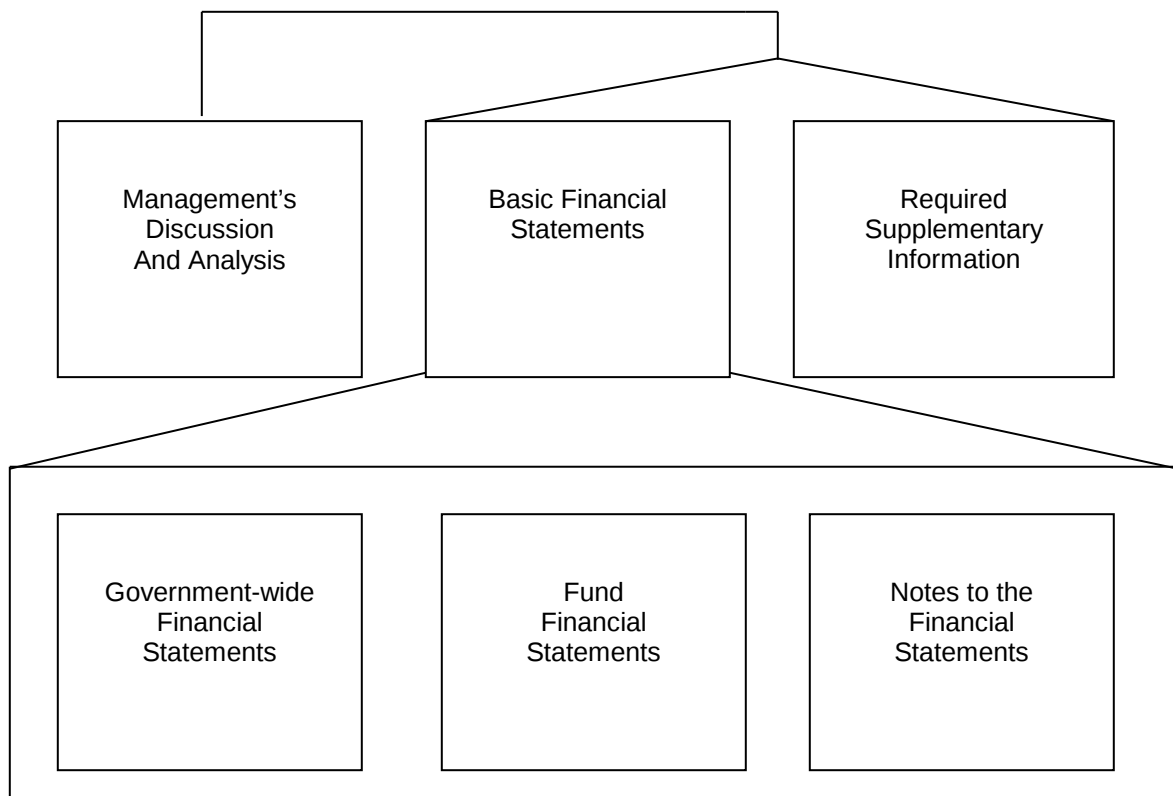


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2**Major Features of the Government-wide and Fund Financial Statements**

		Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire government (except Fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as public safety and transportation	The activities of the County in which the County charges for services
Required financial statements	• <i>Statement of Net Position</i> • <i>Statement of Activities</i>	• <i>Balance Sheet</i> • <i>Statement of Revenues, Expenditures, and Changes in Fund Balances</i>	• <i>Statement of Net Position</i> • <i>Statement Revenues, Expenses and Changes in Net Position</i> • <i>Statement of Cash Flows</i>
Accounting basis and measurement focus	<i>Accrual accounting and economic resources focus</i>	<i>Modified accrual accounting and current financial focus</i>	<i>Accrual accounting and economic resources focus</i>
Type of asset/liability information	<i>All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term</i>	<i>Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included</i>	<i>All assets and liabilities, both financial and capital, short-term and long-term</i>
Type of inflow/out-flow information	<i>All revenues and expenditures during year, regardless of when cash is received or paid</i>	<i>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable</i>	<i>All revenues and expenditures during year, regardless of when cash is received or paid</i>

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements present the financial position of the County from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt).

The two government-wide statements report the County's net position and how it has changed. Net position - the difference between the County's assets and liabilities - is one way to measure the County's financial health or financial position.

- Over time, increases or decreases in the County's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the County's overall health, one needs to consider additional non-financial factors such as changes in the County's property tax base and the condition of the County's infrastructure and other facilities.

In the Statement of Net Position and the Statement of Activities the County's activities are separated as follows:

Governmental activities - Most of the County's basic services are reported in this category, including the general government, education, public safety, health, transportation, economic assistance, culture and recreation, home and community services, and debt service. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities - The County charges a fee to customers to cover all or most of the cost of certain services it provides. The County's nursing home, water, self insurance and workers' compensation activities are reported in this category.

Component units - In accordance with the provisions of Government Accounting Standards Board Statement No. 14 and Statement No. 61, the County includes the following component units in their financial statements: the Genesee Tobacco Asset Securitization Corporation (TASC) as a blended component unit of the County's business-type activities.

The County also includes Genesee Community College, Genesee County Economic Development Center and the Genesee County Soil and Water Conservation District as discretely presented component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds, focusing on its most significant or "major" funds - not the County as a whole. Some funds are required to be established by State law. However, the County Legislature establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

The County has three kinds of funds:

- **Governmental Funds:** Most of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information included in the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** These funds are generally used to account for services for which the County charges customers (both external and internal) a fee. These funds use accrual accounting, which is the same method used by the private sector. The County has four enterprise funds and one internal service fund. The County's proprietary funds are the nursing home, water, self insurance and workers' compensation funds. Enterprise funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for each of the enterprise funds, all, with the exception of the water fund, are considered to be major funds of the County.
- **Fiduciary Funds:** The County is the trustee, or fiduciary, for assets that belong to others, such as deposits. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The County excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the County as a Whole

The net position of the County's primary government's governmental activities decreased 1.9% to approximately \$109,754. The majority of the net position is invested in capital assets such as buildings, roads and equipment. Long-term liabilities of the County's primary government's governmental activities have increased 54.4% primarily due to the net pension liability in the amount of \$16,294, which is a \$12,866 increase from the prior year. The unrestricted net deficit in the County's business-type activities decreased 34.0% primarily due to the Nursing Home receiving IGT revenue in 2016.

County of Genesee, New York - Primary Government Condensed Statement of Net Position (in thousands of dollars)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2016	2015		2016	2015	
Current and other assets	\$ 44,893	\$ 53,125	-15.50%	\$ 16,990	\$ 19,826	-14.30%
Capital assets, net	104,328	97,901	6.56%	6,239	7,008	-10.97%
Total assets	149,221	151,026	-1.20%	23,229	26,834	-13.43%
Deferred outflows of resources	17,038	3,753	100.00%	3,796	794	100.00%
Long-term liabilities	39,816	25,792	54.37%	25,805	23,828	8.30%
Other liabilities	14,082	16,750	-15.93%	7,776	14,548	-46.55%
Total liabilities	53,898	42,542	26.69%	33,581	38,376	-12.49%
Deferred inflows of resources	2,607	405	543.70%	600	96	525.00%
Net investment in capital assets	94,578	87,063	8.63%	6,239	6,046	3.19%
Restricted	1,414	1,642	-13.89%	5,568	5,322	4.62%
Unrestricted (deficit)	13,762	23,127	-40.49%	(18,963)	(22,212)	14.63%
Total net position (deficit)	\$ 109,754	\$ 111,832	-1.86%	\$ (7,156)	\$ (10,844)	34.01%

Governmental activities. Governmental activities decreased the County's net position by \$2,078, primarily from the County funded portion of outlays for ongoing capital projects.

County of Genesee, New York
Changes in Net Position - Primary Government
(in thousands of dollars)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2016	2015		2016	2015	
Program Revenues:						
Charges for services	\$ 13,550	\$ 12,958	4.57%	\$ 31,500	\$ 29,305	7.49%
Tobacco settlement revenues	-	-	0.00%	969	1,450	-33.17%
Operating grants and contributions	22,445	20,845	7.68%	-	-	0.00%
Capital grants and contributions	8,577	5,824	47.27%	-	-	0.00%
General Revenues:						
Property taxes, special assessments and property tax items	28,254	28,235	0.07%	-	-	0.00%
Non-property taxes	38,178	38,989	-2.08%	-	-	0.00%
Interest earnings	711	668	6.44%	43	40	7.50%
Miscellaneous	592	1,155	-48.74%	1,286	1,913	-32.78%
Premium on obligation	-	58	100.00%	-	-	0.00%
Gain on sale of asset	27	5	-440.00%	-	-	0.00%
Capital contributions	672	-	-100.00%	-	-	0.00%
Total revenues	113,006	108,737	3.93%	33,798	32,708	3.33%
Program Expenses:						
General government	29,515	18,120	62.89%	-	-	0.00%
Education	14,813	6,196	139.07%	-	-	0.00%
Public safety	17,986	16,124	11.55%	-	-	0.00%
Health	9,723	4,220	130.40%	-	-	0.00%
Transportation	5,383	18,075	-70.22%	-	-	0.00%
Economic assistance and opportunity	33,658	28,263	19.09%	-	-	0.00%
Culture and recreation	1,226	1,109	10.55%	-	-	0.00%
Home and community service	1,013	937	8.11%	-	-	0.00%
Nursing home	-	-	0.00%	19,734	17,558	12.39%
TASC	-	-	0.00%	1,166	1,191	-2.10%
Self insurance	-	-	0.00%	10,741	10,927	-1.70%
Workers' compensation	-	-	0.00%	2,135	2,056	3.84%
Water	-	-	0.00%	3,654	3,417	6.94%
Interest on debt	655	628	4.30%	-	-	0.00%
Total expenses	113,972	93,672	21.67%	37,430	35,149	6.49%

County of Genesee, New York
Changes in Net Position - Primary Government
(in thousands of dollars)
(Continued)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	2016	2015		2016	2015	
Income (loss) before transfers	(966)	15,065	-21933%	(3,632)	(2,441)	-48.79%
Transfers	(1,112)	(1,108)	0%	1,112	1,108	0.36%
Intergovernmental transfer for rate enhancement	-	-	0.00%	6,208	-	100.00%
Total transfers	(1,112)	(1,108)	-0.36%	7,320	1,108	560.65%
Change in net position	(2,078)	13,957	-1030%	3,688	(1,333)	-376.67%
Net position (deficit) - beginning	111,832	97,875	14.26%	(10,844)	(9,511)	14.02%
Net position (deficit) - ending	\$ 109,754	\$ 111,832	-1.86%	\$ (7,156)	\$ (10,844)	34.01%

Governmental activities decreased the County's net position by \$2,078, primarily from the County funded portion of outlays for ongoing capital projects. Business activities increased the County's net position by \$3,688, primarily due to the Nursing Home receiving IGT revenue in 2016.

Governmental Activities

The following table presents the cost of nine major County activities: general government, education, public safety, health, transportation, economic assistance, culture and recreation, home and community service, and interest on debt. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the County's taxpayers by each of these functions.

County of Genesee, New York
Net Cost of Governmental Activities - Primary Government
(in thousands of dollars)

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2016	2015		2016	2015	
General government	\$ 29,515	\$ 18,120	62.89%	\$ 24,476	\$ 13,416	82.44%
Education	14,813	6,196	139.07%	13,385	4,744	182.15%
Public safety	17,986	16,124	11.55%	9,750	13,242	-26.37%
Health	9,723	4,220	130.40%	1,556	(3,932)	-139.57%
Transportation	5,383	18,075	-70.22%	(263)	10,144	-102.59%
Economic assistance and opportunity	33,658	28,263	19.09%	20,208	16,185	24.86%
Culture and recreation	1,226	1,109	10.55%	787	255	208.63%
Home and community service	1,013	937	8.11%	(1,154)	(638)	-80.88%
Interest on debt	655	628	4.30%	655	628	4.30%
Total	<u>\$ 113,972</u>	<u>\$ 93,672</u>	<u>21.67%</u>	<u>\$ 69,400</u>	<u>\$ 54,044</u>	<u>28.41%</u>

- Fluctuations within the functions is primarily due to capitalization of assets and the New York State Retirement System liability reported pursuant to GASB Statement No. 68.

Financial Analysis of The County's Funds

- The fund balance of the General Fund decreased approximately \$3,068 from 2015. In the 2017 budget the County budgeted \$1,000 of fund balance to be used for the ensuing year. The unassigned portion of fund balance, formerly called undesignated fund balance, increased \$1,180 in 2016, with a December 31, 2016 balance of \$10,020.
- The net position of the County Nursing Home Enterprise Fund increased approximately \$2,436 from 2015. The unrestricted portion of net position (deficit) decreased from a \$3,996 deficit in 2015 to a \$1,754 deficit balance in 2016.

County of Genesee, New York Revenues, Expenditures/Expenses and Changes in Fund Balance/Net Position - Major Governmental Funds and Proprietary Funds - Primary Government (in thousands of dollars)			
	2016		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Position</u>
General Fund	\$ 101,040	\$ 104,108	\$ 22,635
Capital Projects Fund	9,802	16,178	6,559
Nursing Home	22,169	19,734	4,485
TASC	973	1,167	(17,775)
Self Insurance	10,800	10,831	4,413
Workers' Compensation	3,311	2,150	(169)
	2015		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Position</u>
General Fund	\$ 99,709	\$ 97,598	\$ 25,703
Capital Projects Fund	17,410	10,831	12,935
Nursing Home	14,921	17,558	2,050
TASC	1,450	1,191	(17,581)
Self Insurance	10,505	10,927	4,444
Workers' Compensation	2,576	2,056	(1,330)

The revenues and expenditures above include other financing sources or uses.

General Fund Budgetary Highlights

The original budget differs from the final modified budget due to the fact the County does not budget for certain things that may or may not occur during the year. Due to this uncertainty, the County anticipates modifying the budget during the year when the uncertainty becomes clearer. Increases reflected in the modified budget resulted from federal and state awards.

The general fund expended 93.1% of the budgeted amount allowed.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$100,817 (net of related debt). This investment in capital assets includes land, construction in process, buildings, improvements, vehicles and equipment and infrastructure. Additional information on the County's capital assets can be found in Note 3.C to the financial statements.

