

**COUNTY OF CHAUTAUQUA, NEW YORK**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2010  
WITH INDEPENDENT AUDITORS' REPORT**

**COUNTY OF CHAUTAUQUA, NEW YORK**

**DECEMBER 31, 2010**

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## **INDEPENDENT AUDITORS' REPORT**

**Honorable County Executive and  
Members of the County Legislature  
County of Chautauqua, New York  
Mayville, New York**

We have audited the accompanying financial statements of the governmental activities, the business – type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **County of Chautauqua, New York** as of and for the year ended December 31, 2010 which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the internal service funds and fiduciary funds of the **County of Chautauqua, New York** as presented as supplementary information in the accompanying and individual fund statements as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the **County of Chautauqua, New York's** management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Chautauqua Tobacco Asset Securitization Corporation, which is shown as a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of another auditor provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the **County of Chautauqua, New York** as of December 31, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the internal service and the fiduciary funds of the **County of Chautauqua, New York**, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011, on our consideration of the County of Chautauqua, New York'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison and schedule of funding progress – other post-employment benefit information on pages 3 through 10 and 44 through 47, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **County of Chautauqua, New York's** basic financial statements. The introductory section and combining fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the **County of Chautauqua, New York**. The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying schedule of expenditures of New York State Department of Transportation assistance as listed in the table of contents is presented for the purpose of additional analysis as required by the New York State Department of Transportation and Draft Part 43 of the New York State Codification of Rules and Regulations, and is not a required part of the basic financial statements. This schedule is the responsibility of the County's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as whole. The County's basic financial statement include the operations of the Chautauqua County Industrial Development Agency, Jamestown Community College and the Chautauqua Tobacco Asset Securitization Corporation, which expended \$118,437, \$17,288,704 and \$-0- of federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards, for the year ended December 31, 2010. Also, \$8,522,154 of outstanding federal loans included in the Chautauqua County Industrial Development Agency are not included in the County's schedule of federal awards, for the year ended December 31, 2010. Our audit, as described in our report on compliance and internal control over compliance applicable to each major federal program, did not include the operations of the above entities. Those reports have been presented at the component unit level.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
September 27, 2011**

**I. Discussion and Analysis**

Our discussion and analysis of the *County of Chautauqua, New York's* financial performance provides an overview of the County's financial activities for the year ended December 31, 2010. This document should be read in conjunction with the County's financial statements, which begin on Page 11.

**II. Financial Highlights**

- The General Fund reported an \$.9 million decrease in fund balance from operations as illustrated on Page 14. In addition, there was a prior period adjustment which increased net assets \$1.8 million. The planned utilization of \$2.8 million of fund balance in 2010 was offset by a favorable budget variance primarily from a surplus in sales tax receipts and leaving vacant positions open. The increase in net assets was in large part due to the Carbon Credits generated by the Electric Generation plant and the prior period adjustment as outlined in Note 15.
- The County's government-wide net assets increased \$4.1 million as a result of this year's activity, while the County's governmental activities saw an increase of \$4.6 million, whereas the business-type activities experienced a .5 decrease. The most significant factors to this increase were the prior period adjustments as highlighted in Note 15.
- 2010 marked the fifth year of recognizing the County's Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions liability. This statements generally requires employers to account for and report the annual cost of other postemployment benefits (OPEB) and the outstanding obligations related to OPEB in essentially the same manner as pensions. Annual OPEB cost for most governments will be based on actuarially determined amounts that, if paid on an ongoing basis, would generally provide sufficient resources to pay benefits as they come due. GASB allows governments to apply this statement prospectively, establish the OPEB liability at zero at the beginning of the initial year of implementation, and does not require governments to fund the OPEB plans. The County's 2010 net liability is \$11.8 million. While the State of New York does not currently provide for legal means to fund this liability.

**III. Using This Annual Report**

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the County as a whole and present a longer-term view of the County's financials. Fund financial statements start on Page 13. For governmental activities, these statements tell how these services were financed in the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The fiduciary fund statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

**IV. Reporting the County as a Whole**

*The Statement of Net Assets and the Statement of Activities*

Our analysis of the County as a whole begins on Page 11. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expense are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. The County's net assets – the difference between assets and liabilities – is a way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered, such as changes in the County's property tax base and the condition of the County's roads and infrastructure, to assess the overall health of the County.

In the statement of net assets and the statement of activities, we distinguish between two types of County activities:

Governmental activities – Most of the County's basic services are reported here, including public safety, public works, economic assistance, health, economic development, and general administration. Property taxes, sales taxes, departmental fees, interest income, and State and Federal revenue finance most of these activities.

**IV. Reporting the County as a Whole (continued)**

Business-type activities – The County charges fees to other municipalities and the general public to operate and maintain “enterprise” funds. Included here are the Chautauqua County Home, the Chautauqua County Landfill, three Sewer Districts, the North County Water District, and the electric plant.

**V. Reporting the County's Most Significant Funds**

Fund Financial Statements – Our analysis of the County's major fund begins on Page 13 and provides detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by the State law and by bond covenants. However, The County Legislature may establish other funds to help it control and manage money for particular purposes. The County's two types of funds – Governmental and Proprietary – use different accounting approaches.

Governmental Funds – Most of the County's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences between governmental activities (reported in the statement of net assets and the statement of activities) and Governmental Funds in reconciliations on Pages 15 and 16.

Proprietary Funds – When the County charges customers for the services it provides – whether to outside customer or to other units of the County – these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the County's Enterprise Funds (a component of Proprietary Funds) are the same as the business-type activities we report in government-wide statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

**VI. The County as Trustee**

Reporting the County's Fiduciary Responsibilities – The County is the trustee, or fiduciary, for assets that - because of a trust arrangement – can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in separate statements of fiduciary net assets on Page 20. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Proprietary Funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the County's Enterprise Funds (a component of Proprietary Funds) are the same as the business-type activities we report.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**VII. The County as a Whole**

The County's combined net assets increased by \$2.7 million from \$263.7 million to \$266.4 million. This compares to the 2009 increase of \$12.5 million from \$251.2 million to \$263.7 million. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

**Table 1**

**County of Chautauqua, New York**  
Statement of Net Assets (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 104,624	\$ 95,859	\$ 24,818	\$ 21,086	\$ 129,442	\$ 116,945
Capital assets & deferred charges	209,122	204,000	66,831	64,534	275,953	268,534
Total assets	<u>\$ 313,746</u>	<u>\$ 299,859</u>	<u>\$ 91,649</u>	<u>\$ 85,620</u>	<u>\$ 405,395</u>	<u>\$ 385,479</u>
Current liabilities	\$ 48,243	\$ 55,536	\$ 4,112	\$ 13,974	\$ 52,355	\$ 69,510
Long-term portion of debt and other obligations	40,780	22,865	45,854	29,404	86,634	52,269
Total liabilities	<u>89,023</u>	<u>78,401</u>	<u>49,966</u>	<u>43,378</u>	<u>138,989</u>	<u>121,779</u>
Net assets						
Invested in capital assets, net of related debt	179,688	174,655	39,538	45,402	219,226	220,057
Restricted	17,902	20,846	--	--	17,902	20,846
Unrestricted, designated	17,673	14,450	--	--	17,673	14,450
Unrestricted, undesignated	9,460	11,507	2,145	(3,160)	11,605	8,347
Total net assets	<u>224,723</u>	<u>221,458</u>	<u>41,683</u>	<u>42,242</u>	<u>266,406</u>	<u>263,700</u>
	<u>\$ 313,746</u>	<u>\$ 299,859</u>	<u>\$ 91,649</u>	<u>\$ 85,620</u>	<u>\$ 405,395</u>	<u>\$ 385,479</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**VII. The County as a Whole (continued)**

**Table 2**

*County of Chautauqua, New York*  
 Statement of Activities (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue						
Charges for services	\$ 32,393	\$ 30,282	\$ 34,022	\$ 28,983	\$ 66,415	\$ 59,265
Operating grants and contributions	205,066	196,617	15	35	205,081	196,652
Capital grants and contributions	9,382	9,656	1,903	492	11,285	10,148
Total program revenue	<u>246,841</u>	<u>236,555</u>	<u>36,940</u>	<u>29,510</u>	<u>282,781</u>	<u>266,065</u>
General revenue						
Property taxes	56,896	55,271	--	--	56,896	55,271
Sales taxes	54,240	51,754	--	--	54,240	51,754
Other real property taxes	9,492	8,135	--	--	9,492	8,135
Sale of property and compensation for loss	505	544	--	--	505	544
Departmental income	--	--	--	--	--	--
Intergovernmental transfers	2,253	--	--	3,811	2,253	3,811
Investment earnings	1,871	2,657	429	455	2,300	3,112
Miscellaneous	951	311	141	14	1,092	325
Federal aid	--	--	--	--	--	--
Total general revenue	<u>126,208</u>	<u>118,672</u>	<u>570</u>	<u>4,280</u>	<u>126,778</u>	<u>122,952</u>
Total revenue	<u>373,049</u>	<u>355,227</u>	<u>36,510</u>	<u>33,790</u>	<u>409,559</u>	<u>389,017</u>
Program expenses						
General governmental support	47,288	48,696	--	--	47,288	48,696
Education	12,106	10,174	--	--	12,106	10,174
Public safety	26,157	21,342	--	--	26,157	21,342
Health	19,323	16,935	--	--	19,323	16,935
Transportation	19,437	19,939	--	--	19,437	19,939
Economic development	240,110	226,096	--	--	240,110	226,096
Culture and recreation	678	700	--	--	678	700
Home and community services	2,167	944	--	--	2,167	944
Nursing home	--	--	20,180	19,114	20,180	19,114
Landfill	--	--	8,225	7,544	8,225	7,544
Sewer and water services	--	--	3,976	3,799	3,976	3,799
Electric plant	--	--	2,435	--	2,435	--
Debt service-interest & issuance fees	1,170	1,247	--	--	1,170	1,247
Intergovernmental charges	--	--	2,253	--	2,253	--
Total expenses	<u>368,436</u>	<u>346,073</u>	<u>37,069</u>	<u>30,457</u>	<u>405,505</u>	<u>376,530</u>
Change in net assets	4,613	9,154	(559)	3,333	4,054	12,487
Net assets - beginning of year	221,458	212,304	42,242	38,909	263,700	251,213
Prior period adjustment	(1,348)	--	--	--	(1,348)	--
Net assets - end of year	<u>\$ 224,723</u>	<u>\$ 221,458</u>	<u>\$ 41,683</u>	<u>\$ 42,242</u>	<u>\$ 266,406</u>	<u>\$ 263,700</u>

**COUNTY OF CHAUTAUQUA, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**VII. The County as a Whole**

Table 3 presents the cost of each of the County's governmental programs, as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial cost paid by the County's taxpayers and other general revenue sources for each of these functions.

**Table 3**

**County of Chautauqua, New York**  
Statement of Activities (in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General governmental support	\$ 47,288	\$ 48,696	\$ 37,218	\$ 38,180
Education	12,106	10,174	7,701	8,269
Public safety	26,157	21,342	20,676	15,162
Health	19,323	16,935	5,306	2,172
Transportation	19,437	19,939	5,748	6,871
Economic development	240,110	226,096	42,607	36,667
Culture and recreation	678	700	298	455
Home and community services	2,167	944	871	495
Debt service	1,170	1,247	1,170	1,247
	<u>\$ 368,436</u>	<u>\$ 346,073</u>	<u>\$ 121,595</u>	<u>\$ 109,518</u>

**VIII. The County's Funds**

Governmental Funds

As the County completed the year, its governmental funds (as presented in the balance sheet on Page 13) reported a combined fund balance of \$42.5 million, which decreased by \$1.1 million from operations. In addition, a prior period adjustment was recognized in the amount of \$1.8 million which increased fund balance from the prior year. Included in this year's total change in fund balance is a decrease of \$0.9 million in the County's General Fund, a decrease of \$1.2 million in the County Road Fund, a \$0.6 increase in the Road Machinery Fund and an increase of \$0.3 million in the Capital Projects Fund.

Business-Type Funds

The County's Proprietary Funds consist of the County home, landfill, three sewer districts, one water district and the electric plant. The basic financial statements for the funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net assets.

**IX. Budgetary Highlights**

The variances between the revised budgets and the actual results in the General Fund, County Road Fund and Road Machinery Fund are included in Table 5.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010**

**Table 4**

*County of Chautauqua, New York*  
 Proprietary Funds (in thousands of dollars)

	County Home		Sewer Funds		North County Water District		Landfill		Electric Plant		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Current assets	\$ 4,987	\$ 7,343	\$ 5,904	\$ 4,853	\$ 76	\$ 56	\$ 11,244	\$ 11,354	\$ 2,292	\$ (3,076)	\$ 24,503	\$ 20,530
Noncurrent assets	14,078	14,749	25,533	25,561	309	336	14,473	12,768	12,853	11,120	67,246	64,534
Total assets	\$ 19,065	\$ 22,092	\$ 31,437	\$ 30,414	\$ 385	\$ 392	\$ 25,717	\$ 24,122	\$ 15,145	\$ 8,044	\$ 91,749	\$ 85,064
Current liabilities	\$ 4,060	\$ 4,252	\$ 1,855	512	\$ 17	\$ 14	\$ 1,956	1,644	\$ 812	\$ 7,552	\$ 8,700	\$ 13,974
Noncurrent liabilities	9,800	10,846	252	308	72	84	18,655	18,165	12,487	--	41,266	29,403
Total liabilities	13,860	15,098	2,107	820	89	98	20,611	19,809	13,299	7,552	49,966	43,377
Total net assets	5,205	6,994	29,330	29,594	296	294	5,106	4,313	1,846	492	41,783	41,687
Total liabilities & net assets	\$ 19,065	\$ 22,092	\$ 31,437	\$ 30,414	\$ 385	\$ 392	\$ 25,717	\$ 24,122	\$ 15,145	\$ 8,044	\$ 91,749	\$ 85,064
Revenue	\$ 18,012	\$ 21,648	\$ 3,580	\$ 3,527	\$ 59	\$ 50	\$ 8,864	\$ 8,074	\$ 5,996	\$ 492	\$ 36,511	\$ 33,791
Expenses	19,800	19,393	3,844	3,751	57	54	8,071	7,572	4,642	--	36,414	30,770
Changes in net assets	\$ (1,788)	\$ 2,255	\$ (264)	\$ (224)	\$ 2	\$ (4)	\$ 793	\$ 502	\$ 1,354	\$ 492	\$ 97	\$ 3,021

**Table 5**

*County of Chautauqua, New York*  
 Budget versus actual comparison (in thousands of dollars)

	General Fund			County Road Fund			Road Machinery Fund		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Real property taxes & other taxes	\$ 62,589	\$ 62,049	\$ (540)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Sales tax	54,219	54,240	21	--	--	--	--	--	--
Departmental income	19,148	21,119	1,971	--	--	--	--	--	--
Shared services	7,182	6,718	(464)	30	31	1	125	175	50
Licenses and permits	100	98	(2)	--	--	--	--	--	--
Fines and forfeitures	492	488	(4)	--	--	--	--	--	--
Sale of property & compensation for loss	213	236	23	--	24	24	199	220	21
Miscellaneous	3,794	468	(3,326)	895	863	(32)	238	300	62
Use of money and property	5,089	4,522	(567)	45	214	169	8	128	120
State aid	24,969	25,482	513	3,245	3,384	139	--	--	--
Federal aid	33,145	179,584	146,439	1,109	2,195	1,086	--	--	--
Transfers in	--	2,253	2,253	10,184	10,184	0	3,327	3,327	--
<b>Total revenue</b>	<b>210,940</b>	<b>357,257</b>	<b>146,317</b>	<b>15,508</b>	<b>16,895</b>	<b>1,387</b>	<b>3,897</b>	<b>4,150</b>	<b>253</b>
<b>Expenditures</b>									
General governmental support	43,715	44,150	(435)	--	--	--	--	--	--
Education	11,307	11,290	17	--	--	--	--	--	--
Public safety	26,138	24,871	1,267	--	--	--	--	--	--
Health	19,971	18,025	1,946	--	--	--	--	--	--
Transportation	5,041	4,725	316	18,340	18,055	285	3,844	3,338	507
Economic development	86,714	232,638	(145,924)	--	--	--	--	--	--
Culture and recreation	670	633	37	--	--	--	--	--	--
Home and community services	1,921	2,025	(104)	--	--	--	--	--	--
Employee benefits	--	--	--	--	--	--	--	--	--
Debt Service	2,834	2,604	230	--	--	--	22	19	3
Transfers out	17,247	17,159	88	--	--	--	179	179	--
	<b>215,558</b>	<b>358,120</b>	<b>(142,562)</b>	<b>18,340</b>	<b>18,055</b>	<b>285</b>	<b>4,046</b>	<b>3,536</b>	<b>510</b>
	\$ (4,618)	\$ (863)	\$ 3,755	\$ (2,832)	\$ (1,160)	\$ 1,672	\$ (149)	\$ 615	\$ 763

**X. Capital Asset and Debt Administration**

Capital Assets

At December 31, 2010, the County had \$276.0 million in a broad range of capital assets including land, buildings, landfill, roads, bridges, sewer lines, water lines, and equipment. This is an increase of \$7.9 million over 2009's year-end total of \$268.1 million.

**Table 6**

**County of Chautauqua, New York**  
 Capital Assets, Net of Depreciation (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land and improvements	\$ 553	\$ 553	\$ 36,229	\$ 36,187	\$ 36,782	\$ 36,740
Construction in progress	67,668	59,733	8,003	15,841	75,671	75,574
Infrastructure	142,363	133,879	--	--	142,363	133,879
Building and improvements	64,024	63,999	28,163	20,827	92,187	84,826
Machinery and equipment	20,579	19,322	25,817	18,899	46,396	38,221
Sewage treatment facilities	--	--	61,364	61,182	61,364	61,182
Water district facilities	--	--	1,433	1,432	1,433	1,432
Vehicles	13,469	14,318	--	--	13,469	14,318
Accumulated depreciation	(99,534)	(87,804)	(94,178)	(90,254)	(193,712)	(178,058)
	<u>\$ 209,122</u>	<u>\$ 204,000</u>	<u>\$ 66,831</u>	<u>\$ 64,114</u>	<u>\$ 275,953</u>	<u>\$ 268,114</u>

Debt

At year end 2010, the County had \$86.6 million in bonds and notes outstanding, along with compensated absences, OPEB obligation and accrued landfill closure expenses, compared with \$75.4 million at the end of 2009.

**Table 7**

**County of Chautauqua, New York**  
 Long-term liabilities (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Bond anticipation notes	\$ --	\$ 3,200	\$ --	\$ 6,796	\$ --	\$ 9,996
Bonds payable	29,065	24,470	27,007	16,125	56,072	40,595
Compensated absences	2,216	--	--	--	2,216	--
Net OPEB obligation	9,499	7,793	2,481	1,992	11,980	9,785
Accrued landfill closure expense	--	--	16,366	15,103	16,366	15,103
	<u>\$ 40,780</u>	<u>\$ 35,463</u>	<u>\$ 45,854</u>	<u>\$ 40,016</u>	<u>\$ 86,634</u>	<u>\$ 75,479</u>

**XI. Economic Factors and Next Year's Budgets and Rates**

The County's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. Chautauqua County adopts their calendar year budget in October which presents significant challenges in forecasting expense and revenue. Given the reduction of federal stimulus funds, significant increases to state mandated expenses, and the reduction of the sales tax rate; it was necessary to raise taxes.

