

**AUDITED
BASIC FINANCIAL STATEMENTS**

COUNTY OF GENESEE, NEW YORK

DECEMBER 31, 2017

COUNTY OF GENESEE, NEW YORK
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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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 6.83%, 166.55% and 4.28%, 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.

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, 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, as required by Draft Part 43 of NYCRR, are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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 June 26, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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
June 26, 2018

Management's Discussion and Analysis County of Genesee, New York Fiscal Year Ended December 31, 2017

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, 2017. 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 \$128,516, of which approximately \$99,588 was the net investment in capital assets.
- The County's total primary government governmental activities net position increased approximately \$18,762 from the prior year, primarily from the residual equity transfer upon the sale of the Nursing Home.
- During the year ended December 31, 2017 the County's primary government invested \$9,372 in governmental activities capital assets, including \$3,768 in buildings and improvements, \$4,391 in infrastructure, \$971 in equipment, machinery, and other capital assets and \$242 to the motor pool.
- The County tax rate was \$10.07 per thousand dollars of assessed value in 2017, which was an increase of \$0.21 per thousand dollars of assessed value from the 2016 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.

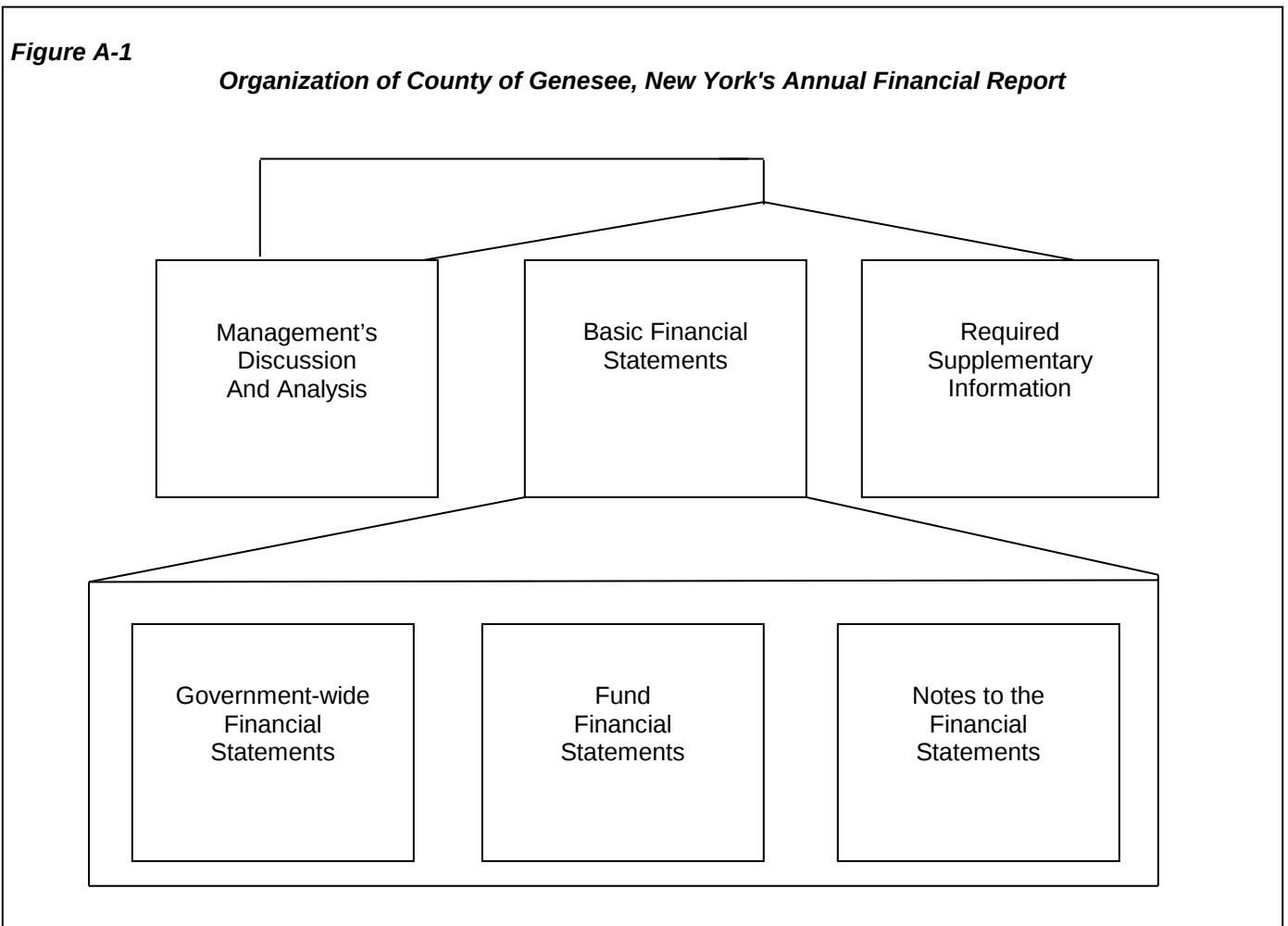


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of 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
<i>Scope</i>	<i>Entire government (except Fiduciary funds)</i>	<i>The activities of the County that are not proprietary or fiduciary, such as public safety and transportation</i>	<i>The activities of the County in which the County charges for services</i>
<i>Required financial statements</i>	• <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>
<i>Accounting basis and measurement focus</i>	<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>
<i>Type of asset/liability information</i>	<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>
<i>Type of inflow/outflow information</i>	<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 increased 17.09% to approximately \$128,516. The majority of the net position is invested in capital assets such as buildings, roads and equipment. Noncurrent liabilities of the County's primary government's governmental activities have decreased 15.05% primarily due to the net pension liability in the amount of \$11,707, which is a \$4,587 decrease from the prior year. The unrestricted net deficit in the County's business-type activities decreased 5.79% primarily due to the sale of the Nursing Home in 2017.

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
	2017	2016		2017	2016	
Current and other assets	\$ 60,784	\$ 44,893	35.40%	\$ 18,474	\$ 16,990	8.73%
Capital assets, net	108,644	104,328	4.14%	-	6,239	-100.00%
Total assets	169,428	149,221	13.54%	18,474	23,229	-20.47%
Deferred outflows of resources	9,715	17,038	-42.98%	-	3,796	-100.00%
Noncurrent liabilities	33,825	39,816	-15.05%	22,865	25,805	-11.39%
Other liabilities	14,166	14,082	0.60%	6,601	7,776	-15.11%
Total liabilities	47,991	53,898	-10.96%	29,466	33,581	-12.25%
Deferred inflows of resources	2,636	2,607	1.11%	-	600	-100.00%
Net investment in capital assets	99,588	94,578	5.30%	-	6,239	-100.00%
Restricted	18,546	1,414	1211.60%	6,873	5,568	23.44%
Unrestricted (deficit)	10,382	13,762	-24.56%	(17,865)	(18,963)	5.79%
Total net position (deficit)	<u>\$ 128,516</u>	<u>\$ 109,754</u>	<u>17.09%</u>	<u>\$ (10,992)</u>	<u>\$ (7,156)</u>	<u>-53.61%</u>

Governmental activities. Governmental activities increased the County's net position by \$18,762, primarily from the residual equity transfer upon the sale of the Nursing Home.

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
	2017	2016		2017	2016	
Program Revenues:						
Charges for services	\$ 27,000	\$ 13,550	99.26%	\$ 14,410	\$ 31,500	-54.25%
Tobacco settlement revenues	-	-	0.00%	709	969	-26.83%
Operating grants and contributions	21,417	22,445	-4.58%	-	-	0.00%
Capital grants and contributions	13,277	8,577	54.80%	-	-	0.00%
General Revenues:						
Property taxes, special assessments and property tax items	29,818	28,254	5.54%	-	-	0.00%
Non-property taxes	39,707	38,178	4.00%	-	-	0.00%
Investment income	849	711	19.41%	98	43	127.91%
Miscellaneous	501	592	-15.37%	1,453	1,286	12.99%
Gain on sale of asset	31	27	-14.81%	-	-	0.00%
Capital contributions	-	672	-100.00%	-	-	0.00%
Net change in fair value of investments	(80)	-	-100.00%	(11)	-	-100.00%
Total revenues	132,520	113,006	17.27%	16,659	33,798	-50.71%
Program Expenses:						
General government	30,760	29,515	4.22%	-	-	0.00%
Education	17,668	14,813	19.27%	-	-	0.00%
Public safety	19,739	17,986	9.75%	-	-	0.00%
Health	12,982	9,723	33.52%	-	-	0.00%
Transportation	10,209	5,383	89.65%	-	-	0.00%
Economic assistance and opportunity	34,446	33,658	2.34%	-	-	0.00%
Culture and recreation	1,188	1,226	-3.10%	-	-	0.00%
Home and community service	957	1,013	-5.53%	-	-	0.00%
Nursing home	-	-	0.00%	-	19,734	-100.00%
TASC	-	-	0.00%	1,232	1,166	5.66%
Self insurance	-	-	0.00%	9,374	10,741	-12.73%
Workers' compensation	-	-	0.00%	2,759	2,135	29.23%
Water	-	-	0.00%	3,727	3,654	2.00%
Interest on debt	593	655	-9.47%	-	-	0.00%
Total expenses	128,542	113,972	12.78%	17,092	37,430	-54.34%

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
	2017	2016		2017	2016	
Income (loss) before transfers and special items	3,978	(966)	511.80%	(433)	(3,632)	88.08%
Transfers	(1,083)	(1,112)	-2.61%	1,083	1,112	-2.61%
Intergovernmental transfer for rate enhancement	-	-	0.00%	-	6,208	100.00%
Special items	15,867	-	100.00%	(4,486)	-	100.00%
Total transfers and special items	14,784	(1,112)	1429.50%	(3,403)	7,320	-146.49%
Change in net position	18,762	(2,078)	-1002.89%	(3,836)	3,688	-204.01%
Net position (deficit) - beginning	109,754	111,832	-1.86%	(7,156)	(10,844)	-34.01%
Net position (deficit) - ending	<u>\$ 128,516</u>	<u>\$ 109,754</u>	<u>17.09%</u>	<u>\$ (10,992)</u>	<u>\$ (7,156)</u>	<u>-53.61%</u>

Governmental activities increased the County's net position by \$18,762 and business-type activities decreased the County's net position by \$3,836, both were primarily from the County's sale of the Nursing Home.