County of Genesee, New York				
Capital Assets Net of Depreciation - Primary Government				
(in thousands of dollars)				
	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Land	\$ 2,573	\$ 2,573	\$ -	\$ -
Buildings and improvements	45,346	38,913	4,632	5,179
Machinery & equipment	3,529	3,266	1,607	1,829
Other capital assets	9,148	10,377	-	-
Infrastructure	43,319	42,213	-	-
Internal service - motor pool	413	559	-	-
Total	<u>\$ 104,328</u>	<u>\$ 97,901</u>	<u>\$ 6,239</u>	<u>\$ 7,008</u>

Long-Term Obligations

At the end of the current year, the County's Governmental Activities had total bonded debt outstanding of \$21,365. This entire amount is backed by the full faith and credit of the County of Genesee. Additional information on the County's long-term obligations can be found in Note 3.H of the financial statements. Following is a statement of outstanding obligations:

County of Genesee, New York
Outstanding Long-Term Obligations - Primary Government
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
General obligation bonds issued by the County of Genesee	\$ 21,365	\$ 23,611	\$ -	\$ 645
Plus: unamortized premium	135	221	-	61
Turbo term bonds and subordinate turbo CABs issued by the Tobacco Asset Securitization Corporation	-	-	15,069	15,899
Capital leases	-	-	-	253
Compensated absences	1,798	1,753	-	-
Other post employment benefits	224	207	40	53
Workers' compensation	-	-	6,948	6,913
Net pension liability	16,294	3,428	3,748	810
Total	<u>\$ 39,816</u>	<u>\$ 29,220</u>	<u>\$ 25,805</u>	<u>\$ 24,634</u>

Factors Bearing on the County's Future

- Contractual COLA adjustments as well as the continual increases in health coverage will again have a significant impact on the County's operating budget. As the County is primarily service oriented, the largest portion of the budget is allocated for personnel and benefits.
- The 2016 County tax rate remained flat compared to the 2015 tax rate. The County did not exceed the tax cap with the 2016 budget.
- The County has continued to maintain a favorable AA- bond rating with Standard & Poor's in 2016. This rating reflects well on the financial standing of the County.
- New York State employer retirement rates for the County are expected to be level over the next couple of years.
- Sales tax revenue has slightly decreased over the past few years. The decline in fuel prices over this time period is a contributing factor as the County collects a large percentage of sales tax revenue from motor fuel sales. Another major factor is the erosion of the sales tax base as more sales are made online from vendors that are not required to collect sales tax. This will continue to be an area of concern looking into the future until legislation is passed to require all online sales to be taxed.

Factors Bearing on the County's Future (continued)

- The County's ability to handle ever increasing State mandates has been greatly limited due to the tax cap passed by the State Legislature. This legislation caps the County's ability to raise the tax levy by 2% or the rate of inflation, which ever is lower. While the County has been able to successfully limit the growth in its taxy levy over the last several years, this legislation is still a concern for future budgets.
- The County owned Nursing Home transferred operations to a private company, Premier Genesee, as of January 1, 2017. The real estate portion of the sale took place as of February 2, 2017.

Contacting the County's Financial Management

This financial report is designed to provide the County's citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: County of Genesee, Scott D. German, County Treasurer, 15 Main Street, Batavia, New York 14020

COUNTY OF GENESEE, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 28,770,490	\$ 14,143,713	\$ 42,914,203	\$ 20,526,482
Cash and cash equivalents - restricted	165,266	954,529	1,119,795	-
Resident funds held in trust	-	1,309	1,309	-
Taxes receivable, net	3,236,613	-	3,236,613	-
Accounts receivable, net	1,744,676	3,285,028	5,029,704	13,263,072
State and federal receivables	7,067,679	-	7,067,679	-
Other receivables	-	3,234	3,234	-
Due from other governments	2,493,033	-	2,493,033	151,891
Due from fiduciary fund	303,238	(1,402,894)	(1,099,656)	-
Inventory	131,417	-	131,417	-
Prepays and other current assets	981,167	4,798	985,965	307,031
Other assets	-	-	-	6,864,440
Land held for investment	-	-	-	11,465,926
Capital assets not being depreciated	2,572,792	-	2,572,792	-
Capital assets, net of accumulated depreciation	101,754,849	6,239,170	107,994,019	35,163,369
Total assets	149,221,220	23,228,887	172,450,107	87,742,211
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	17,037,634	3,795,750	20,833,384	7,527,950
Total deferred outflows of resources	17,037,634	3,795,750	20,833,384	7,527,950
LIABILITIES				
Accounts payable	9,747,205	1,460,348	11,207,553	3,392,513
Accrued liabilities	-	2,315,929	2,315,929	60,750
Line of credit	-	-	-	681,991
Loans payable	-	-	-	5,196,487
Accrued interest payable	204,139	55,442	259,581	-
Accretion payable	-	3,890,748	3,890,748	-
Due to other governments	2,373,272	-	2,373,272	-
Due to third-party payors, net	-	23,000	23,000	-
Other liabilities	-	-	-	2,520,238
Agency liabilities	-	-	-	1,764,915
Unearned revenues	1,757,616	29,588	1,787,204	8,599,860
Restricted liabilities	-	1,309	1,309	97,750
Noncurrent liabilities:				
Due and payable within one year	1,775,667	296,854	2,072,521	1,017,729
Due and payable after one year	38,040,173	25,508,312	63,548,485	14,616,621
Total liabilities	53,898,072	33,581,530	87,479,602	37,948,854
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	2,607,178	599,652	3,206,830	964,169
NYS tuition assistance	-	-	-	1,095,557
Total deferred inflows of resources	2,607,178	599,652	3,206,830	2,059,726
NET POSITION (DEFICIT)				
Net investment in capital assets	94,577,961	6,239,170	100,817,131	28,298,801
Restricted for:				
Capital projects	1,041,086	-	1,041,086	-
Debt service	165,266	-	165,266	-
Miscellaneous	207,619	5,567,666	5,775,285	-
Nonexpendable	-	-	-	3,929,588
Expendable	-	-	-	4,311,739
Unrestricted (deficit)	13,761,672	(18,963,381)	(5,201,709)	18,721,453
Total net position (deficit)	\$ 109,753,604	\$ (7,156,545)	\$ 102,597,059	\$ 55,261,581

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 29,515,234	\$ 4,109,016	\$ 809,334	\$ 121,366	\$ (24,475,518)	\$ -	\$ (24,475,518)	\$ -
Education	14,812,872	556,293	871,435	-	(13,385,144)	-	(13,385,144)	-
Public safety	17,985,535	571,511	1,914,961	5,748,649	(9,750,414)	-	(9,750,414)	-
Health	9,722,856	3,717,954	4,448,858	-	(1,556,044)	-	(1,556,044)	-
Transportation	5,382,544	2,904,354	33,668	2,707,043	262,521	-	262,521	-
Economic assistance and opportunity	33,657,998	938,097	12,511,862	-	(20,208,039)	-	(20,208,039)	-
Culture and recreation	1,226,468	152,554	287,185	-	(786,729)	-	(786,729)	-
Home and community services	1,013,508	600,000	1,567,626	-	1,154,118	-	1,154,118	-
Interest on debt	654,985	-	-	-	(654,985)	-	(654,985)	-
Total governmental activities	<u>113,972,000</u>	<u>13,549,779</u>	<u>22,444,929</u>	<u>8,577,058</u>	<u>(69,400,234)</u>	<u>-</u>	<u>(69,400,234)</u>	<u>-</u>
Business-type activities:								
Nursing Home	19,734,012	22,093,659	-	-	-	2,359,647	2,359,647	-
TASC	1,166,511	969,387	-	-	-	(197,124)	(197,124)	-
Self Insurance	10,741,212	9,445,284	-	-	-	(1,295,928)	(1,295,928)	-
Workers' Compensation	2,135,720	2,703,087	-	-	-	567,367	567,367	-
Water	3,654,066	3,466,277	-	-	-	(187,789)	(187,789)	-
Total business-type activities	<u>37,431,521</u>	<u>38,677,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,246,173</u>	<u>1,246,173</u>	<u>-</u>
Total primary government	<u>\$ 151,403,521</u>	<u>\$ 52,227,473</u>	<u>\$ 22,444,929</u>	<u>\$ 8,577,058</u>	<u>(69,400,234)</u>	<u>1,246,173</u>	<u>(68,154,061)</u>	<u>-</u>
Component units:								
Community College	\$ 50,974,116	\$ 50,995,285	\$ -	\$ -	-	-	-	21,169
Economic Development Center	1,378,044	804,476	-	-	-	-	-	(573,568)
Soil and Water Conservation District (unaudited)	402,733	948,605	-	-	-	-	-	545,872
Total component units	<u>\$ 52,754,893</u>	<u>\$ 52,748,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,527)</u>
General revenues:								
Real property taxes					27,199,344	-	27,199,344	-
Real property tax items					1,054,194	-	1,054,194	-
Non-property taxes					38,178,025	-	38,178,025	-
Interest income					711,071	42,810	753,881	301,954
Miscellaneous local sources					591,900	1,286,150	1,878,050	2,409,413
Gain on sale of capital assets					27,215	-	27,215	-
Capital contributions					672,000	-	672,000	6,203,136
Transfers					(1,112,349)	1,112,349	-	-
Total general revenues and transfers					<u>67,321,400</u>	<u>2,441,309</u>	<u>69,762,709</u>	<u>8,914,503</u>
Change in net position					(2,078,834)	3,687,482	1,608,648	8,907,976
Net position (deficit) - beginning					<u>111,832,438</u>	<u>(10,844,027)</u>	<u>100,988,411</u>	<u>46,353,605</u>
Net position (deficit) - ending					<u>\$ 109,753,604</u>	<u>\$ (7,156,545)</u>	<u>\$ 102,597,059</u>	<u>\$ 55,261,581</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 22,907,065	\$ 5,345,990	\$ 494,758	\$ 28,747,813
Cash and cash equivalents - restricted	165,266	-	-	165,266
Taxes receivable, net	3,236,613	-	-	3,236,613
Accounts receivable	1,307,326	-	403,955	1,711,281
Due from other funds	835,679	2,011,877	101,171	2,948,727
Due from other governments	2,493,033	-	-	2,493,033
State and federal receivables	4,457,148	1,674,890	935,641	7,067,679
Inventory	-	-	131,417	131,417
Prepaid items	904,412	-	76,755	981,167
Total assets	<u>\$ 36,306,542</u>	<u>\$ 9,032,757</u>	<u>\$ 2,143,697</u>	<u>\$ 47,482,996</u>
LIABILITIES				
Accounts payable	\$ 7,001,196	\$ 2,473,733	\$ 260,556	\$ 9,735,485
Due to other funds	1,524,891	27	1,019,401	2,544,319
Due to other governments	2,373,272	-	-	2,373,272
Unearned revenues	1,745,575	-	12,041	1,757,616
Total liabilities	<u>12,644,934</u>	<u>2,473,760</u>	<u>1,291,998</u>	<u>16,410,692</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>1,026,714</u>	<u>-</u>	<u>-</u>	<u>1,026,714</u>
FUND BALANCES				
Nonspendable	904,412	-	208,172	1,112,584
Restricted	1,413,971	-	-	1,413,971
Assigned	10,296,805	6,558,997	643,527	17,499,329
Unassigned	<u>10,019,706</u>	<u>-</u>	<u>-</u>	<u>10,019,706</u>
Total fund balances	<u>22,634,894</u>	<u>6,558,997</u>	<u>851,699</u>	<u>30,045,590</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,306,542</u>	<u>\$ 9,032,757</u>	<u>\$ 2,143,697</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation, excluding internal service fund capital assets included below (\$412,875)	103,914,766
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(21,499,946)
Compensated absences	(1,797,716)
Other post employment benefits	(223,988)
Net accrued interest expense for bonds not reported in the funds	(204,139)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	1,026,714
Internal service net position which is due to governmental activities and related to charges for services provided	356,057
Pension liabilities are not due and payable in the current period and therefore are not reported in the funds	(16,294,190)
Deferred outflow and inflows are not assets or liabilities of the current period and therefore are not reported in the funds	<u>14,430,456</u>
Net position of governmental activities	<u>\$ 109,753,604</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 27,232,015	\$ -	\$ -	\$ 27,232,015
Real property tax items	1,054,194	-	-	1,054,194
Non-property tax items	38,178,025	-	-	38,178,025
Departmental income	7,315,106	-	232,505	7,547,611
Intergovernmental charges	1,258,997	-	97,000	1,355,997
Use of money and property	662,073	25,585	23,413	711,071
Licenses and permits	43,006	-	17,624	60,630
Fines and forfeitures	179,099	-	-	179,099
Sale of property and compensation for loss	365,906	-	803,809	1,169,715
Miscellaneous local sources	589,492	600,000	2,408	1,191,900
Interfund revenues	1,424,170	-	1,066,446	2,490,616
State sources	12,688,521	6,091,223	2,055,925	20,835,669
Federal sources	9,394,066	308,544	483,708	10,186,318
Total revenues	<u>100,384,670</u>	<u>7,025,352</u>	<u>4,782,838</u>	<u>112,192,860</u>
EXPENDITURES				
Current:				
General government	28,573,803	-	-	28,573,803
Education	4,821,365	-	-	4,821,365
Public safety	15,838,899	-	106,467	15,945,366
Health	9,500,964	-	-	9,500,964
Transportation	751,970	-	6,485,005	7,236,975
Economic assistance and opportunity	32,497,451	-	735,725	33,233,176
Culture and recreation	1,201,001	-	-	1,201,001
Home and community services	999,202	-	-	999,202
Debt service:				
Principal	2,246,464	-	-	2,246,464
Interest	853,462	-	-	853,462
Capital outlay:				
General government	-	298,349	-	298,349
Education	-	9,991,507	-	9,991,507
Public safety	-	1,692,047	-	1,692,047
Transportation	-	3,655,677	-	3,655,677
Total expenditures	<u>97,284,581</u>	<u>15,637,580</u>	<u>7,327,197</u>	<u>120,249,358</u>
Excess (deficit) of revenues over expenditures	<u>3,100,089</u>	<u>(8,612,228)</u>	<u>(2,544,359)</u>	<u>(8,056,498)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	655,817	2,776,940	4,875,312	8,308,069
Interfund transfers out	(6,823,676)	(540,817)	(2,055,925)	(9,420,418)
Total other financing sources (uses)	<u>(6,167,859)</u>	<u>2,236,123</u>	<u>2,819,387</u>	<u>(1,112,349)</u>
Net change in fund balances	(3,067,770)	(6,376,105)	275,028	(9,168,847)
Fund balances - beginning	<u>25,702,664</u>	<u>12,935,102</u>	<u>576,671</u>	<u>39,214,437</u>
Fund balances - ending	<u>\$ 22,634,894</u>	<u>\$ 6,558,997</u>	<u>\$ 851,699</u>	<u>\$ 30,045,590</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds \$ (9,168,847)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$10,698,679) exceeded depreciation (\$4,576,543) in the current period. The internal service is excluded from these amounts. 6,122,136

The net effect of various miscellaneous transactions involving capital assets (i.e. sales; capital contribution) is to increase net position. 450,493

Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the statement of activities. (32,671)

