COUNTY OF JEFFERSON, NEW YORK

Basic Financial Statements, Required Supplementary Information, Supplementary Information and Federal Awards Information for the Year Ended December 31, 2015 and Independent Auditors' Reports

COUNTY OF JEFFERSON, NEW YORK
Table of Contents
Year Ended December 31, 2015

Page

Independent Auditors' Report 1

Management's Discussion and Analysis 4

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 15

Statement of Activities 16

Fund Financial Statements:

Balance Sheet─Governmental Funds 17

Reconciliation of the Balance Sheet of Governmental Funds to the Government-wide Statement of Net Position 18

Statement of Revenues, Expenditures and Changes in Fund Balances─Governmental Funds 19

Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Government-wide Statement of Activities 20

Statement of Net Position─Proprietary Fund 21

Statement of Revenues, Expenses and Changes in Fund Net Position─Proprietary Fund 22

Statement of Cash Flows─Proprietary Fund 23

Statement of Net Position─Fiduciary Fund 24

Notes to the Financial Statements 25

(continued)

(concluded)

Required Supplementary Information:

Schedule of Funding Progress─Other Postemployment Benefits Plan 65

Schedule of the Local Government's Proportionate Share of the Net Pension Liability (Asset)─Teachers' Retirement System 66

Schedule of the Local Government's Contributions─Teachers' Retirement System 67

Schedule of the Local Government's Proportionate Share of the Net Pension Liability─Employees' Retirement System 68

Schedule of the Local Government's Contributions─Employees' Retirement System 69

Schedule of Revenues, Expenditures and Changes in Fund Balances─Budget and Actual─General Fund 70

Note to the Required Supplementary Information 71

Supplementary Information:

Combining Balance Sheet─Nonmajor Governmental Funds 72

Combining Statement of Revenues, Expenditures and Changes in Fund Balances─Nonmajor Governmental Funds 73

Federal Awards Information:

Schedule of Expenditures of Federal Awards 74

Notes to the Schedule of Expenditures of Federal Awards 78

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* 79

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance 81

Schedule of Findings and Questioned Costs 83

Summary Schedule of Prior Year Audit Findings and Corrective Action Plan 84

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Jefferson, New York (the "County"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015 the County implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2016 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Drescher & Malecki LLP

July 11, 2016

As management of the County of Jefferson, New York (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information contained in the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in dollars. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at December 31, 2015 by $19,389,560 (net position). This consists of $134,125,899 net investment in capital assets, $6,342,349 restricted for specific purposes, offset by an unrestricted net deficit of $121,078,688.

- The County's total net position decreased by $22,824,986. Governmental Activities decreased the County's net position by $22,484,401, while the net position of the County's Business-type Activities decreased $340,585.

- As of December 31, 2015, the County's Governmental Funds reported combined fund balances of $41,021,432, an increase of $278,102 in comparison with the prior year. General Fund fund balance of $2,124,559 is available to meet the County's current and future needs (unassigned fund balance).

- General Fund fund balance decreased $1,668,316 during the year ended December 31, 2015 and ended the year with a fund balance of $25,162,797. Of this, $6,312,251 is considered nonspendable, $2,265,854 is restricted, and $14,460,133 is assigned for other specified purposes by County management.

- The County's Governmental Activities' total bonded debt increased by $4,785,000 during the current year as a result of the issuance of serial bonds of $7,000,000 offset by scheduled principal payments of $2,215,000.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning the County's progress in funding its obligation to provide postemployment benefits to its employees, the County's net pension liability/(asset) and budgetary comparison schedule for the General Fund. Required Supplementary Information can be found on pages 65-71 of this report.

Supplemental schedules including the combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 72-73.

The Federal Awards Information presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 74-85 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of the primary government by $19,389,560 at the close of the most recent fiscal year.

The County's combined net position during fiscal year ended December 31, 2015 decreased from December 31, 2014, as restated, by $22,824,986. By far, the largest portion of the County's net position at December 31, 2015, $134,125,899, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, $6,342,349, represents resources subject to external restrictions on how they may be used and are reported as restricted net position. The remaining category of total net position, $121,078,688, is considered to be an unrestricted net deficit.

Our analysis below focuses on the net position (Table 1), of the County's Governmental and Business-type Activities.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2015	2014 (as restated)	2015	2014	2015	2014 (as restated)
Current assets	$ 81,718,481	$ 80,661,096	$ 19,953	$ 391,653	$ 81,738,434	$ 81,052,749
Noncurrent assets	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Capital assets	137,050,744	139,490,818	3,400,155	3,513,640	140,450,899	143,004,458
Total assets	219,769,225	221,151,914	3,420,108	3,905,293	223,189,333	225,057,207
Deferred outflows of resources	7,048,182	6,416,785	-	-	7,048,182	6,416,785
Current liabilities	31,896,202	32,348,441	142,808	282,025	32,039,010	32,630,466
Noncurrent liabilities	176,877,141	155,585,053	1,038,544	1,043,927	177,915,685	156,628,980
Total liabilities	208,773,343	187,933,494	1,181,352	1,325,952	209,954,695	189,259,446
Net position:						
Net investment in capital assets	130,725,744	131,340,818	3,400,155	3,513,640	134,125,899	134,854,458
Restricted	6,008,829	3,056,453	333,520	333,453	6,342,349	3,389,906
Unrestricted	(119,583,769)	(94,762,066)	(1,494,919)	(1,267,752)	(121,078,688)	(96,029,818)
Total net position	$ 17,150,804	$ 39,635,205	$ 2,238,756	$ 2,813,667	$ 19,389,560	$ 42,214,546

Table 2, presented below, shows the changes in net position for the years ended December 31, 2015 and December 31, 2014.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,	
	2015	2014 (as restated)	2015	2014	2015	2014 (as restated)
Revenues:						
Program revenues	$ 70,995,595	$ 67,203,305	$ 2,509,672	$ 2,599,002	$ 73,505,267	$ 69,802,307
General revenues	135,024,940	133,553,416	44,552	18,795	135,069,492	133,572,211
Total revenues	206,020,535	200,756,721	2,554,224	2,617,797	208,574,759	203,374,518
Total expenses	228,504,936	226,642,896	2,894,809	2,852,123	231,399,745	229,495,019
Change in net position	(22,484,401)	(25,886,175)	(340,585)	(234,326)	(22,824,986)	(26,120,501)
Net position—beginning	39,635,205	67,757,226	2,579,341	2,813,667	42,214,546	70,570,893
Restatement	-	(2,235,846)	-	-	-	(2,235,846)
Net position—ending	$ 17,150,804	$ 39,635,205	$ 2,238,756	$ 2,579,341	$ 19,389,560	$ 42,214,546

Governmental activities decreased the County's net position by $22,824,986. The decrease is 12.6% less than the decrease experienced for the year ended December 31, 2014. The decrease in net position is primarily due to the accrual of OPEB as required by GASB. Operations of the business-type activity decreased the County's net position by $340,585 for the year ended December 31, 2015.

A summary of sources of revenues for the years ended December 31, 2015 and December 31, 2014 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2015	2014	Dollars	Percent
Charges for services	$ 13,371,998	$ 15,659,375	$ (2,287,377)	(14.6)
Operating grants and contributions	45,698,432	42,128,952	3,569,480	8.5
Capital grants and contributions	11,925,165	9,414,978	2,510,187	26.7
Property taxes and tax items	55,105,577	53,182,883	1,922,694	3.6
Non-property taxes	70,077,793	72,594,119	(2,516,326)	(3.5)
Other general revenues	9,841,570	7,776,414	2,065,156	26.6
Total revenues	$ 206,020,535	$ 200,756,721	$ 5,263,814	2.6

The most significant source of revenues is non-property taxes, which accounts for $70,077,793, or 34.0 percent, of total governmental activities revenues, for the year ended December 31, 2015, and $72,594,119, or 36.2 percent, of total governmental activities revenues, for the year ended December 31, 2014. The next largest source of revenue is property taxes and tax items, which comprises 26.7 percent and 26.5 percent of total governmental activities revenues for the years ended December 31, 2015 and 2014, respectively.

Revenues during the year ended December 31, 2015 increased by 2.6 percent from the year ended December 31, 2014. Changes in revenues were largely due to the following:

- Operating grants and contributions increased $3,569,480 due to the timing of state aid reimbursements and an increase in the average amount of social security claims.

- Capital grants and contributions increased $2,510,187 due to aid received for the Jefferson Community College Collaborative Learning project.

As presented in Table 4, below, the County's significant expense items for governmental activities were economic assistance and opportunity of $73,134,507, or 32.0 percent, of total governmental activities expenses, general government support of $60,020,858, or 26.3 percent, of total governmental activities expenses, public safety of $31,831,391, or 13.9 percent, of total governmental activities expenses, transportation of $24,229,635, or 10.6 percent, of total governmental activities expenses, and education of $19,942,248, or 8.7 percent of total governmental activities expenses for the year ended December 31, 2015. Similarly, for the year ended December 31, 2014 significant expense items were economic assistance and opportunity of $76,837,395, or 33.9 percent, of total governmental activities expenses, general government support of $61,558,392, or 27.2 percent, of total governmental activities expenses, public safety of $34,585,698, or 15.3 percent, of total governmental activities expenses, transportation of $21,529,780, or 9.5 percent, of total governmental activities expenses, and public health of $17,292,307, or 7.6, of total governmental activities expenses.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2015	2014	Dollars	Percent
General government support	$ 60,020,858	$ 61,558,392	$ (1,537,534)	(2.5)
Education	19,942,248	10,839,332	9,102,916	84.0
Public safety	31,831,391	34,585,698	(2,754,307)	(8.0)
Public health	16,246,814	17,292,307	(1,045,493)	(6.0)
Transportation	24,229,635	21,529,780	2,699,855	12.5
Economic assistance and opportunity	73,134,507	76,837,395	(3,702,888)	(4.8)
Culture and recreation	277,720	362,434	(84,714)	(23.4)
Home and community services	2,376,719	3,177,163	(800,444)	(25.2)
Interest and fiscal charges	445,044	460,395	(15,351)	(3.3)
Total program expenses	$ 228,504,936	$ 226,642,896	$ 1,862,040	0.8

Significant changes in the County's expenses from 2014 to 2015 are identified as follows:

- Expenses for education increased by $9,102,916 primarily due to costs incurred for the Jefferson Community College Collaborative Learning project.

Business-type Activity. Business-type activity decreased the County's net position by $340,585 due to normal operations. Table 5, as presented on the following page, shows the changes in net position for the years ended December 31, 2015 and December 31, 2014.

Table 5—Condensed Statements of Changes in Net Position—Business-type Activity

	Year Ended December 31,		Increase/(decrease)	
	2015	2014	Dollars	Percent
Revenues:				
Program revenues	$ 2,509,672	$ 2,599,002	$ (89,330)	(3.4)
General revenues (expenses)	44,552	18,795	25,757	137.0
Total revenues	2,554,224	2,617,797	(63,573)	(2.4)
Total expenses	2,894,809	2,852,123	42,686	1.5
Change in net position	(340,585)	(234,326)	(106,259)	n/a
Net position—beginning	2,579,341	2,813,667	(234,326)	(8.3)
Net position—ending	$ 2,238,756	$ 2,579,341	$ (340,585)	(13.2)

Revenues relating to the County's business-type activity decreased by 2.4 percent and expenses increased 1.5 percent for the year ended December 31, 2015, from the year ended December 31, 2014.

A summary of sources of revenues and expenditures for the County's business-type activity for the years ended December 31, 2015 and December 31, 2014 is presented below in Table 6.

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

	Year Ended December 31,		Increase/(decrease)	
	2015	2014	Dollars	Percent
Charges for services	$ 2,501,575	$ 2,519,002	$ (17,427)	(0.7)
Operating grants and contributions	8,097	80,000	(71,903.00)	(89.88)
General revenues (expenses)	44,552	18,795	25,757	137.0
Total program revenues	$ 2,554,224	$ 2,617,797	$ (63,573)	(2.4)
Solid waste management expenditures	$ 2,894,809	$ 2,852,123	$ 42,686	1.5

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $41,021,432, an increase of $278,102 in comparison with the prior year. *Unassigned fund balance* is $2,084,318 which is one percent of total governmental expenditures. Additionally, the County's *assigned fund balances* total $26,461,899 or 12.5 percent of total governmental expenditures.

Together, *unassigned* and *assigned fund balance* represents $28,546,217, or 13.5 percent of total governmental expenditures*.* *Restricted fund balance* of $6,008,829 represent resources that's spending is restricted for a special purpose. *Nonspendable* amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. *Nonspendable* fund balance consists of $5,129,874 of prepaid items, $57,454 of inventory, and $1,279,058 representing long-term receivables at December 31, 2015.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was $2,124,559, while total fund balance was $25,162,797. The General Fund fund balance decreased $1,668,316 from the prior year, $8,013,553 less than the $9,681,869 appropriation of fund balance and carryover of prior year encumbrances. As a measure of the General Fund's liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total expenditures. *Unassigned fund balance* represents 1.1 percent of General Fund expenditures and transfers out, while total fund balance represents 13.2 percent of that same amount.

The fund balance in the Capital Projects Fund increased $1,314,772 from December 31, 2014. The increase is the result of the issuance of serial bonds.

