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Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

MANAGEMENT COMMENT LETTER

To the Chairperson and
Members of the Legislature
County of Schuyler
Watkins Glen, New York

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler (the County) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

During our current year audit, we noted dramatic improvements in the County's internal controls over financial reporting. Additionally, we anticipate the findings reported here will be resolved or their severity significantly decreased within the next two years.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following to be significant deficiencies:

CURRENT AND PRIOR YEARS' FINDINGS

Preparation of Financial Statements

Prior Year Finding:

The preparation and assembly of the Schuyler County's audited financial statements, Schedule of Federal Expenditures of Federal Awards (SEFA) and related notes have been traditionally delegated to the audit firm. While it is common for the auditor to prepare the financial statements for many small organizations, the role of the auditor continues to be expressing an opinion on those financial statements. Government Auditing Standards require us to assess whether the organizations we audit are able to prepare the financial statements, SEFA and related notes in accordance with generally accepted accounting principles.

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Based on our current assessment, it was our opinion that management has not demonstrated the experience necessary to prepare such financial statements, SEFA and related notes in accordance with generally accepted accounting principles. The County administration and the legislative oversight finance committee have taken on the responsibility to review and edit the draft financial statements, disclosures and SEFA.

However, it should be noted, the newly elected Treasurer and management have demonstrated the ability to prepare the NYS Annual Update Document which was completed in late May 2015. Software generated edit exceptions were then resolved and the report was submitted to the Office of the State Controller in early June 2015.

Current Status:

The County has authorized training in KVS software applications, municipal accounting and internal controls for personnel in the Treasurer's office with some of that training taking place during the period under audit.

Recommendation:

We continue to recommend the County consider providing training in municipal accounting and internal controls for the newly elected Treasurer and other personnel in the Treasurer's office, or consider hiring an accounting consultant to prepare the County's financial statements.

General Ledger Oversight

Prior Year Findings:

During our prior year audits, amounts were posted directly to reserve accounts. Transactions affecting reserves need to be posted to relevant revenue and expenditure accounts, rather than being posted directly to reserves. An adjusting entry moving the amounts to/from reserves and from/to unassigned fund balance should then be made.

During our prior year audits, activity related to General Fund reserve accounts was not tracked and adjustments were not made properly. Several reserves were outdated and had not changed over many years. Others were accumulating balances because the respective departments were not aware of the balance of said reserves, and, as such, were not using them. This lack of tracking resulted in the use of unassigned fund balance when reserves could have been utilized.

Also, during prior year audits, amounts due to and due from other funds and interfund revenues and expenditures did not balance. As such, individual funds were not appropriately reporting sources and usage of revenues and expenditures.

The above findings resulted in incorrect beginning fund balance amounts and incorrect revenue and expenditure totals. Combined, these items can lead to inaccurate financial projections and budget-to-actual reports. Additionally, these deficiencies in financial reporting could produce material errors in reports created from the financial accounting system, both for actual and budget results. This includes reports sent to the State, County Administrator, County departments and the Legislature, and also required significant time at year end to correct.

Current Status:

During our current year audit, significant improvement was noted; however, reconciliations of balance sheet accounts were not routinely performed on a monthly basis during the period under audit. Additionally, it was difficult to reconcile interfund activity. Amounts due to and due from other funds and interfund revenues and expenditures did not balance. We also noted certain transfers were not made, were not made on a timely basis, or were recorded incorrectly during the year.

Activity related to General Fund reserve accounts was not tracked and adjustments were not made properly. Certain activity affecting reserves was not posted to the relevant revenue and expenditure accounts, but had been posted directly to reserves. An adjusting entry moving the amounts to/from reserves and from/to unassigned fund balance was required.

Recommendation:

We recommend all asset and liability accounts be reviewed and reconciled monthly. Also, trial balances and control/subsidiary accounts should be reviewed monthly. Any discrepancies should be corrected immediately to ensure accurate and timely financial reporting. Providing continued training to all Treasurer's Office personnel on municipal accounting, internal controls and use of the County's financial general ledger accounting software is also recommended.

Bank Statement Reconciliations

Prior Year Finding:

During our prior year audits, County bank accounts were not being reconciled to the general ledger system on a monthly basis, causing significant differences between general ledger balances and reconciled cash balances resulting in a significant time investment to reconcile the two.

Current Status:

There has been dramatic improvement during our current year audit relative to the timeliness of a majority of bank account reconciliations compared to prior years. However, as mentioned above, not all bank statements had been reconciled timely during the year and County personnel were still attempting to complete certain reconciliations after the start of our audit fieldwork. Numerous adjusting entries were required to correct misstatements of cash balances in the general ledger.

Recommendation:

We recommend all bank accounts be reconciled monthly to the general ledger and any discrepancies resolved immediately. Reconciling bank statements to the financial accounting system will increase County controls over safeguarding of assets. We also recommend creating a daily routine to record electronic fund transfers. Bank statements and the New York State online payment system should be reviewed for daily deposits/withdrawals from County bank accounts. These transactions should be recorded in the general ledger as they occur. A revenue clearing account should be created for deposits and withdrawals for which additional information is needed. The clearing account should be reviewed weekly for necessary follow-up and should equal \$-0- at year-end. This will help to ensure all activity is included in the general ledger and improve the bank reconciliation process.

Adjusting Entries

Prior Year Finding:

During our prior year audits numerous audit adjustments were required to correct misstatements. Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Audit adjustments that, either individually or in the aggregate, may have a significant effect on the County's financial reporting process were reviewed, approved and posted by management.

Current Status:

During our current year audit, there was significant improvement. However, numerous adjusting entries were still required to correct material misstatements. A majority of these adjustments were identified by the Treasurer's Office after the beginning of our fieldwork.

The net effect, both the County prepared adjustments and audit adjustments, for the current year which; have an effect considered to be material to the financial statements taken as a whole follow:

- Fund Balance of the General Fund: increased by \$114,898
- Fund Balance of the County Road Fund: decreased by \$(400,832)
- Fund Balance of the Road Machinery Fund: decreased by \$(247,405)

Recommendation:

We recommend a monthly review and reconciliation of general ledger balances be performed and reviewed by a responsible official. Differences should be investigated and adjustments made on a timely basis to ensure accurate and timely financial reporting. In addition, we recommend a knowledgeable accountant be hired to perform these monthly accounting functions and a Balance Sheet be provided to the County Administrator and Legislature in addition to the financial information they currently receive.

In addition to the significant deficiencies reported above, we became aware of other matters that provide opportunities for strengthening policies, procedures, operating efficiency, and the County's ongoing compliance with applicable laws and regulations.

OTHER MATTERS

Departmental Cash

Prior Year Finding:

Several of the County's departments have specific bank accounts. The majority of these accounts should have zero balances at month end. Additionally, these accounts should be reconciled monthly and copies of the monthly bank statements and reconciliations sent to the Treasurer's Office. We could not locate reconciliations for several of these accounts. Copies of the monthly bank statements and reconciliations are not being sent to the Treasurer's Office on a regular basis. These accounts are property of the County and should be collateralized, as required by GML. Also, in order to further monitor internal controls over cash, departmental bank statements should be reviewed by the Treasurer's Office for reasonableness.

Current Status:

Most departments are providing copies of their bank statements and reconciliations to the Treasurer. However, it was necessary to request bank statements and reconciliations from a few of the larger departments.

Recommendation:

We continue to recommend copies of all monthly department bank accounts, with reconciliations, be received by the Treasurer's Office and reviewed by the Office for reasonableness.

Stale Dated Checks

Prior Year Finding:

Several stale dated checks older than one year remained as outstanding items on bank statement reconciliations. However, the total amount of stale dated checks was immaterial to the basic financial statements.

Recommendation:

We recommend the Treasurer research these checks and attempt to reissue them. If reissue is unsuccessful, the Treasurer should take action and consult with the State of New York to determine proper disposition of unclaimed funds in accordance with State laws.

Current Status:

No change was noted during our current year audit. However, the Treasurer has developed a plan to eliminate stale dated checks during 2015.

Prior Year Findings - Resolved

Revenue, Expenditure and Encumbrance Control Accounts

Prior Year Finding:

In prior year audits, control accounts for revenues, expenditures and encumbrances in the General Fund did not agree with the related subsidiary accounts. The imbalance between revenues and expenditures occurred as a result of control accounts not being completely closed to fund balance at the close of the prior fiscal year. Encumbrance control account balances did not agree with the subsidiary detail information totals as prior year entries were recorded as journal entries, rather than increasing or decreasing specific purchase order amounts.

Resolution:

During our current year audit, control accounts for revenues, expenditures and encumbrances in the General Fund agreed with the related subsidiary accounts.

Allocation of Employee Benefits

Prior Year Finding:

During our prior year audit, allocations of the County's share of employee benefits had not been allocated to County Road and Road Machinery Funds, resulting in significant adjustments.

Resolution:

During our current year audit, employee benefits were allocated to County Road and Road Machinery Funds as required.

Accounts Receivable and Accounts Payable

Prior Year Finding:

During our prior year audits, general ledger accounts were not reviewed or reconciled on a periodic basis, resulting in material misstatements of balances in receivable and payable accounts during the year. We noted revenues were incorrectly posted to receivable accounts, posted to expenditure accounts, or not posted at all. In addition, significant expenditures were not recorded in the general ledger. This resulted in significant reductions to liabilities and increases to expenditures, revenues and assets, as well as requiring extensive audit time to reconcile these accounts.

Additionally, cash receipts were incorrectly posted to receivable accounts, posted to expenditure accounts, or not posted at all. This resulted in significant adjustments to revenues and assets, as well as requiring extensive audit time to review these accounts. However, expenditures appeared to be properly recorded in the general ledger.

Resolution:

During our current year audit, significant improvement in balances in receivable and payable accounts during the year was noted. Additionally, revenues were correctly recorded during the current year.

Cash Transactions

Prior Year Finding:

During our prior year audits, cash transactions recorded in manual ledgers were not consistently posted to the general ledger.

Resolution:

During our current year audit, all cash transactions recorded in manual ledgers were posted to the general ledger as recommended.

Budgets

Prior Year Finding:

During our prior year audits, the County's budget, as entered into the financial accounting system, did not balance. This was due to budgeted grant funds remaining from prior year end being recorded as expenditures and not balanced with an entry to the revenue budget, or vice-versa. In addition, because encumbrances per the general ledger did not agree with the manual ledger, purchase orders rolled over into the budget were incorrect. Additionally, several grants were added to the budget multiple times

Resolution:

During our current year audit, the County's budget appeared to be appropriately maintained as recommended.

Overpayment of Debt

Prior Year Finding:

During our prior year audit, debt principal had been overpaid by \$100,000. Subsequently, it was discovered the recipient had refunded that amount within 30 days via an electronic funds transfer. This receipt was not recorded in general ledger.

Resolution:

During our current year audit, all debt principal payments appeared to be appropriate.

Interim Reporting

Prior Year Finding:

During our prior years' audits the Legislature was not receiving financial reports from the Treasurer. The County Administrator received Budget-to-Actual reports monthly. However, the Balance Sheet was not provided to anyone outside the Treasurer's Office until the AUD was filed with New York State. Occasionally, the County Administrator would request a Fund Balance projection, but did not receive a general ledger report. Department heads received monthly Budget-to-Actual revenue and expenditure status reports.

Resolution:

Timely, accurate financial reports were provided to the County Administrator and the County Legislature as recommended. These reports included revenue and expenditure status reports, which show budget-to-actual results, and quarterly balance sheets for each Fund.

We will review the status of these comments during our next audit engagement. We are available at any time to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in formulating any corrective action.

This communication is intended solely for the information and use of the County Legislature and management and is not intended to be and should not be used for anyone other than these specified parties.



June 23, 2015
Ithaca, New York

COUNTY OF SCHUYLER
Watkins Glen, New York
FINANCIAL STATEMENTS
December 31, 2014

COUNTY OF SCHUYLER
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INDEPENDENT AUDITOR'S REPORT

To the Chairperson and
Members of the Legislature
County of Schuyler
Watkins Glen, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, New York (the County) as of and for the year ended December 31, 2014, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, New York, as of December 31, 2014, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and the Schedule of Funding Progress on pages 3-3i and 37-41 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 financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining non-major fund financial statements are fairly stated in all material respects in relation to the 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 23, 2015 on our consideration of the County of Schuyler's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering County of Schuyler's internal control over financial reporting and compliance.



June 23, 2015
Ithaca, New York

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

Our discussion and analysis of the financial performance of the County of Schuyler (the County) provides an overview of the County's financial activities for the fiscal year ended December 31, 2014. Please read this information in conjunction with the County's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$12,080,308 (net position). Of this amount, \$(10,958,505) is an unrestricted net deficit primarily attributable to the GASB 45 other postemployment liability recognition of \$13,974,804.
- The County's overall net position increased by \$143,703, or 1.20%, while unrestricted net position decreased by \$(1,120,387) or (11.39)%.
- During the year, the County's revenues increased by \$593,575 to \$40,804,054 from \$40,210,479 in 2013.
- Expenses of \$40,660,351 decreased \$(585,830), from \$41,246,181 in the prior year.
- Revenues exceeded expenditures in the Governmental Funds by \$746,122, bringing fund balances to \$5,643,269 at December 31, 2014.
- The General Fund recorded an increase of \$1,318,728 in 2014, and ended the year with a fund balance of \$3,681,760. Of this fund balance, \$2,317,971 was reserved or allocated for future expenditures, and \$1,363,789 was unassigned.
- The County's long-term obligations at year end were \$27,581,977, a net increase of \$1,896,978 from 2013, primarily as a result of recording additional GASB 45 other postemployment benefits liabilities and expense of \$2,017,218 for the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and the Statement of Activities (on pages 4 through 5a) provide information about the County as a whole and present a longer-term view of the County's finances. Governmental Fund financial statements start on page 6. For Governmental Activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in greater detail than the Government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's Major Fund budgets for the year and a Statement of Funding Progress related to the County's other postemployment benefits.