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
	2017	2016		2017	2016	
General government	\$ 30,760	\$ 29,515	4.22%	\$ 25,169	\$ 24,476	2.83%
Education	17,668	14,813	19.27%	16,117	13,385	20.41%
Public safety	19,739	17,986	9.75%	8,176	9,750	-16.14%
Health	12,982	9,723	33.52%	(7,614)	1,556	-589.33%
Transportation	10,209	5,383	89.65%	2,491	(263)	1047.15%
Economic assistance and opportunity	34,446	33,658	2.34%	21,430	20,208	6.05%
Culture and recreation	1,188	1,226	-3.10%	775	787	-1.52%
Home and community service	957	1,013	-5.53%	(289)	(1,154)	74.96%
Interest on debt	593	655	-9.47%	593	655	-9.47%
Total	<u>\$ 128,542</u>	<u>\$ 113,972</u>	<u>12.78%</u>	<u>\$ 66,848</u>	<u>\$ 69,400</u>	<u>-3.68%</u>

- Fluctuations within the functions is primarily due to capitalization of assets and certain expenditures related to the Nursing Home that were incurred by the County under the Health function in the current year.

Financial Analysis of The County's Funds

- The fund balance of the General Fund increased approximately \$21,446 from 2016. In the 2018 budget the County budgeted \$1,431 of fund balance to be used for the ensuing year. The unassigned portion of fund balance, formerly called undesignated fund balance, increased \$6,818 in 2017, with a December 31, 2017 balance of \$16,838.
- The County Nursing Home was sold in the current year and therefore the net position was reduced to \$0 as of December 31, 2017.

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)			
	2017		
	<u>Revenues</u>	<u>Expenditures/ Expenses</u>	<u>Fund Balance/ Net Position</u>
General Fund	\$ 131,301	\$ 109,855	\$ 44,081
Capital Projects Fund	15,444	21,488	515
Nursing Home	11,382	15,867	-
TASC	720	1,251	(18,306)
Self Insurance	10,752	9,462	5,703
Workers' Compensation	2,357	2,777	(589)
	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)

The revenues and expenditures above include other financing sources and uses, as well as, special items.

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 95.5% 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, 2017, amounts to \$99,588 (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	
	2017	2016	2017	2016
Land	\$ 2,573	\$ 2,573	\$ -	\$ -
Buildings and improvements	47,989	45,346	-	4,632
Machinery & equipment	3,491	3,529	-	1,607
Other capital assets	8,017	9,148	-	-
Infrastructure	46,165	43,319	-	-
Internal service - motor pool	409	413	-	-
Total	<u>\$ 108,644</u>	<u>\$ 104,328</u>	<u>\$ -</u>	<u>\$ 6,239</u>

Long-Term Obligations

At the end of the current year, the County's governmental activities had total bonded debt outstanding of \$19,760. 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.F 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	
	2017	2016	2017	2016
General obligation bonds issued by the County of Genesee	\$ 19,760	\$ 21,365	\$ -	\$ -
Plus: unamortized premium	216	135	-	-
Turbo term bonds and subordinate turbo CABs issued by the Tobacco Asset Securitization Corporation	-	-	15,069	15,069
Compensated absences	1,867	1,798	-	-
Other post employment benefits	275	224	-	40
Workers' compensation	-	-	7,795	6,948
Net pension liability	11,707	16,294	-	3,748
Total	<u>\$ 33,825</u>	<u>\$ 39,816</u>	<u>\$ 22,864</u>	<u>\$ 25,805</u>

Factors Bearing on the County's Future

- Contractual COLA adjustments as well as the continual increases in health coverage 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. With the sale of the Nursing Home and the termination of the Nursing Home's employees the County was able to maintain level health insurance premiums when we had originally anticipated needing to increase them.
- The 2017 County tax rate increased \$0.21 per thousand compared to the 2016 tax rate. The County did override the tax cap with the 2017 budget, which will increase the allowable property tax levy in future years.
- The County has continued to maintain a favorable AA- bond rating with Standard & Poor's in 2017. 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 increased by approximately 4.4% from 2016 to 2017, the first increase in a few years. Sales tax revenue received in the beginning of 2018 has remained strong as well, a trend that hopefully will continue, but is ultimately difficult to predict. An ongoing concern for the future of sales tax revenue 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. The County is also in negotiations with local municipalities regarding the sales tax sharing arrangement that expires at the end of 2018. The result of these negotiations will have an impact on the amount of sales tax revenue that the County will keep in the future.

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 did override the tax cap in 2017, this legislation is still a concern for future budgets as the State is beginning to determine eligibility for certain State aid based on whether the County stays within the tax cap.
- 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. The County set aside just over \$17 million in reserves from the proceeds of the sale and from additional IGT revenue received after the sale. These reserves will be used for future building and infrastructure needs. The elimination of the annual Nursing Home operating deficit of approximately \$2 million will have a positive impact on future budgets.

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, 2017

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 28,311,355	\$ 12,301,922	\$ 40,613,277	\$ 19,152,522
Investments	14,096,985	4,067,347	18,164,332	-
Accounts receivable	1,992,155	338,973	2,331,128	16,843,526
Taxes receivable, net	3,592,518	-	3,592,518	-
State and federal receivables	8,772,736	-	8,772,736	-
Due from other governments	2,738,018	824,449	3,562,467	151,891
Inventory	112,975	-	112,975	-
Prepays and other current assets	1,027,893	7,611	1,035,504	449,390
Other assets	-	-	-	7,238,268
Land held for investment	-	-	-	12,610,086
Cash and cash equivalents - restricted	139,271	934,319	1,073,590	-
Capital assets not being depreciated	2,572,792	-	2,572,792	-
Capital assets, net of accumulated depreciation	106,071,304	-	106,071,304	50,206,037
Net pension asset	-	-	-	213,227
Total assets	<u>169,428,002</u>	<u>18,474,621</u>	<u>187,902,623</u>	<u>106,864,947</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	<u>9,714,991</u>	<u>-</u>	<u>9,714,991</u>	<u>4,745,364</u>
Total deferred outflows of resources	<u>9,714,991</u>	<u>-</u>	<u>9,714,991</u>	<u>4,745,364</u>
LIABILITIES				
Accounts payable	9,896,004	571,285	10,467,289	4,113,553
Accrued liabilities	-	1,516,803	1,516,803	79,350
Line of credit	-	-	-	2,988,919
Loans payable	-	-	-	5,196,487
Accrued interest payable	183,130	80,467	263,597	-
Accretion payable	-	4,415,804	4,415,804	-
Due to fiduciary fund	525,777	1,067	526,844	-
Due to other governments	1,946,141	-	1,946,141	438
Other liabilities	-	-	-	2,447,200
Agency liabilities	-	-	-	1,726,538
Unearned revenues	1,614,729	16,386	1,631,115	7,851,487
Restricted liabilities	-	-	-	93,750
Noncurrent liabilities:				
Due and payable within one year	1,848,591	545,778	2,394,369	1,028,341
Due and payable after one year	31,976,384	22,318,598	54,294,982	11,036,151
Total liabilities	<u>47,990,756</u>	<u>29,466,188</u>	<u>77,456,944</u>	<u>36,562,214</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	<u>2,636,317</u>	<u>-</u>	<u>2,636,317</u>	<u>1,355,104</u>
NYS tuition assistance	-	-	-	974,774
Total deferred inflows of resources	<u>2,636,317</u>	<u>-</u>	<u>2,636,317</u>	<u>2,329,878</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	99,587,527	-	99,587,527	43,944,087
Restricted for:				
Capital projects	18,240,484	-	18,240,484	-
Debt service	139,271	-	139,271	-
Miscellaneous	166,293	6,873,198	7,039,491	-
Nonexpendable	-	-	-	3,841,654
Expendable	-	-	-	4,013,522
Unrestricted (deficit)	<u>10,382,345</u>	<u>(17,864,765)</u>	<u>(7,482,420)</u>	<u>20,918,956</u>
Total net position (deficit)	<u>\$ 128,515,920</u>	<u>\$ (10,991,567)</u>	<u>\$ 117,524,353</u>	<u>\$ 72,718,219</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

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	\$ 30,759,395	\$ 4,899,766	\$ 568,350	\$ 122,406	\$ (25,168,873)	\$ -	\$ (25,168,873)	\$ -	
Education	17,667,579	519,877	1,031,002	-	(16,116,700)	-	(16,116,700)	-	
Public safety	19,739,849	558,003	2,520,480	8,485,437	(8,175,929)	-	(8,175,929)	-	
Health	12,981,605	16,183,872	4,411,874	-	7,614,141	-	7,614,141	-	
Transportation	10,208,824	3,014,562	33,216	4,669,435	(2,491,611)	-	(2,491,611)	-	
Economic assistance and opportunity	34,445,989	865,162	12,150,459	-	(21,430,368)	-	(21,430,368)	-	
Culture and recreation	1,188,143	151,433	262,024	-	(774,686)	-	(774,686)	-	
Home and community services	957,343	807,169	439,413	-	289,239	-	289,239	-	
Interest on debt	593,154	-	-	-	(593,154)	-	(593,154)	-	
Total governmental activities	128,541,881	26,999,844	21,416,818	13,277,278	(66,847,941)	-	(66,847,941)	-	
Business-type activities:									
Nursing Home	-	-	-	-	-	-	-	-	
TASC	1,231,441	708,625	-	-	-	(522,816)	(522,816)	-	
Self Insurance	9,373,992	9,122,652	-	-	-	(251,340)	(251,340)	-	
Workers' Compensation	2,759,361	1,759,453	-	-	-	(999,908)	(999,908)	-	
Water	3,727,192	3,527,684	-	-	-	(199,508)	(199,508)	-	
Total business-type activities	17,091,986	15,118,414	-	-	-	(1,973,572)	(1,973,572)	-	
Total primary government	\$ 145,633,867	\$ 42,118,258	\$ 21,416,818	\$ 13,277,278	(66,847,941)	(1,973,572)	(68,821,513)	-	
Component units:									
Community College	\$ 49,827,139	\$ 48,856,187	\$ -	\$ -	-	-	-	(970,952)	
Economic Development Center	5,641,462	8,378,901	-	-	-	-	-	2,737,439	
Soil and Water Conservation District (unaudited)	455,523	555,043	-	-	-	-	-	99,520	
Total component units	\$ 55,924,124	\$ 57,790,131	\$ -	\$ -	-	-	-	1,866,007	
General revenues:									
Real property taxes					28,699,115	-	28,699,115	-	
Real property tax items					1,119,123	-	1,119,123	-	
Non-property taxes					39,707,415	-	39,707,415	-	
Investment income					848,945	98,354	947,299	445,894	
Miscellaneous local sources					501,422	1,453,162	1,954,584	-	
Gain on sale of capital assets					30,533	-	30,533	-	
Capital contributions					-	-	-	15,144,737	
Net change in fair value of investments					(80,015)	(10,653)	(90,668)	-	
Transfers					(1,083,131)	1,083,131	-	-	
Special item - residual equity transfer (see note 11)					15,866,850	(15,866,850)	-	-	
Special item - gain on disposal of operations (see note 11)					-	11,381,406	11,381,406	-	
Total general revenues, transfers and special items					85,610,257	(1,861,450)	83,748,807	15,590,631	
Change in net position					18,762,316	(3,835,022)	14,927,294	17,456,638	
Net position (deficit) - beginning					109,753,604	(7,156,545)	102,597,059	55,261,581	
Net position (deficit) - ending					\$ 128,515,920	\$ (10,991,567)	\$ 117,524,353	\$ 72,718,219	

