

County of Westchester

Financial Condition

OCTOBER 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Westchester County

Audit Objective

Determine whether County officials effectively managed the County's financial condition to ensure the sustainability of current and future operations.

Key Findings

The County has:

- Experienced planned operating deficits totaling \$81.1 million over the last five years. Financial condition continued to decline in 2017 when it experienced an operating deficit of \$32.2 million in the general fund.
- Cash balances that have declined by 54 percent during the audit period, from \$180.2 million in 2013 to \$83.7 million in 2017.
- A debt service obligation of \$159.8 million in 2017 (7.6 percent of the budget), an increase of \$25.1 million (18.6 percent) since 2013. These obligations included \$11.8 million in recurring operating expenditures over the past five years that were under-budgeted for in the 2015 and 2017 annual budgets.
- The general fund owes the sewer funds approximately \$50 million.

Key Recommendations

- Increase recurring revenues or decrease recurring expenditures so that operations are financed on a sustainable basis.
- Take measures to help ensure adequate fund balance and cash flow to phase out reliance on short-term debt and advances from other funds.
- Discontinue the practice of using one-time revenues to finance recurring expenditures.
- Repay the advances made from the sewer funds to the general fund.

County officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the County's response letter.

Background

Westchester County (County) is located in southern New York. It shares its southern boundary with New York City and is bordered on the west by the Hudson River and the east by the Long Island Sound and Connecticut. It is governed by a 17-member Board of Legislators (Board).

The elected County Executive is the chief executive officer and is responsible for oversight of operations. The Commissioner of Finance is the Treasurer and is responsible for the day-to-day financial operations, including general and revenue accounting, debt management, investments and the development of financial policies.

Quick Facts

Population	1 million
Square Miles	431
2017 Appropriations	\$2.2 billion

Audit Period

January 1, 2013 – December 31, 2017. We expanded our audit scope period through March 30, 2018 to review appropriated fund balance and short-term debt issued in 2018.

Financial Condition

What Is Sound Financial Condition?

A county's financial condition determines its ability to finance services on a continuing basis, maintain adequate service levels and survive economic fluctuations. A county's fund balance (which represents assets remaining from prior years) is a key measure of financial condition. County officials should ensure that the level of fund balance maintained is sufficient to provide adequate cash flow to guard against unanticipated and anticipated expenditures and/or revenue shortfalls or surpluses.

A county in sound financial health can consistently generate sufficient, recurring revenues to finance anticipated expenditures and maintain sufficient cash flow to pay bills and other obligations when due without relying on short-term borrowings, one-time revenues or interfund advances.¹ The continual reliance on the appropriation of fund balance² and subsequent decline in available fund balance indicates a deteriorating financial condition.

Long-term planning on a multiyear basis allows county officials to identify developing revenue and expenditure trends, set long-term priorities and goals and consider the impact of current budget decisions including the reliance on short- and long-term financing on future years. Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period. These plans should be monitored and updated on an ongoing basis to provide a reliable framework for preparing budgets and to ensure that information used to guide decisions is current and accurate.³

County Officials Relied on Fund Balance and One-Time Revenues

Over the audit period, County officials were aware that recurring revenues were not keeping pace with the expenditure growth, which resulted in operating deficits. The County appropriated \$201 million of fund balance over the past five years and used \$81.1 million to fund operations, with about half of that used in 2017. As a result, fund balance declined by 23 percent during the period.

1 In accordance with New York State General Municipal Law, Section 9-a, any advances must be repaid (along with applicable interest) by the close of the year in which the advances are made.

2 An appropriation of fund balance is the use of unexpended resources from prior years to finance appropriations contained in the current budget and is considered a one-time financing source.