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

The net position of Solid Waste Management Fund (the County's only enterprise fund) at December 31, 2015, amounted to $2,238,756 and net position was in a deficit of $1,494,919. The operating activities of the Solid Waste Management Fund during 2015 resulted in an operating loss of $354,490 and the nonoperating revenues and expenses netted to total nonoperating revenue of $13,905. At December 31, 2015, the Fund reports a noncurrent interfund loan from the General Fund of $1,000,000. The fund was unable to make a payment on the loan during the year ended December 31, 2015. In addition, $279,058 of the due to other funds is not expected to be repaid in 2016. This amount is included as nonspendable fund balance within the General Fund.

General Fund Budgetary Highlights

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

A summary of the General Fund results of operations for the year ended December 31, 2015 is presented in Table 7 below:

Table 7—Summary of General Fund Results of Operations

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues and other financing sources	$ 193,233,718	$ 195,377,730	$ 188,431,840	$ (6,945,890)
Expenditures and other financing uses	202,915,587	206,525,473	190,100,156	16,425,317
Deficiency of revenues and other financing sources over expenditures and other financing uses	$ (9,681,869)	$ (11,147,743)	$ (1,668,316)	$ 9,479,427

Original budget compared to final budget. During the year, the budget is modified, primarily to reflect the acceptance of new state and federal grants and related expenditures. These grants explain the majority of increases in appropriations and revenue from the original adopted budget final budget. Significant grants for which the budget was modified were for transportation improvements (both for roads, bridges and the airport) and homeland security.

Final budget compared to actual results. The General Fund had a favorable variance from final budgetary appropriations of $9,479,427. The primary positive variances were realized in economic assistance and opportunity and general government support.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2015 amounts to $140,450,899 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, improvements other than buildings, machinery and equipment and infrastructure.

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

Capital assets net of depreciation for the governmental activities and business-type activities at the years ended December 31, 2015 and December 31, 2014 are presented in Table 8 below:

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

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2015	2014	2015	2014	2015	2014
Land	$ 2,427,306	$ 2,419,686	$ 12,415	$ 12,415	$ 2,439,721	$ 2,432,101
Construction in progress	1,620,734	5,545,663	-	-	1,620,734	5,545,663
Buildings and building improvements	47,073,349	45,992,704	2,375,065	2,423,842	49,448,414	48,416,546
Improvements other than buildings	283,845	219,009	-	-	283,845	219,009
Machinery and equipment	8,583,432	10,427,658	1,012,675	1,077,383	9,596,107	11,505,041
Infrastructure	77,062,078	74,886,098	-	-	77,062,078	74,886,098
Total	$ 137,050,744	$ 139,490,818	$ 3,400,155	$ 3,513,640	$ 140,450,899	$ 143,004,458

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

Major capital asset events during the current fiscal year included the following:

- Construction in progress as of December 31, 2015 was $1.6 million. $5.7 million of construction was completed during the year, representing airport projects, and capitalized as appropriate.

- Various machinery and equipment additions as well as building and infrastructure improvements were purchased at the cost of $8.8 million for governmental activities and $170,605 for business-type activities.

Long-term liabilities. In 2014, the County's long-term liabilities, as reported on the County-wide statement of net position, continues to reflect a dramatic change, since GASB requires that the County recognize, according to a prescribed calculation, its obligation for Other Postemployment Benefits ("OPEB"). In the case of Jefferson County, this obligation consists of health benefits promised to its current and future retirees. Based on a study of the County's numerous benefit packages and the affected population, actuaries have determined the value of these benefits earned in prior years, as well as the value earned during 2015.

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

Governmental activities outstanding net bonded indebtedness increased $4,742,820.

Table 9—Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2015	2014 (as restated)	2015	2014	2015	2014 (as restated)
Net bonds payable	$ 16,154,591	$ 11,411,771	$ -	$ -	$ 16,154,591	$ 11,411,771
Compensated absences	2,200,792	2,231,290	38,544	43,927	2,239,336	2,275,217
Claims and judgments	11,087,409	11,382,794	-	-	11,087,409	11,382,794
Other postemployment benefits	141,818,836	123,047,688	-	-	141,818,836	123,047,688
Net pension liability	5,615,513	7,511,510	-	-	5,615,513	7,511,510
Total	$ 176,877,141	$ 155,585,053	$ 38,544	$ 43,927	$ 171,300,172	$ 148,117,470

The County carries an Aa3 rating from Moody's.

Economic Factors and Next Year's Budgets and Rates

- Over the past several years the County has experienced consistent population growth and an upswing in economic, employment and construction activity. As a result of the 10th Mountain Division's 3rd Brigade transformation at Fort Drum, over 6,000 new soldiers have been assigned to Fort Drum since 2006. While less frequent and in shorter duration than in recent years, brigade components of the US Army's 10th Mountain Division continue to be periodically deployed and remain in rotation to the Middle East. These cycles continue to impact the local housing market, especially the rental market, with variations in demand and vacancy rates noted. The current rental vacancy rate in the greater Watertown area is estimated to be roughly six percent.

- Commercial, retail, and service business growth throughout the County continues to slow compared to the most robust construction period mid-way through the 3rd Brigade transformation that began in 2006. However, the City of Watertown is benefiting from a number of noteworthy and high profile rehabilitation projects in the downtown core. The former Mercy Hospital campus has been demolished and construction will soon begin on a $65 million multiuse building containing 168 rental units and 42,000 sq. ft. of commercial space. COR Development, Inc. is undertaking the project which will transform the southeastern edge of the downtown area with new residential and commercial opportunities. Also, the nearby historic Woolworth Building on Public Square underwent a $17 million renovation to create 50 apartments and ground floor commercial space in the six story structure.

- A significant local transportation development is the continued upgrade of the terminal and runways at Watertown International Airport. Due in part to these upgrades and the growth in the County, American Airlines\US Airways continues daily non-stop commercial flights at the local airport. Daily flights to Philadelphia International Airport are conducted twice each day. Over 39,000 passengers utilized commercial flights at the Watertown Airport in 2015.

- The 2012 U.S. Census Bureau population for Jefferson County was 116,229, which is a 4% increase from the 2000 census of 111,738.

- The County's 2016 budget set the full value property tax rate at $6.97 per thousand which is a 3.63% increase from the 2015 average full value tax rate.

- In December 2015, the County requested and was granted permission to increase the rate of sales tax from 7.75% to 8.00%.

Contacting the County's Financial Management

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

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BASIC FINANCIAL STATEMENTS

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COUNTY OF JEFFERSON, NEW YORK
Statement of Net Position
December 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Jefferson Community College August 31, 2015	Industrial Development Agency September 31, 2015
ASSETS					
Cash and cash equivalents	$ 25,077,642	$ 800	$ 25,078,442	$ 8,313,387	$ 3,337,639
Restricted cash	11,881,028	333,520	12,214,548	1,016,513	2,600,530
Receivables, net of allowances					
Taxes	10,022,479	-	10,022,479	-	-
Accounts receivable	5,135,063	268,756	5,403,819	8,956,581	84,785
Intergovernmental receivables	23,802,363	8,097	23,810,460	430,702	-
Internal balances	612,578	(612,578)	-	-	-
Prepaid items	5,150,134	22,296	5,172,430	280,529	5,111
Loans and notes receivable, net	-	-	-	-	4,133,107
Inventories	37,194	-	37,194	395,004	-
Restricted cash and cash equivalents	-	-	-	2,138,063	-
Notes receivable, long-term portion	-	-	-	-	26,362
Interfund loan	1,000,000	(1,000,000)	-	-	-
Cost of bond issuance	-	-	-	603,592	-
Investments	-	-	-	4,977,766	-
Net pension asset	-	-	-	3,193,443	-
Capital assets not being depreciated	4,048,040	12,415	4,060,455	10,377,314	700,022
Capital assets, net of accumulated depreciation	133,002,704	3,387,740	136,390,444	29,913,232	989,617
Total assets	219,769,225	2,421,046	222,190,271	70,596,126	11,877,173
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows—relating to pensions	6,029,370	-	6,029,370	142,858	-
Deferred charge on refunding bonds	335,252	-	335,252	-	-
Excess consideration provided for acquisition	683,560	-	683,560	-	-
PILOT monies receivable	-	-	-	-	63,333
Total deferred outflows of resources	7,048,182	-	7,048,182	142,858	63,333
LIABILITIES					
Accounts payable	13,276,136	136,868	13,413,004	799,618	38,870
Retainages payable	509,037	-	509,037	-	-
Due to Agency Fund	-	938	938		
Accrued liabilities	425,732	5,940	431,672	188,826	-
Interest payable	129,903	-	129,903	38,475	3,800
Due to other governments	11,641,360	-	11,641,360	4,896,026	-
Bond anticipation notes payable	500,000	-	500,000	-	-
Unearned revenue	5,372,199	-	5,372,199	6,737,271	-
Other liabilities	41,835	-	41,835	91,280	79,298
Due within one year	2,131,619	1,927	2,133,546	414,773	1,313
Due in more than one year	174,745,522	36,617	174,782,139	48,672,134	206,522
Total liabilities	208,773,343	182,290	208,955,633	61,838,403	329,803
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows—relating to pensions	893,260	-	893,260	1,209,476	-
Unavailable revenues—grants	-	-	-	784,717	-
Due to other governments	-	-	-	-	78,153
Total deferred inflows of resources	893,260	-	893,260	1,994,193	78,153
NET POSITION					
Net investment in capital assets	130,725,744	3,400,155	134,125,899	19,740,634	1,689,639
Restricted for:					
General Fund restrictions	2,265,854	-	2,265,854	-	-
Capital projects	3,515,526	333,520	3,849,046	-	-
Special Grant and Debt Service restrictions	227,449	-	227,449	-	-
Community College—expendable	-	-	-	1,326,947	-
Community College—nonexpendable	-	-	-	3,904,314	-
Community development	-	-	-	-	5,089,790
Unrestricted	(119,583,769)	(1,494,919)	(121,078,688)	(18,065,507)	4,753,121
Total net position	$ 17,150,804	$ 2,238,756	$ 19,389,560	$ 6,906,388	$ 11,532,550

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

COUNTY OF JEFFERSON, NEW YORK
Statement of Activities
Year Ended December 31, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position — Primary Government			Component Units	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Jefferson Community College August 31, 2015**	**Industrial Development Agency September 31, 2015**
Primary government:									
Governmental activities:									
General government support	$ 60,020,858	$ 3,208,726	$ 1,525,315	$ 2,597	$ (55,284,220)	$ -	$ (55,284,220)	$ -	$ -
Education	19,942,248	-	-	4,502,085	(15,440,163)	-	(15,440,163)	-	-
Public safety	31,831,391	1,455,066	1,270,790	527,522	(28,578,013)	-	(28,578,013)	-	-
Public health	16,246,814	4,331,894	9,258,312	-	(2,656,608)	-	(2,656,608)	-	-
Transportation	24,229,635	1,352,355	180,939	6,892,961	(15,803,380)	-	(15,803,380)	-	-
Economic assistance and opportunity	73,134,507	3,015,907	32,208,906	-	(37,909,694)	-	(37,909,694)	-	-
Culture and recreation	277,720	-	106,119	-	(171,601)	-	(171,601)	-	-
Home and community services	2,376,719	8,050	1,148,051	-	(1,220,618)	-	(1,220,618)	-	-
Interest and fiscal charges	480,391	-	-	-	(480,391)	-	(480,391)	-	-
Total governmental activities	228,540,283	13,371,998	45,698,432	11,925,165	(157,544,688)	-	(157,544,688)	-	-
Business-type activity:									
Solid waste management	2,894,809	2,501,575	8,097	-	-	(385,137)	(385,137)	-	-
Total primary government	$ 231,435,092	$ 15,873,573	$ 45,706,529	$ 11,925,165	(157,544,688)	(385,137)	(157,929,825)	-	-
Component units:									
Jefferson Community College	$ 45,418,415	$ 14,523,355	$ 2,678,144	$ -				(28,216,916)	-
Industrial Development Agency	1,510,196	695,976	744,625	-				-	(69,595)
Total component units	$ 46,928,611	$ 15,219,331	$ 3,422,769	$ -				(28,216,916)	(69,595)
General revenues:									
Taxes:									
Property taxes, levied for general purpose					52,314,245	-	52,314,245	-	-
Property tax items					2,791,332	-	2,791,332	-	-
Sales taxes					69,466,065	-	69,466,065	-	-
Other taxes					611,728	-	611,728	-	-
Unrestricted grants and contributions					-	-	-	787,006	49,581
Use of money and property					506,240	2,783	509,023	563,940	7,282
Miscellaneous					6,195,068	41,769	6,236,837	4,943,420	-
State and federal appropriations					-	-	-	19,959,174	-
Sale of property and compensation for loss					3,099,522	-	3,099,522	-	-
Gain on sale of capital assets					76,087	-	76,087	-	-
Additions to permanent endowments					-	-	-	130,058	-
Total general revenues and transfers					135,060,287	44,552	135,104,839	26,383,598	56,863
Change in net position					(22,484,401)	(340,585)	(22,824,986)	(1,833,318)	(12,732)
Net position—beginning, as restated					39,635,205	2,579,341	42,214,546	8,739,706	11,545,282
Net position—ending					$ 17,150,804	$ 2,238,756	$ 19,389,560	$ 6,906,388	$ 11,532,550