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 27,038,531	\$ 954,850	\$ 269,307	\$ 28,262,688
Investments	14,096,985	-	-	14,096,985
Accounts receivable	1,216,906	-	714,786	1,931,692
Taxes receivable, net	3,592,518	-	-	3,592,518
Due from other funds	4,073,780	2,990,644	437,406	7,501,830
Due from other governments	2,738,018	-	-	2,738,018
State and federal receivables	5,249,782	2,337,717	1,185,237	8,772,736
Inventory	-	-	112,975	112,975
Prepaid and other current assets	945,900	-	81,993	1,027,893
Cash and cash equivalents - restricted	139,271	-	-	139,271
Total assets	<u>\$ 59,091,691</u>	<u>\$ 6,283,211</u>	<u>\$ 2,801,704</u>	<u>\$ 68,176,606</u>
LIABILITIES				
Accounts payable	\$ 7,792,446	\$ 1,696,101	\$ 394,054	\$ 9,882,601
Due to other funds	2,467,411	4,072,118	1,238,078	7,777,607
Due to other governments	1,946,141	-	-	1,946,141
Unearned revenues	1,614,729	-	-	1,614,729
Total liabilities	<u>13,820,727</u>	<u>5,768,219</u>	<u>1,632,132</u>	<u>21,221,078</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	1,189,674	-	-	1,189,674
Total deferred inflows of resources	<u>1,189,674</u>	<u>-</u>	<u>-</u>	<u>1,189,674</u>
FUND BALANCES				
Nonspendable	945,900	-	194,968	1,140,868
Restricted	18,546,048	-	-	18,546,048
Assigned	7,751,264	514,992	974,604	9,240,860
Unassigned	16,838,078	-	-	16,838,078
Total fund balances	<u>44,081,290</u>	<u>514,992</u>	<u>1,169,572</u>	<u>45,765,854</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 59,091,691</u>	<u>\$ 6,283,211</u>	<u>\$ 2,801,704</u>	

Amounts reported for governmental activities in the statement of net position (page 15) 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 (\$408,634)	108,235,462
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Serial bonds payable	(19,975,840)
Compensated absences	(1,866,916)
Other post employment benefits	(275,169)
Net pension liability	(11,707,050)
Net accrued interest expense for bonds not reported in the funds	(183,130)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	1,189,674
Internal service net position which is due to governmental activities and related to charges for services provided	254,361
Deferred outflow and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:	
Deferred pension outflows	9,714,991
Deferred pension inflows	(2,636,317)
Net position of governmental activities	<u>\$ 128,515,920</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, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 28,536,155	\$ -	\$ -	\$ 28,536,155
Real property tax items	1,119,123	-	-	1,119,123
Non-property tax items	39,707,415	-	-	39,707,415
Departmental income	19,933,660	-	219,852	20,153,512
Intergovernmental charges	1,259,358	-	97,222	1,356,580
Use of money and property	846,793	2,152	-	848,945
Licenses and permits	36,692	-	17,198	53,890
Fines and forfeitures	148,073	-	-	148,073
Sale of property and compensation for loss	157,507	-	808,017	965,524
Miscellaneous local sources	500,254	892,071	1,168	1,393,493
Interfund revenues	2,087,839	-	1,134,411	3,222,250
State sources	12,248,426	8,597,378	2,389,769	23,235,573
Federal sources	8,730,849	2,260,196	467,478	11,458,523
Net change in fair value of investments	(80,015)	-	-	(80,015)
Total revenues	<u>115,232,129</u>	<u>11,751,797</u>	<u>5,135,115</u>	<u>132,119,041</u>
EXPENDITURES				
Current:				
General government	29,503,473	-	-	29,503,473
Education	4,828,277	-	-	4,828,277
Public safety	17,176,346	-	112,826	17,289,172
Health	12,609,346	-	-	12,609,346
Transportation	812,670	-	6,564,771	7,377,441
Economic assistance and opportunity	33,153,772	-	711,416	33,865,188
Culture and recreation	1,147,161	-	-	1,147,161
Home and community services	938,813	-	-	938,813
Debt service:				
Principal	1,615,000	-	2,305,000	3,920,000
Interest	597,211	-	46,100	643,311
Bond issuance costs	-	-	69,979	69,979
Capital outlay:				
General government	-	89,633	-	89,633
Education	-	12,839,302	-	12,839,302
Public safety	-	1,656,127	-	1,656,127
Transportation	-	6,830,315	-	6,830,315
Total expenditures	<u>102,382,069</u>	<u>21,415,377</u>	<u>9,810,092</u>	<u>133,607,538</u>
Excess (deficit) of revenues over expenditures	<u>12,850,060</u>	<u>(9,663,580)</u>	<u>(4,674,977)</u>	<u>(1,488,497)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	202,001	3,692,612	4,869,069	8,763,682
Interfund transfers out	(7,472,515)	(73,037)	(2,301,261)	(9,846,813)
Proceeds of refunding bonds	-	-	2,315,000	2,315,000
Premium of refunding bonds	-	-	110,042	110,042
Total other financing sources (uses)	<u>(7,270,514)</u>	<u>3,619,575</u>	<u>4,992,850</u>	<u>1,341,911</u>
Special item - residual equity transfer (see note 11)	<u>15,866,850</u>	<u>-</u>	<u>-</u>	<u>15,866,850</u>
Net change in fund balances	21,446,396	(6,044,005)	317,873	15,720,264
Fund balances - beginning	<u>22,634,894</u>	<u>6,558,997</u>	<u>851,699</u>	<u>30,045,590</u>
Fund balances - ending	<u>\$ 44,081,290</u>	<u>\$ 514,992</u>	<u>\$ 1,169,572</u>	<u>\$ 45,765,854</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, 2017

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

Net change in fund balances - total governmental funds (page 18)	\$	15,720,264
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 (\$9,129,356) exceeded depreciation (\$4,764,660) less net transfers from motor pool (\$30,026) in the current period. Internal service fund capital asset activity is noted separately below.		4,334,670
The net effect of various miscellaneous transactions involving capital assets (i.e. sales; capital contribution) is to increase net position.		(13,974)
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.		162,960
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.		
Issuance of refunding serial bonds	\$	(2,315,000)
Premium on refunding serial bonds		(110,042)
Repayment of serial bonds		3,920,000
Premium amortization		29,148
Change in compensated absences		(69,200)
Change in other post employment benefits		(51,181)
Change in net pension liability		<u>4,587,140</u>
		5,990,865
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.		21,009
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.		(7,351,782)
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.		<u>(101,696)</u>
Change in net position of governmental activities	\$	<u><u>18,762,316</u></u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2017

	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	\$ -	\$ 318,992	\$ 3,869,662	\$ 6,217,182	\$ 1,896,086	\$ 12,301,922	\$ 48,667
Investments	-	-	3,064,976	1,002,371	-	4,067,347	-
Accounts receivable	-	-	338,973	-	-	338,973	60,463
Due from other governments	-	-	-	-	824,449	824,449	-
Prepaid items	-	7,611	-	-	-	7,611	-
Total current assets	-	326,603	7,273,611	7,219,553	2,720,535	17,540,302	109,130
Noncurrent assets:							
Cash and cash equivalents - restricted	-	934,319	-	-	-	934,319	-
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	408,634
Total noncurrent assets	-	934,319	-	-	-	934,319	408,634
Total assets	-	1,260,922	7,273,611	7,219,553	2,720,535	18,474,621	517,764
LIABILITIES							
Current liabilities:							
Accounts payable	-	1,647	37,005	12,411	520,222	571,285	13,403
Accrued liabilities	-	-	1,516,803	-	-	1,516,803	-
Accrued interest payable	-	80,467	-	-	-	80,467	-
Accretion payable	-	4,415,804	-	-	-	4,415,804	-
Due to other funds	-	-	-	1,067	-	1,067	250,000
Unearned revenues	-	-	16,386	-	-	16,386	-
Accrued and unpaid claim liabilities	-	-	-	205,778	-	205,778	-
Serial bonds payable	-	340,000	-	-	-	340,000	-
Total current liabilities	-	4,837,918	1,570,194	219,256	520,222	7,147,590	263,403
Noncurrent liabilities:							
Accrued and unpaid claim liabilities	-	-	-	7,589,222	-	7,589,222	-
Serial bonds payable	-	14,729,376	-	-	-	14,729,376	-
Total noncurrent liabilities	-	14,729,376	-	7,589,222	-	22,318,598	-
Total liabilities	-	19,567,294	1,570,194	7,808,478	520,222	29,466,188	263,403
NET POSITION (DEFICIT)							
Net investment in capital assets	-	-	-	-	-	-	408,634
Restricted	-	1,253,311	5,619,887	-	-	6,873,198	-
Unrestricted (deficit)	-	(19,559,683)	83,530	(588,925)	2,200,313	(17,864,765)	(154,273)
Total net position (deficit)	\$ -	\$ (18,306,372)	\$ 5,703,417	\$ (588,925)	\$ 2,200,313	\$ (10,991,567)	\$ 254,361