3 Refer to our multiyear financial planning resources available at www.osc.state.ny.us/localgov/planbudget/index.htm

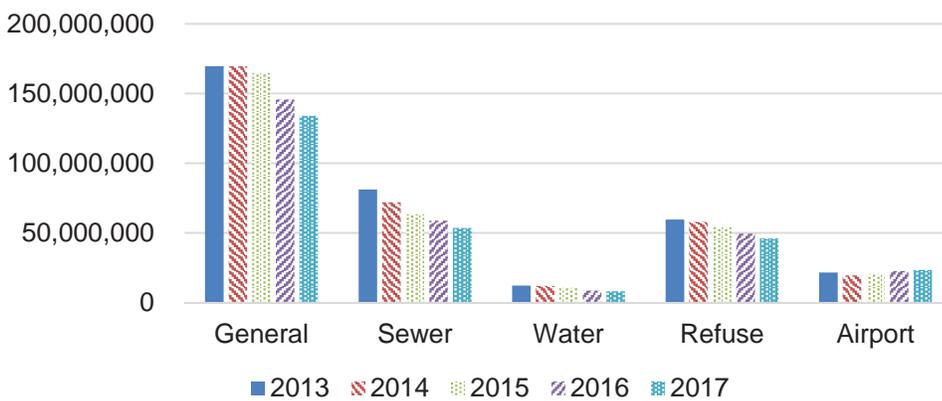
Figure 1: Major Fund Operating Results

	2013	2014	2015	2016	2017	5-Year Total
General Fund	\$222,337	\$40,046	(\$4,922,129)	\$1,471,336	(\$32,178,096)	(\$35,366,506)
Sewer Fund	\$336,012	(\$9,245,603)	(\$8,567,537)	(\$4,555,243)	(\$5,270,111)	(\$27,302,482)
Refuse Fund	(\$1,117,612)	(\$1,708,604)	(\$3,763,787)	(\$4,602,524)	(\$3,537,613)	(\$14,730,140)
Water Fund	\$382,044	(\$281,221)	(\$1,354,340)	(\$1,919,353)	(\$540,524)	(\$3,713,394)
Airport Fund	(\$1,838,992)	(\$1,993,166)	\$623,487	\$2,421,770	\$764,429	(\$22,472)
Total Funds	(\$2,016,211)	(\$13,188,548)	(\$17,984,306)	(\$7,184,014)	(\$40,761,915)	(\$81,134,994)

In 2016, the County received additional one-time revenues of \$20.4 million from the sale of two properties. One sale, in the amount of \$5.4 million, was included in the budget indicating that County officials intended to use this revenue to fund recurring expenditures. Without this revenue the general fund's operating surplus of nearly \$1.5 million would have been an operating deficit of \$18.9 million. Fund balance in four of the five funds has been declining every year with the largest decline of \$32.2 million occurring in the general fund in 2017.⁴

FIGURE 2

Fund Balance Major Funds



In 2018, the County appropriated fund balance of \$44.7 million to balance the budget. The occurrence of an operating deficit in 2018 would further deteriorate County finances. Further, if the County does not generate additional sources of revenue or decrease expenditures, it will have to continue to rely on fund balance, which will eventually impact the ability to pay recurring expenditures and provide services to taxpayers.

⁴ We adjusted general fund balance for 2016 in Figure 2 to reflect the amount it would have been without the \$20.4 million one-time revenue.

Debt Has Increased

The County has increased its debt during the audit period.⁵ The indebtedness at year-end 2017 due to bonds and bond anticipation notes (BANs) increased \$65.1 million or 5.6 percent from \$1.16 billion to a total of \$1.2 billion outstanding over the last five years. The County had a debt service obligation of \$159.8 million (7.6 percent of the budget) in 2017, an increase of \$25.1 million (18.6 percent) since 2013.

Figure 3: Outstanding Debt at Year-End

Year	Debt Service Obligation	Bonds	BANS	Total
2013	\$134,660,283	\$1,108,757,835	\$55,000,000	\$1,163,757,835
2014	\$147,690,117	\$1,098,445,984	\$88,727,800	\$1,187,173,784
2015	\$148,379,866	\$1,103,557,005	\$73,036,800	\$1,176,593,805
2016	\$164,805,640	\$1,020,539,000	\$125,262,800	\$1,145,801,800
2017	\$159,767,047	\$1,122,593,675	\$106,246,800	\$1,228,840,475

County officials told us that the increase in debt was due to funding various capital projects, some of which are legally required. The County's debt service grew from about \$135 million in 2013 to almost \$160 million in 2017 and included \$11.8 million in recurring operating expenditures for tax certioraris in 2015 and 2017. The tax certiorari expenditures were underbudgeted for in both year's annual budgets. While this is not a significant portion of the overall bond issuances (less than 3 percent), these expenditures should be included in the budget each year.