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

Reporting the County as a Whole

Analysis of the County as a whole begins on page 4, with the Government-wide statements. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer the question of whether the County, as a whole, is better off or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

These two statements report the County's net position and changes in it. The County's net position, the difference between 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 are one indicator of whether its financial health is improving or deteriorating. One needs to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

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

Governmental Activities: Most of the County's services are reported in this category, including public safety, public health, transportation, economic assistance and opportunity, culture and recreation, home and community services and general administration. Property and sales taxes, and state and federal grants finance most of these activities.

Component Units: The County includes four separate legal entities in its report - the Schuyler County Industrial Development Agency, the Soil and Water Conservation District, the Schuyler County Human Services Corporation (HSDC) and the Schuyler Tobacco Asset Securitization Corporation (STASC). The STASC is reported as a blended component unit with the County's Governmental Activities. The HSDC is reported as an Internal Service Fund and blended with the County's Governmental Activities. The other two component units are reported discretely. Although legally separate, these component units are important because the County is financially accountable for them. Complete financial statements for the Industrial Development Agency can be obtained from their administrative office at 910 South Decatur Street, Watkins Glen, New York 14891. Financial statements for the STASC and HSDC can be obtained from Schuyler County, 105 9th Street, Watkins Glen, New York 14891. Soil and Water Conservation District financial information may be obtained from Schuyler County Soil and Water Conservation District, 208 Broadway, Montour Falls, New York, 14865.

Reporting the County's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the County's Major Funds begins on page 6. The Governmental Fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants. The County reports its activities in Governmental Funds.

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

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

The County as Trustee: The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's Fiduciary Activities are reported in a separate Statement of Fiduciary Net Position on page 13. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's net position for the fiscal year ended December 31, 2014 increased \$143,703, from \$11,936,605 to \$12,080,308, compared to last year's net position decrease of \$(1,035,702).

The largest portion of the County's net position, \$21,861,759 reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net position, \$1,177,054 represents resources subject to external restrictions on how they may be used and is reported as restricted net position. These net resources consist of unspent funds restricted for public safety, community development and debt service.

The remaining category of total net position, unrestricted net (deficit) of \$(10,958,505) may generally be used to meet the government's ongoing obligations and services to creditors and citizens. Of this net deficit, the County has designated \$1,875,826 for specific purposes. The net deficit is primarily attributable to the GASB 45 other postemployment liability recognition of \$13,974,804 at December 31, 2014.

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

Figure 1 - Net Position

	Governmental Activities		Dollar Change
	2013	2014	2013 - 2014
<i>Current assets</i>	\$ 10,446,334	\$ 10,529,887	\$ 83,553
<i>Capital assets, net</i>	31,465,060	32,757,928	1,292,868
<i>Other noncurrent assets</i>	413,000	413,000	-0-
Total Assets	42,324,394	43,700,815	1,376,421
<i>Current liabilities</i>	7,099,495	6,491,688	(607,807)
<i>Noncurrent liabilities</i>	23,288,294	25,128,819	1,840,525
Total Liabilities	30,387,789	31,620,507	1,232,718
<i>Net investment in capital assets</i>	20,515,909	21,861,759	1,345,850
<i>Restricted</i>	1,258,814	1,177,054	(81,760)
<i>Unrestricted</i>	(9,838,118)	(10,958,505)	(1,120,387)
Total Net Position	\$ 11,936,605	\$ 12,080,308	\$ 143,703

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

The County's current assets increased \$83,553 or 0.80%. Capital assets, net, increased \$1,292,868, or 4.11% primarily due to capital additions in excess of depreciation and disposals.

Current liabilities decreased \$(607,807) or (8.57)%, primarily due to the timing of year end disbursements. The 7.90% increase in noncurrent liabilities is primarily due to the reporting of the County's net Other Postemployment Benefits obligation at December 31, 2014, offset by repayment of debt principal.

The County's total revenues increased by 1.48%, while the total cost of all programs and services decreased by (1.43)%. Our analysis in Figure 2 separately considers the operations of Governmental Activities.

Figure 2 - Changes in Net Position

	Governmental Activities		Dollar Change
	2013	2014	2013 - 2014
REVENUES			
<i>Program Revenues:</i>			
Charges for services	\$ 6,933,846	\$ 6,385,978	\$ (547,868)
Operating grants and contributions	10,203,644	10,195,181	(8,463)
Capital grants	923,208	1,438,770	515,562
<i>General Revenues:</i>			
Property taxes and tax items	11,264,592	11,445,538	180,946
Sales and other taxes	10,162,363	10,653,035	490,672
Tobacco settlement	271,514	311,515	40,001
Use of money and property	7,327	8,164	837
Other	443,985	320,006	(123,979)
Total Revenues	40,210,479	40,804,054	593,575
PROGRAM EXPENSES			
General government	9,264,889	9,105,149	(159,740)
Education	1,650,557	1,703,595	53,038
Public safety	5,365,116	5,605,284	240,168
Public health	4,551,695	4,617,029	65,334
Transportation	3,834,096	3,981,412	147,316
Economic assistance and opportunity	14,438,843	14,103,085	(335,758)
Culture and recreation	309,486	275,246	(34,240)
Home and community services	1,172,388	624,550	(547,838)
Interest on long-term debt	659,111	645,001	(14,110)
Total Expenses	41,246,181	40,660,351	(585,830)
CHANGE IN NET POSITION	\$ (1,035,702)	\$ 143,703	\$ 1,179,405

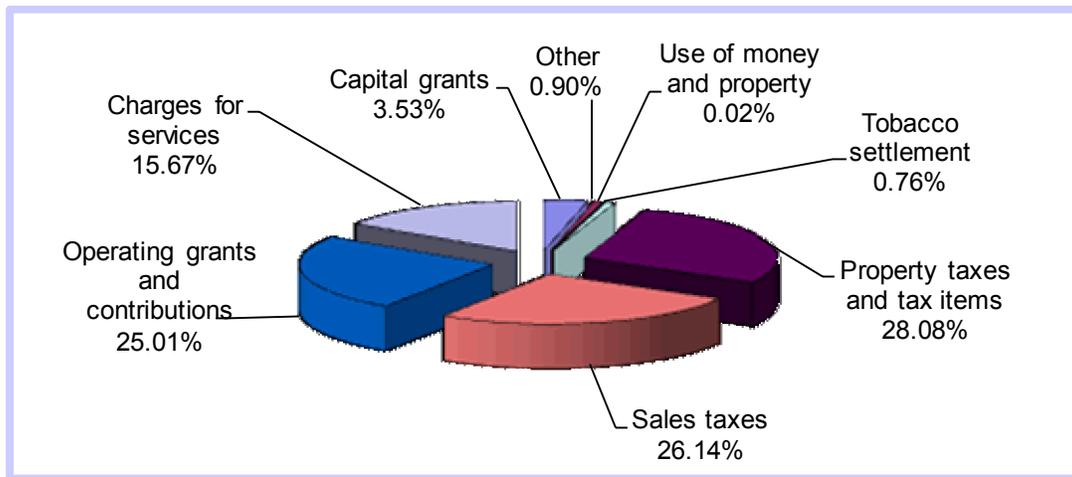
Charges for services decreased \$(547,868) largely as a result of the discontinuation of the Life program in 2014. Capital grants and contributions increased \$515,562 due to an increase in grant funded road and bridge projects for the year ended December 31, 2014. Sales and other taxes increased \$490,672 as the local economy begins to rebound.

Economic assistance and opportunity expenses decreased (2.33)% primarily due to an overall decrease in expenditures related to social services. Home and community services expenses decreased (46.73)% largely due to a decrease of \$(450,700) in conservation projects and a decrease of \$(127,688) in rehabilitation grant expenditures.

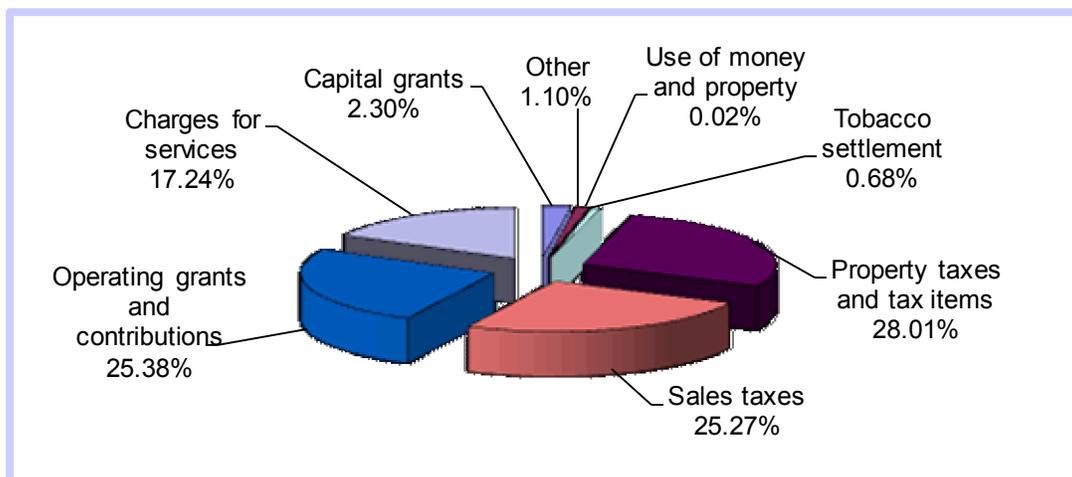
COUNTY OF SCHUYLER
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

Figures 3 and 4 show the sources of revenue for 2014 and 2013.

**Figure 3 - Revenues by Source
 Governmental Activities
 2014**



**Figure 4 - Revenues by Source
 Governmental Activities
 2013**

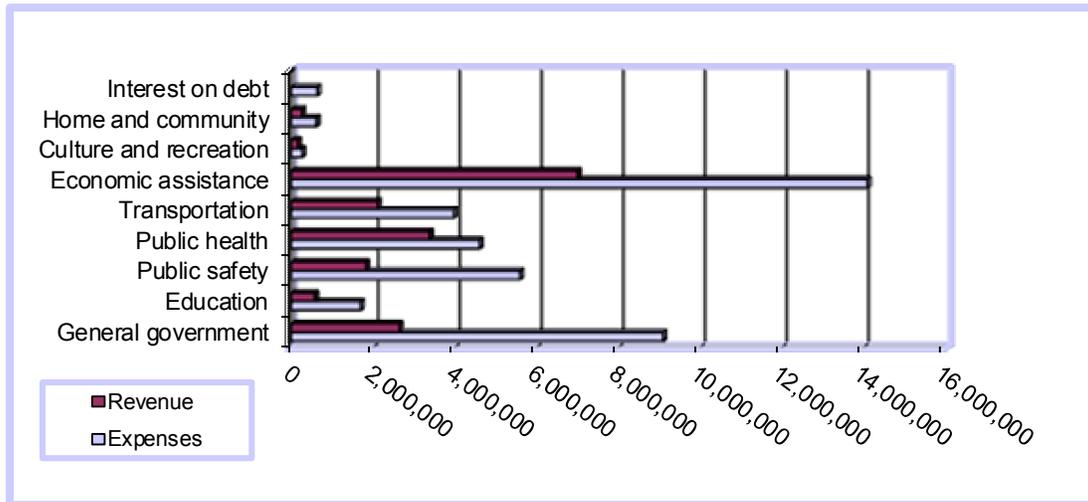


COUNTY OF SCHUYLER
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2014

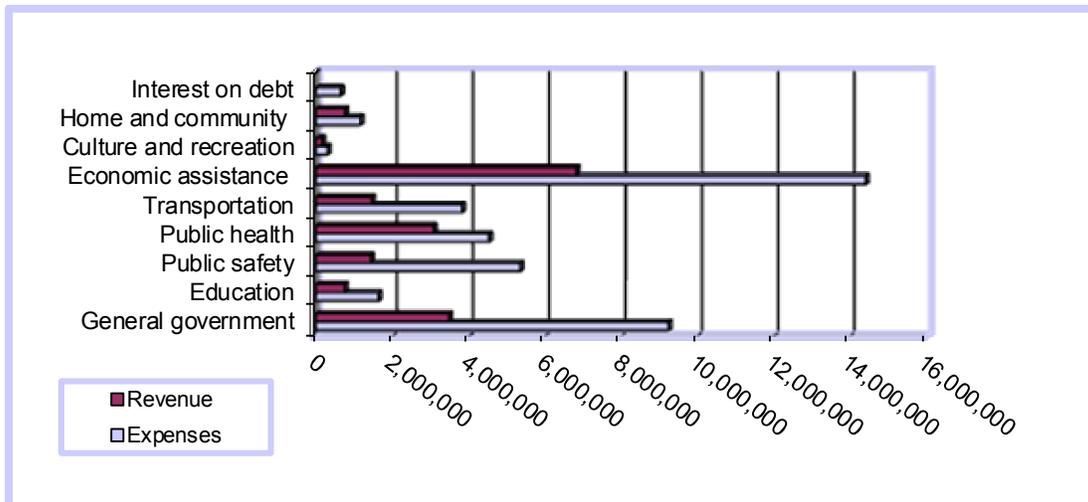
The cost of all Governmental Activities this year was \$40,660,351. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County property and other tax revenues was \$22,640,422, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental program revenues were \$18,019,929.

