

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.



\$8,000,000

COUNTY OF DELAWARE, NEW YORK

GENERAL OBLIGATIONS

\$8,000,000 Bond Anticipation Notes, 2020

(the "Notes")

Dated: September 1, 2020

Due: September 1, 2021

The Notes are general obligations of the County of Delaware, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limits imposed by Chapter 97 of the Laws of 2011 of the State of New York. See "TAX LEVY LIMITATION LAW" and "NATURE OF OBLIGATION" herein.

The Notes will not be subject to redemption prior to maturity.

At the option of the purchaser(s), the Notes will be issued as book entry only registered notes or in registered certificated form in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. A single note certificate will be issued for those Notes of an issue bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate.

Alternatively, at the option of the successful bidder(s), the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (DTC), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the Purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof as may be determined by such successful bidder(s). If the Notes are issued as registered notes, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the Purchaser(s) and subject to the receipt of the respective unqualified legal opinions as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey on or about September 1, 2020.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com on August 18, 2020 until 11:00 A.M., Prevailing Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction on or facsimile to the County, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

August 6, 2020

THE COUNTY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 ("THE RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDERS, AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE COUNTY WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE WITH RESPECT TO THE NOTES. SEE "MATERIAL EVENT NOTICES" HEREIN.

COUNTY OF DELAWARE, NEW YORK

COUNTY OFFICIALS



COUNTY BOARD

TINA B. MOLE

Chairman

MARK TUTHILL

Vice Chairman

CHRISTA M. SCHAFER

Clerk of the Board

PENNY BISHOP

Assistant Clerk of the Board

BEVERLY J. SHIELDS

County Treasurer

AMY MERKLEN

County Attorney



FISCAL ADVISORS & MARKETING, INC.

Municipal Advisor



ORRICK HERRINGTON & SUTCLIFFE

Bond Counsel

No person has been authorized by the County to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
OF THE
COUNTY OF DELAWARE, NEW YORK
Relating To
\$8,000,000 Bond Anticipation Notes, 2020

This Official Statement, which includes the cover page and appendices, has been prepared by the County of Delaware, New York (the "County," and "State," respectively) in connection with the sale by the County of \$8,000,000 Bond Anticipation Notes, 2020 (the "Notes") (collectively referred to herein as the "Notes").

The factors affecting the County's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the County's tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the County contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the County relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

NATURE OF OBLIGATION

Each of the Notes when duly issued and paid for will constitute a contract between the County and the holder thereof.

Holders of any series of notes or bonds of the County may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the County and will contain a pledge of the faith and credit of the County for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the County has power and statutory authorization to levy ad valorem taxes on all real property within the County subject to such taxation by the County, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the County is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the County's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the City's faith and credit is both a commitment to pay and a commitment of the City's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the City's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean...So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted...While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the *Flushing National Bank* (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the *Flushing National Bank* (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in *Flushing National Bank v. Municipal Assistance Corp.*, 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in *Quirk*, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In *Quirk v. Municipal Assistance Corp.*, the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

THE NOTES

Description of the Notes

The Notes are general obligations of the County, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the County is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See “NATURE OF OBLIGATION” and “TAX LEVY LIMITATION LAW” herein.

The Notes are dated September 1, 2020 and will mature, without the option of prior redemption, on September 1, 2021.

The Notes will be issued in registered form at the option of the purchaser(s) either (i) requested in the name of the purchaser, in denominations of \$5,000 or integral multiples thereof as may be determined by the successful bidder(s); or (ii) registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”) which will act as the securities depository for the Notes. See “BOOK-ENTRY-ONLY SYSTEM” herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are issued pursuant to the Constitution and statutes of the State including among others, the Local Finance Law and a bond resolution adopted by the County Board on May 13, 2020 authorizing the issuance of \$8,000,000 serial bonds for the construction of a new behavioral health facility in and for the County. The proceeds of the Notes will provide new money for the aforementioned purpose.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if requested. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for Notes bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE COUNTY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES, (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES, OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE COUNTY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the County and discharging its responsibilities with respect thereto under applicable law, or the County may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in registered form registered in the name of the Purchaser in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at the County. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE COUNTY

General Information

The County is located in the scenic foothills of the Catskill Mountains of New York State. It is predominately rural in character and covers approximately 1,450 square miles of mountains, rivers, streams and lakes. The County has a population of 44,135 according to the 2019 U.S. Census. Within the County there are 19 Towns, 10 Villages and 21 School Districts, which are connected by 331 miles of State roads, 260 miles of County roads and approximately 30 miles of rail lines. The County has 26 municipal water supply systems and 11 municipal sewage treatment facilities. The County also contains two New York City water facilities, the Cannonsville Reservoir and the Pepacton Reservoir, which supply water to the New York City Metropolitan area.

Source: County officials.

Population Trends

Since 1970, the County has had a population trend as indicated below:

<u>Census Year</u>	<u>Population</u>
1970.....	44,718
1980.....	46,824
1990.....	47,225
2000.....	48,055
2010.....	47,980
2019 (estimated).....	44,135

Source: U.S. Bureau of Census.

Larger Employers

<u>Name</u>	<u>Type</u>	<u>Employees</u>
Amphenol Corp.	Manufacturing Electronic Connectors	1,000
ACCO Brands USA LLC	Manufacturing of Organizers, Planners, Calendars	655
County of Delaware	Government	541
SUNY Delhi College	Education	528
SpecGX LLC (formerly Mallinkrodt)	Pharmaceutical Preparations	420
DCMO BOCES	Education	400
Walton School District	Education	220
Saputo Dairy Foods	Manufacturing	212
Sidney School District	Education	200
Robinson Terrace	Senior Living	200

Source: County officials.