Amounts available for appropriation in the 2011 General Fund budget are \$218.5 million. The County increased the full value property tax rate from \$8.18 per thousand to \$8.90 per thousand for 2011. The sales tax rate for 2011 was reduced from 7.75% to 7.5%. This decrease in rate was a major factor to the property tax levy and tax rate increase. The rate of 7.5% is one of the lowest in New York State. Full Valuation of property maintained very stable at \$6,678,673,573.

The 2012 budget will present many challenges for Chautauqua County. In addition to having to replace the use of federal Stimulus Funding and the use of fund balance in the 2011 budget, the New York State mandated expenses of Medicaid and Employee Retirement System contributions are rising dramatically. Chautauqua County continues to aggressively address these issues by reducing the county workforce 40 full time equivalents in the 2012 tentative budget along with reducing optional operational programming.

The County's Unreserved General Fund balance is \$21,012,488. However, the County has designated \$5,208,371 for the GASB 45 liability and has obligated \$10,178,600 of general fund balance to fund the 2011 budget. The County's fiscal management policy is to maintain a general fund balance within the New York State Comptroller recommended range of 5-15% of revenues. The County maintains bond ratings of A2 from Moody's and A+ from Standard and Poor and does not anticipate cash flow problems in 2011 and 2012. The 2012 budget document takes shape during the summer and fall of 2011.

**XII. Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darin R.A. Schulz, Director of Finance, 3 North Erie Street, Mayville, New York 14757.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF NET ASSETS**  
**AS OF DECEMBER 31, 2010**

	Governmental Activities	Business-type Activities	Total	Component Units
<b>Current Assets</b>				
Cash and cash equivalents - unrestricted	\$ 50,187,068	\$ 19,703,178	\$ 69,890,246	\$ 17,675,274
Cash and cash equivalents - restricted	--	119,378	119,378	--
Receivables, net				
Accounts receivable	14,547,912	4,131,414	18,679,326	10,651,662
Taxes receivable	18,917,155	--	18,917,155	--
Due from other governments	17,923,511	33,424	17,956,935	1,698,072
Internal service fund transfers	100,018	(100,018)	--	--
Inventory	1,411,037	196,071	1,607,108	--
Prepaid expenses	1,537,345	319,669	1,857,014	189,659
Deferred charges	--	415,195	415,195	446,543,248
Other current assets	--	--	--	2,448,531
<b>Capital Assets</b>				
Land and improvements	552,826	36,229,376	36,782,202	10,830,954
Buildings	64,023,877	28,162,627	92,186,504	73,029,766
Machinery and equipment	20,578,572	25,817,236	46,395,808	1,481,338
Sewage treatment facilities	--	61,364,367	61,364,367	--
Water district facilities	--	1,432,431	1,432,431	--
Infrastructure assets	142,362,848	--	142,362,848	5,339,571
Vehicles	13,469,210	--	13,469,210	--
Construction in progress	67,668,340	8,002,839	75,671,179	5,599,129
Accumulated depreciation	(99,533,741)	(94,177,992)	(193,711,733)	(35,643,791)
Other noncurrent assets	--	--	--	15,250,790
<b>Total Assets</b>	<b>\$ 313,745,978</b>	<b>\$ 91,649,195</b>	<b>\$ 405,395,173</b>	<b>\$ 555,094,203</b>

	Governmental Activities	Business-type Activities	Total	Component Units
<b>Current Liabilities</b>				
Accounts payable	\$ 7,897,978	\$ 713,839	\$ 8,611,817	\$ 2,113,679
Contract retainage	369,144	286,792	655,936	--
Accrued liabilities	13,465,702	1,511,875	14,977,577	3,281,926
Accrued interest	339,605	--	339,605	53,249
Due to other governments	12,517,560	14,277	12,531,837	13,874
Deferred revenue	13,321,828	--	13,321,828	11,695,346
Deferred revenue - other	330,680	--	330,680	--
Amounts held in escrow	--	119,378	119,378	--
Amounts due to third parties	--	1,467,016	1,467,016	--
<b>Long-term Liabilities</b>				
Portions due within one year				
Bonds payable - current portion	1,822,000	2,106,265	3,928,265	1,099,663
Net OPEB obligation - current portion	2,251,418	2,480,443	4,731,861	--
Portions due or payable after one year				
Bonds payable - long term portion	27,243,000	24,900,814	52,143,814	62,726,025
Compensated absences - long-term	2,215,777	--	2,215,777	--
Accrued landfill closure expense	--	16,366,025	16,366,025	--
Net OPEB obligation - long-term	7,247,939	--	7,247,939	463,308
Other noncurrent liabilities	--	--	--	460,167,791
<b>Total liabilities</b>	<b>89,022,631</b>	<b>49,966,724</b>	<b>138,989,355</b>	<b>541,614,861</b>
<b>Net assets</b>				
Investment in capital assets, net of related debt	179,687,788	39,537,013	219,224,801	31,996,427
Restricted for:				
Insurance	1,724,272	--	1,724,272	--
Inventory	1,410,979	--	1,410,979	--
Capital projects	12,850,101	--	12,850,101	--
Tax stabilization	100,060	--	100,060	--
Occupancy tax	113,258	--	113,258	--
Mortgage tax	100,000	--	100,000	--
E911	597,372	--	597,372	--
DWI program	370,683	--	370,683	--
Fire services	441,178	--	441,178	--
Lakes and waterways	144,508	--	144,508	--
DMV surcharges	50,000	--	50,000	--
Other	--	--	--	15,507,121
Unrestricted, designated for:				
Post-retirement benefits	5,208,371	--	5,208,371	--
Subsequent year's expenditures/budget	10,928,600	--	10,928,600	--
Encumbrances	1,536,443	--	1,536,443	--
Unrestricted, undesignated (deficit)	9,459,734	2,145,458	11,605,192	(34,024,206)
<b>Total net assets</b>	<b>224,723,347</b>	<b>41,682,471</b>	<b>266,405,818</b>	<b>13,479,342</b>
<b>Total liabilities and net assets</b>	<b>\$ 313,745,978</b>	<b>\$ 91,649,195</b>	<b>\$ 405,395,173</b>	<b>\$ 555,094,203</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
<b>Functions/Programs</b>								
<b>Governmental activities:</b>								
General governmental support	\$ 47,288,220	\$ 9,062,429	\$ 711,841	\$ 295,581	\$ (37,218,369)	\$ --	\$ (37,218,369)	--
Education	12,106,427	978,403	3,427,647	--	(7,700,377)	--	(7,700,377)	--
Public safety	26,156,633	3,087,688	2,393,293	--	(20,675,652)	--	(20,675,652)	--
Health	19,323,082	5,510,124	8,506,566	--	(5,306,392)	--	(5,306,392)	--
Transportation	19,436,914	3,903,754	1,332,233	8,452,594	(5,748,333)	--	(5,748,333)	--
Economic development	240,110,352	9,786,422	187,705,612	11,068	(42,607,250)	--	(42,607,250)	--
Culture and recreation	677,978	10,903	368,877	--	(298,198)	--	(298,198)	--
Home and community services	2,166,546	53,272	619,530	623,229	(870,515)	--	(870,515)	--
Debt service - interest and issuance fees	1,169,595	--	--	--	(1,169,595)	--	(1,169,595)	--
<b>Total governmental activities</b>	<b>368,435,747</b>	<b>32,392,995</b>	<b>205,065,599</b>	<b>9,382,472</b>	<b>(121,594,681)</b>	<b>--</b>	<b>(121,594,681)</b>	<b>--</b>
<b>Business-type activities:</b>								
County Home	20,179,858	18,010,095	--	--	--	(2,169,763)	(2,169,763)	--
Sewer	3,917,471	3,448,541	--	--	--	(468,930)	(468,930)	--
Water	58,134	56,723	--	--	--	(1,411)	(1,411)	--
Landfill	8,225,374	8,620,027	15,000	--	--	409,653	409,653	--
Electric Plant	2,435,390	3,886,264	--	1,903,000	--	3,353,874	3,353,874	--
<b>Total business-type activities</b>	<b>34,816,227</b>	<b>34,021,650</b>	<b>15,000</b>	<b>1,903,000</b>	<b>--</b>	<b>1,123,423</b>	<b>1,123,423</b>	<b>--</b>
<b>Total functions and programs</b>	<b>\$ 403,251,974</b>	<b>\$ 66,414,645</b>	<b>\$ 205,080,599</b>	<b>\$ 11,285,472</b>	<b>(121,594,681)</b>	<b>1,123,423</b>	<b>(120,471,258)</b>	<b>--</b>

**Component Units:**

Chautauqua County Industrial Development Agency	\$ 1,790,372	\$ 439,138	\$ 244,092	\$ --	--	--	--	(1,107,142)
Jamestown Community College	34,615,591	9,271,802	26,564,467	4,036,190	--	--	--	5,256,868
Chautauqua Tobacco Asset Securitization Corporation	3,130,156	--	--	--	--	--	--	(3,130,156)
Total component units	<u>\$ 39,536,119</u>	<u>\$ 9,710,940</u>	<u>\$ 26,808,559</u>	<u>\$ 4,036,190</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,019,570</u>

**General Revenues**

Real property taxes			56,896,184		56,896,184	--
Other real property tax items			9,491,980		9,491,980	--
Sales tax			54,240,185		54,240,185	--
Sale of property and compensation for loss			505,395		505,395	--
Miscellaneous			950,860	141,358	1,092,218	3,456,931
Use of money and property			1,870,848	428,575	2,299,423	420,284
Intergovernmental transfer			2,252,532	(2,252,532)	--	--
Total general revenues			<u>126,207,984</u>	<u>(1,682,599)</u>	<u>124,525,385</u>	<u>3,877,215</u>

**Change in net assets**

			4,613,303	(559,176)	4,054,127	4,896,785
Net assets - beginning of year			221,458,115	42,241,647	263,699,762	8,582,557
Prior period adjustments			(1,348,071)	--	(1,348,071)	
Net assets - end of year			<u>\$ 224,723,347</u>	<u>\$ 41,682,471</u>	<u>\$ 266,405,818</u>	<u>\$ 13,479,342</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2010**

	General	County Road	Road Machinery	Capital Projects	2010 Total
<b>Assets</b>					
Cash and cash equivalents	\$ 32,793,237	\$ 1,213,421	\$ 2,277,161	\$ 7,013,274	\$ 43,297,093
Receivables, net					
Accounts receivable	14,474,457	47,923	25,532	-	14,547,912
Taxes receivable	21,019,061	-	-	-	21,019,061
Due from other governments	11,289,330	-	-	79,692	11,369,022
Inventory	31,848	-	1,379,189	-	1,411,037
Prepaid expenses	1,372,252	139,700	25,393	-	1,537,345
<b>Total assets</b>	<b>\$ 80,980,185</b>	<b>\$ 1,401,044</b>	<b>\$ 3,707,275</b>	<b>\$ 7,092,966</b>	<b>\$ 93,181,470</b>
<b>Liabilities</b>					
Accounts payable	\$ 7,251,332	\$ 168,695	\$ 51,651	\$ 5,135	\$ 7,476,813
Contract retainage	10,519	68,453	--	290,172	369,144
Accrued liabilities	2,157,255	229,885	39,908	--	2,427,048
Due to other governments	12,517,560	--	--	--	12,517,560
Deferred revenue - property taxes	12,317,400	--	--	--	12,317,400
Deferred revenue - other	13,321,828	--	--	--	13,321,828
Net OPEB obligation	2,251,418	--	--	--	2,251,418
<b>Total liabilities</b>	<b>49,827,312</b>	<b>467,033</b>	<b>91,559</b>	<b>295,307</b>	<b>50,681,211</b>
<b>Fund balance</b>					
Reserve for encumbrances	379,513	26,777	124,015	1,006,138	1,536,443
Reserve for insurance	3,499,485	--	--	--	3,499,485
Reserve for supplies	31,790	--	1,379,189	--	1,410,979
Reserve for capital projects	4,362,538	--	--	5,791,521	10,154,059
Reserve for tax stabilization	100,060	--	--	--	100,060
Reserve for occupancy tax	113,258	--	--	--	113,258
Reserve for mortgage tax	100,000	--	--	--	100,000
Reserve for E911	597,372	--	--	--	597,372
Reserve for DWI program	370,683	--	--	--	370,683
Reserve for fire services	441,178	--	--	--	441,178
Reserve for lakes and waterways	144,508	--	--	--	144,508
Reserve for DMV surcharges	--	50,000	--	--	50,000
Unreserved, designated:					
Designated for post-retirement benefits	5,208,371	--	--	--	5,208,371
Designated for subsequent year's expenditures	10,178,600	500,000	250,000	--	10,928,600
Unreserved, undesignated, reported in:					
General fund	5,625,517	--	--	--	5,625,517
Special revenue funds	--	357,234	1,862,512	--	2,219,746
<b>Total fund balance</b>	<b>31,152,873</b>	<b>934,011</b>	<b>3,615,716</b>	<b>6,797,659</b>	<b>42,500,259</b>
<b>Total liabilities and fund equity</b>	<b>\$ 80,980,185</b>	<b>\$ 1,401,044</b>	<b>\$ 3,707,275</b>	<b>\$ 7,092,966</b>	<b>\$ 93,181,470</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	County Road	Road Machinery	Capital Projects	2010 Total
<b>Revenue</b>					
Real property taxes	\$ 52,557,366	\$ --	\$ --	\$ --	\$ 52,557,366
Other real property tax items	9,491,980	--	--	--	9,491,980
Sales tax	54,240,185	--	--	--	54,240,185
Departmental income	21,119,129	--	--	--	21,119,129
Shared services	6,717,654	31,196	175,307	621,118	7,545,275
Licenses and permits	98,074	--	--	--	98,074
Fines and forfeitures	488,467	--	--	--	488,467
Sale of property and compensation for loss	236,385	24,331	219,533	75,702	555,951
Miscellaneous	467,595	862,410	299,987	23,084	1,653,076
Use of money and property	4,522,153	213,943	127,889	--	4,863,985
State aid	25,481,935	3,384,311	--	1,264,227	30,130,473
Federal aid	179,583,664	2,195,062	--	2,538,872	184,317,598
<b>Total revenue</b>	<b>355,004,587</b>	<b>6,711,253</b>	<b>822,716</b>	<b>4,523,003</b>	<b>367,061,559</b>
<b>Expenditures</b>					
General governmental support	44,149,904	--	--	--	44,149,904
Education	11,290,007	--	--	--	11,290,007
Public safety	24,871,255	--	--	--	24,871,255
Health	18,024,761	--	--	--	18,024,761
Transportation	4,724,868	18,055,661	3,337,873	--	26,118,402
Economic development	232,638,217	--	--	--	232,638,217
Culture and recreation	633,633	--	--	--	633,633
Home and community services	2,024,684	--	--	--	2,024,684
Debt service:					
Principal	1,590,000	--	15,000	--	1,605,000
Interest	1,013,857	--	4,123	--	1,017,980
Capital outlay	--	--	--	11,045,633	11,045,633
<b>Total expenditures</b>	<b>340,961,186</b>	<b>18,055,661</b>	<b>3,356,996</b>	<b>11,045,633</b>	<b>373,419,476</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>14,043,401</b>	<b>(11,344,408)</b>	<b>(2,534,280)</b>	<b>(6,522,630)</b>	<b>(6,357,917)</b>
<b>Other financing sources (uses)</b>					
Proceeds from issuance of long-term debt	--	--	--	3,000,000	3,000,000
Operating transfers in	2,252,532	10,183,910	3,327,445	3,826,588	19,590,475
Operating transfers out	(17,159,311)	--	(178,632)	--	(17,337,943)
<b>Total other financing sources (uses)</b>	<b>(14,906,779)</b>	<b>10,183,910</b>	<b>3,148,813</b>	<b>6,826,588</b>	<b>5,252,532</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>(863,378)</b>	<b>(1,160,498)</b>	<b>614,533</b>	<b>303,958</b>	<b>(1,105,385)</b>
<b>Fund equity, beginning of year</b>	<b>30,215,137</b>	<b>2,094,509</b>	<b>3,001,183</b>	<b>6,493,701</b>	<b>41,804,530</b>
Prior period adjustments	1,801,114	--	--	--	1,801,114
<b>Fund equity, end of year</b>	<b>\$ 31,152,873</b>	<b>\$ 934,011</b>	<b>\$ 3,615,716</b>	<b>\$ 6,797,659</b>	<b>\$ 42,500,259</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**RECONCILIATION OF THE BALANCE SHEET TO**  
**THE STATEMENT OF NET ASSETS – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2010**

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**Total fund balance - governmental funds** \$ 42,500,259

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 308,655,673	
Accumulated depreciation	<u>(99,533,741)</u>	209,121,932

Property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore are deferred in the funds. The County also reserved approximately 10% or \$2,101,906 of taxes real estate taxes receivable. 9,884,814

Interest on long-term assets is not accrued in governmental funds, but rather is recognized as an expenditure when due. (339,605)

Long-term liabilities, including serial bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of the following:

Serial bonds payable	(29,065,000)	
Compensated absences	(2,215,777)	
Other post-employment benefits liability	<u>(7,247,939)</u>	(38,528,716)

Internal service funds are used by the County to charge the costs of certain activities, such as insurance, to the individual funds. Assets in excess of liabilities of the internal service fund are included in the governmental funds statement of net assets. 2,084,663