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, 2017

	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	\$ -	\$ -	\$ 9,122,652	\$ 1,759,453	\$ 3,527,684	\$ 14,409,789	\$ 219,969
Tobacco settlement revenues	-	708,625	-	-	-	708,625	-
Other operating revenues	-	-	1,451,633	1,529	-	1,453,162	-
Total operating revenues	-	708,625	10,574,285	1,760,982	3,527,684	16,571,576	219,969
OPERATING EXPENSES							
Salaries, wages and employee benefits	-	-	8,945,625	26,767	-	8,972,392	-
Contractual expenses	-	27,361	428,367	2,732,594	3,727,192	6,915,514	138,031
Depreciation and amortization	-	-	-	-	-	-	211,250
NYS assessment	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Total operating expenses	-	27,361	9,373,992	2,759,361	3,727,192	15,887,906	349,281
Operating income (loss)	-	681,264	1,200,293	(998,379)	(199,508)	683,670	(129,312)
NONOPERATING REVENUES (EXPENSES)							
Accretion	-	(525,055)	-	-	-	(525,055)	-
Interest income	-	11,317	32,144	44,043	10,850	98,354	-
Net change in fair value of investments	-	-	(8,024)	(2,629)	-	(10,653)	-
Gain on sale of capital assets	-	-	-	-	-	-	27,616
Interest expense	-	(679,025)	-	-	-	(679,025)	-
Total nonoperating revenues (expenses)	-	(1,192,763)	24,120	41,414	10,850	(1,116,379)	27,616
Income (loss) before transfers and special items	-	(511,499)	1,224,413	(956,965)	(188,658)	(432,709)	(101,696)
Transfers in	-	-	145,600	552,531	515,000	1,213,131	-
Transfers out	-	(20,000)	(80,000)	(15,000)	(15,000)	(130,000)	-
Special item - residual equity transfer (see note 11)	(15,866,850)	-	-	-	-	(15,866,850)	-
Special item - gain on disposal of operations (see note 11)	11,381,406	-	-	-	-	11,381,406	-
Change in net position	(4,485,444)	(531,499)	1,290,013	(419,434)	311,342	(3,835,022)	(101,696)
Net position (deficit) - beginning	4,485,444	(17,774,873)	4,413,404	(169,491)	1,888,971	(7,156,545)	356,057
Net position (deficit) - ending	\$ -	\$ (18,306,372)	\$ 5,703,417	\$ (588,925)	\$ 2,200,313	\$ (10,991,567)	\$ 254,361

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	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	\$ -	\$ -	\$ 9,214,591	\$ 1,759,453	\$ 3,490,563	\$ 14,464,607	\$ 192,901
Payments to suppliers	-	(5,397)	(710,508)	(1,885,764)	(3,802,803)	(6,404,472)	(136,348)
Payments to employees	-	-	(8,945,625)	(26,767)	-	(8,972,392)	-
Proceeds from tobacco receipts	-	708,625	-	-	-	708,625	-
Other operating revenue	-	-	1,451,633	1,529	-	1,453,162	-
Net cash provided (used) by operating activities	-	703,228	1,010,091	(151,549)	(312,240)	1,249,530	56,553
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Operating subsidies and transfers from (to) other funds	(15,866,850)	(20,000)	89,759	1,644,231	500,000	(13,652,860)	148,830
Net cash provided (used) by noncapital financing activities	(15,866,850)	(20,000)	89,759	1,644,231	500,000	(13,652,860)	148,830
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets	-	-	-	-	-	-	(207,009)
Proceeds from sale of capital assets	-	-	-	-	-	-	27,616
Interest payments	-	(679,025)	-	-	-	(679,025)	-
Net cash used by capital and related financing activities	-	(679,025)	-	-	-	(679,025)	(179,393)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investments	-	-	(3,073,000)	(1,005,000)	-	(4,078,000)	-
Interest income	-	11,317	32,144	44,043	10,850	98,354	-
Proceeds from the sale of the nursing home	15,200,000	-	-	-	-	15,200,000	-
Net cash provided (used) by investing activities	15,200,000	11,317	(3,040,856)	(960,957)	10,850	11,220,354	-
Net increase (decrease) in cash and cash equivalents	(666,850)	15,520	(1,941,006)	531,725	198,610	(1,862,001)	25,990
Cash and cash equivalents - beginning	666,850	1,237,791	5,810,668	5,685,457	1,697,476	15,098,242	22,677
Cash and cash equivalents - ending	\$ -	\$ 1,253,311	\$ 3,869,662	\$ 6,217,182	\$ 1,896,086	\$ 13,236,241	\$ 48,667
<u>Reconciliation of cash and cash equivalents to the statement of net position</u>							
Cash and cash equivalents	-	318,992	3,869,662	6,217,182	1,896,086	12,301,922	48,667
Cash and cash equivalents - restricted	-	934,319	-	-	-	934,319	-
Total cash and cash equivalents	\$ -	\$ 1,253,311	\$ 3,869,662	\$ 6,217,182	\$ 1,896,086	\$ 13,236,241	\$ 48,667

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	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)	\$ -	\$ 681,264	\$ 1,200,293	\$ (998,379)	\$ (199,508)	\$ 683,670	\$ (129,312)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	-	-	-	-	-	-	211,250
Loss on disposal of operations	(112,110)	-	-	-	-	(112,110)	-
Changes in assets and liabilities:							
Decrease (increase) in:							
Accounts receivable	2,053,586	-	105,141	-	787,328	2,946,055	(27,068)
Due from other governments	-	-	-	-	(824,449)	(824,449)	-
Other receivables	3,234	-	-	-	-	3,234	-
Prepaid items	-	(2,813)	-	-	-	(2,813)	-
Increase (decrease) in:							
Accounts payable	(727,565)	(249)	(85,468)	(170)	(75,611)	(889,063)	1,683
Accrued liabilities	(602,453)	25,026	(196,673)	-	-	(774,100)	-
Due from third-party payors	(23,000)	-	-	-	-	(23,000)	-
Net pension liability and deferred resources	(551,574)	-	-	-	-	(551,574)	-
Accrued and unpaid claim liabilities	-	-	-	847,000	-	847,000	-
Unearned revenues	-	-	(13,202)	-	-	(13,202)	-
Other postemployment benefits	(40,118)	-	-	-	-	(40,118)	-
Net cash provided (used) by operating activities	\$ -	\$ 703,228	\$ 1,010,091	\$ (151,549)	\$ (312,240)	\$ 1,249,530	\$ 56,553
Supplemental disclosure of cash flow information:							
Cash paid during the year for interest	\$ -	\$ 679,025	\$ -	\$ -	\$ -	\$ 679,025	\$ -

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF NET POSITION - COMPONENT UNITS
DECEMBER 31, 2017

	Community College	Economic Development Center	Soil and Water Conservation District (Unaudited)	Total
ASSETS				
Cash and cash equivalents	\$ 16,264,880	\$ 2,140,223	\$ 747,419	\$ 19,152,522
Other receivables, net	10,881,417	5,961,593	516	16,843,526
Due from other governments	-	-	151,891	151,891
Prepays and current assets	419,334	25,105	4,951	449,390
Other assets	7,238,268	-	-	7,238,268
Land held for investment	-	12,610,086	-	12,610,086
Capital assets, net of accumulated depreciation	50,203,762	2,275	-	50,206,037
Net pension asset	213,227	-	-	213,227
Total assets	<u>85,220,888</u>	<u>20,739,282</u>	<u>904,777</u>	<u>106,864,947</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	4,518,437	226,927	-	4,745,364
Total deferred outflows of resources	<u>4,518,437</u>	<u>226,927</u>	<u>-</u>	<u>4,745,364</u>
LIABILITIES				
Current liabilities:				
Accounts payable	3,415,154	692,932	5,467	4,113,553
Loans payable	-	5,196,487	-	5,196,487
Accrued liabilities	35,368	43,982	-	79,350
Customer deposits	93,750	-	-	93,750
Due to other governments	-	-	438	438
Line of credit	-	2,988,919	-	2,988,919
Other liabilities	2,447,200	-	-	2,447,200
Agency liabilities	1,726,538	-	-	1,726,538
Unearned revenues	7,593,417	106,594	151,476	7,851,487
Mortgages payable	428,341	-	-	428,341
Grant payable	600,000	-	-	600,000
Noncurrent liabilities:				
Annuities payable	19,641	-	-	19,641
Compensated absences	1,109,338	-	-	1,109,338
Grant payable	1,020,761	-	-	1,020,761
Mortgages payable	5,833,609	-	-	5,833,609
Aggregated net pension liability	2,773,420	279,382	-	3,052,802
Total liabilities	<u>27,096,537</u>	<u>9,308,296</u>	<u>157,381</u>	<u>36,562,214</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	1,260,142	94,962	-	1,355,104
NYS tuition assistance	974,774	-	-	974,774
Total deferred inflows of resources	<u>2,234,916</u>	<u>94,962</u>	<u>-</u>	<u>2,329,878</u>
NET POSITION				
Net investment in capital assets	43,941,812	2,275	-	43,944,087
Restricted for:				
Nonexpendable	3,841,654	-	-	3,841,654
Expendable	3,690,713	322,809	-	4,013,522
Unrestricted	8,933,693	11,237,867	747,396	20,918,956
Total net position	<u>\$ 60,407,872</u>	<u>\$ 11,562,951</u>	<u>\$ 747,396</u>	<u>\$ 72,718,219</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, 2017