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

COUNTY OF JEFFERSON, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2015

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$17,114,830	$ 1,647,167	$ 6,315,645	$ 25,077,642
Restricted cash and cash equivalents	7,625,411	4,015,526	240,091	11,881,028
Receivables, net of allowances:				
Taxes	10,022,479	-	-	10,022,479
Accounts receivable	2,523,504	-	5,682	2,529,186
Due from other funds	834,499	-	-	834,499
Interfund loan	1,000,000	-	-	1,000,000
Intergovernmental receivables	15,966,309	7,436,646	399,408	23,802,363
Inventory	37,194	-	-	37,194
Prepaid items	4,995,999	-	154,135	5,150,134
Total assets	$60,120,225	$ 13,099,339	$ 7,114,961	$ 80,334,525
LIABILITIES				
Accounts payable	$ 9,894,455	$ 2,755,549	$ 626,132	$ 13,276,136
Accrued liabilities	383,725	-	42,007	425,732
Due to other governments	11,635,804	5,556	-	11,641,360
Due to other funds	2,124	-	219,797	221,921
Bond anticipation notes payable	-	500,000	-	500,000
Unearned revenue	5,359,557	-	12,642	5,372,199
Other liabilities	34,400	1,995	5,440	41,835
Total liabilities	27,310,065	3,263,100	906,018	31,479,183
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues—grants	638,033	186,547	-	824,580
Unavailable revenues—property taxes	7,009,330	-	-	7,009,330
Total deferred inflows of resources	7,647,363	186,547	-	7,833,910
FUND BALANCES				
Nonspendable	6,312,251	-	154,135	6,466,386
Restricted	2,265,854	3,515,526	227,449	6,008,829
Assigned	14,460,133	6,134,166	5,867,600	26,461,899
Unassigned	2,124,559	-	(40,241)	2,084,318
Total fund balances	25,162,797	9,649,692	6,208,943	41,021,432
Total liabilities, deferred inflows of resources and fund balances	$60,120,225	$ 13,099,339	$ 7,114,961	$ 80,334,525

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

COUNTY OF JEFFERSON, NEW YORK
Reconciliation of the Balance Sheet of Governmental Funds to the Government-wide Statement of Net Position
December 31, 2015

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

Fund balances—total governmental funds (page 17)			$ 41,021,432
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $260,833,199 and the accumulated depreciation is $123,782,455.			137,050,744
Retained percentages are not a current liability and, therefore, are not reported in the funds.			(509,037)
Other long-term assets are not available to pay for current period expenditures and, therefore, are either recorded as unearned revenue or deferred inflows of resources in the funds but are considered government-wide revenues:			
Deferred inflows of resources - grants	$	824,580	
Deferred inflows of resources - property taxes		7,009,330	7,833,910
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:			
Deferred outflows related to employer contributions	$	4,874,268	
Deferred outflows related to experience and investment earnings one time		1,155,102	
Deferred inflows of resources related to pensions		(893,260)	5,136,110
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.			335,252
The excess consideration for acquired assets that have a useful life extending beyond a single reporting period is recorded as an expenditure within the funds but recorded as a deferred outflow of resources on the government-wide financial statements.			683,560
Certain accrued revenues reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds.			2,605,877
Net accrued interest expense for serial bonds is not reported in the funds.			(129,903)
Long-term liabilities, including bonds payable, other post-employment benefits ("OPEB"), compensated absences, and claims and judgments payable and are not due and payable in the current period and, therefore are not reported in the funds. The effect of these items are:			
Bonds payable	$	(15,515,000)	
Unamortized premiums		(639,591)	
Compensated absences		(2,200,792)	
Claims and judgments		(11,087,409)	
Other postemployment benefits		(141,818,836)	
Net pension liability		(5,615,513)	(176,877,141)
Net position of governmental activities			$ 17,150,804

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

COUNTY OF JEFFERSON, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2015

	General	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Real property taxes	$ 52,052,567	$ -	$ -	$ 52,052,567
Real property tax items	2,791,332	-	-	2,791,332
Non-property tax items	70,077,793	-	-	70,077,793
Departmental income	11,169,321	-	748,075	11,917,396
Intergovernmental charges	2,238,090	-	117,141	2,355,231
Use of money and property	587,742	657	68,994	657,393
Licenses and permits	23,692	-	2,955	26,647
Fines and forfeitures	232,900	-	-	232,900
Sale of property and compensation for loss	1,424,976	-	47,750	1,472,726
Miscellaneous	4,383,765	182,863	152,939	4,719,567
Interfund revenues	-	-	239,195	239,195
State aid	20,814,355	5,336,159	4,043,518	30,194,032
Federal aid	22,556,172	2,651,605	2,450,498	27,658,275
Total revenues	188,352,705	8,171,284	7,871,065	204,395,054
EXPENDITURES				
Current:				
General government support	53,194,900	-	-	53,194,900
Education	10,788,348	-	-	10,788,348
Public safety	21,679,218	-	679,048	22,358,266
Health	13,537,672	-	-	13,537,672
Transportation	1,969,439	-	12,871,650	14,841,089
Economic assistance and opportunity	63,111,345	-	2,201,616	65,312,961
Culture and recreation	277,538	-	-	277,538
Home and community services	1,046,797	-	1,074,096	2,120,893
Employee benefits	9,891,783	-	25,471	9,917,254
Debt service:				
Principal	-	-	2,215,000	2,215,000
Interest and fiscal charges	7,500	-	447,283	454,783
Capital outlay	-	16,190,720	-	16,190,720
Total expenditures	175,504,540	16,190,720	19,514,164	211,209,424
Excess (deficiency) of revenues over expenditures	12,848,165	(8,019,436)	(11,643,099)	(6,814,370)
OTHER FINANCING SOURCES (USES)				
Transfers in	79,135	2,384,000	14,022,773	16,485,908
Transfers out	(14,595,616)	(49,792)	(1,840,500)	(16,485,908)
Proceeds of serial bonds	-	7,000,000	-	7,000,000
Net premium on serial bonds	-	-	92,472	92,472
Total other financing sources (uses)	(14,516,481)	9,334,208	12,274,745	7,092,472
Net change in fund balances	(1,668,316)	1,314,772	631,646	278,102
Fund balances—beginning	26,831,113	8,334,920	5,577,297	40,743,330
Fund balances—ending	$25,162,797	$ 9,649,692	$ 6,208,943	$ 41,021,432

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

COUNTY OF JEFFERSON, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities
Year Ended December 31, 2015

Amounts reported for governmental activities in the statement of activities (page 16) are different because:		
Net change in fund balances—total governmental funds (page 19)		$ 278,102
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital asset additions	$ 5,943,876	
Depreciation expense	(8,245,722)	
Loss on disposition	(138,228)	(2,440,074)
Governmental funds report retained percentages expenditures on construction contracts when such a retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues.		(349,507)
Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:		
County pension contributions	$ 4,874,268	
Cost of benefits earned net of employee contributions	(3,117,825)	1,756,443
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge on the government-wide statements and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		(80,461)
Governmental funds report excess consideration paid for assets as expenditures in the year of acquisition. However, in the County's statement of activities the cost of consideration is allocated over the estimated useful life and impaired accordingly.		(41,848)
Certain tax and other revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.		
Change in deferred inflows of resources - property taxes	$ 261,678	
Change in deferred inflows of resources - grants	(243,511)	
Change in long-term receivable	(152,573)	
Change in other receivable	1,702,762	1,568,356
In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.		12,673
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:		
Proceeds from serial bonds	$ (7,000,000)	
Principal payments on serial bonds	2,215,000	
Net change in premium on serial bonds	42,180	
Change in compensated absences	30,498	
Change in claims and judgments	295,385	
Change in other post employment benefits	(18,771,148)	(23,188,085)
Change in net position of governmental activities		$ (22,484,401)

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

COUNTY OF JEFFERSON, NEW YORK
Statement of Net Position
Proprietary Fund
December 31, 2015

	Business-type Activities—Enterprise Fund
	Solid Waste Management
ASSETS	
Current assets:	
Cash	$ 800
Restricted cash	333,520
Accounts receivable, net of allowances	268,756
Intergovernmental receivables	8,097
Prepaid items	22,296
Total current assets	633,469
Noncurrent assets:	
Capital assets not being depreciated	12,415
Capital assets, net of accumulated depreciation	3,387,740
Total noncurrent assets	3,400,155
Total assets	4,033,624
LIABILITIES	
Current liabilities:	
Accounts payable	136,868
Accrued liabilities	5,940
Due to other funds	612,578
Due to Agency Fund	938
Total current liabilities	756,324
Noncurrent liabilities:	
Compensated absences—due within one year	1,927
Compensated absences—due in more than one year	36,617
Interfund loan	1,000,000
Total noncurrent liabilities	1,038,544
Total liabilities	1,794,868
NET POSITION	
Net investment in capital assets	3,400,155
Restricted for capital projects	333,520
Unrestricted	(1,494,919)
Total net position	$ 2,238,756

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

COUNTY OF JEFFERSON, NEW YORK
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended December 31, 2015

	Business-type Activities—Enterprise Fund
	Solid Waste Management
Operating revenues:	
Charges for services	$ 2,089,585
Recycling income	411,990
Miscellaneous	41,769
Total operating revenues	2,543,344
Operating expenses:	
Salaries, wages and employee benefits	904,149
Tipping fees	1,713,173
Depreciation	280,512
Total operating expenses	2,897,834
Operating loss	(354,490)
Nonoperating revenues:	
State aid and local grants	8,097
Investment earnings	2,783
Gain on sale of capital assets	3,025
Total nonoperating revenues	13,905
Change in net position	(340,585)
Total net position—beginning	2,579,341
Total net position—ending	$ 2,238,756

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

COUNTY OF JEFFERSON, NEW YORK
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2015

	Business-type Activities—Enterprise Fund
	Solid Waste Management
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from services provided	$ 2,099,209
Receipts from other operating revenue	453,759
Payments to employees	(896,854)
Payments to suppliers	(1,858,330)
Net cash used for operating activities	(202,216)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund loans	363,502
Net cash provided by noncapital financing activities	363,502
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital purchases	(164,002)
Net cash used for capital and related financing activities	(164,002)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	2,783
Net cash provided by investing activities	2,783
Net increase in cash and cash equivalents	67
Cash and cash equivalents—beginning	334,253
Cash and cash equivalents—ending	$ 334,320
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (354,490)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	280,512
Decrease in accounts receivable	9,624
Decrease in prepaid items	6,738
(Decrease) in accounts payable	(145,157)
(Decrease) in compensated absences	(5,383)
Total adjustments	152,274
Net cash used for operating activities	$ (202,216)

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

COUNTY OF JEFFERSON, NEW YORK
Statement of Net Position— Fiduciary Fund
December 31, 2015

	Agency Fund
ASSETS	
Cash	$ 1,574,445
Due from other funds	938
Total assets	$ 1,575,383
LIABILITIES	
Agency liabilities	$ 1,575,383
Total liabilities	$ 1,575,383

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

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

Financial Reporting Entity

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

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

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

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

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

The County budget for 2015 included an appropriation of $4,769,055 in support of the College budget for the College fiscal year ended August 31, 2015. The final amount was paid over to the College on February 20, 2015. In addition to the funds contributed for the support of the College budget for 2014-2015, the General Fund budget supports the debt service on the pre-2000 college capital improvement bond. This bond, along with other debt, was refunded into a 2011 series bond.

In 2005, the College began work on a new capital improvement plan for which the County has responsibility for the debt issued in 2006. In 2015, the County paid $489,111 in debt service on the 2006 debt issue. The principal payment was $390,000, and interest was paid in the amount of $99,111. Outstanding debt on this issue at December 31, 2015, was $2,190,000.

In 2015, the County issued $7,000,000 of public improvement serial bonds on behalf of the College. The proceeds of these bonds are to be used for the Jefferson Community College Collaborative Learning Project for which the County incurred $8,439,502 in capital outlay expenditures during the year ended December 31, 2015.

Jefferson County paid $350,467 to other New York State Community Colleges for its residents attending community colleges outside the County.

Included with the College's financial information are the Jefferson Community College Foundation, Faculty Student Association, and Student Association, component units of the College. Net position of the College at August 31, 2014 has been restated from $8,546,912 to $8,739,706. Separate financial statements can be obtained from the College's administration office, 1220 Coffeen Street, Watertown, New York 13601.

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

In addition, the Agency administers a $4,365,513 revolving loan fund, a $474,518 micro-enterprise loan program which provides loans to small businesses and a $249,759 Watertown Economic Growth Fund which provides support to enterprises in the City of Watertown. These funds are used to provide loans to eligible businesses that save and create employment opportunities for residents of Jefferson County. The Agency works closely with Jefferson County Job Development Corporation ("JCJDC") through funding of certain programs for economic development activities. The Agency has no staff; staff is supplied by the JCJDC under contract.

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

Basis of Presentation—Government-wide Financial Statements

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

As discussed earlier, the government has two discretely presented component units. While neither the Jefferson Community College or the Jefferson County Industrial Development Agency are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

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

Basis of Presentation—Fund Financial Statements

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

The County reports the following major governmental funds:

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

- *County Road Fund*—The County Road Fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.

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

Debt Service Fund—used to account for current payments of principal and interest on general obligation long-term debt and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Cash, Cash Equivalents and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of 90 days or less from the date of acquisition. The primary government had no investments at December 31, 2015. However, when the County does have investments it is County policy to record them at fair value based on quoted market prices.

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

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

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

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

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

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the

County as assets with an initial, individual cost of more than $5,000, or $10,000 for heavy equipment, and an estimated useful life in excess of two years. For infrastructure (including buildings) assets, the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than $25,000 are reported as capital assets.