Long-term liabilities, including bonds payable, compensated absences and other post employment benefits are not due and payable in the current period and therefore are not reported in the funds. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of serial bonds	\$ 2,246,464	
Premium amortization	85,532	
Change in compensated absences	(44,613)	
Change in other post employment benefits	<u>(16,737)</u>	2,270,646

Interest on debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due and payable, and thus require current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 112,945

Change in the proportionate share of net pension liability reported in the statement of net position does not provide for or require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. (12,866,191)

Change in the proportionate share of the net deferred inflows and outflows reported in the statement of net position during the measurement period between the County's contributions and its proportionate share to the total contributions to the pension system subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 11,081,677

Internal service fund is used by management to charge the costs of the motor pool. The change in the net position for such services is reported with governmental activities. (49,022)

Change in net position of governmental activities \$ (2,078,834)

COUNTY OF GENESEE, NEW YORK
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities
	Nursing Home	TASC	Self Insurance	Workers' Compensation	Nonmajor Water Fund	Total	Internal Service Fund
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 666,850	\$ 283,262	\$ 5,810,668	\$ 5,685,457	\$ 1,697,476	\$ 14,143,713	\$ 22,677
Accounts receivable, net	2,053,586	-	444,114	-	787,328	3,285,028	33,395
Other receivables	3,234	-	-	-	-	3,234	-
Due from other funds	-	-	24,159	1,106,769	-	1,130,928	-
Prepaid items	-	4,798	-	-	-	4,798	-
Total current assets	<u>2,723,670</u>	<u>288,060</u>	<u>6,278,941</u>	<u>6,792,226</u>	<u>2,484,804</u>	<u>18,567,701</u>	<u>56,072</u>
Noncurrent assets:							
Resident funds held in trust	1,309	-	-	-	-	1,309	-
Cash and cash equivalents - restricted	-	954,529	-	-	-	954,529	-
Capital assets, net of accumulated depreciation	6,239,170	-	-	-	-	6,239,170	412,875
Total noncurrent assets	<u>6,240,479</u>	<u>954,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,195,008</u>	<u>412,875</u>
Total assets	<u>8,964,149</u>	<u>1,242,589</u>	<u>6,278,941</u>	<u>6,792,226</u>	<u>2,484,804</u>	<u>25,762,709</u>	<u>468,947</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred pension outflows	<u>3,795,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,795,750</u>	<u>-</u>
Total deferred outflows of resources	<u>3,795,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,795,750</u>	<u>-</u>
LIABILITIES							
Current liabilities:							
Accounts payable	727,565	1,896	122,473	12,581	595,833	1,460,348	11,720
Accrued liabilities	602,453	-	1,713,476	-	-	2,315,929	-
Accrued interest payable	-	55,442	-	-	-	55,442	-
Accretion payable	-	3,890,748	-	-	-	3,890,748	-
Due to other funds	2,532,686	-	-	1,136	-	2,533,822	101,170
Due to third-party payors, net	23,000	-	-	-	-	23,000	-
Unearned revenues	-	-	29,588	-	-	29,588	-
Restricted liabilities	1,309	-	-	-	-	1,309	-
Accrued and unpaid claim liabilities	-	-	-	166,854	-	166,854	-
Serial bonds payable	-	130,000	-	-	-	130,000	-
Total current liabilities	<u>3,887,013</u>	<u>4,078,086</u>	<u>1,865,537</u>	<u>180,571</u>	<u>595,833</u>	<u>10,607,040</u>	<u>112,890</u>
Noncurrent liabilities:							
Accrued and unpaid claim liabilities	-	-	-	6,781,146	-	6,781,146	-
Serial bonds payable	-	14,939,376	-	-	-	14,939,376	-
Other post employment benefits	40,118	-	-	-	-	40,118	-
Net pension liability	<u>3,747,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,747,672</u>	<u>-</u>
Total noncurrent liabilities	<u>3,787,790</u>	<u>14,939,376</u>	<u>-</u>	<u>6,781,146</u>	<u>-</u>	<u>25,508,312</u>	<u>-</u>
Total liabilities	<u>7,674,803</u>	<u>19,017,462</u>	<u>1,865,537</u>	<u>6,961,717</u>	<u>595,833</u>	<u>36,115,352</u>	<u>112,890</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Nursing Home	TASC	Self Insurance	Workers' Compensation	Nonmajor Water Fund	Internal Service Fund
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	599,652	-	-	-	-	599,652
Deferred inflows of resources	599,652	-	-	-	-	599,652
NET POSITION (DEFICIT)						
Net investment in capital assets	6,239,170	-	-	-	-	6,239,170
Restricted	-	1,237,791	4,329,875	-	-	5,567,666
Unrestricted (deficit)	(1,753,726)	(19,012,664)	83,529	(169,491)	1,888,971	(18,963,381)
Total net position (deficit)	\$ 4,485,444	\$ (17,774,873)	\$ 4,413,404	\$ (169,491)	\$ 1,888,971	\$ (7,156,545)

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities
	Nursing Home	TASC	Self Insurance	Workers' Compensation	Nonmajor Water Fund	Total	Internal Service Fund
OPERATING REVENUES							
Charges for services	\$ 15,885,674	\$ -	\$ 9,445,284	\$ 2,703,087	\$ 3,466,277	\$ 31,500,322	\$ 225,307
Tobacco settlement revenues	-	969,387	-	-	-	969,387	-
Other operating revenues	73,626	-	1,159,740	52,784	-	1,286,150	-
Total operating revenues	<u>15,959,300</u>	<u>969,387</u>	<u>10,605,024</u>	<u>2,755,871</u>	<u>3,466,277</u>	<u>33,755,859</u>	<u>225,307</u>
OPERATING EXPENSES							
Salaries, wages and employee benefits	10,683,700	-	10,126,880	28,401	-	20,838,981	-
Contractual expenses	7,382,491	26,692	614,332	2,107,319	3,654,066	13,784,900	134,334
Depreciation and amortization	956,258	-	-	-	-	956,258	167,210
NYS assessment	678,673	-	-	-	-	678,673	-
Interest expense	32,890	-	-	-	-	32,890	-
Total operating expenses	<u>19,734,012</u>	<u>26,692</u>	<u>10,741,212</u>	<u>2,135,720</u>	<u>3,654,066</u>	<u>36,291,702</u>	<u>301,544</u>
Operating income (loss)	<u>(3,774,712)</u>	<u>942,695</u>	<u>(136,188)</u>	<u>620,151</u>	<u>(187,789)</u>	<u>(2,535,843)</u>	<u>(76,237)</u>
NONOPERATING REVENUES (EXPENSES)							
Accretion	-	(488,923)	-	-	-	(488,923)	-
Interest income	2,403	3,379	15,081	17,824	4,123	42,810	-
Proceeds from sale of capital assets	-	-	-	-	-	-	27,215
Intergovernmental transfers	6,207,985	-	-	-	-	6,207,985	-
Interest expense	-	(650,896)	-	-	-	(650,896)	-
Total nonoperating revenues (expenses)	<u>6,210,388</u>	<u>(1,136,440)</u>	<u>15,081</u>	<u>17,824</u>	<u>4,123</u>	<u>5,110,976</u>	<u>27,215</u>
Income (loss) before transfers	2,435,676	(193,745)	(121,107)	637,975	(183,666)	2,575,133	(49,022)
Transfers in	-	-	180,100	537,249	515,000	1,232,349	-
Transfers out	<u>-</u>	<u>-</u>	<u>(90,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(120,000)</u>	<u>-</u>
Change in net position	2,435,676	(193,745)	(31,007)	1,160,224	316,334	3,687,482	(49,022)
Net position (deficit) - beginning	<u>2,049,768</u>	<u>(17,581,128)</u>	<u>4,444,411</u>	<u>(1,329,715)</u>	<u>1,572,637</u>	<u>(10,844,027)</u>	<u>405,079</u>
Net position (deficit) - ending	<u>\$ 4,485,444</u>	<u>\$ (17,774,873)</u>	<u>\$ 4,413,404</u>	<u>\$ (169,491)</u>	<u>\$ 1,888,971</u>	<u>\$ (7,156,545)</u>	<u>\$ 356,057</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities
	Nursing Home	TASC	Self Insurance	Workers' Compensation	Nonmajor Water Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 15,487,622	\$ -	\$ 9,367,181	\$ 2,700,822	\$ 3,380,381	\$ 30,936,006	\$ 228,418
Payments to suppliers	(12,462,218)	(52,951)	(602,257)	(2,130,648)	(3,651,463)	(18,899,537)	(264,966)
Payments to employees	(5,623,415)	-	(10,126,880)	(28,401)	-	(15,778,696)	-
Proceeds from tobacco receipts	-	1,618,387	-	-	-	1,618,387	-
Other operating revenue	-	-	1,159,740	52,784	-	1,212,524	-
Interest paid	(47,959)	-	-	-	-	(47,959)	-
Net cash provided (used) by operating activities	(2,645,970)	1,565,436	(202,216)	594,557	(271,082)	(959,275)	(36,548)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Other nonoperating revenues	6,207,985	-	-	-	-	6,207,985	-
Operating subsidies and transfers from other funds	1,463,056	-	65,941	(94,711)	500,000	1,934,286	(24,111)
Net cash provided (used) by noncapital financing activities	7,671,041	-	65,941	(94,711)	500,000	8,142,271	(24,111)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets	(71,553)	-	-	-	-	(71,553)	(21,212)
Proceeds from sale of assets	-	-	-	-	-	-	27,215
Payments on capital lease payable	(252,499)	-	-	-	-	(252,499)	-
Repayment of serial bonds	(762,593)	(830,000)	-	-	-	(1,592,593)	-
Interest payments	-	(650,896)	-	-	-	(650,896)	-
Repayment of revenue anticipation notes	(6,000,000)	-	-	-	-	(6,000,000)	-
Net cash provided (used) by capital and related financing activities	(7,086,645)	(1,480,896)	-	-	-	(8,567,541)	6,003
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income	2,403	3,379	15,081	17,824	4,123	42,810	-
Net cash provided by investing activities	2,403	3,379	15,081	17,824	4,123	42,810	-
Net increase (decrease) in cash and cash equivalents	(2,059,171)	87,919	(121,194)	517,670	233,041	(1,341,735)	(54,656)
Cash and cash equivalents - beginning	2,726,021	1,149,872	5,931,862	5,167,787	1,464,435	16,439,977	77,333
Cash and cash equivalents - ending	\$ 666,850	\$ 1,237,791	\$ 5,810,668	\$ 5,685,457	\$ 1,697,476	\$ 15,098,242	\$ 22,677
Reconciliation of cash and cash equivalents to the statement of financial position							
Cash and cash equivalents	666,850	283,262	5,810,668	5,685,457	1,697,476	14,143,713	22,677
Cash and cash equivalents - restricted	-	954,529	-	-	-	954,529	-
Total cash and cash equivalents	\$ 666,850	\$ 1,237,791	\$ 5,810,668	\$ 5,685,457	\$ 1,697,476	\$ 15,098,242	\$ 22,677

See noted to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds						Governmental Activities
	Nursing Home	TASC	Self Insurance	Workers' Compensation	Nonmajor Water Fund	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (3,774,712)	\$ 942,695	\$ (136,188)	\$ 620,151	\$ (187,789)	\$ (2,535,843)	\$ (76,237)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	956,258	-	-	-	-	956,258	167,210
Change in provision for doubtful accounts	479,439	-	-	-	-	479,439	-
Amortization expense	(63,269)	-	-	-	-	(63,269)	-
Changes in assets and liabilities:							
Decrease (increase) in:							
Accounts receivable	(1,050,391)	649,000	(104,291)	-	(85,896)	(591,578)	3,111
Other receivables	(2,055)	-	-	-	-	(2,055)	-
Due from third-party payors, net	101,329	-	-	-	-	101,329	-
Prepaid items	18,348	1,789	-	-	-	20,137	-
Increase (decrease) in:							
Accounts payable	198,147	81	79,396	(58,052)	2,603	222,175	(130,632)
Accrued liabilities	64,689	(28,129)	(67,321)	-	-	(30,761)	-
Net pension liability and deferred resources	438,573	-	-	-	-	438,573	-
Accrued and unpaid claim liabilities	-	-	-	34,723	-	34,723	-
Unearned revenues	-	-	26,188	(2,265)	-	23,923	-
Other postemployment benefits	(12,326)	-	-	-	-	(12,326)	-
Net cash provided (used) by operating activities	<u>\$ (2,645,970)</u>	<u>\$ 1,565,436</u>	<u>\$ (202,216)</u>	<u>\$ 594,557</u>	<u>\$ (271,082)</u>	<u>\$ (959,275)</u>	<u>\$ (36,548)</u>
Supplemental disclosure of cash flow information:							
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 650,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,896</u>	<u>\$ -</u>

See noted to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF NET POSITION - COMPONENT UNITS
DECEMBER 31, 2016