\$ 224,723,347

	Total Governmental Funds	Internal Service Funds	Long-term Assets, Liabilities	Redassifications and Eliminations	Statement of Net Assets Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 43,297,093	\$ 6,889,975	\$ --	\$ --	\$ 50,187,068
Receivables, net					
Accounts receivable	14,547,912	--	--	--	14,547,912
Taxes receivable	21,019,061	--	(2,101,906)	--	18,917,155
Due from other governments	11,369,022	6,554,489	--	--	17,923,511
Internal service fund transfer	--	--	100,018	--	100,018
Inventory	1,411,037	--	--	--	1,411,037
Prepaid expenses	1,537,345	--	--	--	1,537,345
Capital assets, net	--	--	209,121,932	--	209,121,932
<b>Total assets</b>	<b>\$ 93,181,470</b>	<b>\$ 13,444,464</b>	<b>\$ 207,120,044</b>	<b>\$ --</b>	<b>\$ 313,745,978</b>
<b>Liabilities</b>					
Accounts payable	\$ 7,476,813	\$ 421,165	\$ --	\$ --	\$ 7,897,978
Contract retainage	369,144	--	--	--	369,144
Accrued liabilities	2,427,048	11,038,654	--	--	13,465,702
Accrued interest	--	--	339,605	--	339,605
Due to other governments	12,517,560	--	--	--	12,517,560
Deferred revenue - property taxes	12,317,400	--	(11,986,720)	--	330,680
Deferred revenue - other	13,321,828	--	--	--	13,321,828
Serial bonds payable	--	--	29,065,000	--	29,065,000
Compensated absences	--	--	2,215,777	--	2,215,777
Net OPEB obligation	2,251,418	--	7,247,939	--	9,499,357
<b>Total liabilities</b>	<b>50,681,211</b>	<b>11,459,819</b>	<b>26,881,601</b>	<b>--</b>	<b>89,022,631</b>
<b>Fund equity/net assets</b>	<b>42,500,259</b>	<b>1,984,645</b>	<b>180,238,443</b>	<b>--</b>	<b>224,723,347</b>
<b>Total liabilities and fund equity/net assets</b>	<b>\$ 93,181,470</b>	<b>\$ 13,444,464</b>	<b>\$ 207,120,044</b>	<b>\$ --</b>	<b>\$ 313,745,978</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Total net change in fund balances - governmental funds</b>	\$	(1,105,385)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:</p>		
Capital outlays	\$	19,109,791
Depreciation expense		<u>(13,007,950)</u>
		6,101,841
<p>Because some property taxes will not be collected for several months after the County's year-end, they are not considered as "available" revenue in the governmental funds. In the statement of activities amounts are recognized as revenue as they are considered earned. Deferred revenue changed by this amount during the current year.</p>		
		4,338,818
<p>Interest income from IDA Bonds was recognized as revenue in prior years with a related receivable within the governmental funds. During the current year it was determined that the receivable recognized was contingent on sale price of the related property; therefore, the receivable was written off.</p>		
		(553,303)
<p>Proceeds from the sale of assets are reported as revenue in the governmental funds, whereas in the statement of activities, a gain or loss on sale is reported.</p>		
		(50,556)
<p>Repayment of bond and other long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		1,605,000
<p>Proceeds from long-term debt (net of issuance fees) are recorded as revenue in the governmental funds. However, in the statement of activities, proceeds from long-term debt is not recorded as revenue, but rather the amount is recorded as a liability in the statement of net assets. Proceeds from long-term debt during the current year consisted of the following:</p>		
Long-term notes payable		(3,000,000)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		(151,615)
<p>In the statement of activities, certain operating expenses - compensated absences and special termination benefits (OPEB) - 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.</p>		
		(1,702,910)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance, to the governmental and business type funds. The net loss of the internal service funds of \$1,523,837 is reported with governmental activities, less \$655,250 allocated to the business type activities.</p>		
		<u>(868,587)</u>
	<u>\$</u>	<u>4,613,303</u>

**See accompanying independent auditors' report and notes to financial statements.**

	Total Governmental Funds	Internal Service Funds	Capital and Other Asset Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Net Assets Totals
<b>Revenue</b>						
Real property taxes	\$ 52,557,366	\$ --	\$ 4,338,818	\$ --	\$ --	\$ 56,896,184
Other real property tax items	9,491,980	--	--	--	--	9,491,980
Sales tax	54,240,185	--	--	--	--	54,240,185
Departmental income	21,119,129	--	--	--	(21,119,129)	--
Shared services	7,545,275	--	--	--	(7,545,275)	--
Licenses and permits	98,074	--	--	--	(98,074)	--
Fines and forfeitures	488,467	--	--	--	(488,467)	--
Sale of property and compensation for loss	555,951	--	(50,556)	--	--	505,395
Miscellaneous	1,653,076	--	--	--	(702,216)	950,860
Use of money and property	4,863,985	--	(553,303)	--	(2,439,834)	1,870,848
State aid	30,130,473	--	--	--	(30,130,473)	--
Federal aid	184,317,598	--	--	--	(184,317,598)	--
<b>Total revenues</b>	<b>367,061,559</b>	<b>--</b>	<b>3,734,959</b>	<b>--</b>	<b>(246,841,066)</b>	<b>123,955,452</b>
<b>Expenditures</b>						
General governmental support	44,149,904	106,596	2,690,960	340,760	(10,069,851)	37,218,369
Education	11,290,007	27,259	693,359	95,802	(4,406,050)	7,700,377
Public safety	24,871,255	60,049	1,019,831	205,498	(5,480,981)	20,675,652
Health	18,024,761	43,519	1,070,902	183,900	(14,016,690)	5,306,392
Transportation	26,118,402	63,061	(6,879,531)	134,982	(13,688,581)	5,748,333
Economic development	232,638,217	561,685	6,185,015	725,435	(197,503,102)	42,607,250
Culture and recreation	633,633	1,530	38,914	3,901	(379,780)	298,198
Home and community services	2,024,684	4,888	124,342	12,632	(1,296,031)	870,515
Debt service:						
Principal	1,605,000	--	--	(1,605,000)	--	--
Interest	1,017,980	--	--	151,615	--	1,169,595
Capital outlay	11,045,633	--	(11,045,633)	--	--	--
<b>Total expenditures</b>	<b>373,419,476</b>	<b>868,587</b>	<b>(6,101,841)</b>	<b>249,525</b>	<b>(246,841,066)</b>	<b>121,594,681</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(6,357,917)</b>	<b>(868,587)</b>	<b>9,836,800</b>	<b>(249,525)</b>	<b>--</b>	<b>2,360,771</b>
<b>Other financing sources (uses)</b>						
Proceeds from issuance of long-term debt	3,000,000	--	--	(3,000,000)	--	--
Operating transfers in	19,590,475	--	--	--	(17,337,943)	2,252,532
Operating transfers out	(17,337,943)	--	--	--	17,337,943	--
<b>Total other financing sources (uses)</b>	<b>5,252,532</b>	<b>--</b>	<b>--</b>	<b>(3,000,000)</b>	<b>--</b>	<b>2,252,532</b>
<b>Net change for the year</b>	<b>\$ (1,105,385)</b>	<b>\$ (868,587)</b>	<b>\$ 9,836,800</b>	<b>\$ (3,249,525)</b>	<b>\$ --</b>	<b>\$ 4,613,303</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BALANCE SHEET – PROPRIETARY FUNDS**  
**AS OF DECEMBER 31, 2010**

	Business Type Activities					2010 Total	Governmental Activities - Internal Service Funds
	Enterprise Funds						
	County Home	Sewer	North County Water District	Landfill	Electric Plant		
<b>Current Assets</b>							
Cash and cash equivalents - unrestricted	\$ 2,756,465	\$ 4,689,165	\$ 62,453	\$ 10,114,682	\$ 2,080,413	\$ 19,703,178	\$ 6,889,975
Resident Trust funds - restricted	119,378	--	--	--	--	119,378	--
Receivables, net							
Accounts receivable	1,684,042	1,190,106	12,815	1,032,833	211,618	4,131,414	--
Due from other governments	--	--	--	33,424	--	33,424	6,554,489
Inventory	196,071	--	--	--	--	196,071	--
Prepaid expenses	230,857	25,368	--	63,443	--	319,668	--
<b>Total current assets</b>	<b>4,986,813</b>	<b>5,904,639</b>	<b>75,268</b>	<b>11,244,382</b>	<b>2,292,031</b>	<b>24,503,133</b>	<b>13,444,464</b>
<b>Noncurrent Assets</b>							
Deferred charges	372,086	40,409	--	2,700	--	415,195	--
Capital assets:							
Land and improvements	1,730,946	--	--	34,498,430	--	36,229,376	--
Buildings	17,027,894	--	--	4,695,078	6,439,655	28,162,627	--
Machinery and equipment	11,984,678	--	--	7,131,436	6,701,122	25,817,236	--
Sewage treatment facilities	--	61,364,367	--	--	--	61,364,367	--
Water district facilities	--	--	1,432,431	--	--	1,432,431	--
Construction in progress	448,373	833,540	--	6,673,895	47,031	8,002,839	--
Accumulated depreciation	(17,485,793)	(36,705,649)	(1,123,187)	(38,528,696)	(334,667)	(94,177,992)	--
<b>Total noncurrent assets</b>	<b>14,078,184</b>	<b>25,532,667</b>	<b>309,244</b>	<b>14,472,843</b>	<b>12,863,141</b>	<b>67,246,079</b>	<b>--</b>
<b>Total Assets</b>	<b>\$ 19,064,997</b>	<b>\$ 31,437,306</b>	<b>\$ 384,512</b>	<b>\$ 25,717,225</b>	<b>\$ 15,145,172</b>	<b>\$ 91,749,212</b>	<b>\$ 13,444,464</b>
<b>Current Liabilities</b>							
Accounts payable	\$ 273,412	\$ 108,684	\$ 3,212	\$ 328,397	\$ 134	\$ 713,839	\$ 421,165
Contract retainage	19,378	27,566	--	164,163	75,685	286,792	--
Accrued liabilities	737,485	95,580	506	204,880	473,424	1,511,875	11,038,651
Due to other governments	12,837	--	1,440	--	--	14,277	--
Amounts held in escrow	119,378	--	--	--	--	119,378	--
Amounts due to third parties	87,997	1,379,019	--	--	--	1,467,016	--
Bonds payable - current portion	1,000,000	56,265	12,000	775,000	263,000	2,106,265	--
Net OPEB obligation	1,809,100	187,961	--	483,382	--	2,480,443	--
<b>Total current liabilities</b>	<b>4,059,587</b>	<b>1,855,075</b>	<b>17,158</b>	<b>1,955,822</b>	<b>812,243</b>	<b>8,699,885</b>	<b>11,459,816</b>
<b>Noncurrent Liabilities</b>							
Bonds payable - long term portion	9,480,000	252,000	72,000	2,230,000	12,487,000	24,581,000	--
Unamortized bond discount	320,267	--	--	(453)	--	319,814	--
Accrued landfill closure expense	--	--	--	16,366,025	--	16,366,025	--
<b>Total long-term liabilities</b>	<b>9,800,267</b>	<b>252,000</b>	<b>72,000</b>	<b>18,655,572</b>	<b>12,487,000</b>	<b>41,266,839</b>	<b>--</b>
<b>Total liabilities</b>	<b>13,859,854</b>	<b>2,107,075</b>	<b>89,158</b>	<b>20,611,394</b>	<b>13,299,243</b>	<b>49,966,724</b>	<b>11,459,816</b>
<b>Net assets</b>							
Investment in capital assets, net of related debt	2,886,453	25,183,993	225,244	11,241,433	27,456	39,564,579	--
Restricted net assets	--	--	--	--	--	--	2,320,131
Unrestricted net assets	2,318,690	4,146,238	70,110	(6,135,602)	1,818,473	2,217,909	(335,483)
<b>Total net assets</b>	<b>5,205,143</b>	<b>29,330,231</b>	<b>295,354</b>	<b>5,105,831</b>	<b>1,845,929</b>	<b>41,782,488</b>	<b>1,984,648</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,064,997</b>	<b>\$ 31,437,306</b>	<b>\$ 384,512</b>	<b>\$ 25,717,225</b>	<b>\$ 15,145,172</b>	<b>\$ 91,749,212</b>	<b>\$ 13,444,464</b>

See accompanying independent auditors' report and notes to financial statements.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF REVENUES, EXPENSE AND**  
**CHANGES IN NET ASSETS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business Type Activities					2010 Total	Governmental Activities - Internal Service Funds
	Enterprise Funds						
	County Home	Sewer	North County Water District	Landfill	Electric Plant		
<b>Operating revenue</b>							
Charges for services	\$ 18,010,095	\$ 3,448,541	\$ 56,723	\$ 8,620,027	\$ 3,886,264	\$ 34,021,650	\$ 20,934,599
<b>Total operating revenues</b>	<b>18,010,095</b>	<b>3,448,541</b>	<b>56,723</b>	<b>8,620,027</b>	<b>3,886,264</b>	<b>34,021,650</b>	<b>20,934,599</b>
<b>Operating expenses</b>							
Professional services	8,796,207	938,111	3,023	1,956,736	5,578	11,699,655	--
Contractual services	3,380,688	1,500,484	23,098	1,485,722	1,575,886	7,965,878	--
Employee benefits	4,592,983	457,519	277	1,072,893	--	6,123,672	--
Interfund charges	290,204	--	--	--	--	290,204	--
Insurance claims and expenses	--	--	--	--	--	--	23,403,129
NYS assessment receipts	864,605	--	--	--	--	864,605	--
Depreciation	1,414,358	877,137	26,194	3,450,345	334,668	6,102,702	--
<b>Total operating expenses</b>	<b>19,339,045</b>	<b>3,773,251</b>	<b>52,592</b>	<b>7,965,696</b>	<b>1,916,132</b>	<b>33,046,716</b>	<b>23,403,129</b>
<b>Non operating revenues (expenses):</b>							
State sources	--	--	--	15,000	1,903,000	1,918,000	--
Interest income	--	120,815	1,814	99,025	206,921	428,575	322,978
Interest expense	(461,023)	(70,492)	(4,449)	(104,874)	(473,424)	(1,114,262)	--
Other miscellaneous	1,430	10,510	--	129,586	(168)	141,358	621,715
Intergovernmental transfers out	--	--	--	--	(2,252,532)	(2,252,532)	--
<b>Total nonoperating revenues (expenses)</b>	<b>(459,593)</b>	<b>60,833</b>	<b>(2,635)</b>	<b>138,737</b>	<b>(616,203)</b>	<b>(878,861)</b>	<b>944,693</b>
<b>Change in net assets</b>	<b>(1,788,543)</b>	<b>(263,877)</b>	<b>1,496</b>	<b>793,068</b>	<b>1,353,929</b>	<b>96,073</b>	<b>(1,523,837)</b>
Total net assets, beginning	6,993,686	29,594,108	293,858	4,312,763	492,000	41,686,415	3,508,485
<b>Total net assets, ending</b>	<b>\$ 5,205,143</b>	<b>\$ 29,330,231</b>	<b>\$ 295,354</b>	<b>\$ 5,105,831</b>	<b>\$ 1,845,929</b>	<b>\$ 41,782,488</b>	<b>\$ 1,984,648</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business Type Activities					12/31/2010 Total
	Enterprise Funds					
	County Home	Sewer	North County Water District	Landfill	Electric Plant	
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 17,877,839	\$ 3,508,800	\$ 55,689	\$ 8,193,327	\$ 2,977,668	\$ 32,613,323
Cash paid to vendors	(9,279,095)	(766,803)	(20,163)	(2,258,724)	(1,559,322)	(13,884,107)
Cash paid to employees	(8,794,690)	(933,515)	(2,997)	(1,948,564)	(5,578)	(11,685,344)
Net cash provided by (used in) operating activities	(195,946)	1,808,482	32,529	3,986,039	1,412,768	7,043,872
<b>Cash flows from noncapital financing activities</b>						
Transfers out	--	--	--	--	(2,252,532)	(2,252,532)
Other income (expenses)	--	--	--	15,000	1,903,000	1,918,000
Net cash provided by (used in) noncapital financing activities	--	--	--	15,000	(349,532)	(334,532)
<b>Cash flows from capital financing activities</b>						
Acquisition and construction of capital assets	(743,379)	(808,027)	--	(3,896,785)	(2,067,857)	(7,516,048)
Proceeds from sale of capital assets	1,430	10,510	--	129,586	--	141,526
Proceeds from capital debt	--	--	--	--	12,750,000	12,750,000
Principal payments on capital debt	(975,000)	(57,300)	(12,000)	(780,000)	(6,796,000)	(8,620,300)
Interest paid on capital debt	(516,382)	(44,014)	(4,500)	(110,022)	--	(674,918)
Net cash provided by (used in) capital financing activities	(2,233,331)	(898,831)	(16,500)	(4,657,221)	3,886,143	(3,919,740)
<b>Cash flows from investing activities</b>						
Interest earnings	--	120,814	1,814	98,925	206,752	428,305
Net cash provided by investing activities	--	120,814	1,814	98,925	206,752	428,305
<b>Net increase (decrease) in cash</b>	(2,429,277)	1,030,465	17,843	(557,257)	5,156,131	3,217,905
Cash and cash equivalents, unrestricted, beginning of year	5,185,742	3,658,700	44,610	10,671,939	(3,075,718)	16,485,273
<b>Cash and cash equivalents, unrestricted, end of year</b>	\$ 2,756,465	\$ 4,689,165	\$ 62,453	\$ 10,114,682	\$ 2,080,413	\$ 19,703,178
<b>Reconciliation of net income (loss) to net cash provided by (used in) operating activities</b>						
Net Income (loss) from operating activities	\$ (1,328,950)	\$ (324,710)	\$ 4,131	\$ 654,331	\$ 1,970,132	\$ 974,934
Adjustments to reconcile net income (loss) to cash provided by operating activities:						
Depreciation	1,414,358	877,137	26,194	3,450,345	334,668	6,102,702
Changes in assets and liabilities:						
Decrease (increase) in accounts receivable, net	(73,469)	(10,815)	(1,034)	(426,700)	(211,618)	(723,636)
Decrease (increase) in prepaid & deferred expenses	(89,549)	(10,287)	--	(20,867)	--	(120,703)
Decrease (increase) in inventories	20,278	--	--	--	--	20,278
Increase (decrease) in accounts payable	(419,098)	(106,643)	3,212	205,295	16,564	(300,670)
Increase (decrease) in accrued expenses	1,517	4,596	26	8,172	--	14,311
Increase (decrease) in due to other governments	3,271	--	--	--	--	3,271
Increase (decrease) in due to third parties	2,397	1,379,019	--	--	--	1,381,416
Increase (decrease) in deferred revenues	(58,787)	(40,409)	--	--	(696,978)	(796,174)
Increase (decrease) in net OPEB obligation	332,086	40,594	--	115,463	--	488,143
Net cash provided by (used in) operating activities	\$ (195,946)	\$ 1,808,482	\$ 32,529	\$ 3,986,039	\$ 1,412,768	\$ 7,043,872

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – FIDUCIARY FUNDS**  
**AS OF DECEMBER 31, 2010**

	Agency Funds	Trust Funds	2010 Totals
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 4,909,949	\$ 494,792	\$ 5,404,741
<b>Total assets</b>	<b>\$ 4,909,949</b>	<b>\$ 494,792</b>	<b>\$ 5,404,741</b>
<b>Current Liabilities</b>			
Amounts held in custody for others	\$ 4,909,949	\$ --	\$ 4,909,949
<b>Total liabilities</b>	<b>4,909,949</b>	<b>--</b>	<b>4,909,949</b>
<b>Net assets</b>			
Net assets held in trust	-	494,792	494,792
<b>Total net assets</b>	<b>-</b>	<b>494,792</b>	<b>494,792</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,909,949</b>	<b>\$ 494,792</b>	<b>\$ 5,404,741</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**Page 21**

	<u>Trust Funds</u>
<b>Additions</b>	
Contributions	<u>\$ 8,097</u>
<b>Total additions</b>	<u>8,097</u>
<b>Deductions</b>	
County clerk expenditures	569
Sheriff and public safety expenditures	<u>8,877</u>
<b>Total deductions</b>	<u>9,446</u>
Change in net assets	(1,349)
<b>Net assets held in trust:</b>	
Beginning of year	<u>496,141</u>
<b>End of year</b>	<u><u>\$ 494,792</u></u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF NET ASSETS – COMPONENT UNITS**  
**AS OF DECEMBER 31, 2010**