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

**Figure 5 - Net Program Cost
 Governmental Activities
 2014**



**Figure 6 - Net Program Cost
 Governmental Activities
 2013**



COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

THE COUNTY'S FUNDS

As the County completed the year, its Governmental Funds, as presented in the balance sheets on pages 6 - 6a reported combined fund balances of \$5,643,269, which is \$746,122 more than last year's total fund balances. Of this amount, \$525,605 is nonspendable, \$1,878,049 is restricted for future expenditures, \$802,177 is committed for future expenditures and \$1,469,588 is assigned for 2015 expenditures, leaving \$967,850 in unassigned fund balance. Figure 7 shows the changes in fund balance for the County's Governmental Funds.

Figure 7
Governmental Funds
Fund Balances

			<i>Dollar Change</i>
	<i>2013</i>	<i>2014</i>	<i>2013 - 2014</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 2,363,032	\$ 3,681,760	\$ 1,318,728
<i>Special Revenue Fund:</i>			
<i>County Road Fund</i>	860,018	604,269	(255,749)
<i>STASC Debt Service Fund</i>	610,922	632,273	21,351
<i>Nonmajor Funds:</i>			
<i>Special Revenue Funds:</i>			
<i>Special Grant Fund</i>	17,735	17,768	33
<i>Road Machinery Fund</i>	346,862	348,460	1,598
<i>Capital Projects Fund</i>	698,578	358,739	(339,839)
Totals	\$ 4,897,147	\$ 5,643,269	\$ 746,122

This year's total change in fund balance is an increase of \$746,122 compared to an increase of \$1,433,628 in 2013.

General Fund Budgetary Highlights

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

Actual charges to appropriations (expenditures) were below final budgeted amounts by \$5,921,878. The most significant positive variances occurred in the County's public safety, public health, economic assistance and opportunity and employee benefits functions. These significant variances are due to cross period grants included in the budget for which no expenditures have been made as well as increased efforts to curtail spending in the current year. Resources available for appropriation were \$(4,641,269) under the final budgeted amount primarily due to departmental income not received as well as revenue related to the aforementioned cross period grants.

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Figure 8
Budgetary Comparison Schedule - General Fund
December 31, 2014

	Original Budget	Final Budget	Actual w/ Encumbrances	Variance Fav.(Unfav.)
<u>REVENUES AND OTHER FINANCING SOURCES</u>				
<i>Real property taxes and tax items</i>	\$ 11,579,005	\$ 11,579,005	\$ 11,598,650	\$ 19,645
<i>Nonproperty tax items</i>	10,762,000	10,762,000	10,716,918	(45,082)
<i>Departmental income and intergovernmental charges</i>	5,638,948	6,071,063	5,110,207	(960,856)
<i>Use of money and property</i>	592,312	592,312	611,310	18,998
<i>State sources</i>	5,459,225	9,513,480	6,429,331	(3,084,149)
<i>Federal sources</i>	3,889,891	4,287,956	3,736,640	(551,316)
<i>Other revenues and financing sources</i>	207,599	450,301	411,792	(38,509)
Total Revenues and Other Financing Sources	\$ 38,128,980	\$ 43,256,117	\$ 38,614,848	\$ (4,641,269)
Appropriated Reserves and Fund Balance	\$	\$ 82,801		
<u>EXPENDITURES AND OTHER FINANCING USES</u>				
<i>General government</i>	\$ 6,873,592	\$ 7,181,476	\$ 6,900,633	\$ 280,843
<i>Education</i>	1,830,000	1,903,859	1,703,595	200,264
<i>Public safety</i>	3,388,532	7,232,638	4,669,102	2,563,536
<i>Public health</i>	3,626,147	4,114,978	3,396,279	718,699
<i>Transportation</i>	300,000	300,000	276,043	23,957
<i>Economic assistance and opportunity</i>	12,921,800	13,192,588	12,237,421	955,167
<i>Culture and recreation</i>	175,394	213,554	155,175	58,379
<i>Home and community services</i>	505,131	586,928	584,327	2,601
<i>Employee benefits</i>	6,388,400	6,427,459	5,326,809	1,100,650
<i>Debt service</i>	120,000	175,343	157,656	17,687
<i>Other financing uses</i>	1,999,984	2,010,095	2,010,000	95
Total Expenditures and Other Financing Uses	\$ 38,128,980	\$ 43,338,918	\$ 37,417,040	\$ 5,921,878
<i>Excess of Revenues and Other Financing Sources</i>	\$ -0-	\$ -0-	\$ 1,197,808	\$ 1,280,609

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2014, the County had capital assets of \$66,017,875, net of accumulated depreciation of \$(33,259,947). This amount represents an investment in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. Capital asset activity for the year resulted in a net increase of \$1,292,868 from last year.

Figure 9
Capital Assets, Net of Depreciation

	Governmental Activities		Dollar Change
	2013	2014	2013 - 2014
<i>Land</i>	\$ 464,759	\$ 464,759	\$ -0-
<i>Construction-in-progress</i>	3,986,987	1,855,133	(2,131,854)
<i>Buildings and improvements</i>	9,047,838	11,297,768	2,249,930
<i>Land improvements</i>	2,345,334	2,259,418	(85,916)
<i>Machinery and equipment</i>	1,352,441	1,181,292	(171,149)
<i>Infrastructure</i>	14,267,701	15,699,558	1,431,857
Totals	\$ 31,465,060	\$ 32,757,928	\$ 1,292,868

This year's additions consisted of:

Shared Services Building	\$ 396,114
Emergency management radio tower project	1,119,583
Bower Road bridge replacement	589,545
County Road 8	590,100
Other road reconstruction projects	330,001
Machinery and equipment	356,354
Total Additions	<u>3,381,697</u>
Less: Depreciation	(1,935,721)
HSDC depreciation	(129,878)
Net book value of disposed assets	<u>(23,230)</u>
Total Net Change	<u>\$ 1,292,868</u>

Debt Administration

Total long-term liabilities increased in 2014 by \$1,896,978 to \$27,581,977. Of this amount, \$3,112,043 was subject to the constitutional debt limit and represented 3.60% of the County's statutory debt limit. The increase in debt and long-term liabilities is largely due to recording other postemployment benefits liabilities and expense of \$2,017,218 offset by the repayment of debt.

COUNTY OF SCHUYLER
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Tobacco settlement pass-through bonds are debt of STASC, under which the County's future tobacco settlement proceeds were securitized. The County is not responsible for this debt in the event the STASC were to default in repayment of the bonds. The HSDC bonds are debt of the Human Services Corporation. The County is not responsible in the event the HSDC were to default in repayment of the bonds.

Figure 10
Outstanding Debt and Long-term Liabilities at Years Ended

	Governmental Activities		Dollar Change
	2013	2014	2013 - 2014
<i>Bonds</i>	\$ 10,225,542	\$ 9,908,804	\$ (316,738)
<i>Bond anticipation notes</i>	1,690,000	1,690,000	-0-
<i>Capital lease</i>	50,204	52,043	1,839
<i>Compensated absences</i>	652,366	658,962	6,596
<i>Other postemployment benefits liability</i>	11,957,586	13,974,804	2,017,218
<i>Tobacco settlement pass-through bonds accreted interest</i>	1,109,301	1,297,364	188,063
Totals	\$ 25,684,999	\$ 27,581,977	\$ 1,896,978

The County's Moody's bond rating is currently A, which did not change from the prior year. More detailed information about the County's long-term liabilities is presented in Note 2.B.3 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Schuyler County is experiencing a stabilizing-to-improving financial and liquidity position following the implementation of additional reporting protocols and the adoption of balanced budgets that have generated surplus operating revenues and has improved liquidity. It is expected that this will continue in 2015 as the local economy continues to stabilize and improve. The County will continue to make adjustments in spending to reflect declining revenue sources and seek to fund mandated increases in expenditures without proportionately increasing property taxes.

Effective January 1, 2016 the County will enact a change in sales tax distribution, capping the amount of revenue shared with local municipalities, reserving a greater portion for County purposes. New York State pension contributions are leveling off and are expected to remain stable in 2016 and beyond. This, coupled with continued conservative fiscal management should result in future tax levies that stay within the New York State tax cap legislative mandate.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact the County Treasurer, Schuyler County, 105 9th Street, Watkins Glen, New York 14891.

COUNTY OF SCHUYLER
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government	Component Units	
	Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 2,003,712	\$ 372,697	\$ 834,245
Restricted cash	1,518,732	286,434	231,416
Temporary investments	45,728	31,115	
Taxes receivable, net	2,238,880		
Accounts receivable, net	580,967		9,640
Loans receivable - Current portion			38,083
Due from state and federal governments	3,581,159	153,176	
Due from other governments	35,104		
Prepaid expenses	518,946	15,761	
Inventories	6,659		
Total Current Assets	10,529,887	859,183	1,113,384
Noncurrent Assets:			
Restricted cash and cash equivalents	413,000		93,403
Loans receivable, long-term portion			216,570
Property held for sale			
Land and construction-in-progress	2,319,892	147,065	
Depreciable capital assets, net	30,438,036	255,190	
Total Noncurrent Assets	33,170,928	402,255	309,973
 Total Assets	 43,700,815	 1,261,438	 1,423,357
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	1,058,032	15,200	15,727
Accrued liabilities	504	12,005	
Interest payable	86,074		
Due to other governments	1,860,471		
Overpayments and collections in advance	1,033,449	286,434	
Long-term obligations due within one year:			
Lease payable	34,007		
Bonds payable	663,255		
Bond anticipation notes payable	1,690,000		
Compensated absences	65,896		
Total Current Liabilities	6,491,688	313,639	15,727

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF NET POSITION
(CONTINUED)
DECEMBER 31, 2014

	Primary Government	Component Units	
	Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
Total current liabilities brought forward	\$ 6,491,688	\$ 313,639	\$ 15,727
Noncurrent Liabilities:			
Long-term obligations due after one year:			
Accreted interest payable	1,297,364		
Lease payable	18,036		
Bonds payable	9,245,549		
Other postemployment benefits payable	13,974,804		
Compensated absences	593,066		
Total Noncurrent Liabilities	25,128,819	-0-	-0-
Total Liabilities	31,620,507	313,639	15,727
	<u>NET POSITION</u>		
Net investment in capital assets	21,861,759	255,190	
Restricted for:			
Community development	17,768		488,482
Debt service	683,634		
Public safety	407,834		
Home and community services	67,818		
Unrestricted (Deficit)	(10,958,505)	692,609	919,148
Total Net Position	\$ 12,080,308	\$ 947,799	\$ 1,407,630

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
Governmental Activities:				
General governmental support	\$ 9,105,149	\$ 2,343,276	\$ 307,855	\$
Education	1,703,595	242,125	342,525	
Public safety	5,605,284	658,437	1,179,707	
Public health	4,617,029	1,718,304	1,673,333	
Transportation	3,981,412	344,100	335,094	1,438,770
Economic assistance and opportunity	14,103,085	857,765	6,155,530	
Culture and recreation	275,246	104,151	58,990	
Home and community services	624,550	117,820	142,147	
Interest on debt	645,001			
Total Governmental Activities	\$ 40,660,351	\$ 6,385,978	\$ 10,195,181	\$ 1,438,770
Component Units:				
Soil and Water Conservation District	\$ 702,958	\$ 19,433	\$ 712,455	\$
Industrial Development Agency	71,572	70,281		
Total Component Units	\$ 774,530	\$ 89,714	\$ 712,455	\$ -0-

Net (Expense) and Changes in Net Position brought forward

GENERAL REVENUES

Taxes:

- Property taxes, levied for general purposes
- Property tax items
- Sales and other taxes
- Tobacco settlement payments
- Use of money and property
- Miscellaneous
- Sale of property and compensation for loss

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and
Changes in Net Position

Primary Government	Component Units	
Governmental Activities	Soil and Water Conservation District	Industrial Development Agency
\$ (6,454,018)	\$	\$
(1,118,945)		
(3,767,140)		
(1,225,392)		
(1,863,448)		
(7,089,790)		
(112,105)		
(364,583)		
(645,001)		
(22,640,422)		
	28,930	
		(1,291)
	28,930	(1,291)
(22,640,422)	28,930	(1,291)
10,887,348		
558,190		
10,653,035		
311,515		
8,164	589	10,620
54,614	16,519	57,624
265,392		450,000
22,738,258	17,108	518,244
97,836	46,038	516,953
11,936,605	901,761	890,677
\$ 12,034,441	\$ 947,799	\$ 1,407,630