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

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

Capitalization Threshold and Useful Lives

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The primary government has three types of items, which arise only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, *unavailable revenue*, are reported as deferred inflows of resources only in the governmental funds balance sheet. The first item represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement periods between the County's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide statements. Additionally, the governmental funds report unavailable revenues from two sources: property taxes and some nonexchange State aid that will more than likely not be realized within one year. These amounts are deferred and recognized in the period that the amounts become available.

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

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

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Legislature has by resolution authorized the County Administrator to recommend assignments to a committee which can then approve, reject or adjust the assignments of fund balance. The Legislature may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

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

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

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

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

In 2015, the County Attorney, as Tax Enforcement Officer, conducted the County's fourteenth sale of properties acquired through tax foreclosure. Of 50 properties acquired through foreclosure in 2015 and remaining unsold from 2014, 37 were sold at auction, generating receipts of $478,480.

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

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

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

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

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

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

At December 31, 2015, the total real property tax assets relating to the County of $7,877,689 are offset by an allowance for uncollectible taxes of $2,062,057. Additionally, included in real property tax assets are current year returned village and school taxes of $4,206,847, which are offset by liabilities to the villages and school districts which will be paid no later than April 20, 2016. The remaining portion of tax assets is partially offset by deferred inflows of resources – property taxes of $7,009,330 in the General Fund and represents an estimate of tax liens which will not be collected within the first sixty (60) days of the subsequent year.

A 4.00% sales tax is levied in and for the County under the general authority of Article 29 of the Tax Law and specific authority of local law. This percentage increase represents an increase that was granted by New York State effective December 1, 2015. This tax is administered and collected by the State Sales Tax Commission in the same manner as the State imposed 4.00% sales and compensating use tax. Net collections, meaning monies collected after deducting them from expenses of administration and collection and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State to the County on a monthly basis. Of the total $69,466,065 sales tax collected or accrued for the year ended December 31, 2015, $36,817,014 was distributed to the towns and villages and the City of Watertown. The amount of sales taxes receivable at year end is $3,869,510, which includes amounts to be distributed to the towns, villages and the City of Watertown, which are recorded as liabilities.

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

The County constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2015 is computed as follows:

Five-year average full valuation of taxable real estate	$ 7,675,600,090
Tax limit @ 1.5%	$ 115,134,001
Tax levy subject to tax limit	52,388,469
Tax margin	$ 62,745,532

Property Tax Revenue Recognition—The County-wide property tax is levied by the County Legislature effective January 1 of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on that date of the year for which they are levied. Accordingly, property tax is only recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or 60 days thereafter in the governmental fund financial statements.

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

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

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

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

The compensated absences liability for the primary government at year end totaled $2,239,336 and is reported as governmental activities at $2,200,792, business-type activities at $38,544. The College reports $503,643 as its liability for compensated absences.

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

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

Pensions—The County is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System. For purposes of measuring the net pension (asset)/liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included at Note 7.

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

Regarding the County's postemployment benefits, retirees' and their survivor's health care benefits are provided through an insurance company whose premiums are based on historic experience. Additionally the County finances the plan on a pay-as-you-go basis, and the cost of retiree group health insurance benefits is recognized as an expenditure/expense based on premiums paid during the year. During 2015, $7,710,109 was paid by the County on behalf of 550 eligible retirees, including their dependents and survivors.

Other

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

Adoption of New Accounting Pronouncements—During the year ended December 31, 2015, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27;* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. GASB Statements No. 68 and No. 71 improve accounting and financial reporting by governments for pensions.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 72, *Fair Value Measurement and Application;* No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures;* No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans;* and No. 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending December 31, 2016, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68;* No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans;* No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending December 31, 2017, and No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions,* effective for the year ending December 31, 2018. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 72, 73, 74, 75, 76, 77, 78, 79, 80, 81 and 82 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

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

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

- No later than November 15, the budget officer submits a tentative budget to the Board of Legislators for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the General Fund, County Road Fund, Road Machinery Fund and Debt Service Fund.

- After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.

- All amendments of the budget must be approved by the governing board. However, the County Administrator is authorized to transfer certain budgeted amounts within departments, upon request of the department head.

- Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.

Deficit Fund Balance—The Enterprise Fund of the County, the Solid Waste Management Fund, reported an unrestricted net position deficit of $1,494,919, which reflects an increase of $227,166 from the December 31, 2014 deficit of $1,267,753. Prior years' deficits resulted from the repayment of start-up costs to the General Fund in 2003 and other substantial capital asset investments.

2. RESTATEMENT OF NET POSITION

For the fiscal year ended December 31, 2015, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The implementation of GASB Statements No. 68 and No. 71 resulted in the reporting of deferred outflows of resources, deferred inflows of resources and liabilities related to the County's participation in the New York State Employees' Retirement System.

The County's net position has been restated as follows:

	Governmental Activities
Net position—December 31, 2014, as previously stated	$ 41,871,051
GASB Statements No. 68 and No. 71 implementation:	
Beginning system liability—Employees' Retirement System	(7,511,510)
Beginning deferred outflow of resources for contributions subsequent to the measurement date:	
Employees' Retirement System	5,275,664
Net position—December 31, 2014, as restated	$ 39,635,205

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Cash at year-end consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	$ 5,750	$ 800	$ -	$ 6,550
Deposits	36,952,920	333,520	1,574,445	38,860,885
Total	$ 36,958,670	$ 334,320	$ 1,574,445	$ 38,867,435

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

	Bank Balance	Carrying Amount
Insured (FDIC)	$ 15,118,302	$ 15,118,302
Uninsured:		
Collateral held by bank's agent in the County's name	25,361,614	23,742,583
Total	$ 40,479,916	$ 38,860,885

Custodial Credit Risk—In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. For investments, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2015, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. During 2015, the County pooled its cash from all funds, except for cash required by law to be segregated, into a concentration account for investment purposes. County officials decided to apply all interest earned on these investments to the various funds, as well as reserve funds and bonded indebtedness.

Interest Rate Risk—In accordance with its investment policy, the County manages exposures by limiting investments to low risk type investments governed by New York State statutes. At December 31, 2015, the primary government had no investments.

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

	Purpose	Amount
Governmental activities:		
General Fund	Workers' compensation	$ 47,624
General Fund	Unemployment insurance	69,838
General Fund	Insurance	1,926,621
General Fund	Advanced fundings	909,215
General Fund	Child welfare	4,350,494
General Fund	Law enforcement and prosecution	321,619
Capital Projects Fund	Unspent BAN proceeds	500,000
Capital Projects Fund	Unspent bond proceeds	3,515,526
Special Grants Fund	Ticket to work and JCC Perkins grant	29,095
Road Machinery Fund	Equipment reserve	100,018
Debt Service Fund	Debt service	110,978
Business-type activities:		
Solid Waste Management Fund	Capital projects	333,520
Total primary government		$ 12,214,548

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

Discretely Presented Component Units

Jefferson Community College—Jefferson Community College and its component units had unrestricted deposits of $6,492,728 and $1,820,659, respectively. The College's deposit accounts are covered by an Insured Cash Sweep account with Watertown Savings Municipal Bank that provides multi-million dollar Federal Depository Insurance Coverage (FDIC) by distributing monies through other member banks in amounts below the standard FDIC insurance maximum of $250,000.

The College had no investments as of August 31, 2015. Its component units had investments as of August 31, 2015 with a market value of $4,977,766.

JCC-Component Units	Market	Cost
Equity investments RBC Dain Rauscher:		
PAG Prime Income	$ 684,780	$ 693,714
PAG Dividend Growth	612,293	555,057
PAG ADR Investment	264,748	280,469
Fox Asset Management	461,823	484,982
Madison Investments	435,686	339,985
Minneapolis Investments	346,741	276,470
ClearBridge Investments	421,151	250,189
RBC Dain Rauscher	130,188	17,893
Fixed income funds RBC Dain Rauscher	1,620,356	1,871,592
Total investments	$ 4,977,766	$ 4,770,351

The Jefferson FSA Auxiliary, LLC, a component unit of the College, has restricted cash of $3,154,576, consisting of unspent debt proceeds as of June 30, 2015.

Jefferson County Industrial Development Agency—The Agency had unrestricted deposits of $3,337,639 which were insured or collateralized by securities held by the pledging financial institution's trust department or agent in the Agency's name, with a carrying value of $2,707,056.

The Agency has restricted cash of $2,600,530.

4. RECEIVABLES

Accounts receivable as of December 31, 2015, are as follows:

Governmental funds:	
Various fees and charges:	
General Fund	$ 2,697,075
Other governmental funds	5,682
Less allowance for doubtful accounts	(173,571)
Total	$ 2,529,186
Enterprise Fund:	
Various fees and charges	$ 320,202
Less allowance for doubtful accounts	(51,446)
Total	$ 268,756

Intergovernmental receivables as of December 31, 2015, are as follows:

Governmental funds:	
General Fund:	
Due from State and Federal	$ 10,034,308
Due from other governments	5,932,001
Capital Projects Fund:	
Due from State and Federal	7,253,784
Due from other governments	182,862
Other governmental funds:	
Due from State and Federal	391,001
Due from other governments	8,407
Total	$ 23,802,363
Enterprise fund:	
Due from State and Federal	$ 8,097
Total	$ 8,097

Discretely Presented Component Units

Jefferson Community College—Significant receivables include amounts due from students for fees and tuitions. These receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated and recorded based on the College's historical bad debt experience, and based on management's judgment. At August 31, 2015, the College reported total accounts receivable of $8,956,581 and intergovernmental receivables of $430,702.

Jefferson County Industrial Development Agency—Significant receivables of the Agency include loans receivable, accounts receivable and notes receivable. Loans receivable, net of allowance, totaled $4,131,794 at September 30, 2015. The Agency also had accounts receivable of $84,785 and notes receivable of $27,675.

5. CAPITAL ASSETS

Governmental activities—Capital asset activity for the primary government's governmental activities, for fiscal year ended December 31, 2015, was as follows:

	Balance 1/1/2015	Additions and Reclassifications	Deletions and Reclassifications	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	$ 2,419,686	$ 7,620	$ -	$ 2,427,306
Construction in progress	5,545,663	1,800,204	(5,725,133)	1,620,734
Total capital assets not being depreciated	7,965,349	1,807,824	(5,725,133)	4,048,040
Capital assets, being depreciated:				
Buildings and building improvements	78,757,138	2,903,559	(111,423)	81,549,274
Improvements other than buildings	1,322,902	95,817	-	1,418,719
Machinery and equipment	28,487,432	2,266,567	(2,929,454)	27,824,545
Infrastructure	139,411,491	6,581,130	-	145,992,621
Total capital assets being depreciated	247,978,963	11,847,073	(3,040,877)	256,785,159
Less accumulated depreciation for:				
Buildings and building improvements	(32,764,434)	(1,762,554)	51,063	(34,475,925)
Improvements other than buildings	(1,103,893)	(30,981)	-	(1,134,874)
Machinery and equipment	(18,059,774)	(2,003,561)	822,222	(19,241,113)
Infrastructure	(64,525,393)	(4,448,626)	43,476	(68,930,543)
Total accumulated depreciation	(116,453,494)	(8,245,722)	916,761	(123,782,455)
Total capital assets, being depreciated, net	131,525,469	3,601,351	(2,124,116)	133,002,704
Governmental activities capital assets, net	$ 139,490,818	$ 5,409,175	$ (7,849,249)	$ 137,050,744

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

Governmental activities:	
General government support	$ 1,219,220
Public safety	1,407,175
Public health	48,036
Transportation	5,377,298
Economic assistance and opportunity	193,737
Home and community services	256
Total depreciation expense—governmental activities	$ 8,245,722

Business-type activities—Capital asset activity for the primary government's business-type activities (Enterprise Fund), for fiscal year ended December 31, 2015, as presented below:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015
Capital assets, not being depreciated:				
Land	$ 12,415	$ -	$ -	$ 12,415
Total capital assets not being depreciated	12,415	-	-	12,415
Capital assets, being depreciated:				
Buildings	3,044,052	-	-	3,044,052
Machinery and equipment	3,162,867	170,605	(43,841)	3,289,631
Total capital assets being depreciated	6,206,919	170,605	(43,841)	6,333,683
Less accumulated depreciation for:				
Buildings	(620,210)	(48,777)	-	(668,987)
Machinery and equipment	(2,085,484)	(231,735)	40,263	(2,276,956)
Total accumulated depreciation	(2,705,694)	(280,512)	40,263	(2,945,943)
Total capital assets, being depreciated, net	3,501,225	(109,907)	(3,578)	3,387,740
Business-type activities capital assets, net	$ 3,513,640	$ (109,907)	$ (3,578)	$ 3,400,155

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

Business-type activities:	
Home and community services	$ 280,512

Discretely Presented Component Units

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

	Balance 9/1/2014	Additions	Deletions	Balance 8/31/2015
Capital assets, not being depreciated:				
Construction in progress	$ 3,247,180	$ 2,453,380	$ (704,637)	$ 4,995,923
Capital assets, being depreciated:				
Land improvements and infrastructure	4,967,469	413,922	-	5,381,391
Buildings	24,110,703	298,616	-	24,409,319
Furniture and equipment	3,864,008	103,280	(168,078)	3,799,210
Library books	4,556,039	150,219	-	4,706,258
Total capital assets being depreciated	37,498,219	966,037	(168,078)	38,296,178
Less accumulated depreciation for:				
Land improvements and infrastructure	(2,176,241)	(286,574)	-	(2,462,815)
Buildings	(10,781,679)	(672,303)	160,326	(11,293,656)
Furniture and equipment	(3,392,230)	(114,378)	-	(3,506,608)
Library books	(4,211,714)	(140,458)	-	(4,352,172)
Total accumulated depreciation	(20,561,864)	(1,213,713)	160,326	(21,615,251)
Total capital assets, being depreciated, net	16,936,355	(247,676)	(7,752)	16,680,927
Governmental activities capital assets, net	$ 20,183,535	$ 2,205,704	$ (712,389)	$ 21,676,850

In addition to the capital assets reported above, the College reports net capital assets of its discretely presented component units in the amount of $18,613,696.