	Cha utauqua Industrial Development Agency	Jamestown Community College	Chautauqua Tobacco Asset Securitization Corporation	2010 Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,831,684	\$ 10,484,838	\$ 3,358,752	\$ 17,675,274
Accounts receivable	66,000	10,585,662	--	10,651,662
Due from other governments	--	1,698,072	--	1,698,072
Prepaid expenses	--	189,659	--	189,659
Other current assets	--	1,056,652	--	1,056,652
Current portion, notes receivable	1,391,879	--	--	1,391,879
<b>Total current assets</b>	<b>5,289,563</b>	<b>24,014,883</b>	<b>3,358,752</b>	<b>32,663,198</b>
<b>Noncurrent Assets</b>				
Property and equipment, net	2,284,003	58,352,964	--	60,636,967
Notes receivable, net of current portion	7,781,387	--	--	7,781,387
Allowance for uncollectible notes receivable	(572,496)	--	--	(572,496)
Land held for resale	1,054,712	--	--	1,054,712
Restricted cash and cash equivalents	--	809	--	809
Cash and securities held by trustees	--	6,986,378	--	6,986,378
Deferred charges - capital appreciation bonds	--	--	445,683,159	445,683,159
Unamortized bond issuance cost	--	--	860,089	860,089
<b>Total noncurrent assets</b>	<b>10,547,606</b>	<b>65,340,151</b>	<b>446,543,248</b>	<b>522,431,005</b>
<b>Total assets</b>	<b>\$ 15,837,169</b>	<b>\$ 89,355,034</b>	<b>\$ 449,902,000</b>	<b>\$ 555,094,203</b>
<b>Current Liabilities</b>				
Accounts payable	\$ 55,433	\$ 2,058,246	\$ --	\$ 2,113,679
Due to other governments	13,874	--	--	13,874
Accrued interest	53,249	--	--	53,249
Accrued liabilities	2,602	3,279,324	--	3,281,926
Deferred revenue	150,120	11,545,226	--	11,695,346
Current portion of long-term debt	214,915	629,748	255,000	1,099,663
<b>Total current liabilities</b>	<b>490,193</b>	<b>17,512,544</b>	<b>255,000</b>	<b>18,257,737</b>
<b>Noncurrent Liabilities</b>				
Non-current portion of long-term debt obligations	2,736,428	31,649,597	28,340,000	62,726,025
Turbo capital appreciation bonds payable	--	--	458,257,433	458,257,433
Other post-employment benefits	--	463,308	--	463,308
Deferred credits	--	1,910,358	--	1,910,358
<b>Total long-term liabilities</b>	<b>2,736,428</b>	<b>34,023,263</b>	<b>486,597,433</b>	<b>523,357,124</b>
<b>Total liabilities</b>	<b>3,226,621</b>	<b>51,535,807</b>	<b>486,852,433</b>	<b>541,614,861</b>
<b>Net assets</b>				
Investment in capital assets, net of related debt	387,372	31,609,055	--	31,996,427
Restricted net assets	12,143,306	5,063	3,358,752	15,507,121
Unrestricted net assets (deficit)	79,870	6,205,109	(40,309,185)	(34,024,206)
<b>Total net assets (deficit)</b>	<b>12,610,548</b>	<b>37,819,227</b>	<b>(36,950,433)</b>	<b>13,479,342</b>
<b>Total liabilities and net assets</b>	<b>\$ 15,837,169</b>	<b>\$ 89,355,034</b>	<b>\$ 449,902,000</b>	<b>\$ 555,094,203</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**STATEMENT OF ACTIVITIES – COMPONENT UNITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Chautauqua Industrial Development Agency	Jamestown Community College	Chautauqua Tobacco Asset Securitization Corporation	2010 Total
<b>Total Expenses</b>	\$ 1,790,372	\$ 34,615,591	\$ 3,130,156	\$ 39,536,119
<b>Program Revenues:</b>				
Charges for services	439,138	9,271,802	--	9,710,940
Operating grants and contributions	244,092	26,564,467	--	26,808,559
Capital grants and contributions	--	4,036,190	--	4,036,190
<b>Total program revenues</b>	683,230	39,872,459	--	40,555,689
Net Program revenues (expenses)	(1,107,142)	5,256,868	(3,130,156)	1,019,570
<b>General Revenues:</b>				
Interest Earnings (expense)	441,356	(126,663)	105,591	420,284
Miscellaneous revenue (expense)	339,118	952,550	2,165,263	3,456,931
<b>Total general revenues</b>	780,474	825,887	2,270,854	3,877,215
<b>Change in net assets</b>	(326,668)	6,082,755	(859,302)	4,896,785
Total net assets (deficit), beginning of the year	12,937,216	31,736,472	(36,091,131)	8,582,557
<b>Total net assets (deficit), end of year</b>	\$ 12,610,548	\$ 37,819,227	\$ (36,950,433)	\$ 13,479,342

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the County of Chautauqua, New York (County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

**A. Reporting Entity**

Subject to the New York State Constitution, the County operates pursuant to its Charter and Administrative Code, as well as various local laws. Additionally, certain New York State laws govern the County to the extent that such laws are applicable to counties operating under a charter form of government. The Charter was enacted by local law and approved by the electorate at a general election held November 6, 1973. The Chautauqua County Legislature is the legislative body responsible for overall operations, the County Executive serves as chief executive officer, and the Director of Finance serves as chief fiscal officer.

The County provides mandated social service programs such as Medicaid, aid to dependent children, and home relief. The County also provides services and facilities in the areas of culture, recreation, police, youth, health, senior services, roads, sanitary sewage and water. These general government programs and services are financed by various taxes, state and federal aid, and departmental revenue (which are primarily comprised of service fees and various types of program-related charges). Additionally, the County also operates a nursing home and a landfill.

The financial reporting entity consists of (a) the primary government which is the County of Chautauqua, New York, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria the following is a brief review of certain entities considered in determining the County's reporting entity.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

Based upon the foregoing criteria and the significant factors presented below the following organizations, functions or activities are included as blended component units of the primary government, discretely presented component units or related organizations and joint ventures:

**County of Chautauqua Industrial Development Agency (CCIDA)**

On March 22, 1972, the County of Chautauqua Industrial Development Agency (CCIDA) was established as a public benefit corporation under Title I, Article 18A of General Municipal Law of the State of New York. The purpose of the Agency is to promote, develop, encourage, and assist in the acquiring, constructing and maintaining of industrial manufacturing facilities. The Agency is exempt from federal and state income taxes. The CCIDA is included as a discretely presented component unit within the County's basic financial statements.

Requests for financial statements from CCIDA should be addressed in writing to County of Chautauqua Industrial Development Agency, 200 Harrison Street, Jamestown, New York 14701. CCIDA operates on a January 1 through December 31 fiscal year, therefore, the financial information presented in this report related to CCIDA is for the year ended December 31, 2010.

**Jamestown Community College (JCC)**

Jamestown Community College (JCC) was founded in 1950 as one of the first community colleges within the State University of New York. Its sponsors, the City of Jamestown and Chautauqua and Cattaraugus Counties appoint its Board of Trustees. During 1996, the State of New York amended Article 126 of the Education Law through Chapter 144 of the Laws of 1996. This Chapter changed the sponsorship from the City of Jamestown to the Jamestown Community College Region, effective September 1, 1996. This Region is made up of the City of Jamestown and Chautauqua and Cattaraugus Counties. JCC is included as a discretely presented component unit within the County's basic financial statements.

Requests for financial statements may be made in writing to Jamestown Community College, Administration Office, 525 Falconer Street, Jamestown, New York 14701. JCC operates on a September 1 through August 31 fiscal year, therefore, the financial information presented in this report related to JCC is for the fiscal year ended August 31, 2010.

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

**Chautauqua Tobacco Asset Securitization Corporation (CTASC)**

Chautauqua Tobacco Asset Securitization Corporation (CTASC) is a special purpose, local development corporation incorporated under the provisions of section 1411 of the New York State Not-For-Profit Corporation Law and is an instrumentality of, but separate and apart from, the County of Chautauqua, New York. CTASC is governed by a Board of three directors, consisting of the County Executive for Chautauqua County, New York; the Director of Finance for Chautauqua County, New York; and an independent Director. Pursuant to a Purchase and Sale Agreement with the County, CTASC purchased from the County all of its future right, title and interest in the Tobacco Settlement Revenue under the Master Settlement Agreement. CTASC financed the purchase through the issuance of Tobacco Settlement Revenue Bonds and the Residual Certificate. CTASC is included as a discretely presented component unit within the County's basic financial statements.

Requests for financial statements may be made in writing to Chautauqua Tobacco Asset Securitization Corporation, 3 North Erie Street, Mayville, New York 14757. CTASC operates on a January 1 through December 31 fiscal year, therefore, the financial information presented in this report related to CTASC is for the year ended December 31, 2010.

**B. Government-Wide and Fund Financial Statements**

The Government-wide financial statements (statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the County. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses have been included as a part of the program expenses reported for the various functional activities. Program revenues include 1) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not included among program revenues are reported instead as general revenues.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although the internal activity is not eliminated in these statements. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue are recognized when the underlying exchange transaction has occurred and the resources are available. For this purpose, the County considers revenues to be available if the County has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, except for general obligation bond principal and interest and compensated absences, which are reported in the year due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Revenues accrued at December 31, 2010 are listed in Note 5.

Revenues from Federal, State or other grants designated for payment of specific County expenditures are recognized when the related expenditures are incurred. At fiscal year-end excess receipts over expenditures are recorded as deferred revenue. Any excess expenditure over receipts is recorded as accounts receivable.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

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.

*County Road Fund* – This fund is used to account for the construction and maintenance of County roads and other transportation expenses in accordance with New York State laws.

*Road Machinery Fund* – This fund is used to account for the maintenance of heavy equipment utilized for road maintenance and construction.

*Capital Projects Fund* – This 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.

The County reports the following major proprietary fund:

*Enterprise Fund* – These funds are used to account for operations which provide goods or services to the general public. These ongoing activities are similar to those found in the private sector; therefore, the determination of net income is necessary to sound financial administration. The County maintains the following enterprise funds:

*County Home* – This fund is used to account for a New York State licensed skilled nursing and health related facility.

*Sewer Funds* – These funds are comprised of three County sewer districts and are used to account for the operating activities of the County sewer districts.

*Water Fund* – This fund is used to account for the operating activities of the County water district.

*Landfill* – This fund is used to account for the operating activities of the County landfill including transfer stations.

*Electric Plant* – This fund is used to account for the operating activities of the County electric generation plant at the County landfill.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Additionally, the County reports the following fund types:

*Internal Service Funds* – These funds are used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The County maintains the following internal service funds:

*Self-insurance Fund* – This fund is used to account for the County's self-insurance program for workers' compensation benefits.

*Health Insurance Fund* – This fund is used to account for the County's insurance program for vision and dental benefits.

*Fiduciary Funds*

*Agency Fund* – This fund is used to account for assets held by the County as an agent for other governments or other funds, such as payroll withholdings.

The proprietary fund activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements; Statements and Interpretation of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise and internal service funds are charges to patients for care and chargers for services. Operating expenses for the enterprise and internal service funds include the cost of services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets and Budgetary Accounting**

As required by Article XIV of the County Charter and Administrative Code, the County's annual procedures in establishing the budgetary data reflected in the financial statements are as follows:

- a) Not later than July 1<sup>st</sup> of each year, the Budget Director must furnish department heads with the appropriate budget forms for estimation of revenues and expenditures for the ensuing fiscal year.
- b) Not later than August 1<sup>st</sup>, the department heads must file their completed budget requests with the Budget Director.
- c) The Budget Director then reviews and investigates all budget requests. The Budget Director may recommend in whole or in part the estimates as deemed appropriate. On or before September 15<sup>th</sup>, the Budget Director must submit a tentative budget to the County Executive.
- d) The County Executive must then formulate a tentative budget and submit such to the Clerk of the Legislature by September 25<sup>th</sup>.
- e) Public hearings are held. The Legislature must then pass a budget within six calendar days following the public hearing. If the budget passed does not contain changes from the County Executive's tentative budget such budget is adopted; however, if the budget passed contains any changes it must be returned to the County Executive on the seventh day after the public hearing for his examination and consideration.
- f) If the County Executive does not object to the changes made, the Legislative passed budget becomes adopted. If the County Executive objects to any of the changes made, he must file such objections with the Clerk of the Legislature within ten days. The Legislature may, with a two-thirds vote, uphold the County Executive's objections, otherwise the Legislative passed budget becomes adopted.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets and Budgetary Accounting (continued)**

- g) Formal annual budgetary accounts are adopted and employed for control of all governmental funds except the capital projects fund. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States except that encumbrances are treated as budgetary expenditures in the year of occurrence of the commitment to purchase. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified. This results in the following reconciliation of fund balances computed on a GAAP basis and a budgetary basis:

	General Fund	County Road Fund	Road Machinery Fund
GAAP Basis: Fund Balances 12/31/10	\$31,152,873	\$934,011	\$3,615,716
Deduct outstanding encumbrances	<u>379,513</u>	<u>26,777</u>	<u>124,015</u>
Budgetary Basis: Fund Balances 12/31/10	<u>\$30,773,360</u>	<u>\$907,234</u>	<u>\$3,491,701</u>

- h) The County does not budget for the value of revenues and expenditures related to food stamps and Federal medical assistance payments that are passed through the County. In the current year, the value of food stamps and Federal medical assistance payments excluded from the budgetary basis schedules totaled \$39,323,862 and \$108,617,607, respectively.
- i) Total expenditures for each activity may not legally exceed the total appropriations for that activity. Encumbrances outstanding at year end are accounted for by a reservation of fund balance.
- j) Formal annual capital budgets and six year projections of capital needs are adopted by the Legislature for control of capital expenditures.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets and Budgetary Accounting (continued)**

k) At January 1, the amounts of encumbrances carried forward from the prior year are reestablished. These increases amounted to \$1,375,707, \$-0- and \$-0- in the General, County Road and Road Machinery Funds, respectively. During the year ended December 31, 2010 supplemental appropriations (including the prior year encumbrances) of \$8,491,516, \$3,692,914, and \$77,505 were approved in the General, County Road, and Road Machinery Funds, respectively.

**E. Encumbrances** – Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**F. Cash and Cash Equivalents** – Investments are stated at fair value. Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County.

**G. Inventories** – Inventories, which are comprised of general supplies and prescription drugs, medical and other supplies (enterprise fund), are stated at lower of cost (first-in, first out) or market.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Capital Assets**

The County's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The County maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The County generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The Costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Property, plant, and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Land improvements	20
Infrastructure:	
Dams and drainage systems	100
Traffic control systems	40
Bridges and culverts	30
Roads	20
Machinery and equipment	
Office equipment and furniture	10
Heavy equipment	9
Other	5
Vehicles	4
Computers	3

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. Property Tax Revenue Recognition**

The Countrywide 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 January 1 of the year for which they are levied. In the government-wide statements, property tax receivables and related revenue include all amounts due the County regardless of when cash is received. Over time, substantially all property taxes are collected.

Delinquent property taxes not collected at year end (excluding collections in the 60 day subsequent period) are recorded as deferred revenue in fund financial statements.

**J. Compensated Absences**

County employees are granted vacation and compensatory time in varying amounts. In the event of termination or upon retirement, and employee is entitled to payment for accumulated vacation and compensatory time.

Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and they are included in wages and benefits.

Payment of compensated absences recorded in the general government long-term debt in the government-wide financial statements is dependent upon many factors; therefore, timing of future payment is not readily determinable. However, management believes that sufficient resources will be made available for the future payment of compensated absences when such payments become due.

**K. Deficit Retained Earnings**

As of December 31, 2010, the County maintained a deficit retained earnings of \$335,483 in Health Insurance Fund within the Internal Service Funds. This deficit was caused by unanticipated increases in health care expenses. The County now utilizes a fully insured health insurance product and intends to eliminate this deficit through an increase in health insurance rates and savings due to the Medicaid cap.

**L. Tobacco Settlement**

In January 1997, the State of New York filed a lawsuit against the tobacco industry, seeking to recover the costs that the State and local governments had incurred in treating smoking related illnesses.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Tobacco Settlement (continued)**

Under an agreement reached with the tobacco industry referred to as Master Settlement Agreement (MSA) the State and counties are entitled to receive annual payments. The County has elected to securitize certain tobacco settlement payments. In order to securitize these payments the County has created a single purpose Local Development Corporation, which is referred to as the Chautauqua Tobacco Asset Securitization Corporation (CTASC). The County sold its right to receive certain future payments to the Corporation in exchange for proceeds of debt issued by the Corporation. The debt issued by the Corporation is not debt of the County and is secured only by future tobacco payments.

**M. Estimates**

The preparation of 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 and those differences could be significant.

**N. Recognition of Non-monetary Federal Aid**

GASB Statement No. 24 *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance* establishes standards for the accounting and financial reporting of grants and other financial assistance that are classified as (1) pass-through grants, (2) food stamps, and (3) on-behalf payments for fringe benefits and salaries. The standards deal with assistance that does not result in cash receipts and disbursements termed "non-monetary programs".

The Department of Health and Human Services requires the disclosure of the value of food stamps distributed to the residents of the County. For the year ended December 31, 2010, the value of federal assistance distributed to the residents of the County for food stamps totaled \$39,323,862 and has been recorded in the General Fund as revenue and expenditure per GASB Statement No 24.

For the year ended December 31, 2010, the County was also the recipient of federal medical assistance representing the amount of the County's share that was required to fund medical assistance checks to providers in the amount of \$108,617,607. The value of these payments has been recorded in the general fund as revenue and expenditures per GASB Statement No 24.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Accounting and Reporting Change**

In June, 2007, GASB issued Statement No 51 *Accounting and Financial Reporting for Intangible Assets*. This statement requires all intangible assets not specifically excluded to be classified as capital assets. The County implemented Statement No. 51, effective for the year ended December 31, 2010.

In June, 2008, GASB issued Statement No 53 *Accounting and Financial Reporting of Derivative Instruments*. This statement addresses recognition, measurement, and disclosure information regarding derivative instruments. The County implemented Statement No 53, effective for the fiscal year ended December 31, 2010.

In December 2009, GASB issued Statement No 57 *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*. This statement addresses issues related to the use of alternative measurement method and frequency and timing of measurements by employers that participate in agent multi-employer other postemployment benefit plans. The County implemented Statement No 57, effective for the year ended December 31, 2010.

In December 2009, GASB issued Statement No 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement provides accounting and financial guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The County implemented Statement No 58, effective for the year ended December 31, 2010.

**P. Future Impacts of Accounting Pronouncements**

The County has not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No 51 – Accounting and Financial Reporting Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the year ended December 31, 2011; GASB Statement No 57 – OPEB Measurements by Agent Multiple-Employer Plans, effective for the year ending December 31, 2012; and GASB Statement No 59 – Financial Instruments Omnibus, effective for the year ending December 31, 2011.

The County is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and results of operations when such statements are adopted.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year presentation.

**NOTE 2 - CASH AND INVESTMENTS**

The County's investment policies are governed by State statutes and various resolutions of the County Legislature. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Director of Finance is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the US Treasury and US agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand deposits and certificates of deposit at 102% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

The detail of cash and cash equivalents at December 31, 2010 is as follows:

	Carrying Amount
Petty cash	\$ 20,530
Deposits (checking and savings accounts)	17,130,768
Cash and cash equivalents (investments)	58,263,067
<b>Total</b>	<b>\$ 75,414,365</b>

Cash and cash equivalents maintained by the County at December 31, 2010 consist of:

	Amount
Government activities	\$ 50,187,068
Business-type activities	19,822,556
	70,009,624
Fiduciary activities	5,404,741
<b>Total</b>	<b>\$ 75,414,365</b>

Deposits – All deposits are carried at cost plus accrued interest

	Bank Balance
Insured (FDIC)	\$ 801,482
Uninsured	69,079,805
Collateral held by bank's agent in County's name	10,259,606
<b>Total deposits</b>	<b>\$ 80,140,893</b>

The County Home maintains patient deposits in the amount of \$119,378 that are held in a restricted account. This account is fully collateralized at December 31, 2010.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 2 - CASH AND INVESTMENTS (continued)**

Investment – All investments are carried at the lower of cost or market and are categorized in the following manner:

Category 1 – Insured or registered, or securities held by the County or its agent in the County’s name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty’s trust department, or agent in the County’s name.