	Community College	Economic Development Center	Soil and Water Conservation District (Unaudited)	Total
OPERATING REVENUES				
Tuition and fees, net	\$ 10,867,427	\$ 2,297,839	\$ 54,568	\$ 13,219,834
Federal grants and contracts	11,987,079	-	421	11,987,500
State grants and contracts	1,248,318	-	330,745	1,579,063
Nongovernmental grants and contracts	340,578	-	-	340,578
Auxiliary enterprises	642,156	-	-	642,156
County of Genesee	-	193,513	151,891	345,404
Economic development program support	-	300,000	-	300,000
Interest income on loans	-	4,927	-	4,927
Rent	-	25,536	-	25,536
Grant income	-	5,518,923	-	5,518,923
Other revenues	743,911	38,163	17,418	799,492
Total operating revenues	<u>25,829,469</u>	<u>8,378,901</u>	<u>555,043</u>	<u>34,763,413</u>
OPERATING EXPENSES				
Salaries and benefits	-	983,575	237,509	1,221,084
Site development	-	3,900,409	-	3,900,409
Educational and general expenditures	35,053,727	-	-	35,053,727
Financial aid and scholarships	4,165,353	-	-	4,165,353
Operation and maintenance	4,714,810	-	-	4,714,810
Depreciation	1,732,462	1,470	-	1,733,932
General and administrative	-	621,801	218,014	839,815
Auxiliary expenses	4,159,589	-	-	4,159,589
Total operating expenses	<u>49,825,941</u>	<u>5,507,255</u>	<u>455,523</u>	<u>55,788,719</u>
Operating income (loss)	<u>(23,996,472)</u>	<u>2,871,646</u>	<u>99,520</u>	<u>(21,025,306)</u>
NONOPERATING REVENUES (EXPENSES)				
County appropriations	2,536,374	-	-	2,536,374
Other counties' appropriations	8,771,036	-	-	8,771,036
State appropriations	11,719,308	-	-	11,719,308
Investment income, net	444,935	645	314	445,894
Land and infrastructure dedication	-	(134,207)	-	(134,207)
Loss on sale of capital assets	(1,198)	-	-	(1,198)
Total nonoperating revenues (expenses)	<u>23,470,455</u>	<u>(133,562)</u>	<u>314</u>	<u>23,337,207</u>
Income before capital appropriations and contributions	(526,017)	2,738,084	99,834	2,311,901
Capital appropriations - state and county	15,138,737	-	-	15,138,737
Capital contributions - private	6,000	-	-	6,000
Change in net position	14,618,720	2,738,084	99,834	17,456,638
Net position - beginning	<u>45,789,152</u>	<u>8,824,867</u>	<u>647,562</u>	<u>55,261,581</u>
Net position - ending	<u>\$ 60,407,872</u>	<u>\$ 11,562,951</u>	<u>\$ 747,396</u>	<u>\$ 72,718,219</u>

See notes to basic financial statements.

COUNTY OF GENESEE, NEW YORK
STATEMENT OF NET POSITION - AGENCY FUND
DECEMBER 31, 2017

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 760,314
Due from other funds	<u>526,844</u>
Total assets	\$ <u><u>1,287,158</u></u>
LIABILITIES	
Agency liabilities	\$ <u>1,287,158</u>
Total liabilities	\$ <u><u>1,287,158</u></u>

See 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

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 with those Statements, the financial statements of GCC are required to present a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows using the direct method. The statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses and the recognition of depreciation on capital assets. 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, 2017. 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 are 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

Summary financial information from the Oak Orchard Small Watershed Protection District's unaudited financial statements for the year ended December 31, 2017 is as follows:

Assets	\$ 97,022
Liabilities	51
Fund balance	96,971
Total revenues	52,931
Total expenditures	42,300

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, 2017 is as follows:

Assets	\$ 298,344
Liabilities	17,070
Fund balance	281,274
Total revenues	127,451
Total expenditures	114,845

D. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 major 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.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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

- a. 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.

Enterprise 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.
- 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:

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

Other Fund Types:

- a. 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:

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

- b. 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.

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

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

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.

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.

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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-County 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, 2017, the taxes receivable amounted to \$3,692,904 which is offset by an allowance for uncollected taxes of \$100,386. Current year returned village and school taxes of \$1,814,074 are offset by liabilities to the villages and school districts which will be paid no later than April 15, 2018. The remaining portion of tax assets is partially offset by unavailable revenue of \$1,189,674, 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 65.66% of its constitutional tax limit as of December 31, 2017.

3. COMPENSATED ABSENCES

Vacation

The County's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from County 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.

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 \$1,866,916 at December 31, 2017 for the governmental activities.

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.

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 the governmental fund 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. RECEIVABLES

Receivables are carried at their net realizable value. Accounts are written off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible accounts. The allowance for uncollectible accounts related to tax collections amounted to \$100,386 at December 31, 2017.

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 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:

	Capitalization Threshold	Estimated Useful Life
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

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 Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(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. Lastly is the County's contributions to the pension system subsequent to the measurement date. See details of deferred pension outflows in Note 3.D.

In addition to liabilities, the Statement of Net 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. The second item that qualifies arises under the modified accrual basis of accounting and is the unavailable revenues from property taxes. This deferred inflow is only reported in the governmental funds Balance Sheet and is the amount that is deferred and recognized as an inflow of resources in the period that the amounts become available. The final item is the tuition assistance payments received by Genesee Community College on behalf of eligible students prior to the College's year end. These payments 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. 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.

10. POSTEMPLOYMENT BENEFITS

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

11. 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.

12. 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.

13. 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.

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.

14. 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 the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

15. FAIR VALUE MEASUREMENTS

In accordance with GASB Statement No. 72, investments are reported at fair value. U.S. GAAP establishes a framework for measuring fair value of assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that the County has ability to access.

Level 2: Valuation is based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Valuation is based upon unobservable inputs that are significant to the fair value measurement.

Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics or inputs other than quoted prices that are observable for the security, and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within Level 3 of the valuation hierarchy.

Following is a description of valuation methodology used at December 31, 2017:

U.S. Treasury Notes: Valued at the closing price reported on the active market on which the individual securities are traded.

16. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2017, the County adopted the provisions of Governmental Accounting Standards Board (GASB) 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*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*; Statement No. 81, *Split-Interest Agreements*; and Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*.

The primary objective of Statement No. 73 is to improve the usefulness of information about pensions included in the financial statements that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

The primary objective of Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The primary objective of Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, 68, and 73.

The County has evaluated Statements No. 73, 74, 80, and 81 have determined that they have no impact on the County's operations. Statement No. 82, however, does impact the proper presentation of the required supplementary information that is required under Statement No. 68.

The GASB has issued the following new pronouncements:

- 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. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019;

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

- Statement No. 84, *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No. 73*, which will be effective for the year ending December 31, 2018;
- Statement No. 85, *Omnibus*, which will be effective for the year ending December 31, 2018;
- Statement No. 86, *Certain Debt Extinguishment Issues*, which will be effective for the year ending December 31, 2018; and
- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.

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, 2017 in the Workers' Compensation Fund in the amount of \$588,925. The deficit was created in a previous 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, 2017 in the amount of \$18,306,372. 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.

The County's aggregate bank balances were fully collateralized at December 31, 2017.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

In addition, the County invested certain deposits during the year ended December 31, 2017. The following table presents the investments and maturities of the County's securities with interest rate risk as of December 31, 2017:

Investment Type	Fair Value	Investment Maturities			
		Less than 6 months	6 months to 1 year	1-5 years	More than 5 years
U.S. Treasury Notes	\$ 18,164,332	\$ 13,039,337	\$ 5,124,994	\$ -	\$ -

All of the County's investments were valued based on Level 1 inputs.

	Cost	Fair Value
U.S. Treasury Notes	\$ 18,255,000	\$ 18,164,332

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 at December 31, 2017, include the following:

1. Accounts Receivables:

Nonmajor Governmental Funds:

Gasoline sales	\$ 95,538
Sales, other	25,455
County Road Fund - machine and equipment rental	417,989
Miscellaneous receivables	175,804
Total accounts receivable	<u>\$ 714,786</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

General:

Mental Health	\$ 384,273
Miscellaneous	<u>832,633</u>
Total	<u>\$ 1,216,906</u>

2. Due From Other Governments:

Nonmajor Enterprise Funds:

County of Batavia	\$ 498,166
Town of Batavia	225,177
Villages - Elba and Oakfield	<u>101,106</u>
Total accounts receivable	<u>\$ 824,449</u>

General:

Sales tax	\$ 2,558,998
Miscellaneous	<u>179,020</u>
Total	<u>\$ 2,738,018</u>

3. State and Federal Receivables - represents amounts due primarily from New York State and the federal government at December 31, 2017:

General Fund:

RF2 and 2A State and Federal	\$ 2,574,627
RF3 and RF4 State and Federal	403,648
RF17 State and Federal	246,866
Physically Handicapped Children Education	526,406
Programs for the Aging	135,413
Public Health	252,340
Indigent legal services	179,688
Medicaid intergovernmental transfer	184,348
Miscellaneous state and federal receivables	<u>746,446</u>
Total state and federal receivables	<u>\$ 5,249,782</u>

Capital Projects Fund:

State and federal reimbursements - Airport	\$ 327,155
State and federal reimbursements - Sheriff	925,874
State and federal reimbursements - GCC Wellness and Event Ctr	<u>1,084,688</u>
Total state and federal receivables	<u>\$ 2,337,717</u>

Nonmajor Governmental Funds

CHIPS Aid	\$ 1,090,855
PAVE-NY	58,522
Extreme weather recovery	253
Miscellaneous state and federal receivables	<u>35,607</u>
Total state and federal receivables	<u>\$ 1,185,237</u>

C. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2017, is as follows:

	Balance 01/01/17	Increases	Decreases	Balance 12/31/17
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 2,572,792	\$ -	\$ -	\$ 2,572,792
Total capital assets, not being depreciated	<u>2,572,792</u>	<u>-</u>	<u>-</u>	<u>2,572,792</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance 01/01/17	Increases	Decreases	Balance 12/31/17
Capital assets, being depreciated:				
Buildings and improvements	63,997,145	3,767,780	-	67,764,925
Other capital assets	17,099,893	550,986	247,222	17,403,657
Machinery and equipment	6,020,339	420,156	99,138	6,341,357
Infrastructure	69,154,054	4,390,434	-	73,544,488
Internal service – motor pool	<u>1,223,815</u>	<u>242,262</u>	<u>296,153</u>	<u>1,169,924</u>
Total capital assets, being depreciated	<u>157,495,246</u>	<u>9,371,618</u>	<u>642,513</u>	<u>166,224,351</u>
Less accumulated depreciation:				
Buildings and improvements	18,650,824	1,124,754	-	19,775,578
Other capital assets	7,951,906	1,659,545	224,813	9,386,638
Machinery and equipment	2,491,519	436,677	77,547	2,850,649
Infrastructure	25,835,208	1,543,684	-	27,378,892
Internal service - motor pool	<u>810,940</u>	<u>211,250</u>	<u>260,900</u>	<u>761,290</u>
Total accumulated depreciation	<u>55,740,397</u>	<u>4,975,910</u>	<u>563,260</u>	<u>60,153,047</u>
Total capital assets, being depreciated, net	<u>101,754,849</u>	<u>4,395,708</u>	<u>79,253</u>	<u>106,071,304</u>
Total governmental activities capital assets, net	<u>\$ 104,327,641</u>	<u>\$ 4,395,708</u>	<u>\$ 79,253</u>	<u>\$ 108,644,096</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>6,086,043</u>	<u>-</u>	<u>6,086,043</u>	<u>-</u>
Total capital assets, being depreciated	<u>25,769,672</u>	<u>-</u>	<u>25,769,672</u>	<u>-</u>
Less accumulated depreciation:				
Land improvements	218,268	-	218,268	-
Buildings	12,553,370	-	12,553,370	-
Equipment	<u>6,758,864</u>	<u>-</u>	<u>6,758,864</u>	<u>-</u>
Total accumulated depreciation	<u>19,530,502</u>	<u>-</u>	<u>19,530,502</u>	<u>-</u>
Total business-type activities capital assets, net	<u>\$ 6,239,170</u>	<u>\$ -</u>	<u>\$ 6,239,170</u>	<u>\$ -</u>

Depreciation expense was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$ 731,719
Public safety	1,473,087
Health	1,140
Transportation	2,603,327
Economic assistance and opportunity	<u>74,737</u>
Total	<u>\$ 4,884,010 *</u>

* This information excludes a portion of the Motor Pool capital assets that were transferred to other governmental activities in the current year.

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 (the System). 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.

The County's participation in the System includes GCC, however, the allocation for the GCC portion of the pension plan is excluded from the information in this section for the County's presentation purposes.

FUNDING POLICY

The System is noncontributory, except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. 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, 2017, the County reported the following liability for their proportionate share of the net pension liability to the System. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2016. 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. This information was provided by the ERS System in a County report provided to the County.

ERS

Measurement date	March 31, 2017
Net pension liability	\$ 11,707,050
County's portion of the Plan's total net pension liability	0.1245932%
Change in proportion since the prior measurement date	0.0002761

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended December 31, 2017, the County recognized a pension expense of \$6,829,509. At December 31, 2017 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	\$ 293,368	\$ 1,777,782
Changes of assumptions	3,999,556	-
Net difference between projected and actual earnings on pension plan investments	2,338,373	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	858,535
County's contributions subsequent to the measurement date	<u>3,083,694</u>	<u>-</u>
Total	<u>\$ 9,714,991</u>	<u>\$ 2,636,317</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 1,908,028
2019	1,908,028
2020	1,817,693
2021	(1,638,769)
2022	-
Thereafter	-

ACTUARIAL ASSUMPTIONS

The total pension liability as of the March 31, 2017 was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. 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
Decrement tables	April 1, 2010 - March 2015

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, 2016 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

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, 2017 are summarized below:

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

DISCOUNT RATE

The discount rate used to calculate the total pension 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)	\$ 37,389,998	\$ 11,707,050	\$ (10,007,834)

PENSION PLAN FIDUCIARY NET POSITION

The components of the current-year net pension liability of the employers as of March 31, 2017 were as follows:

	<u>ERS (Dollars in Thousands)</u>
Employers' total pension liability	\$ 177,400,586
Plan net position	<u>168,004,363</u>
Employers net pension total	<u>\$ 9,396,223</u>
Ratio of Plan net position to the employers' total pension liability	94.7%

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2017 represent the employer contribution for the period of January 1, 2018 through March 31, 2018 of the retirement invoice for the Plan year April 1, 2017 through March 31, 2018. Prepaid retirement contributions as of December 31, 2017 amounted to \$1,027,898.

E. OTHER POSTEMPLOYMENT 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.

ACCOUNTING POLICY

The accrual basis of accounting is used. The fair 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, 2017.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ending</u> <u>12/31/17</u>
ARC	\$ 77,802
Interest on OPEB obligation	10,564
Adjustment to ARC	<u>(18,101)</u>
OPEB Expense	70,265
Contributions made	<u>(59,202)</u>
Increase net OPEB obligation	11,063
Net OPEB obligation- beginning of year	<u>264,106</u>
Net OPEB obligation- end of year	<u>\$ 275,169</u>
Percentage of expense contributed	84.26%

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, 2017 and the two preceding years are as follows:

<u>Fiscal Year</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Employer</u> <u>Contribution</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2017	\$ 70,265	\$ 59,202	84.26%	\$ 275,169
2016	80,935	76,524	94.55%	264,106
2015	62,257	53,492	85.90%	259,695

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

FUNDED STATUS AND FUNDING PROGRESS

The County obtained an interim actuarial valuation for the fiscal year ended December 31, 2017, which was based on the Annual Required Contribution (ARC) from the January 1, 2016 actuarial valuation. As of the interim actuarial valuation, the actuarial accrued liability for benefits was \$624,121, all of which was unfunded. The covered payroll, as of the interim actuarial valuation for the fiscal year ended December 31, 2017 (annual payroll of active employees covered by the plan), was \$26,432,017 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.36 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.

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 interim valuation for the fiscal year ended December 31, 2017 is based on ARC from the January 1, 2016 actuarial valuation which 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-one (21) years.

F. 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 postemployment benefits, capital leases and aggregate net pension liability. A summary of changes in the County's long-term liabilities for the year ended December 31, 2017 are presented as follows:

	Balance 01/01/17	Additions	Reductions	Balance 12/31/17	Due within One year
<u>Governmental activities:</u>					
<u>General obligation debt:</u>					
Serial bonds	\$ 21,365,000	\$ 2,315,000	\$ 3,920,000	\$ 19,760,000	\$ 1,630,000
Plus: unamortized premium	134,946	110,042	29,148	215,840	31,899

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance 01/01/17	Additions	Reductions	Balance 12/31/17	Due within One year
<i>Other liabilities:</i>					
Compensated absences	1,797,716	78,068	8,868	1,866,916	186,692
Other postemployment benefits**	223,988	110,383	59,202	275,169	-
Net pension liability*	<u>16,294,190</u>	<u>-</u>	<u>4,587,140</u>	<u>11,707,050</u>	<u>-</u>
Total governmental activities	<u>\$ 39,815,840</u>	<u>\$ 2,613,493</u>	<u>\$ 8,604,358</u>	<u>\$ 33,824,975</u>	<u>\$ 1,848,591</u>

Business-type activities:

General obligation debt:

Turbo term bonds - TASC IV	\$ 11,755,000	\$ -	\$ -	\$ 11,755,000	\$ 340,000
Subordinate turbo CABs - TASC IV Series 2005	1,458,440	-	-	1,458,440	-
TASC V	1,855,936	-	-	1,855,936	-

Other liabilities:

Other postemployment benefits**	40,118	642	40,760	-	-
Workers' compensation	6,948,000	2,118,557	1,271,557	7,795,000	205,778
Net pension liability*	<u>3,747,672</u>	<u>-</u>	<u>3,747,672</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 25,805,166</u>	<u>\$ 2,119,199</u>	<u>\$ 5,059,989</u>	<u>\$ 22,864,376</u>	<u>\$ 545,778</u>

* Reductions to net pension liability are presented net of additions.

** The Nursing Home's other postemployment liability was included in the transfers to the governmental activities.

Long-term debt maturity schedule:

Purpose	Original Issue Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding Balance 12/31/17
<u>Governmental activities:</u>					
<i>Bonds issued by the County:</i>					
County Public Facility Building – Ref 2007	03/2017	\$ 2,315,000	3.00%	10/2027	\$ 2,105,000
Radio System	06/2013	4,200,000	2.00%	06/2023	2,700,000
Airport	12/2014	4,370,000	2.25%	12.2034	<u>4,175,000</u>
					8,980,000
Add: Unamortized Premium					<u>215,840</u>
Total bonds issued by the County					<u>9,195,840</u>
<i>Bonds issued by the County for GCC:</i>					
GCC Athletic Fields	07/2009	1,845,000	3.50%	09/2024	1,105,000
GCC Technology	03/2010	3,375,000	4.00%	04/2019	800,000
Community College Project	02/2015	9,326,464	2.50%	08/2039	<u>8,875,000</u>
Total bonds issued by the County for GCC					<u>10,780,000</u>
Total governmental activities					<u>\$ 19,975,840</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>\$ 35,045,216</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

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>
2018	\$ 1,630,000	\$ 574,319
2019	1,680,000	523,394
2020	1,320,000	480,844
2021	1,350,000	442,644
2022	1,395,000	403,631
2023-2027	4,925,000	1,590,063
2028-2032	3,390,000	1,130,238
2033-2037	3,000,000	548,987
2038-2039	<u>1,070,000</u>	<u>52,488</u>
Total	\$ <u>19,760,000</u>	\$ <u>5,746,608</u>

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>
2018	\$ 340,000	\$ 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	265,000	655,950	-	509,545
2023-2027	85,000	3,054,375	-	3,228,825
2028-2032	1,800,000	2,570,000	-	4,745,094
2033-2037	2,500,000	1,906,875	-	6,973,408
2038-2042	3,525,000	1,090,125	-	10,248,151
2043-2047	2,530,000	193,000	-	15,060,723
2048-2052	-	-	-	22,133,298
2053-2057	-	-	-	32,527,184
2058-2060	-	-	<u>1,855,936</u>	<u>21,607,684</u>
Total	\$ <u>11,755,000</u>	\$ <u>12,241,825</u>	\$ <u>1,855,936</u>	\$ <u>118,721,438</u>

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

	<u>2017</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 TASC 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.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

In conjunction with the advanced refunding, TASC 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, 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 TASC 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 \$178,333 for the year ending December 31, 2017. At December 31, 2017 accretion payable for TASC IV Series 2005 amounted to \$1,593,178.

Required maturities for the Series 2005 Bonds represent the minimum amount of principal that TASC 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.

G. 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 capital 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
Capital assets, net of accumulated depreciation	\$ 108,644,096
Bonds payable used for capital assets	(9,195,840)
Unspent debt proceeds	139,271
Net investment in capital assets	\$ 99,587,527

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, 2017.