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

	Balance 10/1/2014 (as restated)	Additions	Deletions	Balance 9/30/2015
Capital assets, not being depreciated:				
Land and land improvements	$ 541,692	$ 130,086	$ -	$ 671,778
Construction in progress	42,765	274,178	(288,699)	28,244
Total capital assets not being depreciated	584,457	404,264	(288,699)	700,022
Capital assets, being depreciated:				
Equipment	219,220	68,262	-	287,482
Buildings	1,418,227	263,325	-	1,681,552
Total capital assets, being depreciated:	1,637,447	331,587	-	1,969,034
Less accumulated depreciation for:				
Buildings	(847,266)	(132,151)	-	(979,417)
Total accumulated depreciation	(847,266)	(132,151)	-	(979,417)
Total capital assets, being depreciated, net	790,181	199,436	-	989,617
Governmental activities capital assets, net	$ 1,374,638	$ 603,700	$ (288,699)	$ 1,689,639

6. ACCRUED LIABILTIIES

Accrued liabilities reported by governmental funds at December 31, 2015, were as follows:

	General Fund	Nonmajor Funds	Total Governmental Funds
Salary and employee benefits	$ 383,725	$ 42,007	$ 425,732
Total	$ 383,725	$ 42,007	$ 425,732

7. PENSION PLANS

Plan Description and Benefits Provided

Employees' Retirement System ("ERS")—The County participates in the ERS. This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provision of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The County also participates in the Public Employees' Group Life Insurance ("GLIP"), which provides death benefits in the form of life insurance. ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS is noncontributory, except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At December 31, 2015, the County reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to the measurement date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the County.

Measurement date	March 31, 2015
Net pension liability	$ 5,615,514
County's portion of the Plan's total net pension liability	0.1662258%

For the year ended December 31, 2015, the County recognized a pension expense of $4,861,017 for the ERS. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	ERS	
Differences between expected and actual experiences	$ 179,759	$ -
Net difference between projected and actual earnings on pension plan investments	975,343	-
Changes in proportion and differences between the County's contributions and proportionate share of contributions	-	893,260
County contributions subsequent to the measurement date	4,874,268	-
Total	$ 6,029,370	$ 893,260

The County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as shown on the following page.

Year Ended December 31,	ERS
2016	$ 67,698
2017	67,698
2018	67,698
2019	58,748

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

	ERS
Measurement date	March 31, 2015
Actuarial valuation date	April 1, 2014
Interest rate	7.50%
Salary scale	4.90%
Decrement tables	April 1, 2005- March 31, 2010
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized on the following page.

	Target Allocation	Long-Term Expected Real Rate of Return
	ERS	
Measurement date	March 31, 2015	
Asset class:		
Domestic equities	38.0 %	7.3 %
International equities	13.0	8.6
Private equity	10.0	11.0
Real estate	8.0	8.3
Alternative investments	0.0	0.0
Absolute return strategies	3.0	6.8
Opportunistic portfolio	3.0	8.6
Real assets	3.0	8.7
Bonds and mortgages	18.0	4.0
Cash	2.0	2.3
Inflation-indexed bonds	2.0	4.0
Total	100.0 %	

Discount Rate—The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption— The chart below presents the County's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current assumption.

ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability	$ 37,429,829	$ 5,615,514	$ (21,243,657)

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

	(Dollars in Thousands)
	ERS
Valuation date	March 31, 2015
Employers' total pension liability	$ 164,591,504
Plan fiduciary net position	161,213,259
Employers' net pension liability	$ 3,378,245
System fiduciary net position as a percentage of total pension liabilitiy	97.95%

Discretely Presented Component Units

Jefferson Community College—The College participates in the ERS and the Teachers' Retirement System ("TRS").

Plan Description and Benefits Provided

Employees' Retirement System—The plan description is the same as disclosed previously within this footnote.

Teachers' Retirement System ("TRS")—The College participates in the TRS. This is a cost-sharing multiple-employer retirement system. TRS provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and the New York State Retirement and Social Security Law ("NYSRSSL"). TRS is governed by a 10 member Board of Trustees. TRS benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York State Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial Report which can be found on TRS' website at www.nystrs.org.

Plan members who joined the TRS before July 27, 1976, are not required to make contributions. Those joining after July 27, 1976 are required to contribute 3.0% to 3.5% of their annual salary. Pursuant to Article 11 of the Education Law, rates are established annually by the New York State Teachers' Retirement Board.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions—At August 31, 2015, the College reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of March 31, 2015 for ERS and June 30, 2014 for TRS. The total pension liability(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation. The College's proportion of the net pension liability/(asset) was based on a projection of the College's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS and TRS in reports provided to the College.

	TRS	ERS
Measurement date	41,820	41,729
Net pension liability/(asset)	(3,193,443)	658,804
College's portion of the Plan's total net pension liability/(asset)	0.03075%	0.0195013%

For the year ended August 31, 2015, the College recognized the actuarial value ($211,402) for the TRS and pension expense of $570,287 for ERS. At August 31, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experiences	$ -	$ 21,089	$ 88,504	$ -
Net difference between projected and actual earnings on pension plan investments	-	114,426	1,009,464	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	7,343	-	7,762	103,746
Total	$ 7,343	$ 135,515	$ 1,105,730	$ 103,746

College contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	TRS	ERS
2016	$ (407,363)	$ 7,943
2017	(407,363)	7,942
2018	(407,363)	7,942
2019	167,672	7,942
2020	(11,238)	-
Thereafter	(32,732)	-

Actuarial Assumptions—The total pension (asset)/liability as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension (asset)/liability to the measurement dates. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.00%	7.50%
Salary scale	4.01-10.91%	4.90%
Decrement tables	July 1, 2005- June 30, 2010	April 1, 2005- March 31, 2010
Inflation rate	3.0%	2.7%

For TRS, annuitant mortality rates are based on July 1, 2005-June 30, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale AA. The actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
Measurement date			June 30, 2014	March 31, 2015
Asset class:				
Domestic equities	37.0 %	38.0 %	7.3 %	7.3 %
International equities	18.0	13.0	8.5	8.6
Private equity	0.0	10.0	0.0	11.0
Real estate	10.0	8.0	5.0	8.3
Alternative investments	7.0	0.0	11.0	0.0
Absolute return strategies	20.0	3.0	1.4	6.8
Opportunistic portfolio	0.0	3.0	0.0	8.6
Real assets	0.0	3.0	0.0	8.7
Bonds and mortgages	8.0	18.0	3.4	4.0
Cash	0.0	2.0	0.0	2.3
Inflation-indexed bonds	0.0	2.0	0.0	4.0
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liabilities was 7.5% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption—The chart on the following page presents the College's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5% for ERS and 8.0% for TRS, as well as what the College's proportionate share of the net pension liability/(asset) would be if they were calculated using a discount rate that is one percentage-point lower (6.5% for ERS and 7.0% for TRS) or one percentage-point higher (8.5% for ERS and 9.0% for TRS) than the current assumption.

TRS	1% Decrease (7.0%)	Current Assumption (8.0%)	1% Increase (9.0%)
Employer's proportionate share of the net pension liability/(asset)	$ 217,834	$ (3,193,443)	$ (6,102,546)

ERS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net pension liability/(asset)	$ 4,391,209	$ 658,804	$ (2,492,273)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the valuation dates were as follows:

	(Dollars in Thousands)		
	TRS	ERS	Total
Valuation date	June 30, 2014	March 31, 2015	
Employers' total pension (asset)/liability	$ 97,015,707	$ 164,591,504	$ 261,607,211
Plan fiduciary net position	108,155,083	161,213,259	269,368,342
Employers' net pension (asset)/liability	$ (11,139,376)	$ 3,378,245	$ (7,761,131)
System fiduciary net position as a percentage of total pension liability	111.48%	97.95%	102.97%

8. OTHER POSTEMPLOYMENT BENEFITS

Plan description—An actuarial valuation of the Jefferson County Retiree Medical Program (the "Plan") was performed as of January 1, 2015. The Plan is a single-employer defined benefit Healthcare Plan administered by the county of Jefferson. The Plan provides medical, hospital, drug part B Premium Reimbursements and vision benefits to eligible retirees and their spouses. Sheriffs do not receive vision benefits. The County assigns the authority to establish and amend benefit provisions to the County Legislature. The Plan does not issue a standalone financial report.

Funding policy—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. For the year ended December 31, 2015, the County contributed $7,710,109 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

Annual OPEB cost and net OPEB obligation—The County's annual other postemployment benefits ('OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years.

GASB allows plan sponsors to utilize the results of an actuarial valuation for multiple years if no significant changes have occurred since the prior valuation was performed. As the County has experienced no significant changes, information provided for the actuarial valuation performed as of January 1, 2015 was used to calculate the annual required contribution for 2015.

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's Healthcare Plan:

	Year Ended December 31,	
	2015	2014
Normal Cost for Year Ending December 31,	$ 9,920,215	$ 10,842,653
Amortization of UAAL	17,652,101	19,027,198
Interest	1,102,893	433,706
Annual required contribution	28,675,209	30,303,557
Interest on net OPEB obligation	4,921,908	4,045,942
Adjustment to annual required contribution	(7,115,860)	(5,624,452)
Annual OPEB cost (expense)	26,481,257	28,725,047
Contributions made	(7,710,109)	(6,825,899)
Increase in net OPEB obligation	18,771,148	21,899,148
Net OPEB obligation—beginning of year	123,047,688	101,148,540
Net OPEB obligation—end of year	$ 141,818,836	$ 123,047,688

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the preceding two years were as follows:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 24,841,257	$ 7,710,109	29.1%	$ 141,818,836
2014	28,725,047	6,825,899	23.8%	123,047,688
2013	27,637,320	6,235,162	22.6%	101,148,540

Funding Status and Funding Progress—As of December 31, 2015, the plan was not funded. The annual required contribution for the year ended December 31, 2015 was determined based on an actuarial valuation performed as of January 1, 2015. The actuarial accrued liability for benefits was $317,450,339. There were no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was $39,274,272 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll is 808.29 percent. As of December 31, 2015, the County has had four actuarial valuations performed.

Actuarial Methods and Assumptions—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 trends. 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.

Projections of benefits for financial reporting purposed 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.

The actuarial valuation was performed utilizing the projected unit credit method. The results shown above are based on the baseline assumptions with respect to the medial inflation rate. The actuarial assumptions included annual healthcare cost trend rate of 9.0% initially, decreased by increments to an ultimate rate of 5.0% after eight years. The rate also includes a 3.0% inflation assumption. The County's unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year period.

Discretely Presented Component Units

Jefferson Community College

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

Funding Policy**—**The obligations of the Plan members, employers and other entities are established by action of the College pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The College currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. For fiscal year 2015, the College contributed $1,195,572 for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on date of hire. The costs of administering the plan are paid by the College.

Annual OPEB Cost and Net OPEB Obligation—The College's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ARC, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table below shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation to the Plan:

	Year Ended August 31,	
	2015	2014
Annual required contribution	$ 4,768,392	$ 4,821,286
Interest on net OPEB obligation	842,157	712,611
Adjustment to annual required contribution	(1,217,550)	(1,030,261)
Annual OPEB cost (expense)	4,392,999	4,503,636
Contributions made	(1,195,572)	(1,265,000)
Increase in net OPEB obligation	3,197,427	3,238,636
Net OPEB obligation—beginning of year	21,053,917	17,815,281
Net OPEB obligation—end of year	$ 24,251,344	$ 21,053,917

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Year Ended August 31,	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 4,392,999	$ 1,217,550	27%	$ 24,251,344
2014	4,503,636	1,265,000	28%	21,053,917
2013	4,340,151	1,113,000	26%	17,815,281

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information that is useful in determining whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projection of benefits is based on the types of benefits provided under the substantive Plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members of the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Methods and Assumptions—The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is known as the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial date and actuarial assumptions. The actuarial assumptions included annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after ten years. The discount rate as of September 1, 2014 and August 31, 2015 was 4% per year compounded annually. This is the rate used to discount future benefit liabilities into today's dollars. The College's unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year period. A single amortization base is re-amortized each year (open basis, as defined by GASB).

9. DEFERRED COMPENSATION PLAN

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

10. RISK MANAGEMENT

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

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

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

Claims and judgments reportable as part of the County’s governmental activities are recognized as expenditures and fund liabilities in the General Fund when payment is due. Claims and judgments are recorded as a governmental activities long-term liability instead of in the General Fund at December 31, 2015 because they did not meet the criteria for recognition as fund liabilities.