Further, the County elected to participate in the Retirement Contribution Stabilization Program (CSP). CSP started in 2011 and is an optional program that enables a municipality to pay a portion of its annual retirement contribution over time, leading to smoother, more predictable pension costs. If a municipality opts into the program, the amortized portion is paid over a ten-year period at an interest rate comparable to taxable fixed income investments of a similar duration.

The County amortized the full amount allowed each year. This allowed the County to reduce expenditures by a total of \$84.4 million from 2013 to 2015. However, this reduction was gradually diminished, and in 2017, retirement contribution costs paid were \$8.8 million more than the 2017 retirement contribution bill. This is due to the amortization payments for 2013, 2014, 2015 and 2016. This trend of deferring current liabilities to future years will continue for 10 years once the County stops electing to amortize a portion of its retirement costs. As a result, expenditures in future years will be higher.

⁵ The debt service fund is an account used to accumulate resources for and pay long-term debt principal and interest. A debt service obligation is the total amount due on the outstanding debt.

Cash Balances Significantly Declined

The County's cash reported in its major and non-major operating funds has declined by 54 percent during the audit period, from \$180.2 million in 2013 to \$83.7 million in 2017. As a result, the County has relied on advances from other funds to subsidize operations in the general fund. The sewer and refuse funds provided most of the funds advanced and are owed \$88.3 million from the general fund as of December 31, 2017. These advances date back before 2013, despite requirements in New York State General Municipal Law (GML) that these funds be repaid (with applicable interest) by the close of the year in which the advances are made. The general fund currently does not have the cash to repay these advances.

Additionally, as cash flow has become increasingly limited, officials have used short-term debt to fund cash deficits. The use of tax anticipation notes (TANs) annually smoothed the cash flow fluctuations experienced before the receipt of real property taxes in May each year. Officials issued TANs in each of the last five years. The amount borrowed has increased in four of the last five years from \$90 million in 2013 to \$140 million in 2017. This trend has continued in 2018 with the TANs issued for \$150 million, \$10 million more than the prior year.

County officials told us that the decrease in cash is attributable to overall spending not being offset by increased revenue over each year in the audit period. However, while officials have a long term plan, it does not include plans to help phase out the County's dependence on short- and long-term debt and the practice of deferring liabilities to future years.

Until officials can reverse the decline in cash, they will need to continue to rely on short-term debt. This practice can obscure the need to budget appropriately and adjust cash flow practices to manage more effectively. The dependence on short-term debt to meet current obligations is indicative of overall inadequate cash flow.

Sewer Fund Experienced Operating Deficits and Fund Balance Decline

Westchester County has 13 sewer districts that are combined in the sewer fund financial statements each year. These districts are composed of different tax bases, each based on the part of the county in which they provide services.

The combined sewer districts experienced operating deficits in four of the last five years resulting in an overall operating deficit of \$27.3 million. Ten of the 13 sewer districts had total operating deficits during the audit period.