COUNTY OF SCHUYLER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Major Funds	
	General Fund	Special Revenue Fund County Road Fund
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents - Unrestricted	\$ 995,859	\$ 231,382
Cash and cash equivalents - Restricted	1,186,307	
Temporary Investments - Unrestricted		
Taxes receivable (net)	2,238,880	
Due from other funds	844,056	1,327,112
Due from State and Federal governments	3,560,561	20,598
Due from other governments	35,104	
Other receivables, net	265,509	150
Prepaid expenses	516,624	
Inventories	6,659	
 Total Assets	 <u>\$ 9,649,559</u>	 <u>\$ 1,579,242</u>
<u>LIABILITIES, DEFERRED INFLOWS OF FINANCIAL RESOURCES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 1,017,975	\$ 5,922
Accrued liabilities	504	
Due to other funds	1,152,490	969,051
Due to other governments	1,860,471	
Retained percentages		
Overpayments and collections in advance	1,033,449	
 Total Liabilities	 <u>5,064,889</u>	 <u>974,973</u>
Deferred Inflows of Resources:		
Unavailable tax revenue	902,910	
Fund Balances:		
Nonspendable	523,283	
Restricted	475,652	
Committed	802,177	
Assigned	516,859	604,269
Unassigned	1,363,789	
 Total Fund Balances	 <u>3,681,760</u>	 <u>604,269</u>
 Total Liabilities, Deferred Inflows of Financial Resources, and Fund Balances	 <u>\$ 9,649,559</u>	 <u>\$ 1,579,242</u>

See Independent Auditor's Report and Notes to Financial Statements

Major Funds STASC Debt Service Fund	Non-Major Funds	Total Governmental Funds
\$ 38,589	\$ 717,485	\$ 1,983,315
270,634	61,791	1,518,732
45,728		45,728
		2,238,880
	517,226	2,688,394
		3,581,159
		35,104
275,000	29,453	570,112
2,322		518,946
		6,659
<u>\$ 632,273</u>	<u>\$ 1,325,955</u>	<u>\$ 13,187,029</u>
\$	\$ 34,135	\$ 1,058,032
	-0-	504
	566,853	2,688,394
		1,860,471
	-0-	-0-
		1,033,449
-0-	600,988	6,640,850
		902,910
2,322		525,605
629,951	772,446	1,878,049
		802,177
	348,460	1,469,588
	(395,939)	967,850
632,273	724,967	5,643,269
<u>\$ 632,273</u>	<u>\$ 1,325,955</u>	<u>\$ 13,187,029</u>

COUNTY OF SCHUYLER
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Total Governmental Fund Balances \$ 5,643,269

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

Capital assets of the Governmental Funds, net of accumulated depreciation used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. 28,673,643

Certain accrued expenses, such as interest on debt, reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable	\$	(35,558)	
Accrued interest payable - STASC		(11,139)	
Accreted interest payable		<u>(1,297,364)</u>	<u>(1,344,061)</u>

Certain revenues are deferred in Governmental Funds due to applying the "availability criterion" to receivables for the modified accrual basis of accounting. However, these deferred inflows of financial resources are considered revenues in the Statement of Activities due to applying the full accrual basis of accounting. 902,910

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. See Note 2.B.2 and 2.B.3.

Serial bonds payable	\$	(1,370,000)	
Bond anticipation notes payable		(1,690,000)	
Leases payable		(52,043)	
Tobacco settlement pass-through bonds		(3,586,758)	
Other postemployment benefits payable		(13,974,804)	
Compensated absences		<u>(658,962)</u>	<u>(21,332,567)</u>

The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Position. (462,886)

Net Position of Governmental Activities \$ 12,080,308

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Major Funds	
	General Fund	Special Revenue Fund County Road Fund
<u>REVENUES</u>		
Real property taxes	\$ 10,994,593	\$
Real property tax items	604,057	
Nonproperty tax items	10,716,918	
Departmental income	4,785,942	27,630
Intergovernmental charges	324,265	
Use of money and property	611,310	106
Fines and forfeitures	70,814	500
Sale of property and compensation for loss	280,826	3,558
Miscellaneous local sources	60,152	
State sources	6,429,331	1,004,159
Federal sources	3,736,640	378,361
Total Revenues	<u>38,614,848</u>	<u>1,414,314</u>
<u>EXPENDITURES</u>		
General governmental support	6,807,083	
Education	1,703,595	
Public safety	4,642,491	
Public health	3,396,246	
Transportation	276,043	2,620,674
Economic assistance and opportunity	12,236,695	
Culture and recreation	155,175	
Home and community services	584,327	
Employee benefits	5,326,809	401,376
Debt service - Principal and interest	157,656	13,013
Capital outlay		
Total Expenditures	<u>35,286,120</u>	<u>3,035,063</u>
Excess of Revenues (Expenditures)	<u>3,328,728</u>	<u>(1,620,749)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers in		1,545,000
Interfund transfers (out)	(2,010,000)	(180,000)
Proceeds of obligations		
Total Other Financing (Uses) Sources	<u>(2,010,000)</u>	<u>1,365,000</u>
Excess of Revenues (Expenditures) and Other Financing Sources (Uses)	<u>1,318,728</u>	<u>(255,749)</u>
Fund Balances, Beginning	<u>2,363,032</u>	<u>860,018</u>
Fund Balances, Ending	<u>\$ 3,681,760</u>	<u>\$ 604,269</u>

See Independent Auditor's Report and Notes to Financial Statements

Major Funds STASC Debt Service Fund	Non-Major Funds	Total Governmental Funds
\$ _____	\$ _____	\$ 10,994,593
_____	_____	604,057
_____	_____	10,716,918
_____	_____	4,813,572
_____	320,419	644,684
243	159	611,818
_____	_____	71,314
_____	4,238	288,622
311,515	_____	371,667
_____	56,250	7,489,740
_____	_____	4,115,001
311,758	381,066	40,721,986
_____	_____	_____
40,303	_____	6,847,386
_____	_____	1,703,595
_____	_____	4,642,491
_____	_____	3,396,246
_____	894,535	3,791,252
_____	_____	12,236,695
_____	_____	155,175
_____	-0-	584,327
_____	73,625	5,801,810
250,104	_____	420,773
_____	450,284	450,284
290,407	1,418,444	40,030,034
_____	_____	_____
21,351	(1,037,378)	691,952
_____	_____	_____
_____	645,000	2,190,000
_____	_____	(2,190,000)
_____	54,170	54,170
-0-	699,170	54,170
_____	_____	_____
21,351	(338,208)	746,122
_____	_____	_____
610,922	1,063,175	4,897,147
\$ <u>632,273</u>	\$ <u>724,967</u>	\$ <u>5,643,269</u>

COUNTY OF SCHUYLER
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 746,122

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

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

Capital outlay	\$	3,381,697	
Net book value of disposed assets		(23,230)	
Depreciation expense		<u>(1,935,721)</u>	<u>1,422,746</u>

Proceeds of long-term debt are recognized as revenue in Governmental Funds, but increase liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Amortization of bond discounts reduce expenditures in the Statement of Activities and increase liabilities.

Proceeds of long-term obligations	\$	(54,170)	
Bond and capital lease repayments		197,331	
Amortization of bond discounts		<u>(6,745)</u>	<u>136,416</u>

Net revenue of the Internal Service Fund component unit is reported with Governmental Activities. 47,143

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds. These expenses include changes in compensated absences, other postemployment benefits, and interest payable.

Compensated absences	\$	(6,596)	
Other postemployment benefits payable		(2,017,218)	
Change in accrued interest payable		3,153	
Change in accreted interest payable		<u>(188,063)</u>	<u>(2,208,724)</u>

Change in Net Position of Governmental Activities \$ 143,703

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

		Internal Service Fund
		Component Unit
		HSDC Fund
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents - Unrestricted	\$	20,397
Accounts receivable		10,855
Total Current Assets		31,252
Noncurrent Assets:		
Capital Assets:		
Nondepreciable capital assets		40,639
Depreciable capital assets, net of accumulated depreciation		4,043,646
Total Capital Assets, Net		4,084,285
Cash - Restricted		413,000
Total Noncurrent Assets		4,497,285
Total Assets		4,528,537
<u>LIABILITIES</u>		
Current Liabilities:		
Accrued interest payable		39,377
Current portion of noncurrent liabilities:		
Bonds payable		175,000
Unamortized bond premium		8,483
Total Current Liabilities		222,860
Noncurrent Liabilities:		
Bonds payable		4,630,000
Unamortized bond premium		138,563
Total Noncurrent Liabilities		4,768,563
Total Liabilities		4,991,423
<u>NET POSITION</u>		
Net investment in capital assets (deficit)		(867,761)
Restricted		413,000
Unrestricted (deficit)		(8,125)
Total Net Position (Deficit)	\$	(462,886)

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Internal Service Fund
	Component Unit
	HSDC
	Fund
Operating Revenues:	
Rent	\$ 416,777
Total Operating Revenues	416,777
Operating Expenses:	
Contractual expenses	9,863
Depreciation expense	129,878
Total Operating Expenses	139,741
Operating Income	277,036
Nonoperating Income (Expense):	
Interest and dividends	11
Interest (expense)	(229,904)
Total Nonoperating (Expense)	(229,893)
Total Net Income - Revenues over (Expenses)	47,143
Net (Deficit), January 1, 2014	(510,029)
Net (Deficit), December 31, 2014	\$ (462,886)

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Internal Service Fund
	Component Unit
	HSDC Fund
Cash Flows from Operating Activities:	
Cash received from providing services	\$ 418,477
Cash payments - Contractual expenses	(9,863)
Net Cash Provided by Operating Activities	408,614
Cash Flows from Noncapital Financing Activities	-0-
Cash Flows from Capital and Related Financing Activities:	
Cash payments - Bond principal	(170,000)
Cash payments - Interest expense	(239,450)
Net Cash (Used) by Capital and Related Financing Activities	(409,450)
Cash Flows from Investing Activities:	
Interest and dividend income received	11
Net Cash Provided by Investing Activities	11
NET CHANGE IN CASH AND CASH EQUIVALENTS	(825)
Cash and Cash Equivalents, January 1, 2014	434,222
Cash and Cash Equivalents, December 31, 2014	\$ 433,397
Reconciliation of net operating income to net cash provided by operating activities:	
Operating income	\$ 277,036
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation	129,878
Decrease in accounts receivable	1,700
Net Cash Provided by Operating Activities	\$ 408,614

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
DECEMBER 31, 2014

		Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents - Unrestricted	\$	1,140,564
- Restricted		61,657
Due from other governments		<u>86,842</u>
 Total Assets	 \$	 <u><u>1,289,063</u></u>
<u>LIABILITIES</u>		
Agency liabilities	\$	1,087,293
Due to other governments		<u>201,770</u>
 Total Liabilities	 \$	 <u><u>1,289,063</u></u>

See Independent Auditor's Report and Notes to Financial Statements

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The County, which was incorporated in 1854, is governed by County Law and other laws of the State of New York and various local laws and ordinances. The County Legislature, which is the legislative body responsible for the overall operation of the County, consists of eight legislators. The Chairman of the Legislature serves as Chief Executive Officer of the County and the Treasurer serves as Chief Fiscal Officer.

The County provides the following basic services: public safety (including district attorney, assigned counsel, sheriff, probation, and jail), education (partial tuition to community colleges and tuition and transportation of handicapped children), public health, mental health, social services, highway maintenance, culture, and recreation programs.

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

The financial reporting entity consists of (a) the primary government which is the County, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's statements to be misleading or incomplete, as set forth in GASB Statement Number 14, "The Financial Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement Number 61, "The Financial Reporting Entity: Omnibus - an Amendment to GASB Statements Number 14 and 34.

The decision to include a component unit in the County's reporting entity is based on several criteria set forth in GASB Statement Number 14, "The Financial Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units," including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County's reporting entity.

1. Included in the Reporting Entity

Based on the foregoing criteria and the significant factors presented below, the following organizations are included in the reporting entity.

a. The Schuyler County Industrial Development Agency

The Schuyler County Industrial Development Agency (the Agency) was created in 1971 by the Schuyler County Legislature under the provisions of Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth in Schuyler County. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the Schuyler County Legislature, is a separate entity and operates independently of the County. A separate audit report dated March 24, 2015 has been issued for the Agency for the year ended December 31, 2014. The Agency is considered a component unit of the County and is discretely presented. Complete financial statements for the Schuyler County Industrial Development Agency may be obtained by writing their administrative office at 910 South Decatur Street, Watkins Glen, New York 14891.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Section 870 of General Municipal Law indicates that the bonds or notes and other obligations of the Agency are not the debt of the County, and the payment of such is payable out of the funds of the Agency.

b. The Schuyler County Soil and Water Conservation District

The Schuyler County Soil and Water Conservation District (the District) was established in October, 1940, in accordance with the Soil and Water Conservation District's Law, to provide for the conservation of soil and water resources. Members of the District's Board of Directors are appointed by the County Board of Supervisors and 10% of the District's General Fund revenue is provided through a County appropriation. The District is considered a component unit of the County and is discretely presented. Complete financial information for the Schuyler County Soil and Water Conservation District may be obtained by writing their administrative office at P.O. Box 326, Montour Falls, New York 14865.

c. The Schuyler Tobacco Asset Securitization Corporation

The Schuyler Tobacco Asset Securitization Corporation (STASC) is a local development corporation organized pursuant to Section 1411 of the Not-for-Profit Corporation Law of the State of New York. The STASC is one of 17 New York County TASC's created in 2000 for the purpose of purchasing the tobacco settlement rights from each respective county with the net proceeds of bonds issued to the New York Counties Tobacco Trust I (NYCTT). The trust in-turn issued \$227,130,000 aggregate principal amounts of Tobacco Settlement Pass-Through Bonds - Series 2000, dated December 7, 2000. The Trust bonds represent a direct, pass-through interest in the corresponding TASC bonds. All payments of the TASC bonds will be made directly by the Trust with the future proceeds of the Tobacco Settlement Revenues (TSRs).