Category 3 – Uninsured and unregistered with no securitization of the investments.

Investments for the County at year end are shown below:

	1	2	3	Carrying Amount and Market Value
US Treasury bills, bonds and notes	\$ 625,500	\$ --	\$ --	\$ 625,500
US agency securities	53,191,875	--	--	53,191,875
Chautauqua County IDA bonds	--	--	4,297,692	4,297,692
Economic Development Fund Loans	--	--	70,000	70,000
Fire Service Enhancement Fund Loans	--	--	78,000	78,000
<b>Total</b>	<b>\$ 53,817,375</b>	<b>\$ --</b>	<b>\$ 4,445,692</b>	<b>\$ 58,263,067</b>

**NOTE 3 – PROPERTY TAX**

The Countywide property tax is levied each January 1 which is also the lien date. Property taxes are due and payable within 30 days. Such taxes are collected by the respective collection officers in each Town and in the cities of Dunkirk and Jamestown until April 1<sup>st</sup> each year, after which rolls are returned to the County. At that time settlement proceedings take place whereby the County becomes the tax collecting agency and the towns receive full credit for their entire levy. The County becomes the enforcement agency for tax liens on all County real property

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the general fund to maintain central control and provide for tax settlement and enforcement proceedings. The portions of the receivable, \$5,316,094 that represents taxes relieved for school and \$744,216 that represents taxes relieved for the Cities and Villages, are recognized as liabilities and are included in due to other governments. Also, \$11,986,719 of the receivable that is not considered available under the modified accrual basis of accounting, i.e. will not be collected within sixty days, is recorded as deferred revenue.

**NOTE 3 – PROPERTY TAX (continued)**

Tax rates are calculated using assessments prepared by individual town and city assessors as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The total taxable assessed value of real property included in the tax levy of 2010 is approximately \$6.7 billion. The effective tax rate on this value is approximately \$8.18 per thousand. The statutory maximum tax rate is 1.5% of the 5-year average of the equalized assessment. The 2010 levy represents approximately 56.49% of the maximum statutory levy.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 – PROPERTY TAX (continued)**

The County constitutional tax limit for the year ended December 31, 2010 is computed as follows:

	Carrying Amount
Five year Average Full Valuation Of Taxable Real Estate (2005-2009)	<u>\$ 6,246,675,337</u>
Total Taxing Power -1.5%	\$ 93,700,130
Total Levy Subject to Tax Limit	<u>52,928,654</u>
Tax Margin	<u>\$ 40,771,476</u>

Pursuant to section 1048 of the State Real Property Tax Law (RPTL) and County Local Law No 3-93, the County is authorized to see certain tax sale certificates (TSCs). These TSCs, which represent liens on certain outstanding property taxes, are sold to a trust which in turn issues certificates of participation in the trust. Under the terms of sale the County transfers all tax and interest collected by the County for these TSCs to the trustee. The trustee will use these collections to redeem the certificates of participation and to make semi-annual interest payments to the holders of the certificates of participation. These certificates of participation do not constitute debt of the County.

**NOTE 4 – INTERFUND TRANSFERS**

The County made the following operating transfers during 2010:

Transfer Out	Transfer In				Total
	General Fund	County Road Fund	Road Machinery Fund	Capital Projects Fund	
General Fund	\$ --	\$ 10,183,910	\$ 3,327,445	\$ 3,647,956	\$ 17,159,311
Electric Plant	2,252,532	--	--	--	2,252,532
Road Machinery Fund	--	--	--	178,632	178,632
	<u>\$ 2,252,532</u>	<u>\$ 10,183,910</u>	<u>\$ 3,327,445</u>	<u>\$ 3,826,588</u>	<u>\$ 19,590,475</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 5 - RECEIVABLES**

Revenues accrued by the County consist of the following as of December 31, 2010. Management of the County has deemed the amounts to be fully collectible.

**A. Other Receivables**

Represents amounts due from various sources

Funds:	
General Fund	\$ 14,474,457
County Road Fund	47,923
Road Machinery Fund	25,532
Capital Fund	--
County Home	1,684,042
Sewer Fund	1,190,106
North County Water District	12,815
Landfill	1,032,833
Electric Plant	211,618
	<hr/>
Total	<u>\$ 18,679,326</u>

**NOTE 5 – RECEIVABLES (Continued)**

**B. Due from Other Governments**

State and federal receivables primarily represent claims for reimbursement of expenditures in administering various mental health and social service programs. They are net of related advances from New York State. State and federal receivables also include reimbursable amounts for construction expenditures made through the Capital Project Fund. Other government receivables are amounts primarily due from local municipalities and other miscellaneous items. Amounts accrued at December 31, 2010 are comprised of:

State and Federal Receivables:	
General Fund	\$10,656,015
Capital Project Fund	79,692
Landfill	28,048
	<hr/>
Total state and federal receivables	<u>10,763,755</u>
Other Government Receivables	
General Fund	633,315
Landfill	5,376
Internal Service Fund	6,554,489
	<hr/>
Total other government receivables	<u>7,193,180</u>
	<hr/>
Total due from governments	<u>\$17,956,935</u>

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 552,826	\$ --	\$ --	\$ 552,826
Construction in progress	58,781,527	12,471,055	3,584,242	67,668,340
Total capital assets not being depreciated	<hr/> 59,334,353	<hr/> 12,471,055	<hr/> 3,584,242	<hr/> 68,221,166
Capital assets being depreciated:				
Infrastructures	133,879,295	8,483,553	--	142,362,848
Buildings and improvements	63,999,891	23,986	--	64,023,877
Machinery and equipment	19,312,025	1,674,301	407,754	20,578,572
Vehicles	14,015,806	41,138	587,734	13,469,210
Total capital assets being depreciated	<hr/> 231,207,017	<hr/> 10,222,978	<hr/> 995,488	<hr/> 240,434,507
Less accumulated depreciation for:				
Infrastructures	53,651,149	5,201,571	--	58,852,720
Buildings and improvements	14,831,880	3,746,532	--	18,578,412
Machinery and equipment	10,078,019	2,408,923	394,902	12,092,040
Vehicles	8,909,675	1,650,924	550,030	10,010,569
Total accumulated depreciation	<hr/> 87,470,723	<hr/> 13,007,950	<hr/> 944,932	<hr/> 99,533,741
Total capital assets being depreciated, net	<hr/> 143,736,294	<hr/> (2,784,972)	<hr/> 50,556	<hr/> 140,900,766
Governmental activities capital assets, net	<hr/> <u>\$ 203,070,647</u>	<hr/> <u>\$ 9,686,083</u>	<hr/> <u>\$ 3,634,798</u>	<hr/> <u>\$ 209,121,932</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 6 – CAPITAL ASSETS (continued)**

**Business-type activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>County Home:</b>				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	780,187	-	331,814	448,373
Total capital assets not being depreciated	785,187	-	331,814	453,373
Capital assets being depreciated:				
Land improvements	1,725,946	-	-	1,725,946
Buildings	16,132,889	895,805	-	17,027,894
Machinery and equipment	11,891,847	92,831	-	11,984,678
Total capital assets being depreciated	29,749,882	988,636	-	30,738,518
Less accumulated depreciation for:				
Land improvements	822,174	93,915	-	916,089
Buildings	6,921,896	682,192	-	7,604,088
Machinery and equipment	8,454,091	511,525	-	8,965,616
Total accumulated depreciation	16,198,161	1,287,632	-	17,485,793
Total capital assets being depreciated, net	13,551,721	(298,996)	-	13,252,725
County Home capital assets, net	14,336,908	(298,996)	331,814	13,706,098

**Sewer Districts:**

Capital assets not being depreciated:				
Construction in progress	464,649	368,891	-	833,540
Total capital assets not being depreciated:	464,649	368,891	-	833,540
Capital assets being depreciated:				
Sewer treatment facilities	60,964,728	399,639	-	61,364,367
Less accumulated depreciation for:				
Sewer treatment facilities	35,868,010	837,639	-	36,705,649
Total capital assets being depreciated, net	25,096,718	(438,000)	-	24,658,718
Sewer district capital assets, net	25,561,367	(69,109)	-	25,492,258

**Water District:**

Capital assets being depreciated:				
Water treatment facilities	1,432,431	-	-	1,432,431
Less accumulated depreciation for:				
Water treatment facilities	1,096,993	26,194	-	1,123,187
Water district capital assets, net	335,438	(26,194)	-	309,244

**Landfill:**

Capital assets not being depreciated:				
Construction in progress	3,475,957	3,197,938	-	6,673,895
Capital assets being depreciated or depleted				
Land and improvements	34,456,077	42,353	-	34,498,430
Buildings	4,695,078	-	-	4,695,078
Machinery and equipment	7,007,239	124,197	-	7,131,436
Total capital assets being depreciated or depleted	46,158,394	166,550	-	46,324,944
Less accumulated depreciation and accumulated depletion for:				
Land and improvements	28,545,198	1,613,686	-	30,158,884
Buildings	3,338,525	-	79,655	3,258,870
Machinery and equipment	4,989,703	121,239	-	5,110,942
Total accumulated depreciation and accumulated depletion	36,873,426	1,734,925	79,655	38,528,696
Total capital assets being depreciated or depleted, net	9,284,968	(1,568,375)	(79,655)	7,796,248
Landfill capital assets, net	12,760,925	1,629,563	(79,655)	14,470,143

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 6 – CAPITAL ASSETS (continued)**

<b>Business-type activities (continued):</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Electric Plant:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 11,119,951	\$ -	\$ 11,072,920	\$ 47,031
Total capital assets not being depreciated	11,119,951	-	11,072,920	47,031
Capital assets being depreciated				
Buildings	-	6,439,655	-	6,439,655
Machinery and equipment	-	6,701,122	-	6,701,122
Total capital assets being depreciated or depleted	-	13,140,777	-	13,140,777
Less accumulated depreciation and accumulated depletion for:				
Buildings	-	42,603	-	42,603
Machinery and equipment	-	292,064	-	292,064
Total accumulated depreciation	-	334,667	-	334,667
Total capital assets being depreciated, net	-	13,140,777	-	13,140,777
Electric Plant capital assets, net	11,119,951	12,806,110	11,072,920	12,853,141
Business-type activities capital assets, net	<u>\$ 64,114,589</u>	<u>\$ 14,041,374</u>	<u>\$ 11,325,079</u>	<u>\$ 66,830,884</u>

Depreciation expense was charged to the governmental functions as follows during the year ended December 31, 2010:

General government support	\$ 2,711,399
Education	693,359
Public safety	1,527,430
Health	1,106,963
Transportation	1,604,022
Economic development	5,201,521
Culture and recreation	38,914
Home and community services	124,342
Total depreciation expense	<u>\$ 13,007,950</u>

**NOTE 7 – DEBT**

**Short - Term Debt**

Liabilities for bond anticipation notes are generally recorded in the capital projects fund and the enterprise funds. The notes or renewals thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two year and within each twelve month period thereafter.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. At December 31, 2010 the County did not have any outstanding bond anticipation notes.

Tax Anticipation Notes may up to the maximum authorized by statute, be issued against the anticipated collection of taxes or assessments levied or to be levied against real property. These notes may be renewed for a period not to exceed one year and must be retired within five years of the original issue. At December 31, 2010, the County did not have any outstanding tax anticipation notes.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 7 – DEBT (continued)**

**Long - Term Debt**

Bonded indebtedness – Bonded indebtedness is recorded in the governmental or in the enterprise funds in the government-wide financial statements. The following is a summary of bond transactions for the year ended December 31, 2010:

Description	Year of Issue/ Maturity	Interest Rate	Principal Outstanding 1/1/2010	Payments 2010	Issued 2010	Principal Outstanding 12/31/2010
<b><u>Governmental funds:</u></b>						
General Fund:						
DPF Salt Storage Shed	2003/20	2.98-4.32%	\$ 210,000	\$ 15,000	\$ --	\$ 195,000
Jail Construction	2004/29	4.25-4.75%	12,720,000	405,000	--	12,315,000
Capital Improvement & JCC	2004/14	3.00-3.50%	5,125,000	925,000	--	4,200,000
Jail & Courts Construction	2006/26	4.15-4.25%	6,415,000	260,000	--	6,155,000
Helicopters	2010/30	0.70-4.50%	--	--	3,200,000	3,200,000
JCC Science Building	2010/20	0.70-4.50%	--	--	3,000,000	3,000,000
Total governmental activities			<u>24,470,000</u>	<u>1,605,000</u>	<u>6,200,000</u>	<u>29,065,000</u>
<b><u>Business-type activities:</u></b>						
Enterprise Funds						
County Home:						
Air-conditioning/ventilation Improvements	1992/12	5.10%	525,000	175,000	--	350,000
	2002/20	4.30%	10,930,000	800,000	--	10,130,000
			<u>11,455,000</u>	<u>975,000</u>	<u>--</u>	<u>10,480,000</u>
North Chautauqua Lake Sewer: Sewer construction	1981/17	5.00%	352,800	50,400	--	302,400
			<u>352,800</u>	<u>50,400</u>	<u>--</u>	<u>302,400</u>
Portland, Pomfret and Dunkirk Sewer: Sewer construction	1991/11	4.40%	12,765	6,900	--	5,865
			<u>12,765</u>	<u>6,900</u>	<u>--</u>	<u>5,865</u>
North County Water: Construction	1978/17	5.00%	96,000	12,000	--	84,000
			<u>96,000</u>	<u>12,000</u>	<u>--</u>	<u>84,000</u>
Landfill: Refunding bonds	1996/11	3.60-5.65%	975,000	495,000	--	480,000
Cell construction	2001/18	2.62-5.02%	2,870,000	285,000	--	2,585,000
			<u>3,845,000</u>	<u>780,000</u>	<u>--</u>	<u>3,065,000</u>
Energy Fund: Power plant	2010/20	0.70-4.50%	--	--	10,750,000	10,750,000
Power plant	2010/15	1.50-5.25%	--	--	2,000,000	2,000,000
			<u>--</u>	<u>--</u>	<u>12,750,000</u>	<u>12,750,000</u>
Total business-type activities			<u>15,761,565</u>	<u>1,824,300</u>	<u>12,750,000</u>	<u>26,687,265</u>
<b>Grand Total Bonded Debt</b>			<u>\$ 40,231,565</u>	<u>\$ 3,429,300</u>	<u>\$ 18,950,000</u>	<u>\$ 55,752,265</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 7 – DEBT (continued)**

**Long - Term Debt**

In addition to the debt shown above, the following long-term debt has been authorized but remains unissued at December 31, 2010:

Project	Date Authorized	Amount Authorized	Authorized Unissued
JCC Improvements	02/04/09	\$ 5,125,000	\$ 5,125,000
DPF Garage	11/15/06	3,125,000	3,125,000
		<u>\$ 8,250,000</u>	<u>\$ 8,250,000</u>

**Compensated Absences**

As explained in Note 1, compensated absences are recorded in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absence payable to currently terminating employees which are included in wages and benefits.

**Summary of Changes in General Long-Term Debt**

The following is a summary of changes in general long-term liabilities of the governmental funds:

Governmental funds	Balance 01/01/2010	Increases	Decreases	Balance 12/31/2010
Serial bonds	\$ 24,470,000	\$ 6,200,000	\$ 1,605,000	\$ 29,065,000
Bond anticipation note	3,200,000	--	3,200,000	--
	<u>\$ 27,670,000</u>	<u>\$ 6,200,000</u>	<u>\$ 4,805,000</u>	<u>\$ 29,065,000</u>
Proprietary funds	Balance 01/01/2010	Increases	Decreases	Balance 12/31/2010
Serial bonds	\$ 15,761,565	\$ 12,750,000	\$ 1,824,300	\$ 26,687,265

**Constitutional Debt Limit**

The County constitutional debt limit at December 31, 2010 is computed as follows:

Five-Year Average Full Valuation Of Taxable Real Estate (2005-2009)	<u>\$ 6,246,675,337</u>
Debt Limit @ 7%	\$ 437,267,274
Net indebtedness (after statutory exclusions)	<u>56,763,465</u>
Net Debt Contracting Margin	<u>\$ 380,503,809</u>
Percentage of Debt contracting Power Exhausted	<u>12.98%</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 7 – DEBT (continued)**

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

Year	Governmental Fund		Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,822,000	\$ 1,320,232	\$ 2,106,265	\$ 1,391,512	\$ 3,928,265	\$ 2,711,744
2012	2,052,000	1,129,535	1,915,400	1,052,927	3,967,400	2,182,462
2013	2,152,000	1,053,671	1,785,400	970,650	3,937,400	2,024,321
2014	2,241,000	974,154	1,856,400	893,693	4,097,400	1,867,847
2015	1,166,000	889,512	1,941,400	813,549	3,107,400	1,703,061
2016-20	6,590,000	3,669,204	9,734,400	2,719,712	16,324,400	6,388,916
2021-25	8,031,000	2,131,878	3,664,000	1,213,042	11,695,000	3,344,920
2026-30	5,011,000	548,618	3,684,000	424,531	8,695,000	973,149
	<u>\$ 29,065,000</u>	<u>\$11,716,804</u>	<u>\$ 26,687,265</u>	<u>\$ 9,479,616</u>	<u>\$ 55,752,265</u>	<u>\$ 21,196,420</u>

The annual repayment of bonded principal and interest on bonded debt related to the enterprise funds are as follows:

Year	County Home		Sewer Fund		North County Water District	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,000,000	\$ 472,343	\$ 56,265	\$ 14,079	\$ 12,000	\$ 3,900
2012	1,050,000	426,366	50,400	11,340	12,000	3,300
2013	900,000	377,875	50,400	8,820	12,000	2,700
2014	950,000	335,775	50,400	6,300	12,000	2,100
2015	1,000,000	293,925	50,400	3,780	12,000	1,500
2016-20	5,580,000	721,963	50,400	1,260	24,000	1,200
2021-25	--	--	--	--	--	--
2026-30	--	--	--	--	--	--
	<u>\$ 10,480,000</u>	<u>\$ 2,628,247</u>	<u>\$ 308,265</u>	<u>\$ 45,579</u>	<u>\$ 84,000</u>	<u>\$ 14,700</u>

Year	Landfill		Electric Fund		Total Enterprise Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 775,000	\$ 116,120	\$ 263,000	\$ 785,070	\$ 2,106,265	\$ 1,391,512
2012	300,000	103,002	503,000	508,919	1,915,400	1,052,927
2013	310,000	89,139	513,000	492,116	1,785,400	970,650
2014	315,000	74,594	529,000	474,924	1,856,400	893,693
2015	325,000	59,379	554,000	454,965	1,941,400	813,549
2016-20	1,040,000	79,050	3,040,000	1,916,239	9,734,400	2,719,712
2021-25	--	--	3,664,000	1,213,042	3,664,000	1,213,042
2026-30	--	--	3,684,000	424,531	3,684,000	424,531
	<u>\$ 3,065,000</u>	<u>\$ 521,284</u>	<u>\$ 12,750,000</u>	<u>\$ 6,269,806</u>	<u>\$ 26,687,265</u>	<u>\$ 9,479,616</u>

**NOTE 8 - PENSION PLANS**

**Plan Description**

The County of Chautauqua participates in the New York and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (System). These are cost-sharing multiple-employer retirement systems. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYRSSL, the Comptroller of the State of New York (Comptroller) serves a sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for custody and control of its fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and local Retirement Systems, Gov. Alfred E. Smith, State Office Bldg., Albany, NY 12244

**Funding Policy**

The System is noncontributory except for employees who joined after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employees to the pension accumulation fund.