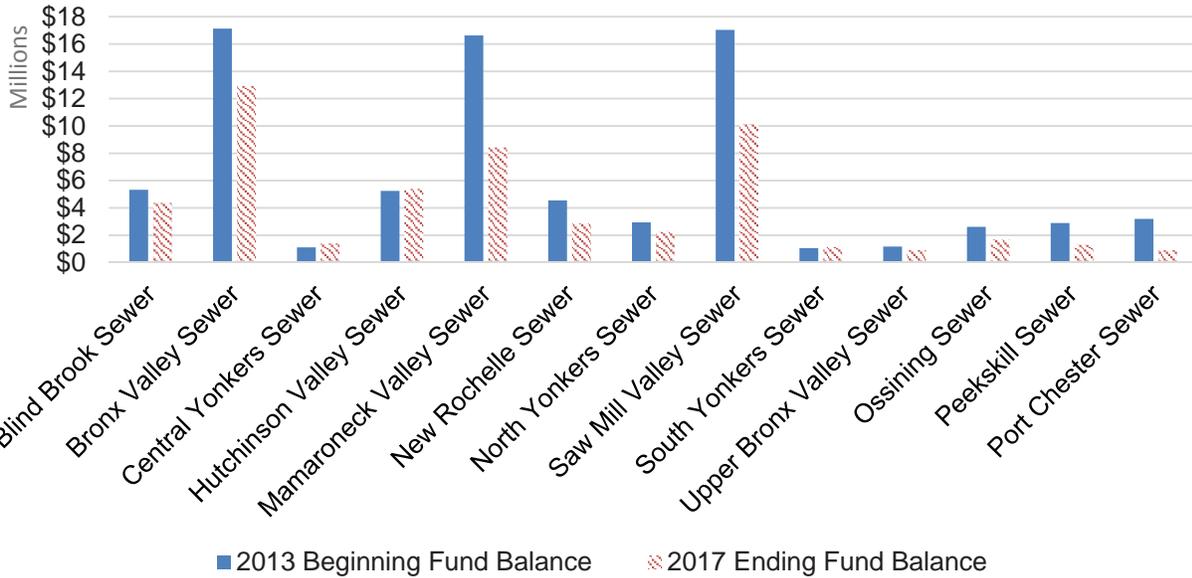
Figure 4: Sewer District Operating Surplus (Deficit)

Sewer District	2013	2014	2015	2016	2017	5-Year Total
Blind Brook	(\$1,110,328)	(\$1,320,131)	\$67,501	\$591,194	\$804,746	(\$967,018)
Bronx Valley	\$1,436,241	(\$687,273)	(\$1,660,902)	(\$1,259,065)	(\$2,035,018)	(\$4,206,017)
Central Yonkers	\$163,867	\$133,973	\$47,123	(\$19,835)	(\$47,465)	\$277,663
Hutchinson Valley	\$450,811	\$92,847	\$76,217	(\$159,678)	(\$324,513)	\$135,684
Mamaroneck Valley	\$1,610,417	(\$2,912,445)	(\$3,095,306)	(\$1,923,255)	(\$1,884,533)	(\$8,205,122)
New Rochelle	(\$394,873)	(\$1,188,560)	(\$509,433)	\$173,105	\$219,808	(\$1,699,953)
North Yonkers	\$107,194	(\$162,296)	(\$265,212)	(\$136,211)	(\$257,662)	(\$714,187)
Saw Mill Valley	(\$188,749)	(\$1,347,281)	(\$2,043,290)	(\$1,253,783)	(\$2,081,907)	(\$6,915,010)
South Yonkers	\$82,863	\$68,483	(\$158,640)	\$50,425	\$29,450	\$72,581
Upper Bronx Valley	(\$342,925)	(\$99,003)	(\$9,177)	\$121,393	\$70,069	(\$259,643)
Ossining	(\$597,202)	(\$468,354)	(\$203,518)	(\$221,664)	\$550,208	(\$940,530)
Peekskill	(\$736,628)	(\$558,167)	(\$205,929)	(\$30,219)	(\$64,385)	(\$1,595,328)
Port Chester	(\$144,675)	(\$797,397)	(\$606,970)	(\$487,651)	(\$248,908)	(\$2,285,601)
Total Operating Results	\$336,013	(\$9,245,604)	(\$8,567,536)	(\$4,555,244)	(\$5,270,110)	(\$27,302,481)

Fund balance in 10 of the 13 districts decreased from 2013 to 2017 (Figure 5). The balances declined due to repetitive operating deficits and continued appropriation of fund balance. In addition to declining fund balances the sewer funds made advances to the general fund that were not repaid by year end as required by law. The decreasing fund balances and unpaid advances have put pressure on the financial condition of the sewer funds and contribute to the County's overall poor financial condition.

FIGURE 5

Sewer Districts Fund Balance Decline



The sewer fund advanced the general fund approximately \$50 million by the end of 2017 leaving the fund with only \$5 million in cash on hand. If this trend continues, both the general fund and the sewer fund will reach a point where there is inadequate cash to pay for recurring expenditures.