	Community College	Economic Development Center	Soil and Water Conservation District (Unaudited)	Total
ASSETS				
Cash and cash equivalents	\$ 17,560,884	\$ 2,318,019	\$ 647,579	\$ 20,526,482
Other receivables, net	11,449,271	1,813,371	430	13,263,072
Due from other governments	-	-	151,891	151,891
Prepays and current assets	275,023	25,979	6,029	307,031
Other assets	6,864,440	-	-	6,864,440
Land held for investment	-	11,465,926	-	11,465,926
Capital assets, net of accumulated depreciation	35,159,624	3,745	-	35,163,369
Total assets	<u>71,309,242</u>	<u>15,627,040</u>	<u>805,929</u>	<u>87,742,211</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	7,046,468	481,482	-	7,527,950
Total deferred outflows of resources	<u>7,046,468</u>	<u>481,482</u>	<u>-</u>	<u>7,527,950</u>
LIABILITIES				
Accounts payable	3,102,067	283,987	6,459	3,392,513
Loans payable	-	5,196,487	-	5,196,487
Accrued liabilities	28,373	32,377	-	60,750
Customer deposits	97,750	-	-	97,750
Line of credit	-	681,991	-	681,991
Other liabilities	2,520,017	-	221	2,520,238
Agency liabilities	1,764,915	-	-	1,764,915
Unearned revenues	7,938,193	509,980	151,687	8,599,860
Aggregated net pension liability	5,011,553	476,328	-	5,487,881
Current portion of long-term liabilities:				
Mortgages payable	417,729	-	-	417,729
Grant payable	600,000	-	-	600,000
Long-term liabilities:				
Annuities payable	23,991	-	-	23,991
Compensated absences	1,068,928	-	-	1,068,928
Grant payable	1,588,982	-	-	1,588,982
Mortgages payable	6,446,839	-	-	6,446,839
Total liabilities	<u>30,609,337</u>	<u>7,181,150</u>	<u>158,367</u>	<u>37,948,854</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	861,664	102,505	-	964,169
NYS tuition assistance	1,095,557	-	-	1,095,557
Total deferred inflows of resources	<u>1,957,221</u>	<u>102,505</u>	<u>-</u>	<u>2,059,726</u>
NET POSITION				
Net investment in capital assets	28,295,056	3,745	-	28,298,801
Restricted for:				
Nonexpendable	3,929,588	-	-	3,929,588
Expendable	3,971,461	340,278	-	4,311,739
Unrestricted	9,593,047	8,480,844	647,562	18,721,453
Total net position	<u>\$ 45,789,152</u>	<u>\$ 8,824,867</u>	<u>\$ 647,562</u>	<u>\$ 55,261,581</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Community College	Economic Development Center	Soil and Water Conservation District (Unaudited)	Total
OPERATING REVENUES				
Tuition and fees, net	\$ 11,444,609	\$ 148,286	\$ 50,732	\$ 11,643,627
Federal grants and contracts	13,871,425	-	5,000	13,876,425
State grants and contracts	1,225,949	-	713,221	1,939,170
Nongovernmental grants and contracts	444,799	-	-	444,799
Auxiliary enterprises	1,060,426	-	-	1,060,426
County of Genesee	-	215,014	168,768	383,782
Economic development program support	-	365,000	-	365,000
Interest income on loans	-	5,707	-	5,707
Rent	-	23,615	-	23,615
Gain on sale of land held for development & sale	-	39,135	-	39,135
Other revenues	907,497	7,719	10,884	926,100
Total operating revenues	<u>28,954,705</u>	<u>804,476</u>	<u>948,605</u>	<u>30,707,786</u>
OPERATING EXPENSES				
Salaries and benefits	-	962,455	225,596	1,188,051
Educational and general expenditures	35,260,956	-	-	35,260,956
Financial aid and scholarships	5,129,984	-	-	5,129,984
Operation and maintenance	4,723,041	-	-	4,723,041
Depreciation	2,002,529	1,629	-	2,004,158
General and administrative	-	413,960	177,137	591,097
Auxiliary expenses	3,823,777	-	-	3,823,777
Total operating expenses	<u>50,940,287</u>	<u>1,378,044</u>	<u>402,733</u>	<u>52,721,064</u>
Operating income (loss)	<u>(21,985,582)</u>	<u>(573,568)</u>	<u>545,872</u>	<u>(22,013,278)</u>
NONOPERATING REVENUES (EXPENSES)				
County appropriations	2,536,374	-	-	2,536,374
Other counties' appropriations	7,625,830	-	-	7,625,830
State appropriations	11,878,376	-	-	11,878,376
Investment income	301,227	547	180	301,954
Grant income	-	3,630,628	-	3,630,628
Grants expended	-	(1,221,215)	-	(1,221,215)
Loss on sale of capital assets	(33,829)	-	-	(33,829)
Total nonoperating revenues (expenses)	<u>22,307,978</u>	<u>2,409,960</u>	<u>180</u>	<u>24,718,118</u>
Income before capital appropriations and contributions	322,396	1,836,392	546,052	2,704,840
Capital appropriations - state and county	6,187,152	-	-	6,187,152
Capital contributions - private	15,984	-	-	15,984
Change in net position	6,525,532	1,836,392	546,052	8,907,976
Net position - beginning	<u>39,263,620</u>	<u>6,988,475</u>	<u>101,510</u>	<u>46,353,605</u>
Net position - ending	<u>\$ 45,789,152</u>	<u>\$ 8,824,867</u>	<u>\$ 647,562</u>	<u>\$ 55,261,581</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF NET POSITION - FIDUCIARY FUND
DECEMBER 31, 2016

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 694,829
Due from other funds	<u>1,099,664</u>
Total assets	<u>\$ 1,794,493</u>
LIABILITIES	
Agency liabilities	\$ 1,794,485
Due to other funds	<u>8</u>
Total liabilities	<u>\$ 1,794,493</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County of Genesee, New York (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as otherwise noted. 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.

A. REPORTING ENTITY

PRIMARY GOVERNMENT

The County of Genesee, State of New York was incorporated in 1802 and is governed by the County Law, local law and other general laws of the State of New York. The County Legislature, which is the legislative body responsible for the overall operation of the County, consists of nine members. The Chairman of the Legislature serves as Chief Executive Officer and the County Treasurer serves as a Chief Fiscal Officer. The County provides the following principle services: general governmental support, education, public safety, public health, transportation, highway construction and maintenance, economic assistance and opportunity, culture and recreation, and home and community service. In addition, the County is the sole member of the Genesee County Funding Corporation.

The financial reporting entity includes all organizational functions, and activities over which the County's elected officials exercise oversight responsibility. The oversight responsibility is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, a selection of government authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America, the financial statements of three component units have been included in the financial reporting entity as discretely presented component units. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

The Genesee County Economic Development Center (GCEDC) was established by the Genesee County Legislature to facilitate economic development in the County of Genesee, New York. The Board of Legislature appoints the directors of the GCEDC; however, the GCEDC members have complete responsibility for management of the GCEDC and accountability for fiscal matters. The GCEDC financial statements have been prepared on an accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). In order to ensure observance of limitations and restrictions placed on the use of resources available to the GCEDC, the accounts are maintained in accordance with the principles of fund accounting and reporting purposes into funds that are established according to their nature and purpose.

Separate accounts are maintained for each fund. The GCEDC is discretely presented as a component unit in the accompanying financial statements. A copy of the financial statements for the GCEDC may be obtained from the Director's Office, 99 Med Tech Drive, Suite 106, Batavia, New York 14020.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Genesee Community College (GCC) was established under the sponsorship of the County pursuant to the New York State Education Law. The operations of GCC are funded by New York State, the County and the students of GCC. GCC uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). During the year ended August 31, 2003, GCC implemented GASB Statement No. 34, No. 35 and No. 37. In accordance, the financial statements of GCC are required to present a statement of net position, a statement of revenues, expenses and changes in net position, that distinguish between operating and non-operating revenues and expenses, the recognition of depreciation on capital assets and a statement of cash flows using the direct method. The GCC Funds includes current and restricted accounts. The amounts included in the County's financial statements are as of and for the GCC's year ended August 31, 2016. A copy of the financial statements for GCC may be obtained from the Office of the Vice President of Finance and Operations, R. Stephen Hawley Drive, Batavia, New York 14020.

The Genesee County Soil and Water Conservation District (SWCD) was established in accordance with the Soil and Water Conservation Districts Law to provide for the conservation of the County's soil and water resources. Members of the SWCD's board of directors are appointed by the Legislature, and administrative costs of the SWCD are funded primarily through County appropriations. The SWCD derives other revenues and performs other activities outside the County's general oversight responsibilities. The directors of the SWCD have sole responsibility for management of the SWCD and full accountability for fiscal matters. The SWCD's financial statements are prepared on the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The SWCD is discretely presented as a component unit in the accompanying financial statements; however the SWCD financial statements included are unaudited. A copy of the financial statements for the SWCD may be obtained from the District Manager's Office, 29 Liberty Street, Suite 3, Batavia, New York 14020.

B. RELATED ORGANIZATION

In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs that the State and Local governments had incurred in treating smoking related illnesses. Under an agreement reached with the tobacco industry referred to as the Master Settlement Agreement (MSA), the State and Counties are entitled to receive annual payments. During 2000, the County sold its right to receive payments under the MSA to the Genesee Tobacco Asset Securitization Corporation (TASC) for \$10,154,624. The TASC is a related organization and is presented as a blended component unit based on the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and Statement No. 61, *The Financial Reporting Entity: Omnibus*. This criteria includes legal standing, fiscal dependency, and financial accountability. Although the County appoints the governing board of the TASC, they are not responsible for the operations of the TASC.

The financial statements of the TASC has been included with the primary government of Genesee County as a blended component unit. The TASC financial statements are presented in the proprietary fund statements and are blended with the business-type activities in the government-wide statements.

C. JOINT VENTURES

The following joint ventures are related to the County but are not included in the reporting entity:

1. WATERSHED PROTECTION DISTRICT

The County participates with the County of Orleans in the operations of the Oak Orchard Small Watershed Protection District. The Orleans County Treasurer acts as the entity's Chief Fiscal Officer and custodian, maintaining all accounting records.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary financial information from the Oak Orchard Small Watershed Protection District's unaudited financial statements for the year ended December 31, 2016 is as follows:

Assets	\$ 86,391
Liabilities	52
Fund balance	86,339
Total revenues	52,935
Total expenditures	71,629

2. SOLID WASTE

The County is a participant in the GLOW Region Solid Waste Management Committee. The GLOW Region Solid Waste Management Committee is organized under an inter-municipal agreement under the authority of Article 5-G of the General Municipal Law. The Committee consists of representatives from the counties of Genesee, Livingston, and Wyoming. The Committee addresses the collective waste disposal requirements of the three counties.

Summary financial information from the joint Committee's annual financial report update document for the year ended December 31, 2016 is as follows:

Assets	\$ 316,204
Liabilities	47,537
Fund balance	268,667
Total revenues	120,983
Total expenditures	114,537

D. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). The Statement of Net Position and the Statement of Activities present financial information about the reporting government as a whole and its component units. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operation or capital) grants while the capital grants column reflects capital-specific grants. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Direct revenues include charges paid by the recipients of goods or services offered by the County, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as direct revenues, including all taxes, are presented as general revenues.

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

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

Governmental Funds:

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

- a. General Fund - The General Fund is the general operating fund of the County. The fund is used to account for all financial resources except for those required to be accounted for in a separate fund.
- b. Capital Projects Fund - To account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the Enterprise Funds.

The County reports the following nonmajor funds consolidated into the nonmajor governmental funds column:

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes or for which separate accounting is required by administrative action.

County Road - To account for the repairs and maintenance of County roads in accordance with New York State Laws.

Road Machinery - To account for the purchase of highway machinery and equipment in accordance with New York State Laws.

Special Grant - To account for the use of Federal monies received under the Workforce Investment Act.

Proprietary Funds:

These funds are used to account for ongoing operations or activities, which are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position and cash flows. The County applies all applicable GASB pronouncements, as well as, Financial Accounting Standards Board's (FASB) Accounting Standards Codification unless these standards conflict with or contradict GASB pronouncements.

- a. Nursing Home - This fund is used to account for the Genesee County Nursing Home (the Home), which is not a separate legal entity from the County. An enterprise measurement focus is specifically required by the New York State Department of Health in the New York State Health Care Facility Accounting and Reporting Manual.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. TASC - This fund is used to report the assets, liabilities, revenues, expenses and net position of the Tobacco Asset Securitization Corp., a blended component unit of the County. A copy of the financial statements of the TASC may be obtained by contacting the County Treasurer.
- c. Self Insurance - The Self Insurance Fund is used to accumulate reserve funds to account for certain claims related to health insurance and to purchase insurance coverage from an insurance company.
- d. Workers' Compensation - The Workers' Compensation Fund is used to account for the accumulation of resources for payment of compensation, assessments and other obligations under the Workers' Compensation Law.

The County reports the following as a nonmajor enterprise fund:

Water Fund - This fund is used to account for activity of a county wide water project including transmission lines and operation of City water plant by the County.

Other Fund Types:

Internal Service Funds - are used to account for special activities or services provided by one department to other departments or to other governments on a cost-reimbursement basis. This fund includes the following:

- a. Motor Pool - The Motor Pool provides vehicles to County departments and other governments at the related costs.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, sales taxes, franchise 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. 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 sixty days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the County.

F. REVENUES AND EXPENDITURES/EXPENSES

1. PROGRAM REVENUES

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 operational 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 as program revenues.

2. PROPERTY TAXES

County real property taxes are levied annually no later than December 31 and become a lien on January 1. Taxes are collected during the period January 1 to April 1 by Town collectors. Taxes for County purposes apportioned to the area of the County outside the City of Batavia are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the towns. The collection of County taxes levied on properties within the City of Batavia is enforced by the City; the County receives the full amount of such taxes within the year of levy.

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

At December 31, 2016, the taxes receivable amounted to \$3,339,680 which is offset by an allowance for uncollected taxes of \$103,067. Current year returned village and school taxes of \$1,882,725 are offset by liabilities to the villages and school districts which will be paid no later than April 15, 2017. The remaining portion of tax assets is partially offset by unavailable revenue of \$1,026,714 which represents the tax liens which will not be collected within the first sixty (60) days of the subsequent year.

The New York State Constitution limits the amount of property taxes which may be raised for County purposes. The County had exhausted 60.40% of its constitutional tax limit as of December 31, 2016.

G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. CASH AND CASH EQUIVALENTS

The County's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of purchase.

2. RESTRICTED ASSETS

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond sales can only be used for the stated purpose of the borrowing.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. INVENTORY

All inventories are valued at cost using the first-in/first-out (FIFO) method for proprietary funds and include no realization reserve for the Road Machinery Fund. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

4. PREPAID ITEMS

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

5. ACCOUNTS RECEIVABLE

Accounts receivable for the Nursing Home are stated net of allowance for doubtful accounts. The Nursing Home management estimates this allowance based on its analysis of specific balances, taking into consideration the age of past due accounts, the status of billing process with third-party payers, the value of remaining assets held by residents, and anticipated collections resulting from legal action. The allowance for doubtful accounts amounted to \$715,000 at December 31, 2016.

Management has deemed all other accounts receivable for the primary government and blended component units to be fully collectable.

6. CAPITAL ASSETS

Government-wide statements:

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements.

Capital assets are defined by the County within the capitalization policies established by the County. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 25,000	50 years
Other capital assets	10,000	2-20 years
Machinery and equipment	10,000	5-35 years
Infrastructure:		
Roads and surfaces	10,000	25-50 years
Bridges	10,000	50 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

7. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category and it relates to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement period between the County's contributions and its proportional share of total contributions to the pension system not included in pension expense. See details of deferred pension outflows in Note 3.D.

In addition to liabilities, the statement of financial position 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 County has three types of items that qualify for reporting in this category. One item is related to pension activity reported in the government-wide Statement of Net Position. This represents the effect of the net change in the County's proportion of the collective net pension liability and difference during the measurement period between the County's contributions and its proportional share of total contributions to the pension system not included in pension expense. See details of deferred pension inflows in Note 3.D. Also, unavailable tax revenue is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Finally, tuition assistance payments received by Genesee Community College, on behalf of eligible students prior to the College's year end, have a time restriction as they are applicable to the following semester and are recorded as deferred inflows of resources on the statement of net position – component units.

8. UNEARNED REVENUES

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

9. COMPENSATED ABSENCES

Vacation

The County's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements.

A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

County employees may accumulate vacation time, subject to certain limitations, and carry it forward to subsequent years. The County's liability for earned and unused compensated absences was \$1,797,716 at December 31, 2016 for the governmental activities.

10. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt and bond premiums issued are reported as other financing sources.

11. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the County provides health insurance coverage for certain retired employees as discussed in Note 3.E.

12. 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 the specific purposes determined by a formal action of the County's highest level of decision-making authority. The County Legislature is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The County Legislature 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.