The changes since December 31, 2013 in the reported Governmental Activities for risk financing activities claims and judgments were as follows:

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2015	$ 11,382,794	$ 2,160,248	$ 2,455,633	$ 11,087,409
2014	9,256,236	3,859,287	1,732,729	11,382,794

11. OPERATING LEASES

The County leases a vehicle for the building code officers under a non-cancelable operating lease and three refueler trucks for the airport on a month to month basis. Additionally, during 2014 the County entered into a four year lease on copier equipment. Total costs for such leases were $114,296 for the year ended December 31, 2015.

During 2012, the County entered into an agreement with the Watertown Savings Bank to lease a building on Coffeen Street to use in operation of Workforce Development. Costs for this lease totaled $128,140 for the year ended December 31, 2015. The future minimum lease payments for these leases are shown below:

Year Ending December 31,	Vehicles & Copiers Amount	Property Amount	Total Due
2016	$ 94,522	$ 83,400	$ 177,922
2017	94,522	-	94,522
Total	$ 189,044	$ 83,400	$ 272,444

12. JOINT VENTURE/LONG-TERM RECEIVABLE

The County has entered into an intermunicipal agreement with the City of Watertown, New York for the operation of a Public Safety Facility. The County receives a minimum lease payment annually from the City based on the prorated share of square footage utilized by the City. For its prorated share of costs for operation and maintenance in 2015, the City was billed $151,160 for the lease agreement as well as $103,080 for joint services. These payments are offset by a percentage of eligible costs incurred by the City. Regardless of whether the City continues the lease, they will remain liable for a share of the debt service. Debt service paid by the City in 2015 was $152,574.

13. SHORT-TERM DEBT

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

During the year ended December 31, 2015, the County issued bond anticipation notes in the amount of $500,000 at 0.99% interest to mature on June 3, 2016. The purpose of the BAN was to initiate work on upgrading and replacing the 911 System in the County.

The following is a summary of the County’s short-term debt for the year ended December 31, 2015:

	Original Issue	Interest Rate	Balance 1/1/2015	Issues	Redemptions	Balance 12/31/2015
Bond anticipation notes:						
911 System	2014	0.75%	$ 1,000,000	$ -	$ 1,000,000	$ -
911 System	2014	0.99%	-	500,000	-	500,000
			$ 1,000,000	$ 500,000	$ 1,000,000	$ 500,000

14. LONG-TERM DEBT

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

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

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

The following is a summary of changes in the County's long-term liabilities for the year ended December 31, 2015:

	Balance 1/1/2015 (as restated)	Additions	Decreases	Balance 12/31/2015	Due Within One Year
Governmental activites:					
Bonds payable	$ 10,730,000	$ 7,000,000	$ 2,215,000	$ 15,515,000	$ 1,885,000
Premium	681,771	92,472	134,652	639,591	136,579
Net bonds payable	11,411,771	7,092,472	2,349,652	16,154,591	2,021,579
Compensated absences	2,231,290	2,849,906	2,880,404	2,200,792	110,040
Claims and judgments	11,382,794	2,160,248	2,455,633	11,087,409	-
Other postemployment benefits	123,047,688	26,481,257	7,710,109	141,818,836	-
Net pension liability*	7,511,510	-	1,895,996	5,615,514	-
Total governmental activities	$ 155,585,053	$ 38,583,883	$ 17,291,794	$ 176,877,142	$ 2,131,619

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

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

The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

In the current year, the County issued $7,000,000 in Public Improvement Serial Bonds on behalf of the College for capital projects. The premium on these bonds is $92,472, the interest rate ranges from 2.0% to 3.5%. These bonds will mature on June 1, 2035.

Governmental Activities Bonds	Original Date Issued	Original Debt	Interest Rate	Date Final Maturity	Balance 12/31/2015
2011 Refunding Bonds	2011	$ 9,440,000	2.00-5.00%	11/2020	$ 6,325,000
Issued on behalf of					
Jefferson Community College:					
2006 Public Improvement Bond	2006	4,915,000	3.75-3.95%	11/2020	2,190,000
2015 Public Improvement Bond	2015	7,000,000	2.00-3.50%	06/2035	7,000,000
Total		$ 21,355,000			$ 15,515,000

The annual repayment of principal and interest on bonded debt is as follows:

Year Ending	Governmental Serial Bonds		
December 31,	Principal	Interest	Total
2016	$ 1,885,000	$ 601,050	$ 2,486,050
2017	2,050,000	432,946	2,482,946
2018	2,100,000	370,511	2,470,511
2019	1,900,000	298,496	2,198,496
2020	1,950,000	216,816	2,166,816
thereafter	5,630,000	1,420,600	7,050,600
Total	$ 15,515,000	$ 3,340,419	$ 18,855,419

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

Claims and Judgments—The County is self-insured as further discussed in Note 10. Liabilities are established for workers' compensation and general claims in accordance with GASB requirements. Estimated long-term contingent loss liabilities in the governmental fund types have been reported as long-term liabilities in the government-wide financial statements. The Proprietary Fund has no loss contingency liability except workers' compensation which is only recognized when invoiced from the County.

Other Postemployment Benefits ("OPEB") Obligation—As explained in Note 8, the County provides health insurance coverage for retirees. The County's annual postemployment benefit ("OPEB") cost is calculated based in the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The estimated long-term OPEB liability is estimated to be $141,818,836 at December 31, 2015.

Net Pension Liability—The County reports a liability for its proportionate share of the net pension liability for the Employee's Retirement System. The net pension liability is estimated to be $5,615,513 in the governmental activities. Refer to Note 7 for additional information related to the County's net pension liability.

Constitutional Debt Limit—Outstanding bond indebtedness aggregated $15,515,000, all of which was subject to the constitutional debt limit and represented approximately 2.89% of its debt limit.

Discretely Presented Component Units

Jefferson Community College**—**The College's long-term debt activity for the year ended August 31, 2015:

	Balance 9/1/2014 (restated)	Additions	Decreases	Balance 8/31/2015	Due Within One Year
Compensated absences	$ 469,848	$ 33,795	$ -	$ 503,643	$ -
Reserve payable	73,201	-	13,894	59,307	-
Bonds payable	-	22,525,000	-	22,525,000	340,000
Letter of credit	15,975,249	-	15,975,249	-	-
Capital lease obligation	1,155,425	-	66,616	1,088,809	74,773
Other postemployment benefits	21,053,917	4,392,999	1,195,572	24,251,344	-
Net pension liability*	881,239	-	222,435	658,804	-
Total governmental activities	$ 39,608,879	$ 26,951,794	$ 17,473,766	$ 49,086,907	$ 414,773

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

Capital Lease Obligation**—**On January 6, 2011 the College entered into an agreement with Municipal Lease Consultants. The estimated value of the capital improvements at completion of the project and the inception of the lease was $1,311,822. The project was substantially complete at August 31, 2012 and resulted in $1,235,950, net of rebates of $183,072, of construction costs being incurred and capitalized. The balance as of August 31, 2015 is $1,088,809. The capital lease obligation is amortized at an implicit interest rate of approximately 5.44%.

The future minimum obligations under capital leases at August 31, 2015 are as follows:

	Principal	Interest	Total
2016	$ 74,773	$ 59,255	$ 134,028
2017	83,534	55,185	138,719
2018	92,936	50,639	143,575
2019	103,018	45,582	148,600
2020	113,826	39,975	153,801
thereafter	620,722	93,673	714,395
Total	$ 1,088,809	$ 344,309	$ 1,433,118

Jefferson County Industrial Development Agency**—**Grant repayment of 40% of the Industrial Access project due to the New York State Department of Transportation. Payments are to start one year from project completion; however, as of September 30, 2015, the project has not been completed.

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

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

The Agency's long-term debt activity for the year ended September 30, 2015:

	Balance 10/1/2014	Addition	Decreases	Balance 9/30/2015	Due Within One Year
Notes payable	$ 180,160	$ -	$ -	$ 180,160	$ -
Other long-term payables	28,871	-	92	28,779	1,313
Total	$ 209,031	-	$ 92	$ 208,939	$ 1,313

15. NET POSITION AND FUND BALANCE

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

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

Capital assets, net of accumulated depreciation		$ 137,050,744
Related debt:		
Serial bonds issued	(15,515,000)	
Bond anticipation notes issued	(500,000)	
Less: Serial bonds issued on behalf of Jefferson Community College	9,190,000	
Less: Unspent BAN proceeds	500,000	(6,325,000)
Net investment in capital assets		$ 130,725,744

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

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

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

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

- ***Nonspendable*—**Amount of assets that cannot be spent in the current period because of their form or because they must be maintained intact. As of December 31, 2015, the County had $5,129,874 of prepaid expenses, $37,194 of inventory and $1,000,000 representing a long term receivable that were classified as nonspendable funds. Additionally, in the General Fund, $279,058 of due from the Solid Waste Facility Fund which is not expected to be received within one year is considered to be nonspendable.

- ***Restricted*****—**Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. As of December 31, 2015, the County had the restricted funds listed below.

			Nonmajor Funds			
	General Fund	Capital Projects Fund	Road Machinery Fund	Special Grant Fund	Debt Service Fund	Total
Restricted for:						
Workers' compensation	$ 47,624	$ -	$ -	$ -	$ -	$ 47,624
Unemployment insurance	69,838	-	-	-	-	69,838
Insurance	1,926,621	-	-	-	-	1,926,621
Law enforcement and prosecution	221,771	-	-	-	-	221,771
Highway equipment	-	-	100,018			100,018
Grantor donor restrictions	-	3,515,526	-	16,453	-	3,531,979
Debt	-	-	-	-	110,978	110,978
Total restricted fund balance	$ 2,265,854	$ 3,515,526	$ 100,018	$ 16,453	$ 110,978	$ 6,008,829

- ***Committed*****—**Amounts that are subject to a purpose constraint imposed by a formal action of the County's highest level of decision-making authority, or by their designated body or official. As of December 31, 2015, the Jefferson County had no committed fund balance at year end.

- ***Assigned*****—**Amounts that are subject to a purpose constraint that represents an intended use established by the County's Board of Legislators, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2015, the balances presented below were considered to be assigned.

			Nonmajor Funds		
	General Fund	Capital Projects Fund	County Road Fund	Road Machinery Fund	Total
Assigned for:					
Temporary assistance for needy families reserve	$ 643,653	$ -	$ -	$ -	$ 643,653
Assigned to workers' compensation	2,500,000	-	-	-	2,500,000
Assigned to compensated absences	2,200,792	-	-	-	2,200,792
Assigned to risk retention	2,000,000	-	-	-	2,000,000
Encumbrances	397,921	6,134,166	-	57,772	6,589,859
Appropriated for subsequent year's expenditures	6,717,767	-	-	-	- 6,717,767
Assigned to capital projects	-	-	-	-	-
Assigned to county road	-	-	4,362,587	-	4,362,587
Assigned to road machinery	-	-	-	1,447,241	1,447,241
Total assigned fund balance	$ 14,460,133	$ 6,134,166	$ 4,362,587	$ 1,505,013	$ 26,461,899

***Unassigned*—**Represents the residual classification of the government's General Fund, and could report a surplus or deficit. As of December 31, 2015, the unassigned fund balance represented a surplus totaling $2,084,318.

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

***Minimum Fund Balance*—**It is the intention of the Board of Legislators to maintain adequate reserves in the General Fund unassigned fund balance equal to two months of general fund operating expenditures, net of local sales tax distribution. If the General Fund's fund balance should fall 10% above or below the level set by the policy, the County Administrator shall recommend increasing or decreasing the use of fund balance appropriated in the following year's budget, such that in his estimation over the course of no more than three years, the fund balance will be again within the level set by the fund balance policy. At December 31, 2015, the County's available General Fund fund balance was 6.2% of General Fund annual operating expenditures, which is below 10% of the level set by the policy.

16. RELATED ORGANIZATIONS

***Jefferson County Soil and Water Conservation District*—**The Legislature of the County has declared the County to be a Soil and Water Conservation District in accordance with the provisions of the Soil and Water Conservation District Law. Members of the Board of Directors have been appointed by the County governing body and administrative costs of the District are provided primarily through County appropriations. The County Legislature retains general oversight responsibilities including monitoring district activities through detailed reporting to the Legislature by the District Directors of its work and transactions in such periods as the legislature may direct. However, the District does not meet any of the Imposition of Will criteria or the financial benefit/burden relationship with the County to qualify it as a component unit of the County. This was determined through a review of New York State Statute, Article 2, §6-9 as provided by the County Attorney.

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

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

17. INTERFUND BALANCES AND ACTIVITY

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

Interfund receivables, payables, and transfers of the County as of, and for the year ended December 31, 2015 are presented below.

	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
Governmental Funds:				
General Fund	$ 1,834,499	$ 2,124	$ 79,135	$ 14,595,616
Capital Projects Fund	-	-	2,384,000	49,792
Other nonmajor funds	-	219,797	14,022,773	1,840,500
Business-type Funds:				
Solid Waste Management Fund	-	1,613,516	-	-
Fiduciary Fund	938	-	-	-
Total	$ 1,835,437	$ 1,835,437	$ 16,485,908	$ 16,485,908

In addition to the $1,000,000 interfund loan discussed in Footnote 18, during the years ended December 31, 2015 and 2014, the Solid Waste Management Fund borrowed an additional $613,516 from the General Fund. $334,458 of this is expected to be paid back during the year ended December 31, 2017.