The STASC, along with 23 other TASCs, created a trust known as the New York Counties Tobacco Trust V (NYCTTV) in order to issue \$199,375,348 aggregate principal amount of Tobacco Settlement Pass-Through Bonds (Series 2005 NYCTT Bonds). Series 2005 NYCTT Bonds, issued on November 29, 2005, represent a direct, pass-through interest in corresponding TASC bonds held by the trust and are subordinate to the prior bonds issued. The Series 2005 TASC bonds are subject to the rights of holders of the prior bonds, payable solely from, and secured solely by, the Collections and the funds and accounts pledged by the respective TASC Indenture. The Collections of the STASC will be comprised of the TSRs remaining after payment of the prior bonds and investment earnings on funds and accounts established under the STASC's Indenture. The STASC Series 2005 TASC Bonds are also payable from certain amounts released from Liquidity Reserve Accounts upon retirement of the prior bonds and amounts released from Trapping Accounts.

The STASC is controlled by a group of four directors who are appointed by the Chair of the Schuyler County Legislature. At this time, two directors are members of the County Legislature, one of whom is a member of the management team of the County and one who has no affiliation with the County. STASC is deemed to be a component unit of the County and is presented in the annual financial statements of the County as a blended component unit, reported as a Non-Major Debt Service Fund. A separate audit report dated February 23, 2015 has been issued for the STASC for the year ended December 31, 2014. Complete financial statements for Schuyler Tobacco Asset Securitization Corporation may be obtained from Schuyler County, 105 9th Street, Watkins Glen, New York 14891.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

d. The Schuyler County Human Services Development Corporation

The Schuyler County Human Services Development Corporation (HSDC) was created in 2006 by the Schuyler County Legislature under the provisions of Section 1411 of the Not-For-Profit Corporation Law of the State of New York for the purpose of encouraging economic growth in Schuyler County. HSDC is exempt from federal, state, and local income taxes. HSDC, although established by the Schuyler County Board of Legislators, is a separate entity and operates independently of the County. HSDC is considered a component unit of the County and is presented in the annual financial statements of the County as an internal service fund. A separate audit report dated March 11, 2015 has been issued for the HSDC for the year ended December 31, 2014. Complete financial statements for Human Services Development Corporation may be obtained from Schuyler County, 105 9th Street, Watkins Glen, New York 14891.

2. Excluded from the Reporting Entity

The Counties of Steuben, Chemung, and Schuyler are participants in the joint Southern Tier Central Regional Planning and Development Board. The municipal agreement provides that each county's share of the cost shall be prorated as agreed upon by the member counties. In 2014, the County's share aggregated \$35,000. As none of the member counties have sole control over the Board's operation, the activity of the Board is excluded from the reporting entity of all member counties. Complete financial statements for the Southern Tier Central Regional Planning and Development Board may be obtained by writing their administrative office at 8 Denison Parkway East, Suite 310, Corning, New York 14830.

B. Basic Financial Statements

The County's basic financial statements include both Government-wide (reporting the County as a whole) and Governmental Fund financial statements (reporting the County's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either governmental or business type. The County's general governmental support, education, public safety, public health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. The County currently has no funds classified as Business-type Activities.

1. Government-wide Financial Statements

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

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

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

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

2. Governmental Fund Financial Statements

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

The County records its transactions in the fund types described below.

a. Governmental Funds

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

(1) Major Funds

General Fund - Principal operating fund which includes all operations not required to be recorded in other funds.

Special Revenue Funds:

(a) County Road Fund - Accounts for expenditures for highway purposes authorized by Section 114 of the Highway Law.

(b) Debt Service Fund:

STASC Debt Service Fund - Accounts for accumulation of resources from tobacco settlement payments and payment of principal and interest on the tobacco settlement pass-through bonds.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

(2) Non-Major Funds

Special Revenue Funds:

- (a) Road Machinery Fund - Accounts for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of the Highway Law.
- (b) Special Grant Fund - Accounts for activities under the Housing and Community Development Act of 1974.

Capital Projects Fund - Accounts for financial resources to be used for the acquisition, construction or renovation of major capital assets.

(3) Proprietary Fund

Internal Service Fund:

- (a) HSDC Internal Service Fund - Accounts for accumulation of rent and interest revenue and payment of principal and interest on Human Services Development Corporation bonds.

(4) Fiduciary Funds

Fiduciary Funds are used to account for assets held by the County in a trustee or custodial capacity, which therefore are not available to support the County's programs.

Agency Funds - Account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Funds are custodial in nature and do not involve measurement of results of operations. The most significant of the County's Agency Funds are mortgage tax and social service trust funds.

C. Basis of Accounting/Measurement Focus

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

1. Accrual Basis

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

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

2. Modified Accrual Basis

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The County considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues that are deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

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

D. Property Taxes

The authority of levying taxes for the support of County and town governments, inclusive of special districts, and for re-levying unpaid school taxes, has been delegated by the State Legislature to the governing board of the County through various provisions of the Real Property Tax Law. For purposes of both county and town taxes, the value of real property is listed and established by the towns for each parcel of real property therein. Amounts to be raised by tax are determined from balanced budgets of towns and the County and levied on or before December 31, each year. Unpaid school taxes are purchased from each school district and added to tax levies and, until paid, are counted among the assets of the County; the County thus acquires all rights, title, and interest in any unpaid school taxes. Any such taxes remaining unpaid at the time of the tax sale are sold along with any other unpaid taxes subject to County enforcement.

Property taxes are levied each December 31, on the assessed value of all real property located within the County and become a lien on January 1. Taxes are payable during January without penalty. Beginning in February a 1% penalty is added. Property tax payments may be made in installments, which carry a 1% fee, payable on January 30, and on or before July 1. The initial responsibility of collecting County property taxes rests with the towns located within the County. The tax rolls are delivered to the Treasurer on or before the 15th of April at which time a 5% fee plus 12% per annum from February 1, to date of payment are added. The towns retain the full amount of their related town levy and remit the balance of collected taxes to the County. Responsibility for collection of delinquent taxes is then transferred to the County.

Property taxes are recorded as receivables and revenues at the time the tax levy is billed. Uncollected amounts estimated to be collected subsequent to the first 60 days after year end are recorded as deferred inflows of resources.

Non-city school district taxes are turned over to the County for enforcement on November 15. The County collects the second installment of school taxes on or before November 30. Payment to school districts for second installments is required to be remitted within ten days of collection. On December 1, any such taxes remaining unpaid are relieved as County taxes in the subsequent year. The balance of uncollected school taxes is required to be remitted by April 1.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

City school district taxes are turned over to the County for enforcement on April 15, and are enforced as a separate tax until the time of tax sale at which time they become part of the County's lien. The balance of uncollected city school taxes is remitted by December 31.

E. Constitutional Tax Limit

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

The County's constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2014 is computed as follows:

Five-Year Average Full Valuation of Taxable Real Estate (2010-2014)	\$ <u>1,234,173,147</u>
Tax limit @ 1.5%	\$ 18,512,597
Less :	
Tax levy	10,887,348
Less exclusions	-0-
Tax levy subject to tax limit	<u>10,887,348</u>
Tax Margin	\$ <u>7,625,249</u>

F. Receivables

Amounts due from state and federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs. Other receivables represent amounts owed to the County for billed services, health insurance, and medical loans. No provision has been made for uncollectible accounts for amounts reported as Other Receivables, as it is believed such amounts would be immaterial.

G. Vacation and Sick Leave and Compensatory Absences

Pursuant to contractual agreements, County employees are entitled to accrue a maximum of 216 days of sick leave and 30 days of vacation leave. An individual who leaves the employ of the County is entitled to be paid for unused vacation leave credits.

Estimated vacation accumulated by Governmental Fund type employees has been recorded in the Government-wide financial statements.

Payment of vacation recorded in the Government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation when such payment becomes due.

H. Cash and Cash Equivalents

For financial statement purposes, the County considers all highly liquid investments of three months or less as cash equivalents.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

I. Investments

Investments are valued at fair value.

J. Inventory

Inventory is recorded at cost on a first-in, first-out basis.

K. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets.

Governmental capital assets purchased or acquired with minimum value of \$1,000 for equipment; \$5,000 for land, buildings and building improvements; and \$10,000 for infrastructure and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

Real Property (Buildings)	50 years
Machinery and equipment	10 years
Infrastructure	10 years
Vehicles	5 years
Police Vehicles	3 years
Computers	5 years

L. Postemployment Benefits

In addition to providing pension benefits, the County provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County offers the benefit, with related premiums funded 50% by participating retirees. The retiree also pays 65% of the premium covering the retiree's spouse. See more detailed information related to GASB Statement No. 45 information in Note 2.

M. Sales Tax

Pursuant to local law, the County levies a 4% tax in accordance with the Tax Law, Section 1210. The County retains 80% of such taxes for County purposes and distributes the remainder to the towns and villages in the County.

N. Unearned Revenues

The County reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the County before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the County has legal claim to resources, the liability for overpayments and collections in advance is removed and revenue is recognized.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

O. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has only one type of deferred inflow, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable tax revenue*, is reported only in the governmental fund Balance Sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

P. Restricted Resources

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

Q. Interfund Activity

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

R. Insurance

The County assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

S. Equity Classifications

1. Government-wide Financial Statements

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

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted - All other resources that do not meet the definition of "restricted" or "net investment in capital assets."

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

2. Governmental Fund Financial Statements

The County follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

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

- Nonspendable: Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal.
- Restricted: Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.
- Committed: Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- Assigned: Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned: Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Currently, the County does not have a policy stating the highest level of authority able to assign fund balance. The Legislature, by resolution, approves fund balance appropriations for next year's budget. Expenditures which affect more than one fund balance type are applied against fund balance in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, then unassigned fund balance, respectively.

3. Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. With the exception of the encumbrance reserve, reserve funds are established through Legislative action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. Reserves currently in use by the County include the following:

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

- Encumbrance Reserve
Represents amount of outstanding encumbrances at the end of the fiscal year. This reserve is accounted for in the General Fund, County Road Fund, and Road Machinery Fund.
- Miscellaneous Special Reserve
Accounts for funds restricted for miscellaneous projects, as authorized by County Resolution.
- Mandatory Reserve for Debt Service
Used to establish a reserve for the purpose of retiring outstanding obligations upon the sale of County property or capital improvement financed by obligations which remain outstanding at the time of sale (GMC§ 6-1). The funding of the reserve is from the proceeds of the sale of County property or capital improvement. This reserve is accounted for in the HSDC Fund and STASC Debt Service Fund.

Note 2 - Detail Notes

A. Assets

1. Cash and Investments

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. While the County does not have a specific policy for custodial credit risk, New York State statutes govern the County's investment policies. The County has its own written investment policy. The County's monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. Collateral (security) is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts, obligations of Puerto Rico, obligations of municipalities of other states, obligations of domestic corporations, mortgage related securities, commercial paper and bankers acceptances, and zero coupon obligations of the United States.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits were either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County's aggregate bank balances of \$4,528,963 are either insured or collateralized with securities held by the pledging financial institution in the County's name.

Total financial institution (bank) balances of the HSDC and STASC at December 31, 2014, per the bank, were \$433,399 and \$309,223, respectively, and were fully collateralized.

Total bank balances of the IDA, including long-term certificates of deposit, totaled \$1,172,065 at December 31, 2013 were entirely insured or collateralized with securities held by SCIDA's agent in the Agency's name.

COUNTY OF SCHUYLER
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
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The Soil and Water Conservation District's aggregate bank balances of \$716,747 were either insured or collateralized with securities held by the pledging financial institution in the District's name.

Restricted cash and cash equivalents of the primary government at December 31, 2014 consisted of the following:

Activity	Amount
Governmental Activities:	
Public Safety Funds	\$ 407,834
Lamoka-Waneta Lakes District Funds	67,818
Community Development Fund	17,768
Unspent debt proceeds	754,678
STASC Debt Service Fund	270,634
HSDC Funds	413,000
Total Governmental Activities	\$ 1,931,732

2. Property Taxes

Property taxes levied for 2014 are recorded as revenue and receivables, net of estimated uncollectible amounts. In the fund financial statements, the net receivables collected during 2014 and expected to be collected within the first 60 days of 2015 are recognized as revenues in 2014.

Net receivables estimated to be collectible subsequent to the first 60 days of 2015 are reflected as deferred revenue. At December 31, 2014, the County recognized \$902,910 of unavailable tax revenue.

Taxes receivable at December 31, 2014 are summarized as follows:

Returned school taxes receivable	\$ 1,100,580
Taxes receivable - Overdue	1,219,492
Other	11,473
Allowance for uncollectible taxes	(92,665)
Taxes Receivable	\$ 2,238,880

Uncollected school taxes assumed by the County as a result of settlement proceedings are reported as receivables in the General Fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable that represents taxes levied for schools in the amount of \$1,100,580 is reflected as part of a liability, due to other governments, in the accompanying basic financial statements.