13. 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 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 – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. 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.

15. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

16. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2016, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The primary objective of Statement No. 72 is to define fair value, how fair value is measured, what assets and liabilities should be measured at fair value, and what information about fair value should be reported in the notes to the financial statements.

The primary objective of Statement No. 77 is to require governments, such as the County, that enter into tax abatement agreements to disclose information about the County's own tax abatement agreements and those that are entered into by other governments and that reduce the County's tax revenues.

The County has evaluated Statements No. 78 and 79 and have determined that they have no impact on the County's operations.

The GASB has issued the following new pronouncements:

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68, and Amendments to certain Provisions of GASB Statements No. 67 and 68*, which will be effective for the year ending December 31, 2017;
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which will be effective for the year ending December 31, 2017;
- Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*, which will be effective for the year ending December 31, 2018;
- Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, which will be effective for the year ending December 31, 2017;
- Statement No. 81, *Split-Interest Agreements*, which will be effective for the year ending December 31, 2017;
- Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, which will be effective for the year ending December 31, 2017;
- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending December 31, 2019; and

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Statement No. 85, *Omnibus*, which will be effective for the year ending December 31, 2018.

The County is currently reviewing these statements and plans on adoption, as required.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL COMPLIANCE - BUDGETS

Budgets and Budgetary Accounting – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than November 15th, the Budget Officer submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds except Capital Projects and the Fiduciary Fund.
- After public hearings are conducted to obtain taxpayer comments, no later than December 20th, the County Legislature adopts the budget.
- All modifications of the budget must be approved by the County Legislature, however, the Budget Officer/County Manager is authorized to transfer certain budgeted amounts within departments.
- Budgets are prepared for Proprietary Funds to establish the estimated contributions required from other funds and to control expenditures.

B. DEFICIT FUND BALANCE

The County reported deficit net position at December 31, 2016 in the Workers' Compensation Fund in the amount of \$169,491. The deficit was created in a prior year due to the County obtaining an actuarial valuation of the accrued and unpaid claim liabilities. This will be eliminated in future years as the County bills participants for their share of the liability.

The TASC reported deficit net position at December 31, 2016 in the amount of \$17,774,873. The deficit is due to various expenses associated with the bonds. The future cash receipts from the Master Settlement Agreement (MSA) are expected to offset this deficit.

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The County's aggregate bank balances were fully collateralized at December 31, 2016.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

The County's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The County's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the County's investment and deposit policy, all deposits of the County including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The County restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

B. RECEIVABLES

Major revenues accrued by the County in the governmental funds at December 31, 2016, include the following:

1. Accounts Receivables:

General Fund:

Mental health fees	\$ 656,485
Miscellaneous receivables	<u>650,841</u>
Total accounts receivable	\$ <u>1,307,326</u>

Nonmajor Governmental Funds:

Gasoline sales	\$ 92,065
Sales, other	36,911
County Road Fund - machine rental	209,879
Miscellaneous receivables	<u>65,100</u>
Total accounts receivable	\$ <u>403,955</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

2. Due From Other Governments:

General Fund

Sales tax	\$ 2,349,993
Miscellaneous due from other governments	<u>143,040</u>
Total due from other governments	<u>\$ 2,493,033</u>

3. State and Federal Receivables - represents amounts due primarily from New York State and the federal government at December 31, 2016:

General Fund:

RF2 and 2A State and Federal	\$ 2,159,863
RF3 and RF4 State and Federal	405,863
Physically Handicapped Children Education	517,234
Programs for the Aging	130,172
Public Health	403,587
Miscellaneous state and federal receivables	<u>840,429</u>
Total state and federal receivables	<u>\$ 4,457,148</u>

Capital Fund:

NYS reimbursement – GCC Wellness and Event Center	\$ 1,664,850
Miscellaneous state and federal receivables	<u>10,040</u>
Total state and federal receivables	<u>\$ 1,674,890</u>

Nonmajor Governmental Funds

CHIPS Aid	\$ 915,440
Miscellaneous state and federal receivables	<u>20,201</u>
Total state and federal receivables	<u>\$ 935,641</u>

C. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2016, is as follows:

	<u>Balance</u> <u>01/01/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/16</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ <u>2,572,792</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,572,792</u>
Total capital assets, not being depreciated	<u>2,572,792</u>	<u>-</u>	<u>-</u>	<u>2,572,792</u>
Capital assets, being depreciated:				
Buildings and improvements	56,539,932	7,457,213	-	63,997,145
Other capital assets	16,752,086	620,629	272,822	17,099,893
Machinery and equipment	5,862,147	724,862	566,670	6,020,339
Infrastructure	66,586,080	2,567,975	-	69,154,054
Internal service – motor pool	<u>1,305,103</u>	<u>25,003</u>	<u>106,292</u>	<u>1,223,815</u>
Total capital assets, being depreciated	<u>147,045,348</u>	<u>11,395,682</u>	<u>945,784</u>	<u>157,495,246</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

	Balance 01/01/16	Increases	Decreases	Balance 12/31/16
Less accumulated depreciation:				
Buildings and improvements	17,626,635	1,024,189	-	18,650,824
Other capital assets	6,375,548	1,744,673	168,315	7,951,906
Machinery and equipment	2,595,739	345,450	449,670	2,491,519
Infrastructure	24,372,977	1,462,231	-	25,835,208
Internal service - motor pool	<u>746,231</u>	<u>167,209</u>	<u>102,500</u>	<u>810,940</u>
Total accumulated depreciation	<u>51,717,130</u>	<u>4,743,752</u>	<u>720,485</u>	<u>55,740,397</u>
Total capital assets, being depreciated, net	<u>95,328,218</u>	<u>6,651,930</u>	<u>225,299</u>	<u>101,754,849</u>
Total governmental activities capital assets, net	\$ <u>97,901,010</u>	\$ <u>6,651,930</u>	\$ <u>225,299</u>	\$ <u>104,327,641</u>
<u>Business-type activities</u>				
Capital assets, being depreciated:				
Land improvements	\$ 228,610	\$ -	\$ -	\$ 228,610
Buildings	19,455,019	-	-	19,455,019
Equipment	<u>6,014,490</u>	<u>71,553</u>	<u>-</u>	<u>6,086,043</u>
Total capital assets, being depreciated	<u>25,698,119</u>	<u>71,553</u>	<u>-</u>	<u>25,769,672</u>
Less accumulated depreciation:				
Land improvements	215,579	2,689	-	218,268
Buildings	12,023,035	530,335	-	12,553,370
Equipment	<u>6,451,021</u>	<u>307,843</u>	<u>-</u>	<u>6,758,864</u>
Total accumulated depreciation	<u>18,689,635</u>	<u>840,867</u>	<u>-</u>	<u>19,530,502</u>
Total business-type activities capital assets, net	\$ <u>7,008,484</u>	\$ <u>(769,314)</u>	\$ <u>-</u>	\$ <u>6,239,170</u>

Depreciation expense was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$ 782,142
Public safety	1,516,096
Transportation	2,368,882
Health	4,562
Economic assistance	<u>72,070</u>
Total	\$ <u>4,743,752</u>

The depreciation expense for the business-type activities noted above excludes a portion that has been allocated based on the County's cost allocation plan.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. PENSION OBLIGATIONS

Genesee County - New York State and Local Employees' Retirement System (ERS)

PLAN DESCRIPTION

The County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple public employer retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in 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 (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The County also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefit's 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.

FUNDING POLICY

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 (ERS) 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. Under the authority of NYSRSSL, 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, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2016, the County reported a liability of \$20,041,862 for their proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

ERS

Measurement date	March 31, 2016
Net pension liability	\$ 20,041,862
County's portion of the Plan's total net pension liability	0.1248693%

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

For the year ended December 31, 2016, the County recognized a pension expense of \$5,905,401. At December 31, 2016 the County's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 101,276	\$ 2,375,628
Changes of assumptions	5,344,560	-
Net difference between projected and actual earnings on pension plan investments	11,889,932	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	831,202
County's contributions subsequent to the measurement date	<u>3,497,616</u>	<u>-</u>
Total	<u>\$ 20,833,384</u>	<u>\$ 3,206,830</u>

The County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$3,554,901
2018	3,554,901
2019	3,554,901
2020	3,464,235
2021	-
Thereafter	-

ACTUARIAL ASSUMPTIONS

The total pension liability as of the March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions.

Inflation	2.5%
Salary increases	3.8
Investment rate of return (net of investment expense, including inflation)	7.0
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 the Society of Actuaries Scale MP-2014.

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

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The long term expected 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 return, net of investment expenses 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 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 as of March 31, 2016 are summarized below:

<u>Asset Class:</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38.0%	7.3%
International equity	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bond and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	<u>100.0%</u>	

DISCOUNT RATE

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

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
County's proportionate share of the net pension liability (asset)	\$ 45,192,943	\$ 20,041,862	(\$1,209,727)

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension liability of the employers as of March 31, 2016 were as follows:

	<u>(Dollars in Thousands)</u>
Employers' total pension liability	\$ 172,303,544
Plan fiduciary net position	<u>156,253,265</u>
Employers' net pension liability (asset)	<u>\$ 16,050,279</u>
Ratio of fiduciary net position to the Employers' total pension liability	90.7%

COMPONENT UNIT - GCC

PLAN DESCRIPTION

All faculty and administrators of GCC have the option of participating in the New York State Teachers' Retirement System (TRS) or the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Full-time and electing part-time civil service employees participate in the New York State Employees Retirement System (ERS).

The New York State Teachers' Retirement System (TRS) and the New York State Employees' Retirement System (ERS) (the Systems) are cost-sharing multiple-employer, defined benefit retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL), and, in the case of TRS, New York State Education Law. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller adopts and amends rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue publicly available financial reports that include financial statements and required supplementary information. The TRS report may be obtained by writing to the New York Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395. The ERS report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith, State Office Building, Albany, NY 12244.

In addition to the defined benefit plans discussed above, GCC provides the option for all full-time professional staff to participate in the Teachers Insurance and Annuity Association/College Retirement Equities Fund, a multiple employer defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Participants in TIAA-CREF retiring after 55 with 13 months of service receive monthly annuity benefits based on their investment. GCC pays all contributions for employees hired prior to July 1, 1976 at 12% of salary up to \$16,500 and 15% of salary in excess of \$16,500. Employees hired after July 1, 1976 contribute 3% of their salary for the first ten years of service, and GCC contributes 9% of salary up to \$16,500 and 12% of amounts in excess of \$16,500. Employees hired after July 1, 1976 and have less than ten years of service or membership are required to contribute 3% of their salaries, and GCC contributes 8% of total salaries for the first seven years and 10% thereafter.

Employees hired after April 1, 2012 contribute between 3% and 6% based upon their compensation throughout their career. In 2016, contributions of \$849,194 were made by GCC.

A liability is accrued based on GCC's legally required contribution for employee services rendered. The amount outstanding and payable to TRS as of August 31, 2016 was \$648,278. The amount outstanding and payable to ERS as of August 31, 2016 was \$525,313.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At August 31, 2016, GCC reported a pension liability of \$293,344 for its proportionate share of the TRS net pension asset and \$4,718,209 was recognized for its proportionate share of the ERS net pension liability.

The TRS net pension asset was measured as of June 30, 2016 and the total pension liability was determined by an actuarial valuation as of June 30, 2015 with update procedures applied to roll forward the net pension position to June 30, 2016. GCC's proportion of the net pension asset was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2016, GCC's proportion was 0.027389%, which was a decrease of 0.000366%.

The ERS net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015. GCC's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. Since GCC's required contributions are included with the County's, the County provided GCC information on its proportion of 0.0293969%, a decrease of 0.001691%, determined on the basis of total payroll of GCC, the County and the County's other reporting entities over the total payroll of all entities.

For the year ended August 31, 2016, GCC recognized a net pension expense of \$2,149,118 (expense from TRS of \$490,834 and expense from ERS of \$1,658,284). At August 31, 2016, GCC's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	TRS		ERS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 95,295	\$ 23,843	\$ 559,265
Changes of assumptions	1,671,073	-	1,258,204	-
Net difference between projected and actual earnings on pension plan investments	659,591	-	2,799,100	-
Changes in proportion and differences between the GCC's contributions and proportionate share of contributions	21,479	11,424	-	195,680
GCC's contributions subsequent to the measurement date	<u>87,865</u>	<u>-</u>	<u>525,313</u>	<u>-</u>
Total	<u>\$ 2,440,008</u>	<u>\$ 106,719</u>	<u>\$ 4,606,460</u>	<u>\$ 754,945</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

GCC contributions subsequent to the measurement date will be recognized as an addition to (reduction of) the net pension asset/liability in the year ended August 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended August 31:		
2017	\$ 1,242,477	\$ 199,731
2018	1,242,477	199,731
2019	1,779,079	224,078
2020	1,585,938	211,658
2021	269,471	12,226
Thereafter	313,848	14,240

ACTUARIAL ASSUMPTIONS

For TRS, the actuarial assumptions used in the June 30, 2015 valuation, with update procedures used to roll forward the total pension asset/liability to June 30, 2016, were based on the results of an actuarial experience study for the period of July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.5%

Salary increases – Based on TRS member experience, dependent on age and gender, ranging from 1.9 – 4.72%

Projected Cost of Living Adjustments (COLA) – 1.5% annually

Investment rate of return – 7.5% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014

Discount rate – 7.5%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2015 valuation, with update procedures used to roll forward the total pension liability to March 31, 2016, were based on the results of an actuarial experience study for the period of April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%

Salary increases – 3.8%

COLA – 1.3% annually

Investment rate of return – 7.0% compounded annually, net of investment expense, including inflation

Mortality – Based on ERS from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014

Discount rate – 7.0%

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses 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 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 as of the applicable valuation dates are summarized below:

Asset Class	TRS		ERS	
	Target Allocation	Long Term Expected Real Rate of Return	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	37%	6.5%	38%	7.30%
International equity	18%	7.7%	13%	8.55%
Private equity	7%	-	10%	11.00%
Real estate	10%	4.6%	8%	8.25%
Absolute return strategies	-	-	3%	6.75%
Domestic fixed income securities	17%	-	2%	-
Opportunistic portfolio	-	-	3%	8.60%
Real assets	-	-	-	8.65%
Bonds and mortgages	8%	2.1%	18%	4.00%
Cash/Short-term	1%	1.2%	2%	2.25%
Global fixed income securities	2%	1.9%	-	-
Inflation-indexed bonds	-	3.4%	3%	4.00%
Alternative investments	-	9.9%	-	-
	<u>100%</u>		<u>100%</u>	

DISCOUNT RATE

The discount rate used to calculate the total pension liability was 7.5% (TRS) and 7.0% (ERS). 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 determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

The following tables present GCC's proportionate share of the net pension asset and liability calculated using the discount rate of 7.5% (TRS) and 7.0% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
GCC's proportionate share of the TRS net pension (asset) liability	\$3,827,337	\$293,344	(\$ 2,670,785)

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
GCC's proportionate share of the ERS net pension (asset) liability	\$ 10,639,218	\$ 4,718,209	(\$284,795)

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension liability of the employers as of June 30, 2015 valuation (TRS) and March 31, 2016 valuation (ERS) were as follows:

	<u>TRS</u> (Dollars in Thousands)	<u>ERS</u> (Dollars in Thousands)
Employers' total pension liability	\$ 99,332,104	\$ 172,303,544
Plan fiduciary net position	<u>109,718,917</u>	<u>156,253,265</u>
Employers' net pension liability (asset)	<u>\$ (10,386,813)</u>	<u>\$ 16,050,279</u>
Ratio of fiduciary net position to the employers' total pension liability	110.46%	90.7%

June 30, 2016 amounts were unavailable at the date of GCC's financial statements.