What Do We Recommend?

The Board should:

1. Increase recurring revenues or decrease recurring expenditures so operations are financed on a sustainable basis.
2. Discontinue the practice of using one-time revenues to finance recurring expenditures.
3. Take measures to help ensure adequate fund balance and cash flow to phase out reliance on short-term debt and advances from other funds.
4. Develop a long-term financial plan that phases out dependence on short- and long-term debt and the practice of deferring liabilities to future years.
5. Repay the advances made from the sewer funds to the general fund.

Appendix A: Response From County Officials



George Latimer
County Executive

September 20, 2018

Ms. Tenneh Blamah, Chief Examiner
Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Ms. Blamah:

Westchester County response to the New York State Financial Condition Examination Report

We would like to thank the New York State Office of the State Comptroller for their dedicated time and recommendations to Westchester County, in their review of the County's financial condition. The County is in agreement with the findings of the report with respect to their accuracy in each of the areas reviewed. We would however like to qualify each of the points in the report with additional information to better clarify some of the issues you have raised.

County Officials Relied on Fund Balance and One-Time Revenues

Westchester County's budget over the prior eight years was balanced primarily by cutting expenditures, planned one-time revenues such as selling county owned property, and negotiating savings with various county contracts. The prior Administration made it a policy to freeze the property tax levy for seven consecutive years. This policy resulted in a five year reduction of total Fund Balance in the amount of \$81.1 million, leaving a balance of \$265 million. See Table 1 below.

Two contributing reasons for the reduction were due to:

- \$35.3 million decrease in the General Fund was partially attributed to an unrealized proposal to lease control of the Westchester County Airport, settlement of various labor contracts and use of E-911 restricted funds.

- \$27.3 million decrease in the Sewer Funds. The decrease is mostly attributed to the planned use of fund balance and an increase in debt service due to consent orders.

Summary of Fund Balance (Table 1)

Fund Balance	12/31/2012		Change in Fund Balance	12/31/2013		Change in Fund Balance	12/31/2014		Change in Fund Balance	
General Fund	169,402,886	49%	222,337	169,625,223	49%	40,046	169,665,269	51%	(4,922,129)	
Sewer Funds	80,881,886	23%	336,012	81,217,898	24%	(9,245,603)	71,972,295	22%	(8,567,537)	
Refuse Funds	60,708,273	18%	(1,117,612)	59,590,661	17%	(1,708,604)	57,882,057	17%	(3,763,787)	
Water Funds	11,894,152	3%	382,044	12,276,196	4%	(281,221)	11,994,975	4%	(1,354,340)	
Airport Funds	23,422,756	7%	(1,838,992)	21,583,764	6%	(1,993,166)	19,590,598	6%	623,487	
	346,309,953	100%	(2,016,211)	344,293,742	100%	(13,188,548)	331,105,194	100%	(17,984,306)	
Fund Balance	12/31/2015		Change in Fund Balance	12/31/2016		Change in Fund Balance	12/31/2017		5-Year Total	
General Fund	164,743,140	53%	1,471,336	166,214,476	54%	(32,178,097)	134,036,379	51%	(35,366,507)	44%
Sewer Funds	63,404,758	20%	(4,555,243)	58,849,515	19%	(5,270,112)	53,579,403	20%	(27,302,483)	34%
Refuse Funds	54,118,270	17%	(4,602,524)	49,515,746	16%	(3,537,613)	45,978,133	17%	(14,730,140)	18%
Water Funds	10,640,635	3%	(1,919,353)	8,721,282	3%	(540,525)	8,180,757	3%	(3,713,395)	5%
Airport Funds	20,214,085	6%	2,421,770	22,635,855	7%	764,805	23,400,660	9%	(22,096)	0%
	313,120,888	100%	(7,184,014)	305,936,874	100%	(40,761,542)	265,175,332	100%	(81,134,621)	100%

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Debt Has Increased

The County’s outstanding debt has been consistent at approximately \$1.1 billion from 2013 to 2017. Of that amount, District debt at the end of 2017 was \$551,343,090 (46%). Of that 46%, District consent order debt related was \$277,525,160 (50%).