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

2010	\$	7,395,754
2009		4,194,553
2008		5,184,843

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

Since 1989, the System's billings have been based in Chapter 62 of the Laws of 1989 of the State of New York. The legislation requires participating employers to make payments on a current basis.

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The County administers a single-employer defined benefit postemployment health care plan ("the Retiree Health Plan"). The Retiree Health Plan provides health care benefits to eligible retirees who retire from the County and are eligible to receive a pension from the New York State Employees' Retirement System. Eligible retirees may elect to continue health care coverage in the County health plan and convert their sick leave balance at retirement at a rate of five days per month, to a County paid monthly benefit that will partially or fully cover their retiree health premiums. The duration amount and type of the County paid benefits depend on the amount of sick leave at retirement. Upon retirement, a non-management employee may use sick leave accruals up to a maximum of 180 days as a credit for health, vision and dental insurance. In addition, an employee who retires with 15 or more years of employment with the County shall be credited one full month of coverage for every full year of employment. Said employee shall continue to pay premiums equivalent to the active employee payroll deduction for such insurance. Said benefit shall be utilized only after all sick leave accruals are utilized. Management employees receive a benefit of 3.25 months of health insurance per year of service upon retirement.

The County contracts with various health plans to provide health coverage to its active and retired members. The retirees may continue coverage in the County health plans at their own expense after their sick leave balances are fully exhausted. The insurers charge the same premium for active and retired member; therefore, an implicit County subsidy of retiree premiums exists. Benefit provisions are established and may be amended through negotiations between the County and the bargaining units during each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

**Funding Policy**

Contribution requirements of the Retiree Health Plan members and the County are also established and may be amended through negotiations between the County and the bargaining units. The contribution is based on pay-as-you-go financing requirements. For the year ended December 31, 2010, the County contributed \$3,086,500 or 58.45% of the actuarially required contributions, to the Retiree Health Plan.

**Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB statement No 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The following table shows the components of the County's annual OPEB cost for the year ended December 31, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 5,064,200
Interest on net OPEB obligation	489,300
Adjustment to annual required contribution	<u>(272,300)</u>
Annual OPEB cost (expense)	5,281,200
Contribution made	<u>(3,086,500)</u>
Increase in net OPEB obligation	2,194,700
Net OPEB obligation – beginning of year	<u>9,785,100</u>
 Net OPEB obligation – end of year	 <u>\$ 11,979,800</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2010 and 2009, is as follows:

Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 5,281,200	58.5%	\$ 11,979,800
12/31/2009	\$ 5,150,100	49.1%	\$ 9,785,100

**Funded Status and Funding Progress**

As of July 1, 2008, the most recent actuarial valuation date, the funded status of the Retiree Health Plan was as follows:

Actuarial accrued liability (AAL)	\$ 42,776,300
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 42,776,300</u>
 Funded ratio (actuarial value of plan assets/AAL)	 <u>0.0%</u>
Annual covered payroll (active plan members)	<u>\$ 60,475,415</u>
UAAL as a percentage of annual covered payroll	<u>70.7%</u>

**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 health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution 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.

**NOTE 9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5 percent investment rate of return; an annual health care cost trend rate of 9 percent for members younger than 65 years initially, reduced by 50 percent increments to an ultimate rate of 5 percent in the eighth year and beyond; an annual health care cost trend rate of 11 percent for members 65 years of age and over initially, reduced by 50 percent increments to an ultimate rate of 5 percent in the twelfth year and beyond; an annual dental care cost trend rate of 5 percent for all members; a 4 percent annual increase in projected payroll; and 100 percent of eligible retirees will elect to convert their sick leave balances to health benefits at a rate of five days per month. The Retiree Health Plan's unfunded actuarial accrued liability is being amortized as a level of percentage of expected payroll over thirty years.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**NOTE 10 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The enterprise funds include the County Home, the Sewer (which includes three districts), the North County Water District, the Landfill, and the Electric Plant Segment information as of and for the year ended December 31, 2010 as follows:

	County Home	Sewer	North County Water	Landfill	Electric Plant	Total Enterprise Fund
Operating revenues	\$ 18,010,095	\$ 3,519,615	\$ 56,723	\$ 8,620,027	\$ 3,886,264	\$ 34,092,724
Operating expenses						
Services provided	17,634,483	2,967,188	26,398	4,515,351	1,581,464	26,724,884
Depreciation	1,414,358	877,137	26,194	3,450,345	334,668	6,102,702
Interfund charges	290,204	--	--	--	--	290,204
Operating income (loss)	(1,328,950)	(324,710)	4,131	654,331	1,970,132	974,934
Non-operating revenues (expenses)	(459,593)	60,833	(2,635)	138,737	(616,203)	(878,861)
Change in net assets	<u>\$ (1,788,543)</u>	<u>\$ (263,877)</u>	<u>\$ 1,496</u>	<u>\$ 793,068</u>	<u>\$ 1,353,929</u>	<u>\$ 96,073</u>
Current assets	\$ 4,986,813	\$ 5,904,639	\$ 75,268	\$ 11,244,382	\$ 2,292,031	\$ 24,503,133
Current liabilities	4,059,587	1,855,075	17,158	1,955,822	812,243	8,699,885
Net working capital	<u>\$ 927,226</u>	<u>\$ 4,049,564</u>	<u>\$ 58,110</u>	<u>\$ 9,288,560</u>	<u>\$ 1,479,788</u>	<u>\$ 15,803,248</u>
Total assets	\$ 19,064,997	\$ 31,437,306	\$ 384,512	\$ 25,717,225	\$ 15,145,172	\$ 91,749,212
Total liabilities	13,859,854	2,107,075	89,158	20,611,394	13,299,243	49,966,724
Fund equity	<u>\$ 5,205,143</u>	<u>\$ 29,330,231</u>	<u>\$ 295,354</u>	<u>\$ 5,105,831</u>	<u>\$ 1,845,929</u>	<u>\$ 41,782,488</u>
Fixed asset additions	<u>\$ 743,379</u>	<u>\$ 808,027</u>	<u>\$ -</u>	<u>\$ 3,896,785</u>	<u>\$ 2,067,857</u>	<u>\$ 7,516,048</u>
Long-term debt	<u>\$ 9,800,267</u>	<u>\$ 252,000</u>	<u>\$ 72,000</u>	<u>\$ 18,655,572</u>	<u>\$ 12,487,000</u>	<u>\$ 41,266,839</u>

**NOTE 11 - NET ASSETS**

**Restricted Net Assets**

Restrictions of net assets have been recorded in the government-wide financial statements of the County at December 31, 2010. In the governmental and proprietary fund statements these restrictions are reflected as reservations of fund balances. At December 31, 2010 the County has recorded the following restrictions:

- Restricted for Capital Projects – represents resources that are committed for future capital projects.
- Restricted for Tax Stabilization – represents resources appropriated by the Legislature to maintain future tax increases at a maximum of 2.5% in any fiscal year.
- Restricted for Self Insurance – represents resources that have been legally restricted for payments under the County's self insurance program.

**NOTE 11 - NET ASSETS (CONTINUED)**

**Restricted Net Assets (continued)**

- Restricted for Workers' Compensation – represents resources that are committed for payments under the County's Workers Compensation Program.
- Restricted for Encumbrances – represents commitments related to unperformed (executory) contracts for goods or services.
- Restricted for Inventory of Supplies – represents resources that were committed for the purchase of supplies.
- Restricted for Fire Service – represents resources that are committed to ensure the viability and vitality of the County's fire services.
- Restricted for DWI – represents unexpended amounts which must be used for the County's Stop DWI program.
- Restricted for E911 – represents resources that are committed for the County's Emergency 911 communication system.

**NOTE 11 - NET ASSETS**

**Restricted Net Assets (continued)**

- Restricted for Occupancy Tax – effective January 1, 2004, the County established a reserve funded by the occupancy tax which is restricted to fund tourism.
- Restricted Mortgage Tax – represents resources dedicated to fund debt service for County infrastructure improvements and to provide security of funding due to the elastic nature of this revenue that may change abruptly due to changes in economic climates.
- Restricted for Department of Motor Vehicles Surcharges – represents resources dedicated to fund County roads and bridges and to provide security of funding due to the elastic nature of this revenue that may change abruptly due to changes in economic climates.
- Restricted for Lakes and Waterways – represents resources that are committed for the County's Lakes and Waterways.

**Unrestricted Net Assets**

Designations are not legally required restrictions, but are segregated for a specific purpose. At December 31, 2010 the County had designated the following unrestricted net assets:

**General Fund**

- Designated for Ensuing Year's Budget – represents the amount of fund balance management intends to utilize to finance the costs of the next year's programs and services (\$10,178,600).
- Designated for Post-Retirement Benefits – represents amount of fund balance which will be used to pay retirement benefits other than pensions (GASB 45) to former employees (\$5,208,371).

**County Road Fund**

- Designated for Ensuing Year's Budget – represents the amount of fund balance management intends to utilize to finance the costs of the next year's programs and services (\$500,000).

**Road Machinery Fund**

- Designated for Ensuing Year's Budget – represents the amount of fund balance management intends to utilize to finance the costs of the next year's programs and services (\$250,000).

**NOTE 12 - CONTINGENCIES**

**Risk Management**

The County assumes the liability for most risk including, but not limited to dental and vision claims for employees, workmen's compensation property damage and personal injury liability. The County has elected to purchase umbrella type coverage should losses exceed certain thresholds. The Health Insurance and Workers' Compensation Programs are recorded in the Internal Service Fund. Risk management related to General Liability is reported in the General Fund.

The claims liability of \$11,459,816 is based on the requirements of Governmental Accounting Standards Board Statement No 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonable estimated. Changes in the Fund's claims liability during 2010 and 2009 were:

	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>
2010	\$ 8,544,409	\$ 7,305,599	\$ 4,390,192
2009	8,204,297	3,863,725	3,523,613

  

	<u>Liability End of Year</u>
2010	\$11,459,816
2009	8,544,409

**General Liability Program**

The County is a defendant in various cases which are at various stages of the litigation process. Claims incurred prior to July 15, 1986 are covered through general liability insurance. It is the opinion of management and legal counsel that such claims prior to July 15, 1986 will be settled within insured limits. Effective July 15, 1986 the County's general liability insurance was terminated and the County became self-insured for all such risks. While claims currently at various stages of litigation substantially exceed the Reserve for Self-Insurance balance of \$3,499,485, the ultimate amount of outcome is dependent upon many factors, and County management believes such Reserve for Insurance to be adequate to cover such losses. Effective January 1, 1999, the County elected to purchase general liability insurance with a self-insured reserve of \$500,000; this reserve was reduced to \$250,000 effective January 1, 2000.

**NOTE 12 – CONTINGENCIES (continued)**

**Landfill Closure and Post-closure Care Cost**

State and federal laws and regulations require the County to place a final cover on a section of the landfill site when it reaches final elevation and to perform certain maintenance and monitoring functions at the site for a minimum of thirty years after closure. Although both closure and post-closure care costs will be paid in the future, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Remaining cell closure liability, projected at \$5,567,990 as of December 31, 2010, and post closure care liability, projected at \$10,798,035 as of December 31, 2010 (totaling \$16,366,025), represents the cumulative amount reported to date based on the use of 79% of the estimated permitted space less areas where the final cover has been placed.

Total remaining closure cost is projected at \$7,360,000 (prior year projection of \$7,130,000 plus \$230,000) and total post-closure care cost is projected at \$13,335,000, totaling \$20,695,000. The County will recognize the remaining projected closure cost of \$1,792,010 and remaining projected post-closure care cost of \$2,536,965 (totaling \$4,328,975) as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2010. The County currently projects a landfill life of 4 years for permitted areas plus an additional 7 years utilizing permitted air space over the existing landfills with closure in 2021; however, ongoing research regarding the construction of additional cells could significantly extend landfill life. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is in compliance with Federal requirements for the Local Government Financial test regarding funding of this liability at December 31, 2010.

The landfill is reported in an enterprise fund and the \$16,366,025 liability is reported in that fund.

**Lease Commitments and Leased Assets**

The County leases a significant amount of property and equipment under operating leases. Total rental expenditures on such leases for the year ended December 31, 2010 were approximately \$926,687.

The minimum future non-cancelable operating lease payments are as follows for the years ending:

2011	\$ 384,221
2012	219,739
2013	111,263
2014	68,939
2015	39,668

**NOTE 12 – CONTINGENCIES (continued)**

**Grant and Aid Programs**

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

**NOTE 13 – SUBSEQUENT EVENTS**

On February 2, 2011 the County issued a \$1,403,465 serial bond. This bond carries a net interest rate of 1.68% (5.64% less 3.96% Federal tax credit) and will mature on February 15, 2026. The issuance was for Qualified Energy Conservation Bonds.

Subsequent events were evaluated through September 27, 2011, which is the date the financial statements were available to be issued.

**NOTE 14 – LITIGATION**

General – The County is party to various legal proceedings which normally occur in governmental 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.

**NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

During the fiscal year ended December 31, 2010, the County has recorded the following prior period adjustments to the Government-wide Financial Statements.

Property tax receivables and deferred revenue	\$ 3,535,191
Compensated absences	(2,219,424)
Mental health deferred revenue	(1,734,077)
Capital assets	(929,761)
Total	<u>\$ (1,348,071)</u>

Also during the fiscal year ended December 31, 2010 the County had recorded the following prior period adjustments to the General Fund within the Fund Financial Statements.

Property tax receivables and deferred revenue	\$ 3,535,191
Mental health deferred revenue	(1,734,077)
Total	<u>\$ 1,801,114</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Fund				Variance Favorable (Unfavorable)
	Original Budget	Revised Budget	Actual	Encumbrances	
<b>Revenue</b>					
Real property taxes	\$ 53,585,038	\$ 53,585,038	\$ 52,557,366	\$ --	\$ (1,027,672)
Other real property tax items	8,978,171	9,003,457	9,491,980	--	488,523
Sales tax	51,625,000	54,219,378	54,240,185	--	20,807
Departmental income	18,873,904	19,148,457	21,119,129	--	1,970,672
Shared services	7,173,448	7,181,748	6,717,654	--	(464,094)
Liscences and permits	100,000	100,000	98,074	--	(1,926)
Fines and forfeitures	492,154	492,154	488,467	--	(3,687)
Sale of property and compensation for loss	178,572	213,259	236,385	--	23,126
Miscellaneous	3,790,327	3,793,327	467,595	--	(3,325,732)
Use of money and property	5,081,416	5,089,216	4,522,153	--	(567,063)
State aid	23,672,355	24,968,676	25,481,935	--	513,259
Federal aid	30,482,022	33,145,278	179,583,664	--	146,438,386
<b>Total revenue</b>	<b>204,032,407</b>	<b>210,939,988</b>	<b>355,004,587</b>	<b>--</b>	<b>144,064,599</b>
<b>Expenditures</b>					
General governmental support	42,031,518	43,715,247	44,149,904	124,053	(558,710)
Education	8,815,700	11,307,347	11,290,007	--	17,340
Public safety	25,388,526	26,138,047	24,871,255	176,005	1,090,787
Health	19,223,592	19,970,511	18,024,761	32,094	1,913,656
Transportation	4,991,659	5,041,264	4,724,868	7,450	308,946
Economic development	86,726,436	86,713,518	232,638,217	7,995	(145,932,694)
Culture and recreation	674,302	669,972	633,633	--	36,339
Home and community services	1,295,172	1,921,091	2,024,684	31,916	(135,509)
Debt Service:					
Principal	1,510,000	1,590,000	1,590,000	--	--
Interest	1,323,846	1,243,846	1,013,857	--	229,989
<b>Total expenditures</b>	<b>191,980,751</b>	<b>198,310,843</b>	<b>340,961,186</b>	<b>379,513</b>	<b>(143,029,856)</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>12,051,656</b>	<b>12,629,145</b>	<b>14,043,401</b>	<b>(379,513)</b>	<b>1,034,743</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	--	--	2,252,532	--	2,252,532
Operating transfers out	(15,085,253)	(17,246,677)	(17,159,311)	--	87,366
<b>Total other financing sources (uses)</b>	<b>(15,085,253)</b>	<b>(17,246,677)</b>	<b>(14,906,779)</b>	<b>--</b>	<b>2,339,898</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>(3,033,597)</b>	<b>(4,617,532)</b>	<b>(863,378)</b>	<b>(379,513)</b>	<b>3,374,641</b>
<b>Fund equity, beginning of year</b>	<b>32,016,251</b>	<b>32,016,251</b>	<b>32,016,251</b>	<b>--</b>	<b>--</b>
<b>Fund equity, end of year</b>	<b>\$ 28,982,654</b>	<b>\$ 27,398,719</b>	<b>\$ 31,152,873</b>	<b>\$ (379,513)</b>	<b>\$ 3,374,641</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE – COUNTY ROAD FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Shared services	\$ 30,000	\$ 30,000	\$ 31,196	\$ --	\$ 1,196
Sale of property and compensation for loss	--	--	24,331	--	24,331
Miscellaneous	895,000	895,000	862,410	--	(32,590)
Use of money and property	44,568	44,568	213,943	--	169,375
State aid	3,109,535	3,245,585	3,384,311	--	138,726
Federal aid	--	1,108,900	2,195,062	--	1,086,162
<b>Total revenue</b>	<b>4,079,103</b>	<b>5,324,053</b>	<b>6,711,253</b>	<b>--</b>	<b>1,387,200</b>
<b>Expenditures</b>					
Transportation	14,646,911	18,339,825	18,055,661	26,777	257,387
<b>Total expenditures</b>	<b>14,646,911</b>	<b>18,339,825</b>	<b>18,055,661</b>	<b>26,777</b>	<b>257,387</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(10,567,808)</b>	<b>(13,015,772)</b>	<b>(11,344,408)</b>	<b>(26,777)</b>	<b>1,644,587</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	10,067,808	10,183,908	10,183,910	--	2
Operating transfers out	--	--	--	--	--
<b>Total other financing sources (uses)</b>	<b>10,067,808</b>	<b>10,183,908</b>	<b>10,183,910</b>	<b>--</b>	<b>2</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>(500,000)</b>	<b>(2,831,864)</b>	<b>(1,160,498)</b>	<b>(26,777)</b>	<b>1,644,589</b>
<b>Fund equity, beginning of year</b>	<b>2,094,509</b>	<b>2,094,509</b>	<b>2,094,509</b>	<b>--</b>	<b>--</b>
<b>Fund equity, end of year</b>	<b>\$ 1,594,509</b>	<b>\$ (737,355)</b>	<b>\$ 934,011</b>	<b>\$ (26,777)</b>	<b>\$ 1,644,589</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**BUDGETARY COMPARISON SCHEDULE – ROAD MACHINERY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>Revenue</b>					
Shared services	\$ 125,000	\$ 125,000	\$ 175,307	\$ --	\$ 50,307
Sale of property and compensation for loss	20,000	198,632	219,533	--	20,901
Miscellaneous	237,500	237,500	299,987	--	62,487
Use of money and property	8,076	8,076	127,889	--	119,813
<b>Total revenue</b>	<b>390,576</b>	<b>569,208</b>	<b>822,716</b>	<b>--</b>	<b>253,508</b>
<b>Expenditures</b>					
Transportation	3,945,570	3,844,443	3,337,873	124,015	382,555
Debt Service:					
Principal	15,000	15,000	15,000	--	--
Interest	7,451	7,451	4,123	--	3,328
<b>Total expenditures</b>	<b>3,968,021</b>	<b>3,866,894</b>	<b>3,356,996</b>	<b>124,015</b>	<b>385,883</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(3,577,445)</b>	<b>(3,297,686)</b>	<b>(2,534,280)</b>	<b>(124,015)</b>	<b>639,391</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	3,327,445	3,327,445	3,327,445	--	--
Operating transfers out	--	(178,632)	(178,632)	--	--
<b>Total other financing sources (uses)</b>	<b>3,327,445</b>	<b>3,148,813</b>	<b>3,148,813</b>	<b>--</b>	<b>--</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses</b>	<b>(250,000)</b>	<b>(148,873)</b>	<b>614,533</b>	<b>(124,015)</b>	<b>639,391</b>
<b>Fund equity, beginning of year</b>	<b>3,001,183</b>	<b>3,001,183</b>	<b>3,001,183</b>	<b>--</b>	<b>--</b>
<b>Fund equity, end of year</b>	<b>\$ 2,751,183</b>	<b>\$ 2,852,310</b>	<b>\$ 3,615,716</b>	<b>\$ (124,015)</b>	<b>\$ 639,391</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**

**SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of "UAAL" to Budgeted Covered Payroll
January 1, 2006	\$ --	\$ 25,282,000	\$ 25,282,000	0%	\$ 54,463,000	46%
January 1, 2008	\$ --	\$ 42,776,300	\$ 42,776,300	0%	\$ 60,475,415	71%

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF NET ASSETS – SEWER FUNDS**  
**AS OF DECEMBER 31, 2010**

	Business Type Activities			Eliminations	2010 Total
	Sewer funds				
	Portland Pronfret and Dunkirk Sewer District	North Chautauqua Lake Sewer District	South and Center Chautauqua Lake Sewer District		
<b>Current Assets</b>					
Cash and cash equivalents - unrestricted	\$ 2,199	\$ 990,130	\$ 3,696,836	\$ --	\$ 4,689,165
Receivables, net					
Accounts receivable	70,696	186,451	932,959	--	1,190,106
Prepaid expenses	--	4,342	21,026	--	25,368
<b>Total current assets</b>	<b>72,895</b>	<b>1,180,923</b>	<b>4,650,821</b>	<b>--</b>	<b>5,904,639</b>
<b>Noncurrent Assets</b>					
Deferred charges	--	40,409	--	--	40,409
Capital assets:					
Sewage treatment facilities	2,352,148	7,231,843	51,780,376	--	61,364,367
Construction in progress	--	833,540	--	--	833,540
Accumulated depreciation	(1,133,702)	(4,989,576)	(30,582,371)	--	(36,705,649)
<b>Total noncurrent assets</b>	<b>1,218,446</b>	<b>3,116,216</b>	<b>21,198,005</b>	<b>--</b>	<b>25,532,667</b>
<b>Total Assets</b>	<b>\$ 1,291,341</b>	<b>\$ 4,297,139</b>	<b>\$ 25,848,826</b>	<b>\$ --</b>	<b>\$ 31,437,306</b>
<b>Current Liabilities</b>					
Accounts payable	\$ 53,257	\$ 9,244	\$ 46,183	\$ --	\$ 108,684
Contract retainage	--	15,474	12,092	--	27,566
Accrued liabilities	38	46,134	49,408	--	95,580
Amounts due to third parties	--	1,379,019	--	--	1,379,019
Bonds payable - current portion	5,865	50,400	--	--	56,265
Net OPEB obligation	--	41,847	146,114	--	187,961
<b>Total current liabilities</b>	<b>59,160</b>	<b>1,542,118</b>	<b>253,797</b>	<b>--</b>	<b>1,855,075</b>
<b>Noncurrent Liabilities</b>					
Bonds payable - long term portion	--	252,000	--	--	252,000
<b>Total long-term liabilities</b>	<b>--</b>	<b>252,000</b>	<b>--</b>	<b>--</b>	<b>252,000</b>
<b>Total liabilities</b>	<b>59,160</b>	<b>1,794,118</b>	<b>253,797</b>	<b>--</b>	<b>2,107,075</b>
<b>Net assets</b>					
Investment in capital assets, net of related debt	1,212,581	2,773,407	21,198,005	--	25,183,993
Restricted net assets	--	--	--	--	--
Unrestricted net assets	19,600	(270,386)	4,397,024	--	4,146,238
<b>Total net assets</b>	<b>1,232,181</b>	<b>2,503,021</b>	<b>25,595,029</b>	<b>--</b>	<b>29,330,231</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,291,341</b>	<b>\$ 4,297,139</b>	<b>\$ 25,848,826</b>	<b>\$ --</b>	<b>\$ 31,437,306</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS – SEWER FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business Type Activities			Eliminations	2010 Totals
	Sewer funds				
	Portland Promfret and Dunkirk Sewer District	North Chautauqua Lake Sewer District	South and Center Chautauqua Lake Sewer District		
<b>Operating revenue</b>					
Charges for services	\$ 259,363	\$ 595,141	\$ 2,665,111	\$ (71,074)	\$ 3,448,541
<b>Operating expenses</b>					
Professional services	--	190,070	748,041	--	938,111
Contractual services	206,952	264,731	1,099,875	(71,074)	1,500,484
Employee benefits	--	111,200	346,319	--	457,519
Depreciation	33,136	103,585	740,416	--	877,137
<b>Total operating expenses</b>	<b>240,088</b>	<b>669,586</b>	<b>2,934,651</b>	<b>(71,074)</b>	<b>3,773,251</b>
<b>Non operating revenues (expenses):</b>					
Interest income	(2,294)	10,212	112,897	--	120,815
Interest expense	(236)	(70,256)	--	--	(70,492)
Other miscellaneous	--	10,510	--	--	10,510
<b>Total nonoperating revenues (expenses)</b>	<b>(2,530)</b>	<b>(49,534)</b>	<b>112,897</b>	<b>--</b>	<b>60,833</b>
<b>Change in net assets</b>	<b>16,745</b>	<b>(123,979)</b>	<b>(156,643)</b>	<b>--</b>	<b>(263,877)</b>
Total net assets, beginning	1,215,436	2,627,000	25,751,672	--	29,594,108
<b>Total net assets, ending</b>	<b>\$ 1,232,181</b>	<b>\$ 2,503,021</b>	<b>\$ 25,595,029</b>	<b>\$ --</b>	<b>\$ 29,330,231</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF CASH FLOWS – SEWER FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business Type Activities Enterprise Funds				2010 Totals
	Portland Promfret and Dunkirk Sewer District	North Chautauqua Lake Sewer District	South and Center Chautauqua Lake Sewer District	Eliminations	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 253,149	\$ 558,511	\$ 2,697,140	(71,074)	\$ 3,437,726
Cash paid to vendors	(209,349)	(386,906)	(1,549,567)	71,074	(2,074,748)
Cash paid to employees	--	(191,747)	(741,768)	--	(933,515)
Net cash provided by operating activities	43,800	(20,142)	405,805	--	429,463
<b>Cash flows from noncapital financing activities</b>					
Other income (expenses)	--	--	--	--	--
Net cash provided by noncapital financing activities	--	--	--	--	--
<b>Cash flows from capital financing activities</b>					
Acquisition and construction of capital assets	--	(737,140)	(70,887)	--	(808,027)
Proceeds from sale of fixed assets	--	10,510	--	--	10,510
Principal payments on capital debt	(6,900)	(50,400)	--	--	(57,300)
Proceeds from issuance of long-term debt	--	1,379,019	--	--	1,379,019
Interest paid on capital debt	(280)	(43,734)	--	--	(44,014)
Net cash used in capital financing activities	(7,180)	558,255	(70,887)	--	480,188
<b>Cash flows from investing activities</b>					
Interest earnings	(2,294)	10,212	112,896	--	120,814
Net cash provided by (used in) investing activities	(2,294)	10,212	112,896	--	120,814
<b>Net increase in cash</b>	34,326	548,325	447,814	--	1,030,465
Cash and cash equivalents, beginning of year	(32,127)	441,805	3,249,022	--	3,658,700
<b>Cash and cash equivalents, end of year</b>	\$ 2,199	\$ 990,130	\$ 3,696,836	\$ --	\$ 4,689,165
<b>Reconciliation of net income to net cash provided by (used in) operating activities</b>					
Net Income (loss) from operating activities	\$ 19,275	\$ (74,445)	\$ (269,540)	\$ --	\$ (324,710)
Adjustments to reconcile net income (loss) to cash provided by operating activities:					
Depreciation	33,136	103,585	740,416	--	877,137
Decrease (increase) in accounts receivable, net	(6,214)	(36,630)	32,029	--	(10,815)
Decrease (increase) in prepaid and deferred expenses	--	(41,613)	(9,083)	--	(50,696)
Increase (decrease) in accounts payable	(2,397)	3,066	(123,630)	--	(122,961)
Increase (decrease) in retainage payable	--	15,474	844	--	16,318
Increase (decrease) in accrued expenses	--	(1,677)	6,273	--	4,596
Increase (decrease) in net OPEB obligation	--	12,098	28,496	--	40,594
Net cash provided by operating activities	\$ 43,800	\$ (20,142)	\$ 405,805	\$ --	\$ 429,463

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF NET ASSETS – INTERNAL SERVICE FUNDS**  
**AS OF DECEMBER 31, 2010**

	Workers' Compensation	Health Insurance	2010 Totals
<b>Assets</b>			
Cash and cash equivalents - unrestricted	\$ 7,057,100	\$ (167,125)	\$ 6,889,975
Due from other governments	6,533,129	21,360	6,554,489
<b>Total assets</b>	<b>\$ 13,590,229</b>	<b>\$ (145,765)</b>	<b>\$ 13,444,464</b>
<b>Current Liabilities</b>			
Accounts payable	\$ 421,165	\$ --	\$ 421,165
Accrued liabilities	10,848,933	189,718	11,038,651
<b>Total liabilities</b>	<b>11,270,098</b>	<b>189,718</b>	<b>11,459,816</b>
<b>Net assets</b>			
Reserved for workers' compensation	2,320,131	--	2,320,131
Unrestricted	--	(335,483)	(335,483)
<b>Total net assets</b>	<b>2,320,131</b>	<b>(335,483)</b>	<b>1,984,648</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,590,229</b>	<b>\$ (145,765)</b>	<b>\$ 13,444,464</b>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES**  
**IN NET ASSETS – INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Workers' Compensation	Health Insurance	2010 Totals
<b>Operating revenues</b>			
Charges for services	\$ 3,165,423	\$ 17,769,176	\$ 20,934,599
<b>Total operating revenues</b>	<u>3,165,423</u>	<u>17,769,176</u>	<u>20,934,599</u>
<b>Operating expenses</b>			
Contractual services, supplies and materials	6,039,136	17,363,993	23,403,129
<b>Total operating expenses</b>	<u>6,039,136</u>	<u>17,363,993</u>	<u>23,403,129</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	322,978	- -	322,978
Miscellaneous	621,342	373	621,715
<b>Total nonoperating revenues (expenses)</b>	<u>944,320</u>	<u>373</u>	<u>944,693</u>
<b>Change in net assets</b>	(1,929,393)	405,556	(1,523,837)
Total net assets, beginning	4,249,524	(741,039)	3,508,485
<b>Total net assets, ending</b>	<u>\$ 2,320,131</u>	<u>\$ (335,483)</u>	<u>\$ 1,984,648</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Workers' Compensation	Health Insurance	2010 Totals
<b>Cash flows from operating activities</b>			
Charges for services	\$ 3,165,423	\$ 17,747,820	\$ 20,913,243
Contractual services, supplies and materials	(4,926,266)	(17,225,332)	(22,151,598)
Net cash provided by (used in) operating activities	(1,760,843)	522,488	(1,238,355)
<b>Cash flows from noncapital financing activities</b>			
Other income	621,342	373	621,715
Net cash provided by noncapital financing activities	621,342	373	621,715
<b>Cash flows from investing activities</b>			
Interest earnings	322,978	--	322,978
Net cash provided by investing activities	322,978	--	322,978
<b>Net increase in cash</b>	(816,523)	522,861	(293,662)
Cash and cash equivalents, beginning of year	7,873,623	(689,986)	7,183,637
<b>Cash and cash equivalents, end of year</b>	<u>\$ 7,057,100</u>	<u>\$ (167,125)</u>	<u>\$ 6,889,975</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Revenue	Expenditures
<b>United States Department of Agriculture:</b>				
<i>Passed through the NYS Department of Family Assistance:</i>				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program*	10.561	N/A	\$ 661,399	\$ 661,399
<i>Passed through the NYS Department of Education:</i>				
Jail Breakfast and Lunch Program	10.555	N/A	26,872	26,872
<i>Passed through the NYS Department of Health:</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	C-025736	819,847	819,847
Child and Adult Care Food Program	10.558	N/A	47,076	47,076
Subtotal U.S. Department of Agriculture			<u>1,555,194</u>	<u>1,555,194</u>
<b>United States Department of Housing &amp; Urban Development:</b>				
<i>Direct Award:</i>				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	NYLHB1784-09	382,309	382,309
Community Development Block Grant / Brownfields Economic Development	14.246	BO3SPNY0569	120,975	120,975
Waste Water Assistance Grant	14.218	06-260-5B	7,251	7,251
<i>Passed through the NYS Department of Health:</i>				
Community Development Block Grants / State's program	14.228	222HR161-08	189,587	189,587
<i>Passed through the NYS Housing Trust Fund Corporation:</i>				
Community Development Block Grants / State's program	14.228	22HR140-08	465,036	465,036
<i>Passed through various housing agencies:</i>				
Multi-Family Housing Service Coordinators	14.191	Various	37,775	37,775
Subtotal U.S. Department of Housing & Urban Development			<u>1,202,933</u>	<u>1,202,933</u>
<b>United States Department of Justice:</b>				
<i>Direct Award:</i>				
ARRA - Violence Against Women Formula Grant	16.588	VR09-1054-E00	54,603	54,603
Corrections Training and Staff Development	16.601	N/A	500	500
<i>Passed through the NYS Crime Victim's Board:</i>				
Crime Victim Assistance	16.582	C-501027	87,928	87,928
<i>Passed through the NYS Office of Victims Assistance:</i>				
Crime Victim Assistance	16.582	C-501026	63,598	63,598
<i>Passed through the NYS Department of Family Assistance:</i>				
Supervised Visitation, Safe Havens for Children	16.527	C-501026	724	724
<i>Passed through the NYS Office of Children and Family Services:</i>				
Juvenile Justice and Delinquency Prevention	16.540	C-025046/C-025527	84,602	84,602
Subtotal U.S. Department of Justice			<u>291,955</u>	<u>291,955</u>
<b>United States Department of Labor:</b>				
<i>Passed through the NYS Office for the Aging:</i>				
Senior Community Service Employment Program	17.235	N/A	37,946	37,946
<i>Passed through Senior Services America, Inc.:</i>				
Senior Community Service Employment Program	17.235	N/A	523,942	523,942
Subtotal U.S. Department of Labor			<u>561,888</u>	<u>561,888</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Revenue</b>	<b>Expenditures</b>
<b>United States Department of Transportation:</b>				
<i>Direct Award:</i>				
Airport Improvement Program	20.106	Various	\$ 1,115,607	\$ 1,115,607
Formula Grants for Other Than Urbanized Areas	20.509	5798.24.303 / 5796.21.302	293,200	293,200
Formula Grants for Other Than Urbanized Areas	20.509	C-003872	25,839	25,839
<i>Passed through the NYS Governors Traffic Safety Committee:</i>				
State and Community Highway Safety	20.600	CPS-2010 SO-038-(007)	6,000	6,000
State and Community Highway Safety	20.600	C-001910-C0293-(007)	84,071	84,071
<i>Passed through the NYS Department of Transportation:</i>				
ARRA - Highway Planning and Construction	20.205	Various	2,777,597	2,777,597
ARRA - Federal Transit - Capital Investment Grants	20.500	C-003798	566,846	566,846
Subtotal U.S. Department of Transportation			<u>4,869,160</u>	<u>4,869,160</u>
<b>United States Environmental Protection Agency:</b>				
<i>Direct Award:</i>				
Private Water Well / GIS Mapping	66.606	EM-97264600-0	96,501	96,501
<i>Passed through the NYS Department of Health:</i>				
Beach Monitoring & Notification Program Implementation Grants	66.472	T-024965	7,607	7,607
Subtotal U.S. Environmental Protection Agency			<u>104,108</u>	<u>104,108</u>
<b>United States Department of Energy:</b>				
<i>Direct Award:</i>				
ARRA - Renewable Energy and Research Development	81.087	DE-FG36-08 GO88059 A000	1,903,000	1,903,000
Subtotal U.S. Department of Energy			<u>1,903,000</u>	<u>1,903,000</u>
<b>United States Department of Education:</b>				
<i>Passed through the NYS Department of Health:</i>				
Special Education Grants for Infants & Families *	84.181	C-021783	84,099	84,099
ARRA - Early Intervention Administration *	84.393	C-025205	38,507	38,507
Reimbursement to Counties for Preschool Students with Handicapping Conditions	84.397	N/A	52,624	52,624
Subtotal U.S. Department of Education			<u>175,230</u>	<u>175,230</u>
<b>United States Department of Health and Human Services:</b>				
<i>Passed through Health Research Inc.:</i>				
CDC Prevention Investigations & Technical Assistance (H1N1)	93.283	HRI 15587-07 / 08	216,205	216,205
CDC Prevention Investigations & Technical Assistance (Breast & Cervical Cancer)	93.283	HRI 3496-02 / 03	50,036	50,036
Health Services for Older Adults	93.136	N/A	147	147
<i>Passed through the NYS Office of Mental Health:</i>				
Comprehensive Community Mental Health Services for Children	93.104	N/A	673,331	673,331
Medical Assistance Program	93.778	N/A	306,023	306,023
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	82,371	82,371
<i>Passed through the NYS Office for the Aging:</i>				
Low-Income Home Energy Assistance	93.568	N/A	297,300	297,300
Low-Income Home Energy Assistance	93.568	N/A	27,446	27,446
Special Programs for the Aging - Title VII Chapter 3	93.041	N/A	11,944	11,944
Special Programs for the Aging - Title III Part D	93.043	N/A	7,476	7,476
Special Programs for the Aging - Title III Part B **	93.044	N/A	274,236	274,236
Special Programs for the Aging - Title III Part C **	93.045	N/A	330,160	330,160
ARRA - Special Programs for the Aging - Title IV and II	93.048	N/A	3,045	3,045
National Family Caregiver Support	93.052	N/A	77,305	77,305
Nutrition Services Incentive Program **	93.053	N/A	101,265	101,265
CMS Research, Demonstrations, and Evaluations	93.779	N/A	37,327	37,327

\* Constitutes a cluster of Federal Awards  
\*\* Constitutes a cluster of Federal Awards