COMPONENT UNIT - GCEDC

The GCEDC participates in the New York State and Local Employees' Retirement System (ERS), which is referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer defined benefit retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in 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. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. 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 GCEDC also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefit's 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.

FUNDING POLICY

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 (ERS), 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 31st.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2016, the GCEDC reported a liability as follows for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The GCEDC's proportion of the net pension liability was based on a projection of the GCEDC's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

	<u>ERS</u>
Measurement date	March 31, 2016
Net pension liability	\$ 476,328
Village's portion of the Plan's total net pension liability	.0029677%

For the year ended December 31, 2016, the GCEDC recognized a pension expense of \$156,303. At December 31, 2016 the GCEDC's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,407	\$ 56,461
Changes of assumptions	127,022	-
Net difference between projected and actual earnings on pension plan investments	282,584	-
Changes in proportion and differences between the GCEDC's contributions and proportionate share of contributions	619	46,044
GCEDC's contributions subsequent to the measurement date	<u>68,850</u>	<u>-</u>
Total	<u>\$ 481,482</u>	<u>\$ 102,505</u>

GCEDC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2017	\$ 76,313
2018	76,313
2019	76,313
2020	81,188
2021	
Thereafter	-

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

ACTUARIAL ASSUMPTIONS

The total pension liability as of the March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions.

Inflation	2.5%
Salary increases	3.8
Investment rate of return (net of investment expense, including inflation)	7.0
Cost of living adjustments	1.3

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

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

The long term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Class:</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38.0%	7.3%
International equity	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bond and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	<u>100.0%</u>	

DISCOUNT RATE

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

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

SENSITIVITY OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO THE DISCOUNT RATE ASSUMPTION

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

	ERS		
	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
GCEDC's proportionate share of the net pension liability (asset)	\$1,074,084	\$ 476,328	(\$28,751)

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension liability of the employers as of March 31, 2016 were as follows:

	ERS (Dollars in Thousands)
Employers' total pension liability	\$172,303,544
Plan net position	<u>156,253,265</u>
Employers net pension total	<u>\$ 16,050,279</u>
Ratio of Plan net position to the employers' total pension liability	90.7%

PREPAIDS TO THE PENSION PLAN

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Prepaid retirement contributions as of December 31, 2016 represent the employer contribution for the period of January 1, 2017 through March 31, 2017 based on paid wages multiplied by the employer's contribution rate, by tier. Prepaid retirement contributions as of December 31, 2016 amounted to \$22,950.

E. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (OPEB)

PLAN DESCRIPTION

The County administers the Plan as a single-employer defined benefit OPEB plan. The Plan provides for continuation of medical and dental benefits for certain retirees and their spouses and can be amended by action of the County subject to applicable collective bargaining and employment agreements. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

FUNDING POLICY

The obligations of the plan members, employers and other entities are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the County.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

ACCOUNTING POLICY

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets, if any, paid by a willing buyer to a willing seller.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the County's net OPEB obligation to the Plan at December 31, 2016.

	Fiscal Year Ending
<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>12/31/16</u>
ARC	\$ 87,826
Interest on OPEB obligation	10,388
Adjustment to ARC	<u>(17,279)</u>
OPEB Expense	80,935
Contributions made	<u>(76,524)</u>
Increase net OPEB obligation	4,411
Net OPEB obligation- beginning of year	<u>259,695</u>
Net OPEB obligation- end of year	\$ <u>264,106*</u>
Percentage of expense contributed	94.55%

*Includes amount of \$40,118 for Genesee County Nursing Home.

The County's annual OPEB cost, contribution, percentage of OPEB cost contributed, and net postemployment benefit obligation for the plan for the current fiscal year ended December 31, 2016 and the two preceding years are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 80,935	\$ 76,524	94.55%	\$ 264,106
2015	62,257	53,492	85.90%	259,695
2014	60,976	55,538	91.08%	250,930

FUNDED STATUS AND FUNDING PROGRESS

The County obtained an actuarial valuation for the year ending December 31, 2016. As of the actuarial valuation for December 31, 2016, the actuarial accrued liability for benefits was \$715,636, all of which was unfunded. The covered payroll, as of the actuarial valuation for December 31, 2016 (annual payroll of active employees covered by the plan), was \$32,527,478, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.20 percent.

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

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

METHODS AND ASSUMPTIONS

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

The December 31, 2016 actuarial valuation utilized the projected unit credit actuarial cost method. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is the expected long-term investment rate of the County's own assets since currently the plan has no assets at the valuation date in order to establish a plan investment rate, and an annual healthcare cost trend of 4.7 percent initially, adjusted to an ultimate rate of 3.84 percent after fiscal year ending 2086. Both rates included a 2.9 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The initial amortization period for the implementation of GASB Statement No. 45 was thirty (30) years, however, the remaining amortization period used for this valuation is twenty-two (22) years.

F. SHORT-TERM DEBT

The County may issue Revenue Anticipation Notes (RAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN represented a liability that was extinguished by the receipt of Medicaid and Medicare payments in connection with the County Nursing Home operations.

Transactions in short-term debt for the year are summarized below:

	Balance <u>1/1/16</u>	<u>Issued</u>	<u>Redeemed</u>	Balance <u>12/31/16</u>
RAN maturing 12/31/16 at 1.5%	\$ <u>6,000,000</u>	\$ <u> </u> -	\$ <u>6,000,000</u>	\$ <u> </u> -

G. 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 received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. 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, TASC bonds, compensated absences, workers' compensation, other post employment benefits, capital leases and aggregate net pension liability.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A summary of changes in the County's long-term liabilities for the year ended December 31, 2016 are presented as follows:

	Balance <u>01/01/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/16</u>	Due within <u>One year</u>
<u>Governmental activities:</u>					
General obligation debt:					
Serial bonds	\$ 23,611,464	\$ -	\$ 2,246,464	\$21,365,000	\$1,575,000
Plus: unamortized premium	220,478	-	85,532	134,946	20,895
Other liabilities:					
Compensated absences	1,753,103	72,930	28,317	1,797,716	179,772
Other post employment benefits	207,251	67,651	50,914	223,988	-
Net pension liability*	<u>3,427,999</u>	<u>12,866,191</u>	<u>-</u>	<u>16,294,190</u>	<u>-</u>
Total governmental activities	<u>\$ 29,220,295</u>	<u>\$13,006,772</u>	<u>\$ 2,411,227</u>	<u>\$39,815,840</u>	<u>\$1,775,667</u>
<u>Business-type activities:</u>					
General obligation debt:					
Serial bonds	\$ 645,000	\$ -	\$ 645,000	\$ -	\$ -
Plus: unamortized premium	65,472	-	65,472	-	-
Turbo term bonds – TASC IV	12,585,000	-	830,000	11,755,000	130,000
Subordinate turbo CABs - TASC IV Series 2005	1,458,440	-	-	1,458,440	-
TASC V	1,855,936	-	-	1,855,936	-
Other liabilities:					
Capital leases	252,499	-	252,499	-	-
Other post employment benefits	52,444	13,284	25,610	40,118	-
Workers' compensation	6,913,277	1,414,027	1,379,304	6,948,000	166,854
Net pension liability*	<u>810,456</u>	<u>2,937,216</u>	<u>-</u>	<u>3,747,672</u>	<u>-</u>
Total business-type activities	<u>\$ 24,638,524</u>	<u>\$ 4,364,527</u>	<u>\$ 3,197,885</u>	<u>\$25,805,166</u>	<u>\$ 296,854</u>

*Additions to net pension liability are presented net of reductions.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Long-term debt maturity schedule:

<u>Purpose</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding Balance 12/31/16</u>
<u>Governmental activities:</u>					
<i>Bonds issued by the County:</i>					
County Public Facility Building	04/2007	\$ 3,500,000	4.00%	10/2027	\$ 2,305,000
Radio System	06/2013	4,200,000	2.00%	06/2023	3,105,000
Airport	12/2014	4,370,000	2.25%	12.2034	<u>4,370,000</u>
					9,780,000
Add: Unamortized Premium					<u>134,946</u>
Total bonds issued by the County					<u>9,914,946</u>
<i>Bonds issued by the County for GCC:</i>					
GCC Athletic Fields	07/2009	1,845,000	3.50%	09/2024	1,240,000
GCC Technology	03/2010	3,375,000	4.00%	04/2019	1,175,000
Community College Project	02/2015	9,326,464	2.50%	08/2039	<u>9,170,000</u>
Total bonds issued by the County for GCC					<u>11,585,000</u>
Total governmental activities					<u>\$ 21,499,946</u>
<u>Business-type activities:</u>					
<i>Bonds issued by TASC:</i>					
TASC IV Bonds – Turbo Term Bonds	-	-	6.65%	06/2041	\$ 5,300,000
TASC IV Bonds – Turbo Term Bonds	-	-	5.00%	06/2042	3,925,000
TASC IV Bonds – Turbo Term Bonds	-	-	5.00%	06/2045	2,530,000
Subordinate Turbo CAB – TASC IV Bonds – Series 2005	-	-	0.00%	06/2045	784,054
Subordinate Turbo CAB – TASC IV Bonds – Series 2005	-	-	0.00%	06/2050	674,386
Subordinate Turbo CAB – TASC IV Bonds – Series 2005	-	-	7.85%	06/2060	<u>1,855,936</u>
Total bonds issued by TASC					<u>15,069,376</u>
Total business-type activities					<u>\$ 15,069,376</u>
Total primary government					<u>\$ 36,569,322</u>

Summary schedule of maturing debt - The following is a summary of maturing debt service requirements for the County's serial bonds, TASC term bonds and capital appreciation bond:

Governmental activities:

<u>Fiscal Year</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,575,000	\$ 651,406
2018	1,625,000	596,569
2019	1,680,000	544,044
2020	1,310,000	499,644
2021	1,350,000	459,944
2022-2026	5,490,000	1,731,513
2027-2031	3,545,000	1,091,138
2032-2035	3,210,000	512,206
2036-2039	<u>1,580,000</u>	<u>103,838</u>
Total	<u>\$ 21,365,000</u>	<u>\$ 6,190,302</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Business-type activities:

<u>Fiscal Year</u>	<u>Tobacco Asset Securitization Corp</u>			
	<u>Term Bonds</u>		<u>Capital Appreciation Bond</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Accretion</u>
2017	\$ 130,000	\$ 723,250	\$ -	\$ 346,723
2018	210,000	713,050	-	374,475
2019	220,000	700,150	-	404,448
2020	235,000	686,500	-	436,820
2021	255,000	671,800	-	471,783
2022-2026	350,000	3,134,450	-	2,989,540
2027-2031	1,400,000	2,679,375	-	4,393,441
2032-2036	2,300,000	2,054,375	-	6,456,617
2037-2041	3,350,000	1,263,250	-	9,488,672
2042-2046	3,305,000	338,875	-	13,944,590
2047-2051	-	-	-	20,493,025
2052-2056	-	-	-	30,116,632
2057-2060	-	-	<u>1,855,936</u>	<u>29,151,395</u>
Total	<u>\$ 11,755,000</u>	<u>\$ 12,965,075</u>	<u>\$ 1,855,936</u>	<u>\$ 119,068,161</u>

TASC IV - Series 2005 bonds payable consist of the following at December 31:

	<u>2016</u>
Subordinate Turbo CABs - Redeemable in annual installments of various amounts beginning June 1, 2045 through June 1, 2050. This is a non-interest bearing bond.*	\$ 784,054
Subordinate Turbo CABs – Redeemable in annual installments of various amounts beginning June 1, 2050 through June 1, 2055. This is a non interest bearing bond.*	<u>674,386</u>
Total	<u>\$ 1,458,440</u>

*In 2005 Corporation refunded and defeased in substance its outstanding 2000 Series bonds with a portion of the Series 2005 bonds. All of the issuance costs, and reserves were funded from the bond proceeds. The net proceeds were deposited into an irrevocable trust to provide funding for the debt service on the Series 2000 bonds to the call date in the year 2010.

In conjunction with the advanced refunding, the Corporation completed the sale of Series 2005D and 2005E capital appreciation bonds carrying varying yields and were sold discounted (zero coupon). As required by accounting principles generally accepted in the United States of America, the TASC accretes the effective interest appreciation over the life of the bonds to maturity. These bonds are subordinate to the Series 2005 bonds in the advanced refunding. No interest or principal will be paid on these bonds until all other series bonds of the Corporation are redeemed. Funds expected to be used for redemption of these bonds will come from the TSR and payments are not anticipated until 2026. Increases to the bond values were \$167,895 for the year ending December 31, 2016. At December 31, 2016 accretion payable for TASC IV Series 2005 amounted to \$1,414,845.

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

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

H. NET POSITION AND FUND BALANCE

NET POSITION

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 assets. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category. The following presents a reconciliation of capital assets (net of accumulated depreciation), to net investment in capital assets:

	Governmental Activities	Business-type Activities
Capital assets, net of accumulated depreciation	\$ 104,327,641	\$ 6,239,170
Bonds payable used for capital assets	(9,914,946)	-
Unspent debt proceeds	165,266	-
Net investment in capital assets	<u>\$ 94,577,961</u>	<u>\$ 6,239,170</u>

Restricted net position – 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. Restricted net position are consistent with restricted fund balance balances at December 31, 2016.

Unrestricted net position – This category represents net position of the County not restricted for any project or other purpose.

FUND BALANCE

In the fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the County at December 31, 2016 include prepaid items related to payments to the retirement system and inventory in the Road Machinery Fund.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- *Restricted for capital projects* – represents funds to be used for construction, reconstruction and or acquisition of capital improvements and equipment.
- *Restricted for debt service* – represents unspent debt proceed funds to be used towards future debt service requirements.
- *Restricted for miscellaneous purposes* – represents funds set aside to be used for the following programs:

Sheriff (State and Federal) programs	\$ 17,001
STOP DWI program	172,301
District attorney	11,243
Bed tax	6,101
Other	973
	<u>\$ 207,619</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the County's highest level of decision-making authority. As of December 31, 2016, the County had no committed fund balance.