18. INTERFUND LOAN

The long-term interfund loan balance within the General Fund and the Solid Waste Management Facility consists of a $1,300,000 loan made during the year ended December 31, 2010. A pre-determined interest rate is not included within the terms of the agreement. The County will charge the Solid Waste Management Facility an interest rate, on its outstanding debt to the General Fund, equal to the average interest it receives in its interest bearing accounts. During the years ended December 31, 2015 and 2014, the Solid Waste Fund was unable to make a payment due to a shortage of cash, leaving a balance of $1,000,000.

19. COMMITMENTS

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

The County considers encumbrances significant if they are in excess of $100,000. As of December 31, 2015, the significant encumbrances of the County are shown on the following page.

Fund	Purpose	Amount Encumbered
Capital Projects Fund	Barrett Paving Materials Inc.	$ 2,274,639
Capital Projects Fund	Bette and Cring	1,726,085
Capital Projects Fund	Burns Bros Contractors Inc.	623,657
Capital Projects Fund	Black River Plumbing Heating	395,689
Capital Projects Fund	Otis Elevator	380,000
Capital Projects Fund	Purcell Construction Corporation	300,000
Capital Projects Fund	Kreuger International Inc.	290,548
Capital Projects Fund	Lawman Heating and Cooling Inc.	253,479
Capital Projects Fund	Passero Associates	219,027
Capital Projects Fund	Green Island Construction	192,554
Capital Projects Fund	Cunningham Excavation Inc.	111,343
Capital Projects Fund	Agati Inc.	104,363

20. CONTINGENCIES

Sales tax audits—The State of New York periodically audits its distribution of sales tax revenues to counties throughout the State. Subsequent revisions to the revenues recorded as of December 31, 2014, if any, would be reflected in the operations statement in the year they are calculated.

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

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

21. SUBSEQUENT EVENTS

On June 3, 2016, the County issued $3,400,000 in public improvement bond anticipation notes with an interest rate of 0.80 percent for improvements at Jefferson County Community College and at various County sites. These notes mature on June 2, 2017.

Management has evaluated subsequent events through July 11, 2016, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF JEFFERSON, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended December 31, 2015

Primary Government:

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
January 1, 2015	-	$ 317,450,339	$ 317,450,339	0.0%	$ 39,274,272	808.29%
January 1, 2014	-	329,018,940	329,018,940	0.0%	39,242,271	838.43%
January 1, 2013	-	311,934,085	311,934,085	0.0%	39,173,900	796.28%

Jefferson County Community College:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
August 31, 2015	-	$ 51,075,990	$ 51,075,990	0.0%	n/a	n/a
August 31, 2014	-	51,446,684	51,446,684	0.0%	n/a	n/a
August 31, 2013	-	48,852,541	48,852,541	0.0%	n/a	n/a

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

	Year Ended August 31, 2015	Year Ended August 31, 2014
Jefferson County Community College ("JCC"):		
Measurement date	June 30, 2014	June 30, 2013
JCC's proportion of the net pension liability (asset)	0.030745%	n/a
JCC's proportionate share of the net pension liability (asset)	$ (3,193,443)	n/a
JCC's covered-employee payroll	$ 4,576,270	n/a
JCC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(69.78%)	n/a
Plan fiduciary net position as a percentage of the total pension liability	110.5%	n/a

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

	Year Ended August 31,	
	2015	2014
Jefferson County Community College ("JCC"):		
Contractually required contribution	$ 809,595	n/a
Contributions in relation to the contractually required contribution	(809,595)	n/a
Contribution deficiency (excess)	$ -	n/a
JCC's covered-employee payroll	$ 4,576,270	n/a
Contributions as a percentage of covered-employee payroll	17.7%	n/a

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

	Year Ended December 31,	
	2015	2014
Jefferson County ("County"):		
Measurement date	March 31, 2015	March 31, 2014
County's proportion of the net pension liability (asset)	0.1662258%	0.1662258%
County's proportionate share of the net pension liability (asset)	$ 5,615,514	$ 7,511,510
County's covered-employee payroll	$ 38,827,552	$ 38,313,792
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	14.46%	19.61%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%

	Year Ended August 31,	
	2015	2014
Jefferson County Community College ("JCC"):		
Measurement date	March 31, 2015	March 31, 2014
JCC's proportion of the net pension liability	0.0195013%	n/a
JCC's proportionate share of the net pension liability	$ 658,804	n/a
JCC's covered-employee payroll	$ 4,409,421	n/a
JCC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.94%	n/a
Plan fiduciary net position as a percentage of the total pension liability	97.9%	n/a

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

	Year Ended December 31,	
	2015	2014
Jefferson County ("County"):		
Contractually required contribution	$ 6,983,586	$ 8,020,528
Contributions in relation to the contractually required contribution	(6,983,586)	(8,020,528)
Contribution deficiency (excess)	$ -	$ -
County's covered-employee payroll	$ 38,827,552	$ 38,313,792
Contributions as a percentage of covered-employee payroll	18.0%	20.9%

	Year Ended August 31,	
	2015	2014
Jefferson County Community College ("JCC"):		
Contractually required contribution	$ 868,711	n/a
Contributions in relation to the contractually required contribution	(868,711)	n/a
Contribution deficiency (excess)	$ -	n/a
JCC's covered-employee payroll	$ 4,409,421	n/a
Contributions as a percentage of covered-employee payroll	19.7%	n/a

COUNTY OF JEFFERSON, NEW YORK

Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Real property taxes	$ 51,914,602	$ 51,914,602	$ 52,052,567	$ 137,965
Real property tax items	2,775,000	2,775,000	2,791,332	16,332
Non property tax items	73,019,763	73,019,763	70,077,793	(2,941,970)
Departmental income	13,864,708	13,977,677	11,169,321	(2,808,356)
Intergovernmental charges	3,756,195	3,756,195	2,238,090	(1,518,105)
Use of money and property	540,100	540,100	587,742	47,642
Licenses and permits	25,000	25,000	23,692	(1,308)
Fines and forfeitures	272,550	272,550	232,900	(39,650)
Sale of property and compensation for loss	1,320,000	1,320,000	1,424,976	104,976
Miscellaneous	3,616,608	3,623,758	4,383,765	760,007
State aid	19,500,272	20,327,877	20,814,355	486,478
Federal aid	22,606,420	23,746,073	22,556,172	(1,189,901)
Total revenues	193,211,218	195,298,595	188,352,705	(6,945,890)
EXPENDITURES				
Current:				
General government support	57,670,680	57,566,607	53,194,900	4,371,707
Education	11,919,055	11,934,055	10,788,348	1,145,707
Public safety	21,419,735	23,016,367	21,679,218	1,337,149
Health	14,265,368	15,213,322	13,537,672	1,675,650
Transportation	2,274,887	2,703,953	1,969,439	734,514
Economic assistance and opportunity	69,936,652	69,821,939	63,111,345	6,710,594
Culture and recreation	276,180	277,538	277,538	-
Home and community services	1,030,350	1,129,012	1,046,797	82,215
Employee benefits	9,627,064	10,259,564	9,891,783	367,781
Debt service	-	7,500	7,500	-
Total expenditures	188,419,971	191,929,857	175,504,540	16,425,317
Excess of revenues over expenditures	4,791,247	3,368,738	12,848,165	9,479,427
OTHER FINANCING SOURCES (USES)				
Transfers in	22,500	79,135	79,135	-
Transfers out	(14,495,616)	(14,595,616)	(14,595,616)	-
Total other financing sources (uses)	(14,473,116)	(14,516,481)	(14,516,481)	-
Net change in fund balances*	(9,681,869)	(11,147,743)	(1,668,316)	9,479,427
Fund balances—beginning	26,831,113	26,831,113	26,831,113	-
Fund balances—ending	$ 17,149,244	$ 15,683,370	$ 25,162,797	$ 9,479,427

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

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

1. BUDGETARY INFORMATION

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

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

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

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SUPPLEMENTARY INFORMATION

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COUNTY OF JEFFERSON, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2015

	County Road Fund	Road Machinery Fund	Special Grant Fund	Debt Service Fund	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	$ 4,705,188	$ 1,564,054	$ 46,403	$ -	$ 6,315,645
Restricted cash and cash equivalents	-	100,018	29,095	110,978	240,091
Accounts receivables, net of allowances	225	5,447	10	-	5,682
Intergovernmental receivables	3,461	4,946	391,001	-	399,408
Prepaid items	101,557	17,712	34,866	-	154,135
Total assets	$ 4,810,431	$ 1,692,177	$ 501,375	$ 110,978	$ 7,114,961
LIABILITIES					
Accounts payable	$ 318,185	$ 61,676	$ 246,271	$ -	$ 626,132
Accrued liabilities	28,102	7,758	6,147	-	42,007
Due to other funds	-	-	219,797	-	219,797
Unearned revenue	-	-	12,642	-	12,642
Other liabilities	-	-	5,440	-	5,440
Total liabilities	346,287	69,434	490,297	-	906,018
FUND BALANCES					
Nonspendable	101,557	17,712	34,866	-	154,135
Restricted	-	100,018	16,453	110,978	227,449
Assigned	4,362,587	1,505,013	-	-	5,867,600
Unassigned	-	-	(40,241)	-	(40,241)
Total fund balances	4,464,144	1,622,743	11,078	110,978	6,208,943
Total liabilities and fund balances	$ 4,810,431	$ 1,692,177	$ 501,375	$ 110,978	$ 7,114,961

COUNTY OF JEFFERSON, NEW YORK

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2015

	County Road Fund	Road Machinery Fund	Special Grant Fund	Debt Service Fund	Total Nonmajor Funds
REVENUES					
Departmental income	$ -	$ -	$ 748,075	$ -	$ 748,075
Intergovernmental charges	45,284	71,857	-	-	117,141
Use of money and property	1,904	1,759	65,292	39	68,994
Licenses and permits	2,955	-	-	-	2,955
Sale of property and compensation for loss	3,438	44,312	-	-	47,750
Miscellaneous	365	-	-	152,574	152,939
Interfund revenues	1,316	237,879	-	-	239,195
State aid	3,961,504	-	-	82,014	4,043,518
Federal aid	72,310	-	2,378,188	-	2,450,498
Total revenues	4,089,076	355,807	3,191,555	234,627	7,871,065
EXPENDITURES					
Current:					
Public safety	679,048	-	-	-	679,048
Transportation	10,847,542	2,024,108	-	-	12,871,650
Economic assistance & opportunity	-	-	2,201,616	-	2,201,616
Home and community services	-	-	1,074,096	-	1,074,096
Employee benefits	20,285	5,186	-	-	25,471
Debt service:					
Principal	-	-	-	2,215,000	2,215,000
Interest and fiscal charges	-	-	-	447,283	447,283
Total expenditures	11,546,875	2,029,294	3,275,712	2,662,283	19,514,164
Deficiency of revenues over expenditures	(7,457,799)	(1,673,487)	(84,157)	(2,427,656)	(11,643,099)
OTHER FINANCING SOURCES (USES)					
Transfers in	9,767,406	1,814,973	-	2,440,394	14,022,773
Transfers out	(1,833,000)	-	-	(7,500)	(1,840,500)
Net premium on serial bonds	-	-	-	92,472	92,472
Total other financing sources (uses)	7,934,406	1,814,973	-	2,525,366	12,274,745
Net change in fund balances	476,607	141,486	(84,157)	97,710	631,646
Fund balances—beginning	3,987,537	1,481,257	95,235	13,268	5,577,297
Fund balances—ending	$ 4,464,144	$1,622,743	$ 11,078	$ 110,978	$ 6,208,943

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FEDERAL AWARDS INFORMATION

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor Program Title (1)	Federal CFDA Number (2)	Pass-Through Grantor's Number	Passed Through to Sub-recipients	Federal Expenditures (3)
U.S. Department of Agriculture:				
Direct Grant:				
Supplemental Nutrution Assistance Program, Process and				
Technology Improvement Grants	10.580	N/A	-	10,800
Passed through NYS Office of Temporary and Disability Assistance:				
SNAP Cluster:				
State Administrative Matching Grants for				
the Supplemental Nutrition Assistance Program	10.561	N/A	$ -	$ 1,903,543
Total SNAP Cluster			-	1,903,543
Total U.S. Department of Agriculture			-	**$ 1,914,343**
U.S. Department of Housing and Urban Development:				
Direct Grant:				
Home Investment Partnerships Program	14.239	N/A	490,027	498,077
Continuum of Care Program	14.267	N/A	437,411	466,015
			927,438	964,092
Passed through NYS Homes & Community Renewal:				
Community Development Block Grants	14.228	581HR25-13	-	559,046
Community Development Block Grants	14.228	581HR337-14	-	16,973
			-	576,019
Passed through NYS Office of Temporary and Disability Assistance:				
Emergency Solutions Grant Program	14.231	C021789	288,978	288,978
Total U.S. Department of Housing and Urban Development			1,216,416	**1,829,089**
U.S Department of Justice:				
Direct Grant:				
State Criminal Alien Assistance Program	16.606	N/A	-	7,859
Passed through NYS Division of Criminal Justice:				
Juvenile Accountability Block Grants	16.523	C612273	-	97,519
Total U.S. Department of Justice			-	**105,378**
U.S. Department of Labor:				
Passed through NYS Office for the Aging:				
Senior Community Service Employment Program	17.235	Title V	-	22,753
Passed through NYS Department of Labor:				
WIA cluster:				
WIA/WIOA Adult Program	17.258	N/A	60,445	434,439
WIA/WIOA Youth Activities	17.259	N/A	46,389	338,077
WIA/WIOA Dislocated Worker Formula Grants	17.278	T014889 CFA 3.0 UW	-	3,200
WIA/WIOA Dislocated Worker Formula Grants	17.278	N/A	33,807	250,264
Total WIA cluster			140,641	1,025,980
Total U.S. Department of Labor			140,641	**1,048,733**