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

FUND BALANCE

In the governmental 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, 2017 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.

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

- *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	\$ 18,882
STOP DWI program	117,193
District attorney	14,655
Bed tax	13,990
Other	1,573
	<u>\$ 166,293</u>

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, 2017, 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, 2017, 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	\$ -	\$ -	\$ 112,975	\$ 112,975
Prepays	945,900	-	81,993	1,027,893
<u>Restricted:</u>				
Capital projects	18,240,484	-	-	18,240,484
Debt service	139,271	-	-	139,271
Miscellaneous	166,293	-	-	166,293
<u>Assigned:</u>				
Subsequent years' expenditures	1,431,374	-	446,189	1,877,563
Encumbrances –				
General government	38,820	-	-	38,820
Public safety	48,809	-	-	48,809
Inter-governmental transfer	296,669	-	-	296,669
Sales tax	5,908,932	-	-	5,908,932
Animal shelter	18,222	-	-	18,222
K-9 donations	8,438	-	-	8,438
Capital projects	-	514,992	-	514,992
County road	-	-	207,751	207,751
Road machinery	-	-	228,556	702,742
Special grant - job development	-	-	92,108	92,108
<u>Unassigned:</u>				
General Fund	16,838,078	-	-	16,838,078
Total	<u>\$ 44,081,290</u>	<u>\$ 514,992</u>	<u>\$ 1,169,572</u>	<u>\$ 45,765,854</u>

H. INTERFUND ACTIVITIES

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 4,073,780	\$ 2,467,411	\$ 202,001	\$ 7,472,515
Capital Projects Fund	2,990,644	4,072,118	3,692,612	73,037
County Road Fund	437,406	1,217,291	4,869,069	2,297,298
Road Machinery Fund	-	15,754	-	-

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
Special Grant Fund	-	5,033	-	-
Debt Service Fund	-	-	-	3,963
Self Insurance Fund	-	-	145,600	80,000
Water Fund	-	-	515,000	15,000
Workers' Compensation Fund	-	1,067	552,531	15,000
TASC Fund	-	-	-	20,000
Internal Service Fund	-	250,000	-	-
Agency Fund	<u>526,844</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,028,674</u>	<u>\$ 8,028,674</u>	<u>\$ 9,976,813</u>	<u>\$ 9,976,813</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.

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 in excess of \$100,000. The future minimum operating lease payments as of December 31, 2017 are as follows:

<u>Year Ending</u>	<u>Mental Health Building</u>	<u>County Water</u>	<u>County Career Center</u>	<u>Total</u>
2018	\$ 639,734	\$ 550,000	\$ 103,908	\$ 1,293,642
2019	639,734	-	103,908	743,642
2020	213,245	-	116,892	330,137
2021	-	-	116,892	116,892
	<u>\$ 1,492,713</u>	<u>\$ 550,000</u>	<u>\$ 441,600</u>	<u>\$ 2,484,313</u>

NOTE 5 - CONTINGENCIES

A. COUNTY CONTINGENCIES

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.

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.

B. GENESEE TOBACCO ASSET SECURITIZATION CORPORATION (TASC) CONTINGENCIES

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 OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 - COMMITMENTS

A. COUNTY - 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, 2017, were as follows:

<u>Year ending December 31</u>	
2018	\$ 1,076,322
2019	1,082,616
2020	1,079,922
2021	1,083,461
2022	1,085,633
2023-2027	5,417,875
2028-2032	5,423,508
2033-2036	<u>4,314,546</u>
Total payments	20,563,883
Less: amount representing net interest and administration fees	<u>5,848,883</u>
Present value of payments	<u>\$ 14,715,000</u>

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, 2015 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>Major</u>
	<u>Compensation</u>	<u>Medical</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	6,948,000	1,673,460
Claims incurred and adjustments during 2017	2,118,557	8,688,559
Payments made during 2017	<u>(1,271,557)</u>	<u>(8,845,216)</u>
Estimated claims as of December 31, 2017	<u>\$ 7,795,000</u>	<u>\$ 1,516,803</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>	
2018	\$ 600,000
2019	600,000
2020	<u>150,000</u>
Total	<u>\$ 1,350,000</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 – LABOR CONTRACTS

The County's employees operate under four collective bargaining units and all of the contracts are settled through December 2019.

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.

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, 2017, the County's total tax revenues were reduced by \$703,881.

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

NOTE 11 – DISPOSAL OF OPERATIONS - NURSING HOME

On September 12, 2015, the County agreed to sell the Genesee County Nursing Home (the Nursing Home) with a sale price of \$15,200,000 to be effective January 1, 2017. On January 1, 2017, the County ceased the operations of the Nursing Home. The Nursing home was sold and its title was transferred to the new, private owners. As a result of the transfer, the County recognized a gain of \$11,381,406 on the disposal of its Nursing Home as a special item. In addition, the residual equity from the sale was transferred to the County's general fund and was reported as a special item.

NOTE 12 – SUBSEQUENT EVENTS

Effective January 1, 2018, the County entered into a lease and management agreement to privatize their motor pool fleet currently reported in the County's internal service fund. This agreement will include the ownership and operation of the fleet.

On April 5, 2018 the County issued \$4,000,000 public improvement serial bonds for the extension of the water supply system to the WNY Science and Technology Manufacturing Park maturing April 2031.

Management has evaluated subsequent events through June 26, 2018 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 privatization of County motor pool fleet referred to above.

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

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]
01/01/17	\$ -	\$ 624,121	\$ 624,121	0.00%	\$ 26,432,017	2.36%
01/01/16	-	715,636	715,636	0.00%	32,527,478	2.20%
01/01/15	-	602,004	602,004	0.00%	31,386,908	1.91%

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Actual Contributions	Percentage Contributed
December 31, 2017	\$ 77,802	\$ 59,202	76.1%
December 31, 2016	87,826	76,524	87.1%
December 31, 2015	68,460	53,492	78.1%

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

	Year Ended December 31,			
	2014	2015	2016	2017
<u>Employees' Retirement System</u>				
Measurement date	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
County's proportion of the net pension liability	0.125478%	0.125478%	0.124869%	0.124593%
County's proportionate share of the net pension liability	\$ <u>5,670,178</u>	\$ <u>4,238,956</u>	\$ <u>20,041,862</u>	\$ <u>11,707,050</u>
County's covered payroll	\$ 26,930,419	\$ 27,048,403	\$ 28,343,915	\$ 28,759,832
County's proportionate share of the net pension liability as a percentage of its covered payroll	21%	16%	71%	41%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.2%	97.9%	90.7%	94.7%

* Pension schedules in the Required Supplementary Information are intended to show information for ten years, additional years' information will be displayed as it becomes available.

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF THE COUNTY'S PENSION CONTRIBUTIONS -
EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

	Year Ended December 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Employees' Retirement System</u>										
Contractually required contribution	\$ 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	\$ 4,080,538
Contributions in relation to the contractually required contribution	<u>2,479,133</u>	<u>2,261,419</u>	<u>3,631,507</u>	<u>4,635,545</u>	<u>5,362,190</u>	<u>6,007,667</u>	<u>5,547,616</u>	<u>4,899,802</u>	<u>4,663,488</u>	<u>4,080,538</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
County's covered payroll	\$ 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	\$ 24,633,222
Contributions as a percentage of covered payroll	9%	8%	13%	16%	19%	22%	21%	18%	16%	17%

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

COUNTY OF GENESEE, NEW YORK
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Real property taxes	\$ 28,699,115	28,699,115	\$ 28,536,155	\$ (162,960)
Real property tax items	853,662	920,594	1,119,123	198,529
Non-property tax items	38,764,158	40,050,757	39,707,415	(343,342)
Departmental income	7,896,578	11,083,924	19,933,660	8,849,736
Intergovernmental charges	1,292,168	1,420,887	1,259,358	(161,529)
Use of money and property	716,101	716,101	846,793	130,692
Licenses and permits	36,000	36,000	36,692	692
Fines and forfeitures	194,653	196,141	148,073	(48,068)
Sale of property and compensation for loss	110,000	155,402	157,507	2,105
Miscellaneous local sources	395,842	401,292	500,254	98,962
Interfund revenues	911,951	955,728	2,087,839	1,132,111
State sources	13,288,237	13,966,103	12,248,426	(1,717,677)
Federal sources	9,278,046	9,523,499	8,730,849	(792,650)
Net change in fair value of investments	-	-	(80,015)	(80,015)
Total revenues	<u>102,436,511</u>	<u>108,125,543</u>	<u>115,232,129</u>	<u>7,106,586</u>
EXPENDITURES				
Current:				
General government	30,924,856	30,991,509	29,503,473	1,488,036
Education	5,589,046	5,589,046	4,828,277	760,769
Public safety	16,737,232	17,611,159	17,176,346	434,813
Health	10,137,080	13,423,756	12,609,346	814,410
Transportation	999,011	999,011	812,670	186,341
Economic assistance and opportunity	28,854,184	34,403,015	33,153,772	1,249,243
Culture and recreation	1,299,534	1,324,574	1,147,161	177,413
Home and community services	939,295	986,795	938,813	47,982
Debt service:				
Principal	1,575,000	1,615,000	1,615,000	-
Interest	651,407	611,407	597,211	14,196
Total expenditures	<u>97,706,645</u>	<u>107,555,272</u>	<u>102,382,069</u>	<u>5,173,203</u>
Excess (deficit) of revenues over expenditures	4,729,866	570,271	12,850,060	12,279,789
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	107,500	107,500	202,001	94,501
Interfund transfers out	(6,077,200)	(7,472,515)	(7,472,515)	-
Total other financing sources (uses)	<u>(5,969,700)</u>	<u>(7,365,015)</u>	<u>(7,270,514)</u>	<u>94,501</u>
Special item - residual equity transfer (see note 11)	-	-	15,866,850	15,866,850
Net change in fund balance **	(1,239,834)	(6,794,744)	21,446,396	28,241,140
Fund balance - beginning	<u>22,634,894</u>	<u>22,634,894</u>	<u>22,634,894</u>	<u>-</u>
Fund balance - ending	<u>\$ 21,395,060</u>	<u>\$ 15,840,150</u>	<u>\$ 44,081,290</u>	<u>\$ 28,241,140</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.