Assigned – represents amounts that are constrained by the County's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

Unassigned – represents the residual classification of the General Fund's surplus.

DETAIL OF FUND BALANCES

As of December 31, 2016, governmental fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Nonspendable:</u>				
Inventory	\$ -	\$ -	\$ 131,417	\$ 131,417
Prepays	904,412	-	76,755	981,167
<u>Restricted:</u>				
Capital projects	1,041,086	-	-	1,041,086
Debt service	165,266	-	-	165,266
Miscellaneous	207,619	-	-	207,619
<u>Assigned:</u>				
Subsequent years' expenditures	1,000,000	-	131,481	1,131,481
Encumbrances –				
General government	57,280	-	-	57,280
Public safety	5,775	-	-	5,775
Inter-governmental transfer	3,265,356	-	-	3,265,356
Sales tax	5,968,394	-	-	5,968,394
Capital projects	-	6,558,997	-	6,558,997
County road	-	-	161,751	161,751
Road machinery	-	-	339,024	339,024
Job development	-	-	11,271	11,271
<u>Unassigned:</u>				
General fund	10,019,706	-	-	10,019,706
Total	<u>\$ 22,634,894</u>	<u>\$ 6,558,997</u>	<u>\$ 851,699</u>	<u>\$ 30,045,590</u>

The County Legislature adopted a formal spending policy under the provisions of GASB Statement No. 54 stating that the County Legislature will assess the current financial condition of the County and then determine the order of application of expenditures to which fund balance classification will be charged.

I. INTERFUND ACTIVITIES

Interfund receivables, payables and transfers as of and for the year ended December 31, 2016, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 835,679	\$ 1,524,891	\$ 655,817	\$ 6,823,676
Capital Projects Fund	2,011,877	27	2,776,940	540,817
County Road Fund	100,000	1,001,342	4,875,312	2,055,925
Road Machinery Fund	1,171	12,858	-	-
Special Grant Fund	-	5,201	-	-
Self Insurance Fund	24,159	-	180,100	90,000
Water Fund	-	-	515,000	15,000

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
Workers' Compensation Fund	1,106,769	1,136	537,249	15,000
Nursing Home Fund	-	2,532,686	-	-
Internal Service Fund	-	101,170	-	-
Agency Fund	<u>1,099,664</u>	<u>8</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,179,319</u>	<u>\$ 5,179,319</u>	<u>\$ 9,540,418</u>	<u>\$ 9,540,418</u>

To improve cash management, all County accounts are pooled into a consolidated bank account. The interfund receivables and payables arise due to a reclass of negative pooled cash and are short term in nature and are typically repaid in less than one year. Payables from the Nursing Home represent temporary cash advances to finance operations as well as their share of certain accrued liabilities.

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to other funds. They also include transfers to close out capital projects for excess cash remaining after the termination of the project.

NOTE 4 - OPERATING LEASE AGREEMENTS

The County has entered into various operating leases above \$100,000.

The future minimum operating lease payments as of December 31, 2016 are as follows:

<u>Year Ending</u>	<u>Mental Health Building</u>	<u>City Water</u>	<u>County Career Center</u>	<u>Total</u>
2017	\$ 213,244	\$ 550,000	\$ 103,908	\$ 867,152
2018	-	-	103,908	103,908
2019	-	-	103,908	103,908
2020	-	-	116,892	116,892
2021	<u>-</u>	<u>-</u>	<u>116,892</u>	<u>116,892</u>
	<u>\$ 213,244</u>	<u>\$ 550,000</u>	<u>\$ 545,508</u>	<u>\$ 1,308,752</u>

NOTE 5 - CONTINGENCIES

GENESEE TOBACCO ASSET SECURITIZATION CORPORATION (TASC)

During 2000, the TASC purchased the rights to receive TSRs (Tobacco Settlement Revenues) from the County of Genesee. There are a number of risks associated with receipts of such TSRs including, litigation affecting participating manufactures and possible bankruptcy as a result thereof, and future adjustments to the calculation of the TSRs. The TASC's financial existence is contingent upon receiving these TSRs from the tobacco manufacturers.

COUNTY

Litigation – The County is involved in litigation in the ordinary course of its operations. Various legal actions are pending against the County. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the County.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – CONTINGENCIES (Continued)

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. Except as described below, the amount of disallowance, if any, cannot be determined at this time, although the County expects any such amount to be immaterial.

NOTE 6 - COMMITMENTS

MCWA AGREEMENT

The County has entered into an agreement with Monroe County Water Authority (MCWA) to pay a service fee in consideration for the water system and improvements made by MCWA. The service fee is directly related to the debt issued by MCWA for the improvements. The amounts due under this agreement will be funded from the fees charged to the water customers.

The future obligations and the net present value of these payments as of December 31, 2016, were as follows:

<u>Year ending December 31</u>	
2017	\$ 1,158,152
2018	1,162,409
2019	1,166,265
2020	1,164,639
2021	1,168,323
2022-2026	5,864,513
2027-2031	5,849,302
2032-2036	<u>5,844,356</u>
Total payments	23,377,959
Less: amount representing net interest and administration fees	<u>9,300,592</u>
Present value of payments	<u>\$ 17,556,458</u>

COMPONENT UNIT - GENESEE COMMUNITY COLLEGE (COMMUNITY COLLEGE)

LEASES

The Community College leases certain real property under the terms of various operating lease agreements. Future minimum lease payments due under non-cancelable operating leases are:

<u>Year ending</u> <u>August 31,</u>	
2017	\$ 1,472,718
2018	1,292,101
2019	1,279,479
2020	876,162
2021	876,162
2022-2025	<u>2,160,896</u>
	<u>\$ 7,957,518</u>

Total payments on all operating leases was \$1,479,000 for the year ended August 31, 2016.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 - RISK FINANCING

The workers' compensation plan maintains excess insurance, which insures against catastrophic claim losses for amounts over \$500,000, per occurrence, up to the limitations provided under the contract. The plan establishes reserve liabilities based on the estimated cost of individual claims incurred. Those estimates are determined based on many factors, one of the most significant being past experience. Since the reserve liability is an estimate it may not reflect the plan's ultimate liability.

The schedule below presents the changes in the County's estimated claims since December 31, 2014 for workers' compensation and major medical programs. The estimated claims for workers' compensation represent outstanding claim losses, including case reserves, the development of known claims and incurred but not reported claim liabilities. The calculation is based on the present value of future payouts. The estimated claims for major medical represent an amount based on prior experience with actual payments of claims. The estimated claims for the Major Medical is included in the accrued liabilities total in the Self Insurance Fund.

	<u>Workers'</u> <u>Compensation</u>	<u>Major</u> <u>Medical</u>
Estimated claims as of December 31, 2014	\$ 7,562,670	\$ 1,625,113
Claims incurred and adjustments during 2015	711,239	10,460,769
Payments made during 2015	<u>(1,360,632)</u>	<u>(10,370,526)</u>
Estimated claims as of December 31, 2015	6,913,277	1,715,356
Claims incurred and adjustments during 2016	1,414,027	10,074,491
Payments made during 2016	<u>(1,379,304)</u>	<u>(10,116,387)</u>
Estimated claims as of December 31, 2016	\$ <u>6,948,000</u>	\$ <u>1,673,460</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

In August 2014, the Board of Directors of the Genesee Community College Foundation, Inc. (the Foundation) approved a \$3,000,000 commitment in support of the college's capital initiative plans. This commitment is being paid over twenty quarterly payments of \$150,000. The following is the agreed payments from the Foundation to the County:

<u>Year ended:</u>	
2017	\$ 600,000
2018	600,000
2019	600,000
2020	<u>300,000</u>
Total	\$ <u>2,100,000</u>

NOTE 9 – LABOR CONTRACTS

The County's employees operate under five collective bargaining units. The CSEA and the AFSCME contracts are settled through December 2019, the Sheriff's Employees and CSEA NH are settled through December 2015, and the Deputy Sheriff's is settled through December 2016.

NOTE 10 – TAX ABATEMENTS

The Genesee Industrial Economic Development Agency d/b/a Genesee County Economic Development Corporation (the Agency), created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively "the Act"), has sixty-nine real property tax abatement agreements with various businesses in the County under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the County.

NOTE 10 – TAX ABATEMENTS (Continued)

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

As a result of these tax abatement agreements, for the year ended December 31, 2016, the County's total tax revenues were reduced by \$680,128.

Copies of the agreements may be obtained from the County Treasurer, County Building #1, 15 Main Street, Batavia, NY 14020.

NOTE 11 – SUBSEQUENT EVENTS

Debt Refunding

During November 2016, the County Legislature approved the refunding of public improvement bonds in the amount of \$3,545,000. This refunding did not occur until March 2017. The actual amounts refunded consisted of \$2,050,000 and \$1,240,000 related to the 2007 and 2009 public improvement bonds, respectively.

Sale of the Genesee County Nursing Home

On September 12, 2015, the County agreed to sell the Genesee County Nursing Home with a sale price of \$15,200,000 to be effective January 1, 2017.

Management has evaluated subsequent events through July 25, 2017 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles other than the issuance of debt and the sale of the nursing home referred to above.

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/16	\$ -	\$ 715,636	\$ 715,636	0.00%	\$32,527,478	2.20%
12/31/15	-	602,004	\$ 602,004	0.00%	31,386,908	1.91%
12/31/14	-	606,421	\$ 606,421	0.00%	30,639,699	1.98%
12/31/13	-	744,523	\$ 744,523	0.00%	30,015,853	2.48%

Schedule of Employer Contributions

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
December 31, 2013	\$ 84,992	\$ 60,719	71.4%
December 31, 2014	66,638	55,538	83.3%
December 31, 2015	68,460	53,492	78.1%
December 31, 2016	87,826	76,524	87.1%

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS

	Year Ended December 31,	
	2016	2015
County's proportion of the net pension liability	0.124869%	0.125478%
County's proportionate share of the net pension liability	\$ <u>20,041,862</u>	\$ <u>4,238,956</u>
County's covered-employee payroll	\$ 28,343,915	\$ 27,048,403
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71%	16%
Plan fiduciary net position as a percentage of the total pension asset (liability)	90.7%	97.9%

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF THE COUNTY'S PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31,

	EMPLOYEES' RETIREMENT SYSTEM									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractually required contribution	\$ 2,704,128	\$ 2,479,133	\$ 2,261,419	\$ 3,631,507	\$ 4,635,545	\$ 5,362,190	\$ 6,007,667	\$ 5,547,616	\$ 4,899,802	\$ 4,663,488
Contributions in relation to the contractually required contribution	\$ 2,704,128	\$ 2,479,133	\$ 2,261,419	\$ 3,631,507	\$ 4,635,545	\$ 5,362,190	\$ 6,007,667	\$ 5,547,616	\$ 4,899,802	\$ 4,663,488
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
County's covered-employee payroll	\$ 26,484,997	\$ 27,392,807	\$ 28,410,987	\$ 28,879,054	\$ 28,320,353	\$ 27,649,337	\$ 27,284,587	\$ 26,930,419	\$ 27,048,403	\$ 28,343,915
Contributions as a percentage of covered-employee payroll	10%	9%	8%	13%	16%	19%	22%	21%	18%	16%

COUNTY OF GENESEE, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMEBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Real property taxes	\$ 27,199,344	27,199,344	\$ 27,232,015	\$ 32,671
Real property tax items	1,079,982	1,080,204	1,054,194	(26,010)
Non-property tax items	40,445,735	41,498,404	38,178,025	(3,320,379)
Departmental income	7,841,502	7,976,054	7,315,106	(660,948)
Intergovernmental charges	1,338,063	1,379,736	1,258,997	(120,739)
Use of money and property	608,796	608,796	662,073	53,277
Licenses and permits	28,000	28,000	43,006	15,006
Fines and forfeitures	191,700	191,700	179,099	(12,601)
Sale of property and compensation for loss	150,000	324,238	365,906	41,668
Miscellaneous local sources	881,175	881,175	589,492	(291,683)
Interfund revenues	1,505,428	1,570,507	1,424,170	(146,337)
State sources	12,587,823	12,977,008	12,688,521	(288,487)
Federal sources	9,275,011	10,308,172	9,394,066	(914,106)
Total revenues	<u>103,132,559</u>	<u>106,023,338</u>	<u>100,384,670</u>	<u>(5,638,668)</u>
EXPENDITURES				
Current:				
General government	32,333,119	31,827,645	28,573,803	3,253,842
Education	5,788,701	5,788,701	4,821,365	967,336
Public safety	16,018,034	17,150,823	15,838,899	1,311,924
Health	10,018,037	10,218,866	9,500,964	717,902
Transportation	912,070	920,480	751,970	168,510
Economic assistance and opportunity	30,998,642	33,593,774	32,497,451	1,096,323
Culture and recreation	1,373,744	1,386,045	1,201,001	185,044
Home and community services	981,021	1,034,187	999,202	34,985
Debt service:				
Principal	2,246,464	2,246,464	2,246,464	-
Interest	853,462	853,462	853,462	-
Total expenditures	<u>101,523,294</u>	<u>105,020,447</u>	<u>97,284,581</u>	<u>7,735,866</u>
Excess (deficit) of revenues over expenditures	1,609,265	1,002,891	3,100,089	2,097,198
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	115,000	115,000	655,817	540,817
Interfund transfers out	6,101,232	6,823,676	(6,823,676)	(13,647,352)
Total other financing sources (uses)	<u>6,216,232</u>	<u>6,938,676</u>	<u>(6,167,859)</u>	<u>(13,106,535)</u>
Net change in fund balance **	7,825,497	7,941,567	(3,067,770)	(11,009,337)
Fund balance - beginning	<u>25,702,664</u>	<u>25,702,664</u>	<u>25,702,664</u>	<u>-</u>
Fund balance - ending	<u>\$ 33,528,161</u>	<u>\$ 33,644,231</u>	<u>\$ 22,634,894</u>	<u>\$ (11,009,337)</u>

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

1. BUDGETARY INFORMATION

BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The capital projects fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets 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 County's Budget Officer/County Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the County Legislature. 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 appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