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor Program Title (1)	Federal CFDA Number (2)	Pass-Through Grantor's Number	Passed Through to Sub-recipients	Federal Expenditures (3)
U.S. Department of Transportation:				
Direct Grant:				
Airport Improvement Program:				
Airport Improvement Program	20.106	N/A	-	2,149
Airport Improvement Program	20.106	N/A	-	5,234
Airport Improvement Program	20.106	N/A	-	17,010
Airport Improvement Program	20.106	N/A	-	1,134,360
Total Airport Improvement Program:			-	1,158,753
Passed through NYS Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	D034852; PIN 7753.56	-	39,166
Highway Planning and Construction	20.205	D034827; PIN 7753.44	-	76,239
Highway Planning and Construction	20.205	D033308; PIN 7753.27	-	48,828
Highway Planning and Construction	20.205	D033861; PIN 7753.31	-	1,113,672
Highway Planning and Construction	20.205	D034771; PIN 7753.43	-	33,786
Highway Planning and Construction	20.205	D034698; PIN 7753.19	-	88,562
Total Highway Planning and Construction Cluster			-	1,400,253
Highway Safety cluster:				
Passed through NYS Governor's Traffic Safety:				
State and Community Highway Safety	20.600	HS1-2015-PH-00012-(023)	-	22,618
State and Community Highway Safety	20.600	HS1-2016-PH-00023-(023)	-	5,773
Occupant Protection Incentive Grants	20.602	CPS-2015-SO-00012-(023)	-	3,500
Passed through NYS Stop DWI Foundation, Inc.:				
State and Community Highway Safety	20.600	HS1-2015-00169-(088)	-	25,873
State and Community Highway Safety	20.600	HS1-2016-00033-(088)	-	8,270
Passed through NYS Division of Criminal Justice Services:				
State and Community Highway Safety	20.600	C523669	-	23,085
Total Highway Safety cluster			-	89,119
Total U.S. Department of Transportation			-	**2,648,125**
U.S. Department of Education:				
Passed through NYS Department of Education:				
Career and Technical Education—Basic Grants to States (Perkins IV)	84.048	N/A	-	6,699
Passed through NYS Department of Health:				
Special Education - Grants for Infants and Families	84.181	C027485	-	55,607
Total U.S. Department of Education			-	**62,306**
U.S. Election Assistance Commission:				
Passed through NYS Board of Elections:				
Help America Vote Act Requirement Payments	90.401	C003225	-	112,992
Total U.S. Election Assistance Commission			-	**112,992**

(continued)

Federal Grantor Program Title (1)	Federal CFDA Number (2)	Pass-Through Grantor's Number	Passed Through to Sub-recipients	Federal Expenditures (3)
U.S. Department of Health and Human Services:				
Passed through NYS Office for the Aging:				
Special Programs for Aging Title III , Part D_Disease Prevention and Health Promotion Services	93.043	Title III-D	-	5,262
Natonal Family Caregiver Support Title III, Part E	93.052	Title III-E	-	40,563
Medicare Enrollment Assistance Program	93.071	MIPPA/ADRC	-	12,993
Aging Cluster:				
Special Programs for Aging, Title III, Part B—Grants for Supportive Services and Senior Centers	93.044	Title III-B	-	110,412
Special Programs for Aging, Title III, Part C—Nutrition Services	93.045	Title III-C	-	185,171
Nutrition Services Incentive Program	93.053	NSIP	-	94,607
Total Aging Cluster			-	390,190
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HIICAP	-	26,361
Passed through the Health Research Institute:				
Public Health Emergency Preparedness	93.069	1615-10	-	90,446
Public Health Emergency Preparedness	93.069	5014-01	-	4,964
Total Public Health Emergency Preparedness			-	95,410
Passed through Research Foundation for Mental Hygiene, Inc:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	NY SBIRT #1009563	-	194,619
Ticket to Work	93.999	N/A	-	12,544
Passed through NYS Department of Health:				
Immunization Cooperative Agreements	93.268	C028297	-	31,675
Passed through NYS Office of Temporary and Disability Assistance:				
Child Support Enforcement	93.563	N/A	-	581,937
Low Income Home Energy Assistance	93.568	N/A	-	4,658,523
Passed through the Office of Children and Family Services:				
Promoting Safe and Stable Families	93.556	N/A	-	142,838
CCDF Cluster:				
Child Care and Development Block Grant	93.575	CCRR15	132,092	1,951,424
Total CCDF Cluster			132,092	1,951,424
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	-	111,565
Foster Care—Title IV-E	93.658	N/A	-	1,628,414
Adoption Assistance	93.659	N/A	-	1,487,194
Social Services Block Grant	93.667	N/A	-	2,320,151
Child Abuse and Neglect	93.669	15-OCFS-LCM-01	-	33,183
Chafee Foster Care Independence Program	93.674	N/A	-	4,205
Maternal and Child Health Services Block Grant to the States:				
Passed through NYS Board of Elections:				
Voting Access for Individuals with Disabilities	93.617	T003106	-	2,597
Passed through NYS Department of Health:				
Maternal and Child Health Services Block Grant to the States	93.994	C029720	-	12,008
Maternal and Child Health Services Block Grant to the States	93.994	C026514	-	12,367
Total Maternal and Child Health Services Block Grant to the States			-	24,375

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor Program Title (1)	Federal CFDA Number (2)	Pass-Through Grantor's Number	Passed Through to Sub-recipients	Federal Expenditures (3)
Medical Assistance Program:				
Passed through NYS Department of Health:				
Medicaid Cluster:				
Medical Assistance Program	93.778	N/A	-	1,760,303
Total Medicaid Cluster			-	1,760,303
Total Medical Assistance Program			-	1,760,303
Passed through NYS Office of Alcoholism and Substance Abuse Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	929,128	951,863
Temporary Assistance to Needy Families:				
Passed through NYS Office of Temporary and Disability Assistance:				
TANF Cluster:				
Temporary Assistance to Needy Families	93.558	N/A	-	6,900,503
Temporary Assistance to Needy Families	93.558	SYEP	-	214,932
Total TANF Cluster			-	7,115,435
Total Temporary Assistance to Needy Families			-	7,115,435
Total U.S. Department of Health and Human Services			1,061,220	**23,583,624**
U.S. Department of Homeland Security:				
Homeland Security Program:				
Passed through NYS Division of Homeland Security and Emergency Services:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	045-99045-00	-	72,310
Homeland Security Grant Program	97.067	C173429	-	29,217
Homeland Security Grant Program	97.067	C173439	-	92,489
Homeland Security Grant Program	97.067	C173449	-	15,730
Homeland Security Grant Program	97.067	C189049	-	23,340
Homeland Security Grant Program	97.067	C189059	-	300
Homeland Security Grant Program	97.067	C190139	-	76,314
Homeland Security Grant Program	97.067	C971110	-	3,320
Homeland Security Grant Program	97.067	C971130	-	90,000
Homeland Security Grant Program	97.067	C971140	-	52,007
Homeland Security Grant Program	97.067	T089039	-	16,462
Homeland Security Grant Program	97.067	T971132	-	10,510
Total Homeland Security Grant Program			-	409,689
Emergency Management Performance Grants	97.042	T190135	-	18,792
Emergency Management Performance Grants	97.042	T190145	-	36,103
Emergency Management Performance Grants	97.042	T190155	-	17,928
Total Emergency Management Performance Grants			-	72,823
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0213HSLR818	-	36,303
Total U.S. Department of Homeland Security			-	**591,125**
Total Expenditures of Federal Awards (4)			$ 2,418,277	**$ 31,895,715**

(concluded)

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Jefferson, New York (the "County") under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a select portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

(1) Includes all federal award programs of the County of Jefferson, New York. The federal expenditures of the Jefferson Community College and Jefferson County Industrial Development Agency have not been included.

(2) Source: Catalog of Federal Domestic Assistance.

(3) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.

(4) A reconciliation to the financial statements is available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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.

4. MATCHING COSTS

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

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 Services' federal financial reports (RF-2 clams) are due to allocation of administrative costs to the individual federal programs.

6. RECONCILIATION

A reconciliation to the basic financial statements is available.

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Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Jefferson, New York (the "County") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 11, 2016. Our report includes a reference to other auditors who audited the financial statements of the Jefferson Community College and Jefferson County Industrial Development Agency, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The County's Response to Findings

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

Purpose of this Report

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

Drescher & Malecki LLP

July 11, 2016

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Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Jefferson, New York's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The County's basic financial statements include the operations of the Jefferson Community College and the Jefferson County Industrial Development Agency, which received $17,184,423 and $0 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2015. Our compliance audit, described below, did not include the operations of the Jefferson Community College and the Jefferson County Industrial Development Agency, because other auditors were engaged to perform such audits in accordance with the Uniform Guidance or OMB Circular A-133, as applicable.

Management's Responsibility

The County's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the

County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Drescher & Malecki LLP

July 11, 2016

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in (*which report includes a reference to other auditors) Unmodified*

Internal control over financial reporting:

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

Federal Awards:

Internal control over major programs:

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

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

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

Identification of major federal programs

CFDA Number(s)	Name of Federal Program or Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
14.239	Home Investment Partnerships Program
93.558	Temporary Assistance to Needy Families
93.563	Child Support Enforcement
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs? $ 956,871

Auditee qualified as low-risk auditee?	✓	Yes		No

Part II. Financial statement findings section

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

Finding 2015-001—Solid Waste Fund

Criteria: Budgeting practices should strive to accurately estimate the amount of revenues and expenditures to be earned and expended in order to adequately sustain the financial operations and maintain capital assets. The Solid Waste Fund, operating as an Enterprise Fund within the County should independently operate.

Condition and Context: During the year ended December 31, 2010 an interfund loan was made between the General Fund and the Solid Waste Fund under the agreement that the Solid Waste Fund annually repay $100,000 of principal in addition to interest. Although payments were made during the years ended December 31, 2011, 2012 and 2013 a payment was not made during the years ended December 31, 2014 and 2015 due to insufficient cash flow. In fact, the Solid Waste Fund borrowed an additional $383,239 from the General Fund during the current year. Further the Solid Waste Fund has not repaid $229,339 which it borrowed from the General Fund during the year ended December 31, 2014

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

Effect or Potential Effect: Continued use of cash at this level without a sustainable increase in the current level of revenue will further deteriorate the Solid Waste Fund’s situation. Additionally, continued operations would negatively impact the General Fund, which is owed $1,612,578 at year end and will continue to have to provide additional cash to fund operations in the Solid Waste Fund.

Recommendation: The County should consider its revenue estimates and sources of revenue and consider actions necessary to implement cost savings.

Managements Corrective Action Plan: Management will recommend to the Legislature that the cash that has been restricted for capital asset additions be released to cover part of the deficit cash position as capital assets have been purchased in the past few years in excess of the amount earmarked for such purchases. The facility has a stockpile of recyclable goods that will be liquidated as soon as the market prices rebound since prices have been low for the last two years. In addition, an ad hoc committee has been formed to review the feasibility of continuing operations of the Solid Waste Fund as an Enterprise Fund and, if so, under what conditions that may vary from current practices in order to further enhance the solid waste/recycling program within Jefferson County.

Part III. Federal award findings and questioned costs section

No findings noted.

County of Jefferson, New York
Summary Schedule of Prior Year Audit Findings
And Corrective Action Plan
Year Ended December 31, 2015
(Follow Up on December 31, 2014 Findings)

Finding 2014-001—Solid Waste Fund

Criteria: Budgeting practices should strive to accurately estimate the amount of revenues and expenditures to be earned and expended in order to adequately sustain the financial operations and maintain capital assets. The Solid Waste Fund, operating as an Enterprise Fund within the County should independently operate.

Condition and Context: During the year ended December 31, 2010 an interfund loan was made between the General Fund and the Solid Waste Fund under the agreement that the Solid Waste Fund annually repay $100,000 of principal in addition to interest. Although payments were made during the years ended December 31, 2011, 2012 and 2013 a payment was not made during the year ended December 31, 2014 due to insufficient cash flow. In fact, the Solid Waste Fund borrowed an additional $229,339 from the General Fund during the year.

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

Effect or Potential Effect: Continued use of cash at this level without a sustainable increase in the current level of revenue will further deteriorate the Solid Waste Fund's situation. Additionally, continued operations would negatively impact the General Fund, which is owed $1,250,014 at year end and will continue to have to provide additional cash to fund operations in the Solid Waste Fund.

Recommendation: The County should consider its revenue estimates and sources of revenue and consider actions necessary to implement cost savings.

Managements Corrective Action Plan: During the 2015 fiscal year, Jefferson County increased the fees collected for tipping fees and the fee charged for accepting refuse from consumers. Revenues were under anticipated amounts in 2014 and will be monitored closely in 2015. In addition, the practice of budgeting grant income prior to indication that the funds would be received in the near future, one year or less, has been curtailed. Major expenditures will be reviewed for the next several years to ensure the expense is determined to be an immediate need.

Current Status: See Finding 2015-001 within the Schedule of Findings and Questioned Costs for current status.

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