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Revenue	Expenditures
<b>United States Department of Health and Human Services (continued):</b>				
<i>Passed through the NYS Department of Family Assistance:</i>				
Temporary Assistance for Needy Families	93.558	N/A	\$ 7,274,057	\$ 7,274,057
Child Support Enforcement	93.563	N/A	1,182,668	1,182,668
Child Care and Development Block Grant	93.575	N/A	4,579,214	4,579,214
Women's Shelters - Grants to State Domestic Violence Coalitions	93.591	N/A	80,743	80,743
Job Opportunities for Low-Income Individuals	93.593	N/A	1,123,700	1,123,700
Adoption Incentive Payments	93.603	N/A	649,242	649,242
Foster Care - Title IV-E	93.658	N/A	1,964,669	1,964,669
Social Services Block Grant	93.667	N/A	842,084	842,084
Chafee Foster Care Independence Program	93.674	N/A	24,978	24,978
Medical Assistance Program	93.778	N/A	4,545,615	4,545,615
Medical Assistance Program	93.778	N/A	28,477	28,477
Temporary Assistance for Needy Families	93.558	N/A	9,318	9,318
<i>Passed through the NYS Department of Health:</i>				
ARRA - Immunization ***	93.712	T-205265	20,000	20,000
Family Planning Services (Title X Portion 22% for 2010)	93.217	C-019908	116,063	116,063
Immunization Grants / Immunization Action Plan ***	93.268	C-023237	65,003	65,003
Maternal and Child Health Services Block Grant	93.994	C-019908	21,493	21,493
Maternal and Child Health Services Block Grant	93.994	C-020597/8	46,352	46,352
Maternal and Child Health Services Block Grant	93.994	C-024606	17,359	17,359
Subtotal U.S. Department of Education			25,086,652	25,086,652
<b>United States Department of Homeland Security:</b>				
<i>Direct Award:</i>				
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0208HSLR709	115,190	115,190
<i>Passed through the NYS Office of Homeland Security:</i>				
Interoperable Emergency CGP	97.001	C835685	73,125	73,125
Homeland Security Grant Program	97.067	Various	587,399	587,399
Citizen Corps	97.053	N/A	62,261	62,261
<i>Passed through the NYS Emergency Management Office:</i>				
Emergency Management Performance Grants	97.042	LEMPG FY 2009 / 2010	94,450	94,450
Disaster Grants - Public Assistance	97.036	FEMA 1857 DR-NY	47,090	47,090
Subtotal U.S. Department of Homeland Security			979,515	979,515
Total expenditures and revenue			\$ 36,729,635	\$ 36,729,635

\*\*\* Constitutes a cluster of Federal Awards

- (1) Includes all major and non-major programs
- (2) Source: 2010 Catalog of Federal Domestic Assistance
- (3) Prepared on the "GAAP" basis of accounting and includes all federal program expenditures.
- (4) The County is the recipient of a federal financial award that does not result in cash receipts or disbursements, termed "Non-monetary programs." During the year ended December 31, 2010, the County distributed \$39,323,862 worth of benefits to eligible persons participating in the Food Stamp Program (CFDA No.10.551).
- (5) The County is the recipient of federal medical assistance that does not result in cash receipts or disbursements, termed "non-monetary programs." During the year ended December 31, 2010, the County's share that was required to fund Medical Assistance checks to providers amounted to \$108,617,607. This amount has not been included in total program expenditures (CFDA No 93.778).
- (6) The County is the recipient of federal low income home energy assistance that does not result in cash receipts or disbursements, termed "non-monetary programs." During the year ended December 31, 2010, the County's share that was required to fund Low Income Home Energy Assistance checks to providers amounted to \$9,585,850. This amount has not been included in total program expenditures (CFDA No. 93.568).
- (7) The County is the recipient of various federal financial awards that relate to the American Recovery and Reinvestment Act (ARRA). During the year ended December 31, 2010, the County expended a total of \$5,363,598 of ARRA funds.



**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 Executive and  
Members of the County Legislature  
*County of Chautauqua, New York*  
Mayville, New York**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *County of Chautauqua, New York* as of and for the year ended December 31, 2010, which collectively comprise the *County of Chautauqua, New York's* basic financial statements and have issued our report thereon dated September 27, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered *County of Chautauqua, New York's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified five deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting 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 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. We consider the deficiencies described in the County's internal control described in the accompanying schedule of findings and questioned costs as items II.A.2010-1, 2010-2, 2010-3, 2010-4, and 2010-5 to be material weaknesses.

**Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the *County of Chautauqua, New York*, in a separate letter dated September 27, 2011.

*County of Chautauqua, New York's* responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit *County of Chautauqua, New York's* responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management, the audit committee, the County Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
September 27, 2011**



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

**Honorable County Executive and  
Members of the County Legislature  
*County of Chautauqua, New York*  
Mayville, New York**

**Compliance**

We have audited *County of Chautauqua, New York's* compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of *County of Chautauqua, New York's* major federal programs for the year ended December 31, 2010. *County of Chautauqua, New York's* major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of *County of Chautauqua, New York's* management. Our responsibility is to express an opinion on *County of Chautauqua, New York's* compliance based on our audit.

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *County of Chautauqua, New York'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. Our audit does not provide legal determination on *County of Chautauqua, New York's* compliance with those requirements.

In our opinion, *County of Chautauqua, New York's* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

**Internal Control Over Compliance**

The management of *County of Chautauqua, New York* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *County of Chautauqua, New York's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 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 federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We identify four deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as items III.B.2010-6, 2010-7, 2010-8 and, 2010-9.

*County of Chautauqua, New York's* responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit *County of Chautauqua, New York's* responses and, accordingly, we express no opinion on them.

We noted other matters involving that we have reported to management of the *County of Chautauqua, New York* in a separate letter dated September 27, 2011.

This report is intended for the information and use of the management, audit committee, the County Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
September 27, 2011**

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2010**

**I. SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the *County of Chautauqua, New York*.
2. Five deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". These deficiencies are reported as material weaknesses and are reported in the accompanying schedule of findings and questioned costs as items II.A.2010-1, II.A.2010-2, II.A.2010-3, II.A.2010-4, II.A.2010-5.
3. There were no instances of noncompliance material to the financial statements of the *County of Chautauqua, New York* reported in the 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".
4. There were four deficiencies relating to the audit of the major federal assistance programs of the *County of Chautauqua, New York* reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. These deficiencies are reported as material weaknesses in the accompanying schedule of findings and questioned costs as items III.B.2010-6, III.B.2010-7, III.B.2010-8 and III.B.2010-9.
5. The auditors' report on compliance for the major federal assistance programs for the *County of Chautauqua, New York* expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
Highway Planning and Construction	20.205	Type A	\$ 2,777,597
Airport Improvement Program	20.106	Type A	1,115,607
Temporary Assistance for Needy Families	93.558	Type A	7,283,375
Child Support Enforcement	93.563	Type A	1,182,668
Child Care and Development Block Grant	93.575	Type A	4,579,214
Job Opportunities for Low-Income Individuals	93.593	Type A	1,123,700
Foster Care Title IV-E	93.658	Type A	1,964,669
Medical Assistance Program	93.778	Type A	4,880,115
Renewable Energy and Development	81.087	Type A	1,903,000
Total tested			<u>\$ 26,809,945</u>
Percentage of total programs tested			<u>73%</u>

8. The threshold for distinguishing between Types A and B programs was \$1,101,889.
9. *County of Chautauqua, New York* does not qualify as a low-risk auditee.

**II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Year ended December 31, 2010**

**2010-1 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Condition and Criteria:** During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the County to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording receivables, deferred liabilities, and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors and accepted by the County.

**Effect:** The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

**Auditors' Recommendation:** Although auditors may continue to provide such assistance both now and in the future, under this pronouncement, the County should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

**County's Response:** The County has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the County believes it has a thorough understanding of these financial statements and has the ability to make informed judgments based on these financial statements.

**Year ended December 31, 2009**

A similar finding related to internal control over financial reporting was reported on during the fiscal year ended December 31, 2009 audit which was performed by other auditors.

**Year ended December 31, 2010**

**2010-2 Reconciliation of General Ledger**

**Condition and Criteria:** During our audit, we noted that, with the exception of the cash accounts managed by the Finance Department, the County does not perform reconciliations of asset and liability accounts during the year on a regular or routine basis. Most notably, the accounts that have not been regularly or routinely reconciled include receivables, amounts due to and from other governments, property and equipment, accrued liabilities, encumbrances, deferred revenue, and compensated absences.

**Effect:** Without regular and routine reconciliation of asset and liability accounts balances a significant misstatement of the general ledgers of the County would go undetected for extended periods of time. Within the current audit, the lack of reconciliation has resulted in several prior period adjustments. Further, the County's financial reporting to New York State is significantly different than the audited financial statements since many asset and liability accounts were not reconciled prior to the filing of the financial results to the State. These misstatements also result in inaccurate or incomplete information to be utilized by management and the Legislature in its decision making processes throughout the year, including the establishment of annual budgets.

**Auditors' Recommendation:** We recommend that asset and liability accounts be reconciled by the Finance Department on a regular and routine basis. Further, reconciliations should be reviewed by management upon completion to ensure accurate and timely completion.

**Management's Response:** Chautauqua County concurs with the finding as to the importance of more frequent reconciliation. With the reduction of 30% of Finance Department staff there is limited resources to allocate. It is also important to note that in 2005, two Deputy Director of Finance positions were eliminated in the Department of Public Health and Landfill. Management monitors and reports budget performance very closely. It is the intent to establish procedures to provide for routine reconciliation of all asset and liability accounts.

**Year ended December 31, 2009**

This finding related to internal control over financial reporting was not reported on during the fiscal year ended December 31, 2009. The audit for the year ended December 31, 2009 was performed by other auditors.

**II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)**

**Year ended December 31, 2010 (continued)**

**2010-3 Departmental Cash Accounts**

**Condition and Criteria:** During the audit we noted that certain Departments of the County maintain their own bank accounts for certain departmental needs. Transaction records of these accounts are not maintained within the general ledger reporting system of the County, nor are internal control procedures over the transactions that are processed through these accounts developed or overseen by the Finance Department.

**Effect:** Reliance on the various Departments to maintain the records of these bank accounts has resulted in inconsistent financial reconciliation procedures and oversight. Although activity in these accounts is reported to the Finance Department periodically throughout the year and at year end, the Financial Department does not provide a formal review of the supporting records of transactions processed through these accounts to ensure errors or irregularities do not occur. Further, reliance has been placed on departmental staff to develop sufficient internal controls over these bank accounts.

**Auditors' Recommendation:** We recommend that the activity of all Departmental cash accounts be assessed by the Finance Department Management to determine whether the activity should be maintained within the financial management system of the County. Further, we recommend that the management of these accounts be controlled by the Financial Department management of County, and that transactions processed through these accounts follow the financial policies and procedures of the County.

**Management's Response:** Each and every bank account maintained by non-finance departments is necessary for specific functions within the department. Direct oversight is maintained by the Department Head of the respective department. Reconciliation by non-finance departmental staff is completed monthly. It is also not necessarily appropriate to process these transactions through the general ledger. When maintaining a decentralized accounting process it is necessary to rely on departmental staff to accomplish accountability functions. With the magnitude of Chautauqua County operations it would require a much larger staff to provide direct oversight over all departmental operations. The Finance Department will schedule staff time to provide random and surprise spot checks on non-finance department maintained cash accounts and provide written procedures to be followed by departmental staff.

**Year ended December 31, 2009**

This finding related to internal control over financial reporting was not reported on during the fiscal year ended December 31, 2009. The audit for the year ended December 31, 2009 was performed by other auditors.

**Year ended December 31, 2010**

**2010-4 Federal Grant Reconciliation and Oversight**

**Condition and Criteria:** Organizations that receive federal grants have the responsibility to maintain and report the use of grant awards within a Schedule of Expenditures of Federal Awards within its financial statement audit report. During the audit we noted that grant revenue from federal government sources is maintained in separate general ledger accounts within the financial management system of the County. Further, Departments that obtain Federal grant revenue maintain records for reporting to grantors. The County however does not have an individual or department that is responsible for ensuring that the federal grant records reconcile to the revenue reported with the general ledger system of the County, or that all information necessary for reporting, including CFDA numbers, pass through entities, and contract numbers, is available and accurate.

**Effect:** The lack of reconciliation between general ledger and the grant records maintained by the Departments receiving the grants may result in inaccuracies within the Schedule of Expenditures of Federal Awards.

**Auditors' Recommendation:** We recommend that a department or individual within the County be assigned responsibility to maintain accurate records on all grants awarded to the County. Further, grant activity must be reconciled between the department records utilized for reporting to grantors and the general ledger activity utilized for financial reporting, including the Schedule of Expenditures of Federal Awards. These reconciliations should be reviewed and approved by both Departmental and Financial Department management of the County.

**II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)**

**Year ended December 31, 2010 (continued)**

**2010-4 Federal Grant Reconciliation and Oversight (continued)**

**Management's Response:** Due to the reduction and turnover of Finance staff, resources have been allocated to perform other activities. However, Finance management agrees with this finding and will reallocate staff resources to provide greater control and oversight over federal grant records.

**Year ended December 31, 2009**

This finding related to internal control over financial reporting was not reported on during the fiscal year ended December 31, 2009. The audit for the year ended December 31, 2009 was performed by other auditors.

**Year ended December 31, 2010**

**2010-5 Property Taxes**

**Condition and Criteria:** Property taxes represent a significant revenue source for the County. The County is also responsible for administering and collecting property taxes for other municipalities and school districts within the County. Administration of property taxes includes the issuance of property tax bills, collections, and the payment of amounts due to other municipalities and school districts. During our audit we noted a lack of reconciliation of records between the records of the Finance and Property Tax Departments.

**Effect:** As a result of the lack of reconciliation of records between the Finance and Property Tax departments we noted significant differences between amounts considered property tax receivables and amounts owed to other governments and the amounts recorded within the General Ledger of the County. As a result the financial records of the County were materially incorrect. In addition, we noted that the County tax bills were issued in amounts that exceeded the tax levy approved by the County Legislature.

**Auditors' Recommendation:** We recommend that the County's incorporate procedures to reconcile the Property Tax Department records and the General Ledgers maintained by the Finance Department.

**Management's Response:** The Finance Department has recognized this as necessary to address and has already established procedures to fully reconcile tax department records. This is being accomplished through implementation of a new tax collection system along with reconciliation being provided by Finance management.

**Year ended December 31, 2009**

This finding related to internal control over financial reporting was not reported on during the fiscal year ended December 31, 2009. The audit for the year ended December 31, 2009 was performed by other auditors.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended December 31, 2010**

There are no compliance findings being reported upon for the year ended December 31, 2010.

**Year ended December 31, 2009**

There was no compliance findings reported upon for the year ended December 31, 2009. The audit for the year ended December 31, 2009 was performed by other auditors.

**III. MAJOR FEDERAL AWARDS PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS**

**A. COMPLIANCE**

**Year ended December 31, 2010**

There are no compliance findings being reported upon for the year ended December 31, 2010.

**Year ended December 31, 2009**

There was no compliance findings reported upon for the year ended December 31, 2009. The audit for the year ended December 31, 2009 was performed by other auditors.

**B. INTERNAL CONTROLS OVER COMPLIANCE**

*All Federal Awards*

**Year ended December 31, 2010**

**2010-6 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

Same finding as outlined in II.A.2010-1 above.

**2010-7 Reconciliation of General Ledger**

Same finding as outlined in II.A.2010-2 above.

**2010-8 Departmental Cash Accounts**

Same finding as outlined in II.A.2010-3 above.

**2010-9 Federal Grant Reconciliation and Oversight**

Same finding as outlined in II.A.2010-4 above.

**Year ended December 31, 2009**

There were no internal controls over compliance findings reported upon for the year ended December 31, 2009. The audit for the year ended December 31, 2009 was performed by other auditors.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED DECEMBER 31, 2010**

<u>PROGRAM TITLE</u>	<u>NYSDOT CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Airport Improvement Program	K006762	\$ 58,697
	K006833	80,316
	K006704	3,852
	K006740	8,616
	K550747	3,259
	K006819	172,028
	K007015	17,925
	K006929	13,500
	K006928	<u>26,352</u>
Total Airport Improvement Program		384,545
Consolidated Highway Improvement Program (CHIPS)	N/A	3,115,022
Highway Planning and Construction	N/A	2,777,597
Federal Transit – Capital Investment Grant	N/A	<u>566,846</u>
<b>TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDED</b>		<u>\$ 6,844,010</u>

**COUNTY OF CHAUTAUQUA, NEW YORK**

**NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED  
YEAR ENDED DECEMBER 31, 2010**

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**GENERAL**

The accompanying Schedule of State Transportation Assistance Expended of County of Chautauqua, New York, presents the activity of all financial assistance programs provided by the New York State Department of Transportation.

**BASIS OF ACCOUNTING**

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

The amounts reported in the Schedule of State Transportation Assistance Expended generally were obtained from the appropriate financial reports for the applicable program and periods. The amounts reported in the financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

**INDIRECT COSTS**

There are no indirect costs associated with these programs.

**MATCHING COSTS**

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

**AMOUNTS PAID TO SUBRECIPIENTS**

There are not amounts paid to subrecipients.



**REPORT ON COMPLIANCE AND CONTROLS OVER STATE TRANSPORTATION  
ASSISTANCE EXPENDED BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Honorable County Executive and  
Members of the County Legislature  
*County of Chautauqua, New York*  
Mayville, New York**

**Compliance**

We have audited the compliance of the *County of Chautauqua, New York* with the types of compliance requirements described in Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2010. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of the *County of Chautauqua, New York's* management. Our responsibility is to express an opinion on the *County of Chautauqua, New York's* compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the *County of Chautauqua, New York'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. Our audit does not provide a legal determination on the *County of Chautauqua, New York's* compliance with those requirements.

In our opinion, the *County of Chautauqua, New York* complied in all material respects with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended December 31, 2010.

**Internal Control Over Compliance**

The management of the *County of Chautauqua, New York* is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered the *County of Chautauqua, New York's* internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with Draft Part 43 NYCRR.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state transportation assistance program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer state transportation assistance program such that there is a more than likelihood that noncompliance with a type of compliance requirement of a state transportation assistance program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a state transportation assistance program will not be prevented or detected by the entity's internal control. Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

**Schedule of State Transportation Assistance Expended**

We have audited the financial statements of the *County of Chautauqua, New York* as of and for the year ended December 31, 2010, and have issued our report thereon dated September 27, 2011. Our audit was performed for the purpose of forming an opinion on the *County of Chautauqua, New York's* financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the *County of Chautauqua, New York's* management and the New York State Department of Transportation. However, this report is a matter of public record and its distribution is not limited.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
September 27, 2011**

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED DECEMBER 31, 2010**

**Summary of Audit Results:**

Internal control over state transportation assistance expended:

- Material weaknesses identified No
- Deficiencies identified that are not considered to be material weakness None reported

Type of auditors' report issued on compliance for programs tested: Unqualified

Identification of State Transportation Assistance Programs Tested:

Name

Consolidated Highway Improvement Program (CHIPS)

**Compliance Findings and Questioned Costs:**

No matters were reported.

**COUNTY OF CHAUTAUQUA, NEW YORK**  
**SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**YEAR ENDED DECEMBER 31, 2009**

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The *County of Chautauqua, New York* did not have any prior year findings. The audit for the year ended December 31, 2009 was performed by other auditors.