3. Other Receivables

Other receivables at December 31, 2014 consisted of the following, which are stated at net realizable value. The County has deemed the amounts to be fully collectible.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Description</u>	<u>Amount</u>
General Fund	Mental health fees	\$ 88,087
	Social services fees	57,684
	Due from Agency Fund	105,944
	Other	<u>13,794</u>
Total General Fund		<u>265,509</u>
County Road Fund	Billed services	150
Road Machinery Fund	Billed services	28,696
Capital Projects Funds	Miscellaneous	757
HSDC Fund	Rent receivable	10,855
STASC Fund	TSR receivable	<u>275,000</u>
Total Other Receivables		<u>\$ 580,967</u>

4. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Balance at 12/31/13</u>	<u>Additions</u>	<u>Disposals/Re- classifications</u>	<u>Balance at 12/31/14</u>
<u>Governmental Activities</u>				
Land	\$ 424,120	\$	\$	\$ 424,120
Construction in progress	<u>3,986,987</u>	<u>2,105,242</u>	<u>(4,237,096)</u>	<u>1,855,133</u>
Total Non-depreciable Capital Assets	<u>4,411,107</u>	<u>2,105,242</u>	<u>(4,237,096)</u>	<u>2,279,253</u>
Buildings	10,892,978		2,700,324	13,593,302
Machinery and equipment	7,491,390	356,354	(218,530)	7,629,214
Land improvements	3,317,820			3,317,820
Infrastructure	<u>31,778,514</u>	<u>920,101</u>	<u>1,473,772</u>	<u>34,172,387</u>
Total Depreciable Capital Assets	<u>53,480,702</u>	<u>1,276,455</u>	<u>3,955,556</u>	<u>58,712,723</u>
Total Historical Cost	<u>57,891,809</u>	<u>3,381,697</u>	<u>(281,530)</u>	<u>60,991,976</u>
Less Accumulated Depreciation:				
Buildings	(5,874,392)	(387,709)	56,700	(6,205,401)
Machinery and equipment	(6,138,949)	(510,573)	201,600	(6,447,922)
Land improvements	(1,116,758)	(75,423)		(1,192,181)
Infrastructure	<u>(17,510,813)</u>	<u>(962,016)</u>	<u>-0-</u>	<u>(18,472,829)</u>
Total Accumulated Depreciation	<u>(30,640,912)</u>	<u>(1,935,721)</u>	<u>258,300</u>	<u>(32,318,333)</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,250,897</u>	<u>\$ 1,445,976</u>	<u>\$ (23,230)</u>	<u>\$ 28,673,643</u>

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government support	\$ 561,855
Public safety	143,659
Public health	20,043
Transportation	1,129,294
Economic assistance and opportunity	28,533
Culture and recreation	<u>52,337</u>
Total Governmental Activities Depreciation Expense	<u>\$ 1,935,721</u>

	Balance at 12/31/13	Additions	Deletions	Balance at 12/31/14
<u>HSDC Fund</u>				
Land	\$ 40,639	\$ -	\$ -	\$ 40,639
Total Non-depreciable Capital Assets	<u>40,639</u>	<u>-0-</u>	<u>-0-</u>	<u>40,639</u>
Buildings	4,775,409			4,775,409
Land improvements	209,851			209,851
Total Depreciable Capital Assets	<u>4,985,260</u>	<u>-0-</u>	<u>-0-</u>	<u>4,985,260</u>
Total Historical Cost	<u>5,025,899</u>	<u>-0-</u>	<u>-0-</u>	<u>5,025,899</u>
Less Accumulated Depreciation:				
Buildings	(746,157)	(119,385)		(865,542)
Land improvements	<u>(65,579)</u>	<u>(10,493)</u>		<u>(76,072)</u>
Total Accumulated Depreciation	<u>(811,736)</u>	<u>(129,878)</u>	<u>-0-</u>	<u>(941,614)</u>
HSDC Fund Capital Assets, Net	<u>\$ 4,214,163</u>	<u>\$ (129,878)</u>	<u>\$ -0-</u>	<u>\$ 4,084,285</u>

Depreciation expense for the year ended December 31, 2014 for HSDC totaled \$129,878, and was charged to economic assistance and opportunity in the Statement of Activities.

B. Liabilities

1. Pension Plans

a. Plan Description

The County participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems).

These are cost-sharing multiple-employer defined benefit public employee retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

b. Funding Policy

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. Plan members who joined the System before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining the System on or after January 1, 2010 and before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those joining the System on or after April 1, 2012 are required to contribute between 3% and 6% dependent on salary, for their entire working career. Under the authority of the New York State Retirement and Social Security Law, the Comptroller shall certify annually the rates expressed as proportions of payroll of members which shall be used in computing the contributions required to be made by the employer to the Pensions Accumulation Fund.

The County is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

Year	ERS
2014	\$ 2,010,558
2013	1,880,372
2012	1,918,030

The County's contributions made to the Systems were equal to 100% of the contributions required for each year.

2. Other Postemployment Benefits

In 2008, the County adopted GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In the past, the County reported the cost of retiree health care on a "pay-as-you-go" basis.

An actuarial valuation of the Schuyler County Postretirement Medical Plan (Plan) was performed as of January 1, 2012 for the fiscal years ending December 31, 2013 and 2014. The Plan is a single-employer defined benefit Other Postemployment Benefit Plan administered by the County. The Plan provides for the continuation of medical insurance benefits for certain retirees and their spouses. The County assigns the authority to establish and amend benefit provisions to the County Legislature. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 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 changes in the County's net OPEB obligation to the County of Schuyler Postretirement Medical Plan:

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
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Normal cost	\$ 1,399,534
Amortization of UAAL	1,323,952
Interest	108,939
Total Annual Required Contribution	2,832,425
Interest on net OPEB obligation	478,303
Adjustment to annual required contribution	(691,510)
Annual OPEB Cost (Expense)	2,619,218
Estimated contributions made on behalf retirees	(602,000)
Increase in Net OPEB Obligation	2,017,218
 Net OPEB Obligation - January 1, 2014	 11,957,586
 Net OPEB Obligation - December 31, 2014	 \$ 13,974,804

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 2,619,218	23.0%	\$ 13,974,804
12/31/2013	\$ 2,500,215	23.8%	\$ 11,957,586
12/31/2012	\$ 2,516,194	22.5%	\$ 10,053,371

As of December 31, 2014, the Plan was not funded. The actuarial accrued liability for benefits was \$23,809,557; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$9,963,996 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 239.0%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding funded status of the Plan and 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 following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques 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.

In the January 1, 2012 actuarial valuation, the most recently completed full valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8% initially reduced by decrements to an ultimate rate of 5% after five years. The rate included a 4% inflation assumption.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

3. Debt

a. Short-term Debt

The County may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. During the year ended December 31, 2014 the County did not issue or redeem any TANs.

b. Constitutional Debt Limit

At December 31, 2014, the total outstanding indebtedness of the County aggregated \$3,112,043. Of this amount, \$3,112,043 was subject to the constitutional limitations on indebtedness and represented 3.60% of the County's statutory debt limit.

c. Serial Bonds

The County borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Position.

c. Bond Anticipation Notes

BANs are reflected as current or long-term liabilities depending on the refinancing status. For Governmental Funds, if all legal steps have been taken to refinance the BANs, the intent is supported by an ability to consummate refinancing the short-term note on a long-term basis in the operating statement of the recipient fund. Such notes are recorded as liabilities in the Government-wide financial statements.

State law requires BANs issued for capital purposes be converted to long-term obligations or paid off within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

d. Other Debt

In addition to the above debt, the County had the following noncurrent liabilities:

Compensated Absences - Represents the unfunded value of the liability for accumulated vacation. This liability is liquidated from the General, County Road and Road Machinery Funds.

Capital Leases - Represents principal balance of equipment leases. This liability is liquidated from the General Fund.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
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e. Summary of Debt

The following is a summary of serial bonds, bond anticipation notes and capital leases payable:

Description	Original Date of Issue	Original Amount	Interest Rate	Date of Final Maturity	Balance December 31,
Serial Bonds:					
Shared Services Construction	01/10	1,500,000	3.50-5.00%	1/2034	\$ 1,370,000
Bond Anticipation Notes	05/13	1,690,000	0.77%	5/2014	1,690,000
STASC Pass-through Bonds:					
Tobacco Settlement Bonds (2000)	12/00	3,280,000	5.25-6.30%	6/2023	2,175,000
Less: Unamortized bond discount					(55,943)
Carrying Value of Series 2000 Bonds					<u>2,119,057</u>
Tobacco Settlement Bonds (2005)	11/05	1,573,852	6.00-7.85%	6/2037	1,497,013
Less: Unamortized bond discount					(29,312)
Add: Interest accretion					1,297,364
Carrying Value of Series 2005 Bonds					<u>2,765,065</u>
HSDC 2007 Tax-exempt Revenue Bonds	04/07	5,725,000	3.50-5.00%	5/2032	4,805,000
Add: Unamortized bond premium					147,046
Carrying Value of HSDC Bonds					<u>4,952,046</u>
Capital Lease	09/13	54,170	6.00%	9/2015	35,051
Capital Lease	08/14	51,605	6.00%	8/2016	<u>16,992</u>
Total					\$ <u>12,948,211</u>

f. Change in Indebtedness

The following represents changes in the County's indebtedness during the year ended December 31, 2014:

	Balance January 1,	Additions	Deletions	Balance December 31,	Amount Due Within One Year
Serial Bonds	\$ 1,410,000	\$	\$ (40,000)	\$ 1,370,000	\$ 45,000
Bond Anticipation Notes	1,690,000	1,690,000	(1,690,000)	1,690,000	1,690,000
STASC Bonds	3,777,013		(105,000)	3,672,013	450,000
Add: Accreted interest payable	1,109,301	188,063		1,297,364	
Less: Unamortized bond discount	(92,000)	6,745		(85,255)	(6,745)
HSDC Bonds	4,975,000		(170,000)	4,805,000	175,000
Add: Unamortized bond premium	155,529		(8,483)	147,046	
Capital lease	50,204	54,170	(52,331)	52,043	34,007
Compensated absences	652,366	6,596		658,962	65,896
Totals	\$ 13,727,413	\$ 1,945,574	\$ (2,065,814)	\$ 13,607,173	\$ 2,453,158

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
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Additions and deletions to compensated absences are shown net, as it is impractical to determine these amounts separately. The County paid \$78,338 in interest on bond anticipation notes, bonds and capital leases during the year ended December 31, 2014. STASC paid \$145,104 in interest on bonds during the year. HSDC paid \$239,450 in interest on bonds during the year. Interest paid on the Serial Bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

Cash paid	\$ 462,892
Less interest accrued in prior year	(90,290)
Add interest accrued in current year	86,074
Less prior year accreted interest	(1,109,301)
Add current year accreted interest	1,297,364
Less amortization of bond discount/(premium)	<u>(1,738)</u>
 Total	 <u>\$ 645,001</u>

g. Debt Service Requirements

The following tables summarize the County's future debt service requirements as of December 31, 2014:

Year	Governmental Funds							
	County Serial Bonds		HSDC Fund		STASC Bonds		Total Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 45,000	\$ 60,719	\$ 175,000	\$ 232,981	\$ 450,000	\$ 154,700	\$ 670,000	\$ 448,400
2016	45,000	58,975	180,000	226,100	269,039	159,459	494,039	444,534
2017	50,000	57,075	190,000	217,750	222,203	158,066	462,203	432,891
2018	50,000	55,075	200,000	208,000	278,058	160,033	528,058	423,108
2019	50,000	52,950	205,000	197,875	291,594	152,907	546,594	403,732
2020-2024	295,000	227,062	1,205,000	818,625	1,379,917	852,006	2,879,917	1,897,693
2025-2029	375,000	151,913	1,535,000	478,125	412,722	1,522,021	2,322,722	2,152,059
2030-2034	460,000	57,238	1,115,000	85,375	266,208	1,772,124	1,841,208	1,914,737
2035-2039	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>102,272</u>	<u>950,357</u>	<u>102,272</u>	<u>950,357</u>
 Total	 <u>\$ 1,370,000</u>	 <u>\$ 721,007</u>	 <u>\$ 4,805,000</u>	 <u>\$ 2,464,831</u>	 <u>\$ 3,672,013</u>	 <u>\$ 5,881,673</u>	 <u>\$ 9,847,013</u>	 <u>\$ 9,067,511</u>

Year	Capital Leases		
	Principal	Interest	Total
2014	\$ 34,007	\$ 3,123	\$ 37,130
2015	<u>18,036</u>	<u>1,082</u>	<u>19,118</u>
 Total	 <u>\$ 52,043</u>	 <u>\$ 4,205</u>	 <u>\$ 56,248</u>

h. STASC Bonds

The County's future right, title, and interest in the Tobacco Settlement Revenues were financed through the issuance of bonds in the amount of \$3,280,000 and bearing interest rates ranging from 5.25% to 6.3% in December 2000. STASC elected the 25 year flexible amortization option.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

STASC Series 2005 bonds are capital appreciation bonds, upon which the investment return on the initial principal amount is reinvested at a compounded rate until maturity. There are no scheduled principal and interest payments on the Series 2005 bonds other than on their respective maturity dates, at which time a single payment is made representing both the initial principal amount and the total investment return.