FEDERAL FINANCIAL ASSISTANCE

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed through New York State Education Department:</i>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	803714	\$ -	\$ 376
National School Lunch Program	10.555	803714	-	596
Total Child Nutrition Cluster			-	972
<i>Passed through New York State Office of Temporary Disability Assistance:</i>				
State Administrative Matching Grant for the Supplemental Nutrition Assistance Program	10.561	99-OCFS-LCM-15; OTDA 16-LCM-04; OTDA 16-LCM-04; NYSFRM, Vol. 1-3	-	513,861
Total U.S. Department of Agriculture			-	514,833
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through New York State Department of Housing:</i>				
Community Development Block Grants	14.228	444ED795-13	48,804	48,804
Community Development Block Grants	14.228	444ED846-15	745,866	745,866
Total Community Development Block Grants			794,670	794,670
Total U.S. Department of Housing and Urban Development			794,670	794,670
<u>U.S. Department of Justice</u>				
<i>Passed through Bureau of Justice Assistance:</i>				
State Criminal Alien Assistance Program	16.606	2016-AP-BX-0564	-	3,266
<i>Passed through New York State Children's Alliance, Inc:</i>				
Improving the Investigation and Prosecution of Child Abuse	16.758	2-BATA-NY-SA16	-	9,000
Total U.S. Department of Justice			-	12,266
<u>U.S. Department of Labor</u>				
<i>Passed through New York State Office for the Aging:</i>				
Senior Community Services Employment Program	17.235	07-15; 07-16	30,123	32,423
<i>Passed through Livingston County:</i>				
Trade Adjustment Assistance	17.245	550863	-	12,570
H-1B Job Training Grants	17.268	550863	-	413
<i>WIA/WIOA Cluster</i>				
WIA/WIOA - Adult Program	17.258	550863	-	83,629
WIA/WIOA - Youth Activities	17.259	PY 15-2; 2016-00	-	68,021
WIA/WIOA - Dislocated Worker Formula Grants	17.278	550863	-	291,734
Total WIA/WIOA Cluster			-	443,384
Total U.S. Department of Labor			30,123	488,790
<u>U.S. Department of Transportation</u>				
<i>Direct Program:</i>				
Airport Improvement Program	20.106	3-36-006; 32-14; 33-14; 35-15; 36-16; 37-16; 38-16	-	225,388
<i>Passed through New York State Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	D034169; D034838	-	108,882
Total Highway Planning and Construction Cluster			-	108,882
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	HS1-2016; HS1-2017	-	15,208
<i>Passed through New York State Governor's Traffic Safety Committee:</i>				
State and Community Highway Safety - Rural Traffic Enforcement Initiative - 10/1/14-9/30/15	20.600	C002184	-	9,596
State and Community Highway Safety - Rural Traffic Enforcement Initiative - 10/1/15-9/30/16	20.600	C002210	-	22,355
Occupant Safety - Child Passenger Safety Program	20.600	00254-(019)	-	1,717
Total Highway Safety Cluster			-	48,876
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	T151046; T970756	-	8,837
Total U.S. Department of Transportation			-	391,983
<u>Environmental Protection Agency</u>				
<i>Passed through New York State Department of Health:</i>				
State Indoor Radon Grants	66.032	DOH-01T30728GG345	-	2,348
Total Environmental Protection Agency			-	2,348

See notes to schedule of expenditures of federal awards.

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to to Subrecipients	Federal Expenditures
<u>U.S. Department of Education</u>				
<i>Passed through New York State Department of Health:</i>				
Special Education - Grants for Infants and Families	84.181	C027481	-	17,240
<i>Total U.S. Department of Education</i>			-	17,240
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through New York State Department of Health:</i>				
Public Health Emergency Preparedness	93.069	1067.10	-	42,906
Immunization Cooperative Agreements	93.268	C028293	-	30,597
Maternal and Child Health Services Block Grant	93.994	C30894GG	-	32,431
Maternal and Child Health Services Block Grant	93.994	C029717	-	7,281
<i>Total Maternal and Child Health Services Block Grant</i>			-	39,712
<u>Medicaid Cluster</u>				
Medical Assistance Program	93.778	NYSFRM, Vol. 1-3	39,648	843,408
Medical Assistance Program	93.778	1000004328	-	93,087
<i>Total Medicaid Cluster</i>			39,648	936,495
<i>Passed through New York State Department of Social Services:</i>				
<u>TANF Cluster</u>				
Temporary Assistance for Needy Families	93.558	NYSFRM, Vol. 1-3; OTDA 16- ADM-10	-	1,726,962
Temporary Assistance for Needy Families	93.558	15-OCFS-LCM-06; 16-OCFS- LCM-12	-	24,999
Temporary Assistance for Needy Families	93.558	NYSFRM, Vol. 1-3	-	1,028,297
Temporary Assistance for Needy Families	93.558	OTDA 12-LCM-11	-	1,757
<i>Total TANF Cluster</i>			-	2,782,015
<u>CCDF Cluster</u>				
Child Care and Development Block Grant	93.575	15OCFS-LCM-05; 02; 08; 16- OCFS-LCM-08	-	1,046,511
<i>Total CCDF Cluster</i>			-	1,046,511
Child Support Enforcement	93.563	NYSFRM, Vol. 1-3	-	187,312
Low-Income Home Energy Assistance	93.568	OTDA 14-LCM-14; OTDA 15- LCM-22	-	77,126
Foster Care-Title IV-E	93.658	NYSFRM, Vol. 1-3	-	1,012,548
Adoption Assistance	93.659	NYSFRM, Vol. 1-3	-	252,004
Social Services Block Grant	93.667	15-OCFS-LCM-08; 16-OCFS- LCM-09	-	480,922
Chafee Foster Care Independence Program	93.674	15-OCFS-LCM-09; 16-OCFS- LCM-06	-	48,980
<i>Passed through New York State Office of Mental Health and the Office of Alcoholism and Substance Abuse Services:</i>				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	A4488; A4490	1,000,714	1,000,714
<i>Passed through New York State Office for the Aging:</i>				
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	1000004328	-	3,207
National Family Caregiver Support, Title III, Part E	93.052	1000004328	-	26,913
<u>Aging Cluster</u>				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	1000004328	-	71,726
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	1000004328	-	60,597
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	1000004328	-	47,295
Nutrition Services Incentive Program	93.053	1000004328	-	21,613
<i>Total Aging Cluster</i>			-	201,231
Medicare Enrollment Assistance Program	93.071	1000004328	-	9,960
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1000004328	-	27,963
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	4997.01	-	12,651
Food and Drug Administration_Research	93.103	GSP15003180; GT151003188	-	3,839
<i>Total U.S. Department of Health and Human Services</i>			1,040,362	8,223,606

See notes to schedule of expenditures of federal awards.

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to to Subrecipients	Federal Expenditures
<u>Corporation for National and Community Service</u>				
<i>Direct Program:</i>				
Retired and Senior Volunteer Program	94.002	N/A	-	41,471
<i>Passed through New York State Office of Children and Family Services:</i>				
AmeriCorps	94.006	C027353	-	214,604
Total Corporation for National and Community Service			-	256,075
<u>U.S. Department of Homeland Security</u>				
<i>Passed through New York State Division of Homeland Security and Management Services:</i>				
Homeland Security Grant Program	97.067	C151049	-	128,590
Homeland Security Grant Program	97.067	C151059	-	32,611
Homeland Security Grant Program	97.067	C970740	-	46,936
Homeland Security Grant Program	97.067	C970750	-	70,686
Homeland Security Grant Program	97.067	C970760	-	1,645
Homeland Security Grant Program	97.067	T151050	-	3,730
Homeland Security Grant Program	97.067	T970742	-	28,750
Homeland Security Grant Program	97.067	T970752	-	5,367
Total Homeland Security Grant Program			-	318,315
Emergency Management Performance Grant	97.042	T151055/T155065	-	28,790
Total U.S Department of Homeland Security			-	347,105
Total Expenditures of Federal Awards			\$ 1,865,155	\$ 11,048,916

See notes to schedule of expenditures of federal awards.

COUNTY OF GENESEE, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of the federal financial assistance programs administered by the County of Genesee, New York (the County), an entity as defined in Note 1 to the County's basic financial statements and does not include the Genesee County Nursing Home, Genesee Community College and the Genesee County Economic Development Center. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal awards received directly from federal agencies, as well as, federal awards passed through from other government agencies are included in the schedule. Because the schedule presents only a selected portion of the operations of the County, it is not intended and does not present the financial position, changes in net position, or cash flows of the County.

NOTE 2 - BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the County's financial reporting system, which is the source of the County's basic financial statements.

NOTE 3 – INDIRECT COST

The County has elected not to use the 10-percent de minimis indirect cost rate allowable under the Uniform Guidance.

NOTE 4 – NON-MONETARY FEDERAL PROGRAM

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." New York State makes payments of benefits directly to vendors, primarily utility companies on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA Number 93.568). The total of these direct payments amounted to \$77,126 and is included on the schedule of expenditures of federal awards.

INTERNAL CONTROL AND COMPLIANCE

**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**

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the County Legislature
County of Genesee, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Genesee, New York (the County), as of and for the year ended December 31, 2016, 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 25, 2017. Our report includes a reference to other auditors who audited the financial statements of Genesee Community College, Genesee County Economic Development Center, and Genesee Tobacco Asset Securitization Corporation (TASC), 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. The financial statements of the Genesee County Nursing Home were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Genesee County Nursing Home.

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

Compliance and Other Matters

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

Purpose of this Report

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

Freed Maxick CPAs, P.C.

Batavia, New York
July 25, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of County Legislature
County of Genesee

Report on Compliance for Each Major Federal Program

We have audited the County of Genesee, New York's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The County's response to the internal control over compliance findings and corrective action plan identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Freed Maxick CPAs, P.C.

Batavia, New York
July 25, 2017



**COUNTY OF GENESEE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None Reported

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

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes No

Identification of major programs:

CFDA Number(s)

14.228
93.658
93.959

Name of Federal Program or Cluster

Community Development Block Grants
Foster Care – Title IV-E
Block Grants for Prevention and Treatment of
Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings related to the audit noted in the current year.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

Department of Health and Human Services

2016-001 – Treatment of Substance Abuse and Prevention – CFDA No. 93.959, Grant No. A4488 – Year ended December 31, 2016

Condition and Criteria: The County Office of Mental Health has not been monitoring the subrecipient of the Prevention and Treatment Federal Award adequately to ensure compliance with Federal provisions of the award are maintained. The Department should be carrying out subrecipient monitoring procedures as stated in the Uniform Guidance, Code of Federal Regulations Part 2, Section 200.331. The requirements listed in this section dictate activities the pass-through entity (the County) must engage in order to appropriately monitor subrecipient activity. The specific activities that the County did not perform include 200.331(b) Evaluating each subrecipients risk of noncompliance with federal statutes, regulations, and the terms and conditions of the sub-award for purposes of determining appropriate subrecipient monitoring. This risk assessment is necessary to further determine the necessary level of 200.331(d) Monitoring of activities, of the subrecipient and 200.331(e) Determining the level of training/assistance the subrecipient may need, as well as the frequency of on-site visits or the necessity of agreed upon procedures monitoring engagements may be needed. Further subrecipient conditions not being evaluated are the 200.331(g) Potential effect that subrecipient activities (which would be observed through proper monitoring activities described previously) may give cause, or necessitate adjustment to the County's own records, or 200.331(h) if there are any instances of noncompliance in which the County should be taking action or levying assistance to remedy.

Cause: Controls related to subrecipient monitoring in accordance with the Uniform Guidance were not in place.

Effect: The County was not in compliance with the requirements of the Uniform Guidance, Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart D, Section 200.331, Requirements for pass-through entities. The risk of noncompliance is that federal funding could be suspended or grantor agency could request repayment of federal funding.

Context: The finding was identified upon inquiries performed related to the Prevention and Treatment of Substance Abuse program during testing related to the Single Audit. Intuitively, the Department Head performed an informal risk assessment of the subrecipient based on the subrecipient having consistent and experienced personnel, and no history of deficiency related to grant management, however there were no activities performed to document or substantiate this assessment.

Recommendation: We recommend that the County ensure all Departments who oversee the pass-through of Federally Awarded funds to subrecipient agencies establish and adhere to adequate subrecipient monitoring policies in accordance with the Uniform Guidance, Code of Federal Regulations.

Views of Responsible Officials and Planned Corrective Actions: Genesee County Mental Health, a department of Genesee County, plans to develop a comprehensive sub-recipient monitoring checklist to include a risk assessment and routine monitoring procedures related to the sub-recipients. The County will review all federal aid that is passed through to sub-recipients is in compliance with the requirements of the Uniform Guidance.

**COUNTY OF GENESEE, NEW YORK
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings related to the financial statement audit noted for the year ended December 31, 2015.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

There were no findings or questioned costs related to federal awards noted for the year ended December 31, 2015.

NEW YORK STATE DEPARTMENT OF TRANSPORTATION
FINANCIAL ASSISTANCE

**REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE OVER NEW YORK STATE DEPARTMENT OF TRANSPORTATION
ASSISTANCE EXPENDED BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of County Legislature
County of Genesee, New York

Report On Compliance For Each Major State Assistance Transportation Program

We have audited the County of Genesee, New York's, (the County) compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have a direct and material effect on the major state transportation assistance program tested for the year ended December 31, 2016. The County's program tested is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs for state transportation assistance expended.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major state transportation assistance program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major state transportation assistance program 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 preliminary Draft Part 43 of NYCRR. Those standards and the preliminary Draft Part 43 of NYCRR require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state transportation assistance program tested has 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 state transportation assistance program tested. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major State Transportation Assistance Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state transportation assistance program for the year ended December 31, 2016.

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 types of requirements that could have a direct and material effect on each major state transportation assistance program tested to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state transportation assistance program and to test and report on the internal control over compliance in accordance with the preliminary Draft Part 43 of NYCRR, 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 control 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 state transportation assistance program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state transportation assistance program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state transportation assistance program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 preliminary Draft Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Batavia, New York
July 25, 2017

**COUNTY OF GENESEE, NEW YORK
SCHEDULE OF NEW YORK STATE DEPARTMENT OF
TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Grantor/Program Title</u>	<u>NYSDOT Contract/ Reference Number</u>	<u>NYS DOT Expenditures</u>
Consolidated Local Street and Highway Improvement Program (CHIPS) Aid	N/A	\$ 1,974,529
Airport Rehabilitation	K550772	215,335
Marchisalli Aid- Bridges	D034838	<u>19,938</u>
Total New York State Department of Transportation of Assistance Expended		\$ <u>2,209,802</u>

**COUNTY OF GENESEE, NEW YORK
NOTES TO THE SCHEDULE OF NEW YORK STATE DEPARTMENT OF TRANSPORTATION
ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of New York State Department of Transportation Assistance Expended by the County of Genesee, New York (the County) an entity as defined in Note 1 to the County's basic financial statements, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of New York State Department of Transportation Assistance Expended is presented using the modified accrual basis of accounting.

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR
NEW YORK STATE DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Internal control over New York State Department
of Transportation Assistance major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

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

- Any audit findings disclosed that are required to be
reported in accordance with Draft Part 43 of NYCRR? ☐ Yes ☒ No

Identification of New York State Department of
Transportation Assistance Expended Programs tested:

Name of State Program

Consolidated Local Street and Highway Improvement Program (CHIPs)

II. FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for the New York State Department of Transportation Assistance Expended noted in the current year.