NOTE 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.

NOTE 2 – PENSION INFORMATION

BASIS OF PRESENTATION

The Schedule of the County's Proportionate Share of the Net Pension Liability and the Schedule of the County's Pension Contributions are both presented with the County's allocation of the New York State Local retirement System information, excluding the portion attributed to GCC.

FEDERAL FINANCIAL ASSISTANCE

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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	\$ -	\$ 10
National School Lunch Program	10.555	803714	-	11
<i>Total Child Nutrition Cluster</i>			-	21
<i>Passed through New York State Office of Temporary Disability Assistance:</i>				
<i>SNAP Cluster</i>				
State Administrative Matching Grant for the Supplemental Nutrition Assistance Program	10.561	OTDA 17-LCM-06; NYSFRM, Vol. 1-3	-	557,782
<i>Total SNAP Cluster</i>			-	557,782
<i>Total U.S. Department of Agriculture</i>			-	557,803
<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	444CP124-16	-	21,867
Community Development Block Grants	14.228	444ED846-15	4,134	4,134
<i>Total Community Development Block Grants</i>			4,134	26,001
<i>Total U.S. Department of Housing and Urban Development</i>			4,134	26,001
<u>U.S. Department of Justice</u>				
<i>Passed through New York State Children's Alliance, Inc:</i>				
Improving the Investigation and Prosecution of Child Abuse	16.758	BATA-NY-SA17	-	7,000
<i>Total U.S. Department of Justice</i>			-	7,000
<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	21,979	21,979
<i>Passed through Livingston County:</i>				
Trade Adjustment Assistance	17.245	550863	-	5,766
<i>WIOA Cluster</i>				
WIA/WIOA - Adult Program	17.258	550863	-	137,976
WIA/WIOA - Youth Activities	17.259	PY2017-1; 550863	-	135,543
WIA/WIOA - Dislocated Worker Formula Grants	17.278	550863	-	168,404
<i>Total WIOA Cluster</i>			-	441,923
<i>Total U.S. Department of Labor</i>			21,979	469,668
<u>U.S. Department of Transportation</u>				
<i>Direct Program:</i>				
Airport Improvement Program	20.106	3-36-006-; 36-16; 37-16; 38-16	-	1,803,490
<i>Passed through New York State Department of Transportation:</i>				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	D034838; D035540; D035860	-	1,303,885
<i>Total Highway Planning and Construction Cluster</i>			-	1,303,885
<i>Highway Safety Cluster</i>				
National Priority Safety Programs	20.616	HS1-2017; C002358	-	11,046
<i>Passed through New York State Governor's Traffic Safety Committee:</i>				
State and Community Highway Safety - Rural Traffic Enforcement Initiative - 10/1/16-9/30/17	20.600	T006081	-	25,408
State and Community Highway Safety - Rural Traffic Enforcement Initiative - 10/1/17-9/30/18	20.600	T006221	-	7,615
National Priority Safety Programs	20.616	00206-(019)	-	100
<i>Total Highway Safety Cluster</i>			-	44,169
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	T970766; 31000-4000	-	7,873
<i>Total U.S. Department of Transportation</i>			-	3,159,417
<u>Environmental Protection Agency</u>				
<i>Passed through New York State Department of Health:</i>				
State Indoor Radon Grants	66.032	DOH-01T30728GG345	-	4,014
<i>Total Environmental Protection Agency</i>			-	4,014

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, 2017
(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	C-31634GG	-	24,329
<i>Total U.S. Department of Education</i>			-	24,329
<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	-	22,180
Immunization Cooperative Agreements	93.268	C028293	-	34,054
Maternal and Child Health Services Block Grant	93.994	C30894GG	-	49,378
Maternal and Child Health Services Block Grant	93.994	C32662GG	-	10,057
<i>Total Maternal and Child Health Services Block Grant</i>			-	59,435
Children's Health Insurance Program	93.767	NYSFRM, Vol. 1-3	-	13,434
<u>Medicaid Cluster</u>				
Medical Assistance Program	93.778	NYSFRM, Vol. 1-3	36,532	859,168
Medical Assistance Program	93.778	1000004328	-	159,320
<i>Total Medicaid Cluster</i>			36,532	1,018,488
<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	-	181,359
Temporary Assistance for Needy Families	93.558	NYSFRM, Vol. 1-3; OTDA 17-ADM-05	-	1,447,695
Temporary Assistance for Needy Families	93.558	15-OCFS-LCM-06; 16-OCFS-LCM-12	34,200	958,592
Temporary Assistance for Needy Families	93.558	NYSFRM, Vol. 1-3	-	81,811
Temporary Assistance for Needy Families	93.558	OTDA 12-LCM-11	-	5,570
<i>Total TANF Cluster</i>			34,200	2,675,027
<u>CCDF Cluster</u>				
Child Care and Development Block Grant	93.575	16-OCFS-LCM-08; 17-OCFS-LCM-11	-	1,013,583
<i>Total CCDF Cluster</i>			-	1,013,583
Child Support Enforcement	93.563	NYSFRM, Vol. 1-3	-	190,778
Low-Income Home Energy Assistance	93.568	OTDA 15-LCM-22; OTDA 16-LDM-17; OTDA 18-LCM-03	-	63,586
Foster Care-Title IV-E	93.658	NYSFRM, Vol. 1-3	-	1,045,682
Adoption Assistance	93.659	NYSFRM, Vol. 1-3	-	275,757
Social Services Block Grant	93.667	15-OCFS-LCM-08; 16-OCFS-LCM-09	-	661,416
Chafee Foster Care Independence Program	93.674	15-OCFS-LCM-09; 16-OCFS-LCM-06	-	48,471
<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	946,544	946,544
<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	-	3,112
National Family Caregiver Support, Title III, Part E	93.052	1000004328	-	28,237
<u>Aging Cluster</u>				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	1000004328	-	70,178
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	1000004328	-	62,098
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	1000004328	-	48,807
Nutrition Services Incentive Program	93.053	1000004328	-	20,822
<i>Total Aging Cluster</i>			-	201,905
Medicare Enrollment Assistance Program	93.071	1000004328	-	11,327
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1000004328	-	5,950
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1000004328	-	24,116
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	1067.11	-	25,971
<i>Total U.S. Department of Health and Human Services</i>			1,017,276	8,369,053

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, 2017
(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	-	38,954
<i>Passed through New York State Office of Children and Family Services:</i>				
AmeriCorps	94.006	C027353	-	161,510
Total Corporation for National and Community Service			-	200,464
<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	C151059	-	151,989
Homeland Security Grant Program	97.067	C151069	-	60,838
Homeland Security Grant Program	97.067	C970750	-	14,243
Homeland Security Grant Program	97.067	C970760	-	46,985
Homeland Security Grant Program	97.067	C970770	-	6,544
Homeland Security Grant Program	97.067	T180027	-	3,639
Homeland Security Grant Program	97.067	T970752	-	6,689
Homeland Security Grant Program	97.067	T970762	-	5,592
Total Homeland Security Grant Program			-	296,519
Emergency Management Performance Grant	97.042	T151065	-	23,050
Emergency Management Performance Grant	97.042	T970775	-	5,751
Emergency Management Performance Grant	97.047	C000787	-	10,042
Total Emergency Management Performance Grant Program			-	38,843
Total U.S Department of Homeland Security			-	335,362
Total Expenditures of Federal Awards			\$ 1,043,389	\$ 13,153,111

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 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 26, 2018. 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.

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 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
June 26, 2018

**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, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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
June 26, 2018

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

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 federal programs:

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

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

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major federal programs:

CFDA Number(s)

20.106
20.205
93.575
93.778

Name of Federal Program or Cluster

Airport Improvement Program
Highway Planning and Construction Cluster
Child Care and Development Block Grant Cluster
Medical Assistance Program Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

II. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statement audit noted for the current year.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs noted in the current year.

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statement audit noted for the year ended December 31, 2016.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

Criteria: The County 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.

Condition: The County Office of Mental Health was not been monitoring the subrecipient of the Prevention and Treatment Federal Award adequately to ensure compliance with Federal provisions of the award were maintained.

Questioned costs: There were no questioned costs noted related to this finding.

Context: The finding was identified upon inquiries performed related to the Prevention and Treatment of Substance Abuse program during testing related to the prior year's 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.

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.

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

Status: There was no reoccurrence noted of this finding during the year ended December 31, 2017.

**NEW YORK STATE DEPARTMENT OF TRANSPORTATION
ASSISTANCE EXPENDED**

**REPORT ON COMPLIANCE FOR NEW YORK STATE
DEPARTMENT OF TRANSPORTATION ASSISTANCE EXPENDED AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH DRAFT PART 43 OF NYCRR**

INDEPENDENT AUDITOR'S REPORT

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

Report On Compliance For Each Major State Transportation Assistance 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, 2017. The County's program tested is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for New York State Transportation Assistance Expended.

Management's Responsibility

Management is responsible for compliance with 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 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 preliminary Draft Part 43 of NYCRR. Those standards and regulations 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 programs 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. 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 each of its major state transportation assistance programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state transportation assistance program 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 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 a 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
June 26, 2018

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF NEW YORK STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2017

Grantor/Program Title	NYSDOT Contract/ Reference Number	NYS DOT Expenditures
Consolidated Local Street and Highway Improvement Program (CHIPS)	---	\$ 1,712,571
PAVE-NY	---	382,184
Extreme Winter Recovery (EWR)	---	240,245
Marchiselli Aid – Bridge Project	D034838	229,319
Airport Improvement Program	3-36-006-34-14; 3-36-0006-36-16 3-36-006-37-16; 3-36-0006-36-38-16	<u>99,460</u>
Total New York State Transportation Assistance Expenditures		<u>\$ 2,663,779</u>

COUNTY OF GENESEE, NEW YORK
NOTES TO THE SCHEDULE OF NEW YORK STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - BASIS OF PRESENTATION

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

COUNTY OF GENESEE, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR
THE NEW YORK STATE TRANSPORTATION ASSISTANCE EXPENDED
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Internal control over New York State Transportation Assistance Expended:

- 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

Schedule of New York State Transportation Assistance Expended Program 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 related to Schedule of New York State Department of Transportation Assistance Expended noted for the year ended December 31, 2017.