The Series 2005 bonds are subject to redemption prior to maturity through turbo redemption payments which are to be made from surplus collections on deposit, as provided in the Bond Indenture. The amounts and timing of the turbo redemption payments are based on projections of future tobacco settlement receipts less amounts needed to satisfy debt service on the Series 2000 bonds and to satisfy operating requirements. Failure to make such turbo redemption payments will not, however, constitute an event of default.

C. Interfund Receivables and Payables

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to subsidize other funds. The Governmental Funds financial statements generally reflect such transactions as transfers. Interfund receivables and payables and interfund transfer revenues and expenditures at December 31, 2014 were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 844,056	\$ 1,152,490
County Road Fund	1,327,112	969,051
Non-Major Funds	517,226	566,853
Total	\$ 2,688,394	\$ 2,688,394

	Interfund Revenues	Interfund Expenditures
General Fund	\$	\$ 2,010,000
County Road Fund	1,545,000	180,000
Non-Major Funds	645,000	
Total	\$ 2,190,000	\$ 2,190,000

Note 3 - Summary of Significant Commitments and Contingencies

A. State and Federally Assisted Programs

The County receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory, and/or contractual requirements. The County makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the County will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. County officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the financial statements.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

B. Other Litigation

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

Note 4 - Other Disclosures

A. Schuyler County Community Services Board

The Schuyler County Community Services Board was formed under Mental Hygiene Law, Section 41, to enable and encourage the County to develop preventive, rehabilitative and treatment services for the mentally ill, the mentally retarded and the developmentally disabled, and those suffering from the diseases of alcoholism and substance abuse in the community.

The Board was formed to be a policy-making body with regards to the services provided to the community. During 1996, the Board applied for and received funding to build a new building. Bonding was obtained through the Local Government Services Corporation (LGSC) and various other state grants were received to supplement the funding stream. Because the bonding was obtained through the LGSC, the LGSC will retain title to the building for the life of the bonds. Therefore, no asset has been recorded on the County's fixed asset records.

Note 5 - Other Contingencies

During 1999, New York State and its localities achieved final approval of the Master Settlement Agreement (MSA) with the tobacco industry. The Settlement represents reimbursement to the state for medical costs incurred, primarily paid by Medicaid, for treating smoking-related illnesses. The state and its localities are expected to receive approximately \$25,000,000,000 over the next 25 years. There are a number of risks associated with the tobacco settlement which may cause the settlement amount to change. These risks include inflating adjustments, adjustments for consumption of cigarettes, bankruptcy by tobacco companies, federal litigation and individual and class action lawsuits. STASC is considered a component unit of the County and is presented as a blended component unit.

Note 6 - Transactions with Component Units

A. Schuyler County Industrial Development Agency

During the year ended December 31, 2014, the County of Schuyler paid \$5,000 in administration fees to the IDA.

B. Schuyler County Soil and Water Conservation District

The County contributed \$135,000 for operating assistance and \$20,000 for stream stabilization services to the Soil and Water Conservation District during the year ended December 31, 2014.

C. Schuyler County Human Services Development Corporation

The HSDC leases office space to Schuyler County. During the year ended December 31, 2014, the County paid \$299,085 and owed \$10,855 on their lease rental commitment. In addition, the Corporation's records are maintained by County employees at no charge to the Corporation.

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 7 - Fund Balance Detail

At December 31, 2014, fund balance in the governmental funds was comprised of the following:

	<u>General Fund</u>	<u>County Road Fund</u>	<u>STASC Debt Service Fund</u>	<u>Non-Major Funds</u>
<u>Nonspendable</u>				
Prepaid expenses	\$ 516,624	\$	\$	\$
Inventory	<u>6,659</u>	<u></u>	<u>2,322</u>	<u></u>
Total Nonspendable Fund Balance	<u>\$ 523,283</u>	<u>\$ -0-</u>	<u>\$ 2,322</u>	<u>\$ -0-</u>
<u>Restricted</u>				
E-911 Reserve	\$ 284,731	\$	\$	\$
Sheriff Seized Assets	25,179			
DA Seized Assets	65,591			
Stop-DWI Reserve	32,333			
Lamoka/Wanetta Lakes Reserve	67,818			
Debt Service			629,951	
Community Development				17,768
Capital projects (unspent debt proceeds)				<u>754,678</u>
Total Restricted Fund Balance	<u>\$ 475,652</u>	<u>\$ -0-</u>	<u>\$ 629,951</u>	<u>\$ 772,446</u>
<u>Committed</u>				
Community Services Board Reserve	\$ 31,461	\$	\$	\$
Facilities & Grounds Capital Reserve	504,832			
Voice & Data Reserve	252,484			
Economic Development Reserve	<u>13,400</u>			
Total Committed Fund Balance	<u>\$ 802,177</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Assigned</u>				
Capital projects	\$ 395,939	\$	\$	\$
Encumbered for:				
General support	93,550			
Public safety	26,611			
Public health	33			
Economic assistance and opportunity	726			
Transportation		<u>604,269</u>		<u>348,460</u>
Total Assigned Fund Balance	<u>\$ 516,859</u>	<u>\$ 604,269</u>	<u>\$ -0-</u>	<u>\$ 348,460</u>
<u>Unassigned</u>	<u>\$ 1,363,789</u>	<u>\$ -0-</u>	<u>\$ 632,273</u>	<u>\$ (395,939)</u>
Total Fund Balances	<u>\$ 3,681,760</u>	<u>\$ 604,269</u>	<u>\$ 632,273</u>	<u>\$ 724,967</u>

COUNTY OF SCHUYLER
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 8 - Stewardship

At December 31, 2014, the Capital Projects Fund had a deficit unassigned fund balance of \$(395,939). This deficit will be eliminated when additional insurance proceeds related to the Shared Services Facility are transferred to the Capital Fund during 2015.

COUNTY OF SCHUYLER
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget
<u>REVENUES</u>		
Real property taxes	\$ 10,958,005	\$ 10,958,005
Real property tax items	621,000	621,000
Nonproperty tax items	10,762,000	10,762,000
Departmental income	5,313,429	5,745,544
Intergovernmental charges	325,519	325,519
Use of money and property	592,312	592,312
Fines and forfeitures	112,299	112,299
Sale of property and compensation for loss	73,100	315,802
Miscellaneous local sources	22,200	22,200
State sources	5,459,225	9,513,480
Federal sources	3,889,891	4,287,956
Total Revenues	38,128,980	43,256,117
<u>EXPENDITURES</u>		
General governmental support	6,873,592	7,181,476
Education	1,830,000	1,903,859
Public safety	3,388,532	7,232,638
Public health	3,626,147	4,114,978
Transportation	300,000	300,000
Economic assistance and opportunity	12,921,800	13,192,588
Culture and recreation	175,394	213,554
Home and community services	505,131	586,928
Employee benefits	6,388,400	6,427,459
Debt service - Principal and interest	120,000	175,343
Total Expenditures	36,128,996	41,328,823
Excess of Revenues	1,999,984	1,927,294
<u>OTHER FINANCING (USES)</u>		
Interfund transfers (out)	(1,999,984)	(2,010,095)
Total Other Financing (Uses)	(1,999,984)	(2,010,095)
Excess of (Expenditures) Revenues and Other Financing (Uses) Sources	-0-	(82,801)
Appropriated reserves		27,500
Encumbrances carried forward from prior year		41,776
Appropriated fund balances		13,525
Net Increase	\$ -0-	\$ -0-
Fund Balance, Beginning		
Fund Balance, Ending		

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

Actual	Encumbrances	Variance Favorable- (Unfavorable)
\$ 10,994,593	\$	\$ 36,588
604,057		(16,943)
10,716,918		(45,082)
4,785,942		(959,602)
324,265		(1,254)
611,310		18,998
70,814		(41,485)
280,826		(34,976)
60,152		37,952
6,429,331		(3,084,149)
3,736,640		(551,316)
38,614,848	-0-	(4,641,269)
6,807,083	93,550	280,843
1,703,595		200,264
4,642,491	26,611	2,563,536
3,396,246	33	718,699
276,043		23,957
12,236,695	726	955,167
155,175		58,379
584,327		2,601
5,326,809		1,100,650
157,656		17,687
35,286,120	120,920	5,921,783
3,328,728	(120,920)	1,280,514
(2,010,000)		95
(2,010,000)	-0-	95
1,318,728	\$ (120,920)	\$ 1,280,609
2,363,032		
\$ 3,681,760		

COUNTY OF SCHUYLER
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
 COUNTY ROAD FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>
<u>REVENUES</u>		
Departmental income	\$ 30,900	\$ 30,900
Use of money and property	1,500	1,500
Fines and forfeitures	200	200
Sale of property and compensation for loss	2,500	2,500
Miscellaneous local sources	200	200
State sources	1,007,954	1,079,154
Federal sources	783,600	783,600
Total Revenues	<u>1,826,854</u>	<u>1,898,054</u>
<u>EXPENDITURES</u>		
Transportation	2,770,263	3,078,533
Employee benefits	419,900	440,403
Debt service - Principal and interest	-	13,013
Total Expenditures	<u>3,190,163</u>	<u>3,531,949</u>
Excess of (Expenditures)	<u>(1,363,309)</u>	<u>(1,633,895)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund transfers in	1,543,309	1,548,095
Interfund transfers (out)	(180,000)	(180,000)
Total Other Financing Sources (Uses)	<u>1,363,309</u>	<u>1,368,095</u>
Excess of (Expenditures) Revenues and Other Financing (Uses) Sources	<u>-0-</u>	<u>(265,800)</u>
Appropriated fund balances	-	<u>265,800</u>
Net Increase	<u>\$ -0-</u>	<u>\$ -0-</u>
Fund Balance, Beginning		
Fund Balance, Ending		

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

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable- (Unfavorable)</u>
\$ 27,630	\$	\$ (3,270)
106		(1,394)
500		300
3,558		1,058
		(200)
1,004,159		(74,995)
378,361		(405,239)
1,414,314	-0-	(483,740)
2,620,674		457,859
401,376		39,027
13,013		-0-
3,035,063	-0-	496,886
(1,620,749)	-0-	13,146
1,545,000		(3,095)
(180,000)		-0-
1,365,000	-0-	(3,095)
(255,749)	\$ -0-	\$ 10,051
860,018		
\$ 604,269		

COUNTY OF SCHUYLER
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2014

Actuarial Valuation Date	Fiscal Year End	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	12/31/2014	\$ <u>-0-</u>	\$ <u>23,809,557</u>	\$ <u>23,809,557</u>	0.0%	\$ <u>9,963,996</u>	239.0%
1/1/2012	12/31/2013	\$ <u>-0-</u>	\$ <u>22,132,637</u>	\$ <u>22,132,637</u>	0.0%	\$ <u>9,825,282</u>	225.3%
1/1/2011	12/31/2012	\$ <u>-0-</u>	\$ <u>22,199,170</u>	\$ <u>22,199,170</u>	0.0%	\$ <u>9,650,709</u>	230.0%
1/1/2011	12/31/2011	\$ <u>-0-</u>	\$ <u>20,557,001</u>	\$ <u>20,557,001</u>	0.0%	\$ <u>9,773,685</u>	210.3%
1/1/2010	12/31/2010	\$ <u>-0-</u>	\$ <u>21,146,864</u>	\$ <u>21,146,864</u>	0.0%	\$ <u>10,082,718</u>	209.7%

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

COUNTY OF SCHUYLER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 - Budgetary Data

A. Budget Policies - The budget policies are as follows:

1. No later than November 15, the budget officer submits a tentative budget to the County Legislature for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the following funds:
 - General Fund
 - County Road Fund
 - Road Machinery Fund
2. After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.
3. All modifications of the budget must be approved by the County Legislature. During 2014, the budget was modified for unanticipated grants and revenues, use of reserve funds and carryover encumbrances.
4. Appropriations are adopted at the functional level by department.
5. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects, which remain in effect for the life of the project.
6. An annual legal budget is not adopted for the STASC, which is a debt service fund and Special Grant Fund, which is a Special Revenue Fund. Budgetary controls for the STASC and Special Grant Fund are established in accordance with the applicable debt service schedules and grant agreements.
7. Appropriations lapse at year end.

B. Encumbrances

Encumbrances are recorded to reserve a portion of fund balance for outstanding commitments to be financed from current appropriations. Encumbrance accounting, under which contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the General and Special Revenue Funds. Encumbrances are reported as assignments of fund balances, as they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

C. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America for the General, County Road, and Road Machinery Funds. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered disbursements in the financial plan or expenditures in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded. The accompanying Budgetary Comparison Schedules for the budgeted major Governmental Funds, General and County Road Fund, present comparisons of the legally adopted budget with actual data.