The Bond Anticipation Notes (BANs) in the sewer districts are a result of the type of funding available through the NYS Environmental Facilities Corporation (EFC). Short-term borrowing in Figure 3 of the NYS Auditor report is the total amount allowed for the borrowing. The amount drawn down represents the amount due. Table 2 shows the amount authorized and the amount owed for each year. The short-term borrowing through EFC operates like a credit line in which only the amount drawn is the liability. In addition, the EFC subsidized 50% of the interest cost associated with the long-term and short-term borrowing.

See
Note 1
Page 12

Summary of EFC BAN Payable (Table 2)

	2013	2014	2015	2016	2017
EFC ST CREDIT LINE	55,000,000	48,727,800	73,036,800	52,852,800	36,836,800
EFC Drawn	(40,647,028)	(6,723,284)	(3,344,869)	(3,185,000)	(5,933,799)
EFC Unused	14,352,972	42,004,516	69,691,931	49,667,800	30,903,001

Summary of Total Indebtedness

	2013	2014	2015	2016	2017
Total Debt Per NYS	1,163,757,853	1,187,173,784	1,176,593,805	1,271,064,600	1,228,840,475
EFC ST CREDIT LINE	(55,000,000)	(48,727,800)	(73,036,800)	(52,852,800)	(36,836,800)
LT Debt	1,108,757,853	1,138,445,984	1,103,557,005	1,218,211,800	1,192,003,675
LT Debt Per CAFR	1,108,757,853	1,138,445,984	1,103,557,005	1,092,949,000	1,192,003,675
Difference *	-	-	-	125,262,800	-

* BANs were included in both the LT Debt column and BAN column in NYS audit report.

See
Note 1
Page 12

The use of BAN’s in 2016 in the amount of \$72.4 million was to take advantage of the short-term interest rates available. This savings was demonstrated by the low interest rates of 1.5% and 1.7%. In 2017 the decision was made to roll the BAN for another year once again to take advantage of the short-term rate environment. The rate was 0.86% to 1.44%.

Cash Balances Significantly Declined

The County utilizes a pooled cash system from all funds to pay for all expenditures. This results in cash being moved back and forward on a daily basis dependent on the cash needs of the respective funds. The due to – due from system of accounts is used to record the movement of the cash between the funds. The amount owed to the General Fund changes on a daily basis. The balance in the due to – due from account at the end of any year may make it appear that the general fund is being advanced funds from other funds, but instead, it is the capital fund that owed a significant amount of cash to the general fund (see Table 3 below). The County’s payments relating to capital projects are disbursed with operating cash first, and then replenished later with bond proceeds.

See
Note 2
Page 12

Beginning in 2017, the policy was changed from reimbursement bonding to partially prospective bonding for capital projects. This results in less use of general fund operating cash for the payments related to capital projects.

The County’s use of the “due to – due from” system is for the movement of cash through our pooled system. It is not a borrowing nor was it ever intended to be. The “due to – due from” balances change on a daily basis throughout the year.

See
Note 3
Page 12

Summary of Cash and Due to – Due From (Table 3)

Year ending December 30, 2013	General Fund	Combined Sewer Districts Fund	Refuse Disposal District Fund	Capital Projects Fund
Cash	31,681,948	75,000,400	15,000,000	26,803,505
Due from Other Funds	65,401,672	8,678,272	46,158,007	5,737,923
Due to Other Funds	95,884,810	-	-	62,529,350
2014				
Cash	32,416,911	30,000,400	15,000,000	15,503,106
Due from Other Funds	60,287,569	42,723,814	43,294,369	2,503,187
Due to Other Funds	123,002,181	-	-	57,355,170
2015				
Cash	57,202,469	28,000,400	12,000,000	20,424,240
Due from Other Funds	74,021,950	36,671,151	42,893,786	-
Due to Other Funds	128,611,018	-	-	69,567,514
2016				
Cash	29,808,967	4,000,400	8,000,000	15,218,024
Due from Other Funds	109,942,640	56,730,389	41,732,070	-
Due to Other Funds	159,574,332	-	-	107,020,403
2017				
Cash	33,090,293	5,000,400	8,000,000	70,777,780
Due from Other Funds	102,462,461	49,999,907	38,314,127	-
Due to Other Funds	161,713,610	-	-	99,131,728

See
Note 2
Page 12

Sewer Fund Experienced Operating Deficits and Fund Balance Decline

As stated previously, the Special District’s had an increase in debt service during the period of review. A decision was made to utilize fund balance instead of raising taxes to meet the obligations associated with the debt. That decision resulted in a reduction in fund balance in some of the Districts, but overall, the Special Districts continued to have healthy fund balances as shown in Table I and 4.

See
Note 4
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The County would also like to point OSC to their own examination (2017M-155) of the financial condition of the Sewer Districts dated September 2017. At that time OSC made no recommendations, and stated as a noteworthy achievement that, “The County has adopted structurally balanced budgets using fund balance in a judicious manner.” And, in conclusion. “...commended County officials for effectively managing the Sewer Districts’ financial condition.”

See
Note 5
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Expenditure Totals Compared to Fund Balance (Table 4)

Expenditures	12/31/2012			12/31/2013			12/31/2014			Fund % of 5 Yr Total
	Fund Balance as % of Exp	Change in Expenditure Total		Fund Balance as % of Exp	Change in Expenditure Total		Fund Balance as % of Exp	Change in Expenditure Total		
General Fund	1,713,081,211	10%	12,344,988	1,725,426,199	10%	26,933,519	1,752,359,718	10%	23,756,739	
Sewer Funds	100,495,682	80%	8,034,574	108,530,256	75%	13,169,074	121,699,330	59%	(163,808)	
Refuse Funds	67,246,712	90%	714,200	67,960,912	88%	(2,746,937)	65,213,975	89%	537,437	
Water Funds	16,749,383	71%	919,659	17,669,042	69%	1,746,246	19,415,288	62%	2,095,901	
Airport Funds	41,554,037	56%	(971,440)	40,582,597	53%	1,481,600	42,064,197	47%	1,487,358	
	1,939,127,025		21,041,981	1,960,169,006		40,583,502	2,000,752,508		27,713,627	
Expenditures	12/31/2015			12/31/2016			12/31/2017			Fund % of 5 Yr Total
	Fund Balance as % of Exp	Change in Expenditure Total		Fund Balance as % of Exp	Change in Expenditure Total		Fund Balance as % of Exp	Change in Expenditure Total	5-Year Total	
General Fund	1,776,116,457	9%	8,497,685	1,784,614,142	9%	3,774,895	1,788,389,037	7%	75,307,826	74%
Sewer Funds	121,535,522	52%	(2,127,759)	119,407,763	49%	1,733,750	121,141,513	44%	20,645,831	20%
Refuse Funds	65,751,412	82%	178,921	65,930,333	75%	845,154	66,775,487	69%	(471,225)	0%
Water Funds	21,511,189	49%	(1,332,823)	20,178,366	43%	(287,236)	19,891,130	41%	3,141,747	3%
Airport Funds	43,551,555	46%	(1,159,667)	42,391,888	53%	2,901,122	45,293,010	52%	3,738,973	4%
	2,028,466,135		4,056,357	2,032,522,492		8,967,685	2,041,490,177		102,363,152	100%

In conclusion, these are our clarifications to the preliminary report of examination of the County's financial condition. Our new Administration is developing the County 2019 Operating and Capital Budgets and will be submitting our Comprehensive Action Plan to you within 90 days of the release of OSC's final report.

Again, thank you for your due diligence and valuable insights in assessing the fiscal state of our County as of year-end 2017.

Very truly yours,

George Latimer
County Executive

cc: Ken Jenkins, Deputy County Executive
Joan McDonald, Director of Operations
Andrew Ferris, Chief of Staff
Benjamin Boykin, Chairman, Westchester County Board of Legislators
Catherine Parker, Majority Leader, Westchester County Board of Legislators
John G. Testa, Minority Leader, Westchester County Board of Legislators
Ann Marie Berg, Commissioner of Finance

Appendix B: OSC Comments on the County's Response

Note 1

We updated the Bond amount for 2016 in our report.