COUNTY OF SCHUYLER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 2 - Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

Note 3 - Schedule of Funding Progress

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

COUNTY OF SCHUYLER
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue Funds			Total
	Special Grant Fund	Road Machinery Fund	Capital Projects Funds	Non-Major Governmental Funds
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents - Unrestricted	\$	\$ 717,485	\$	\$ 717,485
- Restricted	17,735		44,056	61,791
Due from other funds	33		517,193	517,226
Other receivables, net		28,696	757	29,453
Total Assets	\$ 17,768	\$ 746,181	\$ 562,006	\$ 1,325,955
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$	\$ 34,135	\$	\$ 34,135
Due to other funds		363,586	203,267	566,853
Total Liabilities	-0-	397,721	203,267	600,988
Fund Balances:				
Restricted	17,768		754,678	772,446
Assigned		348,460		348,460
Unassigned			(395,939)	(395,939)
Total Fund Balances	17,768	348,460	358,739	724,967
Total Liabilities and Fund Balances	\$ 17,768	\$ 746,181	\$ 562,006	\$ 1,325,955

See Independent Auditor's Report

COUNTY OF SCHUYLER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue Funds			Total
	Special Grant Fund	Road Machinery Fund	Capital Projects Fund	Non-Major Governmental Funds
<u>REVENUES</u>				
Intergovernmental charges	\$	\$ 320,419	\$	\$ 320,419
Use of money and property	33	101	25	159
Sale of property and compensation for loss		4,238		4,238
State sources			56,250	56,250
Total Revenues	33	324,758	56,275	381,066
<u>EXPENDITURES</u>				
Transportation		894,535		894,535
Employee benefits		73,625		73,625
Capital outlay			450,284	450,284
Total Expenditures	-0-	968,160	450,284	1,418,444
Excess of (Expenditures)	33	(643,402)	(394,009)	(1,037,378)
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers in		645,000		645,000
Proceeds of obligations			54,170	54,170
Total Other Financing Sources	-0-	645,000	54,170	699,170
Excess of (Expenditures) Revenues and Other Financing (Uses) Sources	33	1,598	(339,839)	(338,208)
Fund Balances, Beginning	17,735	346,862	698,578	1,063,175
Fund Balances, Ending	\$ 17,768	\$ 348,460	\$ 358,739	\$ 724,967

See Independent Auditor's Report

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

To the County of Schuyler Legislature
Watkins Glen, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Schuyler, New York (the County), as of and for the year ended December 31, 2014, 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 23, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies, [2014-001, 2014-002, 2014-003, and 2014-004].

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Compliance and Other Matters

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

The County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

A handwritten signature in cursive script that reads "Lisa Dietershagen, Little, Minkler & Company, CPA".

June 23, 2015
Ithaca, New York

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

County Legislature
County of Schuyler
Watkins Glen, New York

Report on Compliance for Each Major Federal Program

We have audited the County of Schuyler, New York's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



June 23, 2015
Ithaca, New York

COUNTY OF SCHUYLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>Federal Catalog #</u>	<u>Pass - Through Grantor #</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Passed Through NYS Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	(1)	\$ 491,223
Passed Through NYS Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	550301100001	140
National School Lunch Program	10.555	550301100001	256
Child Nutrition Cluster Total			<u>396</u>
 Total Department of Agriculture			 <u>491,619</u>
<u>Department of Justice</u>			
Passed Through NYS Division of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	T565636	39,200
Passed Through NYS Crime Victims Board:			
Crime Victim Assistance	16.575	C501149	<u>46,389</u>
 Total Department of Justice			 <u>85,589</u>
<u>Department of Transportation</u>			
Passed Through NYS Department of Transportation:			
Highway Planning and Construction	20.205	D032588	378,360
Formula Grants for Other Than Urbanized Areas	20.509	C005572	113,500
Passed Through Division of Criminal Justice Services:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	T523693	<u>3,725</u>
 Total Department of Transportation			 <u>495,585</u>
<u>Department of Education</u>			
Passed Through NYS Department of Health:			
Special Education - Grants for Infants and Families	84.181	C027508	<u>19,038</u>
 Total Department of Education			 <u>19,038</u>
<u>Department of Health and Human Services</u>			
Passed Through NYS Office for the Aging:			
Aging Cluster:			
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(1)	50,833
Title III, Part C - Nutrition Services	93.045	(1)	85,789
Nutrition Services Incentive	93.053	(1)	<u>21,084</u>
Total Aging Cluster			<u>157,706</u>
 Subtotal			 <u>1,249,537</u>

(1) Denotes - Unable to Obtain from Pass - Through Entity

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

COUNTY OF SCHUYLER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>Federal Catalog #</u>	<u>Pass - Through Grantor #</u>	<u>Expenditures</u>
Subtotal Carried Forward			\$ <u>1,249,537</u>
<u>Department of Health and Human Services (Continued)</u>			
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	(1)	2,228
National Family Caregiver Support	93.052	(1)	27,082
Medicare Enrollment Assistance Program	93.071	(1)	10,327
CMS Research, Demonstrations and Evaluations	93.779	(1)	34,059
Passed Through NYS Department of Health:			
Immunization Grants	93.268	C023269	31,735
Maternal and Child Health Services Block Grant to the States:			
Maternal and Child Health Services Block Grant to the States	93.994	C026536	7,060
Maternal and Child Health Services Block Grant to the States	93.994	C024642	15,998
Total Maternal and Child Health Services Block Grant to the States			<u>23,058</u>
Passed Through Health Research, Inc.:			
Public Health Emergency Preparedness	93.069	001609-10	41,995
Passed Through NYS Department of Social Services:			
Temporary Assistance for Needy Families	93.558	(1)	1,425,493
Child Support Enforcement	93.563	(1)	224,039
Low-Income Home Energy Assistance	93.568	(1)	1,014,752
Child Care and Development Block Grant	93.575	(1)	343,405
Foster Care - Title IV-E	93.658	(1)	301,106
Adoption Assistance	93.659	(1)	59,768
Social Services Block Grant	93.667	(1)	317,911
Chafee Foster Care Independent Living	93.674	(1)	1,192
Medical Assistance Program	93.778	(1)	<u>277,244</u>
 Total Department of Health and Human Services			 <u>4,293,100</u>
<u>Department of Homeland Security</u>			
Passed Through NYS Office of Homeland Security:			
Emergency Management Performance Grants	97.042	T150735	11,574
Emergency Management Performance Grants	97.042	T150745	3,073
Homeland Security Grant Program:			
Homeland Security Grant Program	97.067	C150729	51,944
Homeland Security Grant Program	97.067	C150739	5,455
Homeland Security Grant Program	97.067	T973320	37,500
Homeland Security Grant Program	97.067	T973322	21,763
Homeland Security Grant Program	97.067	T973330	30,761
Homeland Security Grant Program	97.067	T139901	11,300
Total Homeland Security Grant Program			<u>158,723</u>
 Total Department of Homeland Security			 <u>173,370</u>
 Total Expenditures of Federal Awards			 \$ <u><u>5,558,301</u></u>

(1) Denotes - Unable to Obtain from Pass - Through Entity

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

COUNTY OF SCHUYLER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 1 - Basis of Presentation

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

Note 2 - Basis of Accounting

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

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

Note 3 - Indirect Costs

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

Note 4 - Matching Costs

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

Note 5 - Department of Social Services - Administrative Costs

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

COUNTY OF SCHUYLER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Section I - **Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___yes Xno

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Xyes ___none reported

Noncompliance material to financial statements noted? ___yes Xno

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___yes Xno

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___yes Xnone reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___yes Xno

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>93.558</u>	<u>Temporary Assistance for Needy Families</u>
<u>93.568</u>	<u>Low-Income Home Energy Assistance</u>
<u>93.658</u>	<u>Foster Care, Title IV-E</u>
<u>20.205</u>	<u>Highway Planning and Construction</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: ___ yes X no

COUNTY OF SCHUYLER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Section II - **Financial Statement Findings**

2014-001 - Preparation of Financial Statements (previously 2013-004)

Condition:

The preparation and assembly of the County's financial statements, Schedule of Federal Expenditures (SEFA) and related notes were delegated to the audit firm. While it is common for the auditor to prepare the financial statements for many small organizations, the role of the auditor continues to be expressing an opinion on those financial statements.

Criteria:

Government Auditing Standards require us to assess whether the organizations we audit are able to prepare financial statements, the Schedule of Federal Expenditures and related notes in accordance with generally accepted accounting principles.

Effect:

Based on our current assessment, it was our opinion that management has not demonstrated the experience necessary to prepare such financial statements, SEFA and related notes in accordance with generally accepted accounting principles. The County administration and the legislative oversight finance committee have taken on the responsibility to review and edit the draft financial statements, disclosures and SEFA.

Current Status:

The County has authorized training in KVS software applications, municipal accounting and internal controls for personnel in the Treasurer's office with some of that training taking place during the period under audit.

Recommendation:

We recommend the County consider providing training in municipal accounting and internal controls for the newly elected Treasurer and other personnel in the Treasurer's office, or consider hiring an accounting consultant to prepare the County's financial statements.

Corrective Action Plan:

The Treasurer's Office welcomes the opportunity to be trained in preparing its own financial statements to help reduce costs and continues to investigate training options.

2014-002 - General Ledger Oversight (previously 2013-001)

Condition:

During our prior years' audits we noted general ledger balance sheet accounts were not reviewed or reconciled on a periodic basis, resulting in misstatements of receivable and payable accounts during the year. In addition, amounts due to and due from other funds and interfund revenue and expenditure accounts did not balance.

Criteria:

It is the responsibility of the County to provide accurate and timely financial information.

Effect:

These items could result in material errors in reports created from the financial accounting system both for actual and budget numbers, including reports sent to New York State, the County Administrator and Department heads. Significant time was required at year end for the Treasurer's Office to correct these misstatements.

COUNTY OF SCHUYLER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Current Status:

During our current year audit, significant improvement was noted; however, reconciliations of balance sheet accounts were not routinely performed on a monthly basis during the period under audit. Additionally, it was difficult to reconcile interfund activity. Amounts due to and due from other funds and interfund revenues and expenditures did not balance.

Recommendation:

We recommend all asset and liability accounts be reviewed and reconciled monthly. Any discrepancies should be corrected immediately to ensure accurate and timely financial reporting. Providing continued training to all Treasurer's Office personnel on municipal accounting, internal controls and use of the County's financial general ledger accounting software is also recommended.

Corrective Action Plan:

As recommended, we have begun to review and reconcile all asset and liability accounts on a monthly basis, correct discrepancies when found, and research when necessary to ensure accuracy.

2014-003 - Adjusting Entries (previously 2013-003)

Condition:

During our prior year audits numerous audit adjustments were required to correct misstatements. Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Audit adjustments that, either individually or in the aggregate, may have a significant effect on the County's financial reporting process were reviewed, approved and posted by management.

Criteria:

Management is charged with maintaining fiscal integrity and stewardship. This includes reconciling balance sheet accounts, reviewing budgets, reviewing journal entries to ensure they are properly posted and have adequate supporting documentation attached, and confirming the financial statements are accurately presented at any point in time.

Effect:

These errors resulted in material financial statement misstatements in reports received by the County Administrator and Legislature prior to the recommended audit adjustments and year end adjustments performed by the Treasurer.

Current Status:

During our current year audit, there was significant improvement. However, numerous adjusting entries were still required to correct misstatements. A majority of these adjustments were identified by the Treasurer's Office after the beginning of our fieldwork.

The net effect, both the County prepared adjustments and audit adjustments, for the current year which; have an effect considered to be material to the financial statements taken as a whole follow:

- Fund Balance of the General Fund: increased by \$114,898
- Fund Balance of the County Road Fund: decreased by \$(400,832)
- Fund Balance of the Road Machinery Fund: decreased by \$(247,405)

COUNTY OF SCHUYLER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Recommendation:

We recommend monthly review and reconciliation of general ledger balances be performed and reviewed by a responsible official. Differences should be investigated and adjustments made in a timely manner to ensure accurate and timely financial reporting. In addition, we recommend a knowledgeable accountant be hired to perform these monthly accounting functions and a balance sheet be provided to the Legislature along with the financial information they currently receive.

Corrective Action Plan:

As recommended, we have begun to review and reconcile all general ledger accounts on a monthly basis, correct discrepancies when found, and if necessary, research to ensure accuracy.

2014-004 - Bank Statement Reconciliation (previously 2013-005)

Condition:

During our prior year audits, County bank accounts were not being reconciled to the general ledger system on a monthly basis, resulting in significant differences between general ledger balances and reconciled cash balances resulting in a significant time investment to reconcile the two.

Criteria:

Bank statements should be reconciled to the general ledger accounting system monthly as a safeguard of asset control. In addition, activity should be posted to the general ledger daily. Posting to the general ledger daily and reconciling bank statements to the ledger monthly helps ensure the County departments, the County Administrator and the Legislature are receiving accurate and useful financial information.

Effect:

The above condition resulted in significant differences between the general ledger and actual cash balances, and required a significant time investment at year end to reconcile the two. In addition, County departments, the County Administrator and Legislature are not receiving accurate and useful financial information. This decreases the County's control over safeguarding of assets.

Current Status:

There has been dramatic improvement during our current year audit relative to the timeliness of a majority of bank account reconciliations compared to prior years. However, as mentioned above, not all bank statements had been reconciled timely during the year and County personnel were still attempting to complete certain reconciliations after the start of our audit fieldwork. Numerous client prepared adjusting entries were required to correct misstatements of cash balances in the general ledger.

Recommendation:

We recommend all bank accounts be reconciled monthly to the general ledger and any discrepancies resolved at that time in order to increase the County's safeguarding of assets controls.

Corrective Action Plan:

As recommended, we have begun to reconcile bank accounts to the general ledger on a monthly basis and correct discrepancies when found.

Section III - Federal Award Findings and Questioned Costs

None noted.