Note 2

Due to the County's method of paying for capital projects costs from the general fund before bonding, the general fund has had to use money belonging to the sewer and refuse funds to be able to pay for day-to-day operating expenditures. The County's Table 3 does not show the amount the general fund owes to other funds. Following are the amount of interfund advances the general fund owed to various funds over the past five years.

Figure 6: General Fund Due To Other Funds Summary

	2013	2014	2015	2016	2017
Due to Sewer Fund	\$8,678,272	\$42,723,814	\$36,671,151	\$56,730,389	\$49,999,907
Due to Refuse Fund	\$46,158,007	\$43,294,369	\$42,893,786	\$41,732,070	\$38,314,127
Due to Grants Fund			\$31,819,647	\$45,755,461	\$44,226,786
Due to Water Fund			\$224,426	\$283,131	\$733,814
Due to Non-Major Governmental Funds	\$20,024,899	\$16,697,515			
Due to Health Insurance Fund	\$20,890,441	\$20,153,292	\$16,792,766	\$14,703,394	\$28,229,734
Due to Workers' Compensation Reserve Fund				\$160,644	
Due to Agency Fund	\$133,191	\$133,191	\$209,243	\$209,243	\$209,243
Total General Fund Owes to Other Funds^a	\$95,884,810	\$123,002,181	\$128,611,019	\$159,574,332	\$161,713,611

a These amounts are from the County's CAFR, Notes to the Financial Statements, Note 3.

Note 3

When one fund overdraws its share of a pooled account that fund should report a liability (due to) to the fund that loaned the amount to the overdrawn fund. The fund deemed to have loaned the amount should report a receivable (due from) from the borrowing fund. GML (Section 9-a) requires that such interfund advances must be repaid by the close of the fiscal year in which the advances were made.

Note 4

The general fund has relied on advances from other funds to subsidize general fund operations. While the overall sewer fund balance appears adequate, the fund balance is largely composed of amounts owed from the general fund. Further, sewer fund cash has declined significantly over the past five years, which may impact the fund's ability to provide services to the taxpayers who pay for those services (Figure 7).

Figure 7: Sewer Fund's Cash as a Percent of Fund Balance

	2013	2014	2015	2016	2017
Cash Reported	\$75,000,400	\$30,000,400	\$28,000,400	\$4,000,400	\$5,000,400
Due from General Fund	\$8,678,272	\$42,723,814	\$36,671,151	\$56,730,389	\$49,999,907
Fund Balance	\$81,297,898	\$71,972,295	\$63,404,758	\$58,849,515	\$53,579,403
Cash as Percent of Fund Balance	92.3%	41.7%	44.2%	6.8%	9.3%

Note 5

Our prior audit of the financial condition of the sewer fund in 2017 focused on budgeting within that fund. However, after a more comprehensive review of financial condition of the County we found that although the sewer fund appears to be in good financial condition, much of its fund balance is in loans to the general fund that have not been repaid by year-end as required. Because these loans that should be short-term advances are inappropriately being used for longer term financing we have removed the prior report from our website.

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed County officials and reviewed the charter and code, resolutions, financial documents and census data to gain understanding of operations, officials' responsibilities and oversight, and policies and procedures for budgetary and fiscal control.

For the audit period for the following funds: general, refuse, sewer, water and airport:

- We prepared budget to actual comparisons for appropriations and revenues to determine whether one-time revenue was included in the budgets for 2013 through 2017.
- We calculated operating results and fund balance to determine the County's financial condition.
- We analyzed the amount of fund balance appropriated to determine if operating deficits were planned.
- We reviewed the cash balances and recalculated cash balances to determine actual cash balances.
- We reviewed the official bond statements, bond schedules and financial reports pertaining to issuances to determine the debt trend and purposes for 2013 through 2017.
- We prepared a schedule of retirement contribution obligations and payments to determine the savings and/or costs of participation in the CSP.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the County Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

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