Selected Wealth and Income Indicators

Per capita income statistics are available for the County and State. Listed below are select figures from the 2000 Census Reports, 2006-2010 and 2014-2018 American Community Survey 5 Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2014-2018</u>	<u>2000</u>	<u>2006-2010</u>	<u>2014-2018</u>
County of:						
Delaware	\$ 17,357	\$ 22,928	\$ 26,629	\$ 39,695	\$ 53,590	\$ 61,863
State of:						
New York	23,389	30,948	37,470	51,691	67,405	80,419

Note: 2015-2019 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2014-2018 American Community Survey data.

Unemployment Rate Statistics

Unemployment statistics for the County and the State are described below. The information set forth below with respect to the State of New York is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the State is necessarily representative of the County, or vice versa.

	<u>Annual Average</u>						
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Delaware County	7.9%	6.6%	6.0%	5.5%	5.5%	4.8%	4.7%
New York State	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%	4.0%

	<u>2020 Monthly Figures</u>							
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
Delaware County	5.6%	5.4%	5.5%	12.5%	9.0%	9.2%	N/A	N/A
New York State	4.1%	3.9%	4.2%	15.1%	14.2%	15.6%	N/A	N/A

Note: Unemployment rates for July and August 2020 are unavailable as of the date of this Official Statement. Due to the COVID-19 pandemic, unemployment rates are expected to remain substantially higher than prior periods.

Source: Department of Labor, State of New York. (Note: Figures are not seasonally adjusted).

Form of County Government

The County is governed by a County Board of Supervisors composed of 19 members. The members are assigned weighted voting powers based on the population of each respective election district. Each member of the Board of Supervisors is elected bi-annually with the exception of the members from the Towns of Deposit, Harpersfield, Sidney and Tompkins, which have four year terms. The County Board of Supervisors has both legislative and executive powers. The Chairman of the Board of Supervisors is selected annually and has limited administrative responsibilities. The County Treasurer, District Attorney, County Clerk and Sheriff are elected for four-year terms and are eligible to succeed themselves.

Financial Organization

The Chief Fiscal Officer of the County is the County Treasurer. The Treasurer is responsible for the administration of the financial affairs of the County. Duties of this position include: collecting and disbursing County funds, investing such funds for temporary periods, issuing debt approved by the County Legislature, maintaining accounting records and preparing financial statements therefrom.

Budgetary Procedures

The Budget Officer is responsible for the preparation of the proposed County budget and submission of same to the County Board of Supervisors. A tentative budget is submitted in October. After a public informational meeting and public hearing, the County usually adopts the budget by the end of November of each year. The budget is not subject to referendum. Expenditures during the fiscal year may only be made pursuant to appropriations from the General Fund and other special funds established by the County. However, during the fiscal year the County Board of Supervisors may, by resolution, make additional appropriations from any unencumbered balances in appropriations, contingent funds or unanticipated revenues.

Investment Policy

The County's investments are governed by a formal written investment policy, which investment policy is consistent with the Investment Policies and Procedures guidelines promulgated by the Office of the State Comptroller.

Pursuant to the County investment policy, investments of monies not required for immediate expenditure may be made in certain obligations authorized by Section 11 of the General Municipal Law of the State, as defined therein being (a) Special time deposit accounts; (b) Certificates of deposit; (c) Obligations of the United States Government; and (d) Obligations of the State of New York.

The County's investment policy further provides that, in accordance with the provisions of Section 10 of the General Municipal law of the State, all deposits, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, are secured by a pledge of "eligible securities" with an aggregate "market value" equal to 110% of the aggregate amount of deposits. Eligible securities used for collateralizing deposits are to be held by a third party bank or trust company subject to security and custodial agreements.

The County's investment policy also authorizes the County to enter into repurchase agreements, subject to the following restrictions: (a) All repurchase agreements must be entered into subject to a master repurchase agreement; (b) Obligations shall be limited to obligations of the United States of America and obligations of agencies of the United States of America where principal and interest are guaranteed by the United States of America; (c) No substitution of securities will be allowed; (d) The custodian shall be a party other than the trading partner, and (e) Repurchase agreements shall be for periods of 30 days or less.

The County's investment policy does not permit the County to invest in reverse repurchase agreements or other derivative-type investments and the County does not invest in reverse repurchase agreements, or other derivative-type investments.

State Aid

The County receives financial assistance from New York State. In its General Fund for the 2020 fiscal year, approximately 16.85% of the revenues of the County were received in the form of State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the County, in any year, the County may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the County, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the County. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the County requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Currently, due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including municipalities and school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of municipalities and school districts in the State, including the County.

COVID -19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the County's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the County's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the County. The County is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "State Aid" herein).

Employees

<u>Number of Employees</u>	<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
357	Civil Service Employees' Association	December 31, 2022
2	New York State Nurses Association	December 31, 2021
44	Corrections Officer Council 82	December 31, 2024
14	PBA	December 31, 2023

Source: County Officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the County are members of the New York State and Local Employees' Retirement System ("ERS"). The ERS is generally known as the "Common Retirement Fund". The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute, and the benefits to employees, are governed by the New York State Retirement System and Social Security Law (the "Retirement System"). The Retirement System offers several plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System generally provides that all participating employers in the retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute 3% of gross annual salary towards the cost of retirement programs during their first ten years of service.

On December 12, 2009, a new Tier V was signed into law. The law is effective for new ERS hires on or after January 1, 2010 through March 31, 2012. Tier V ERS employees contribute 3 percent of their salaries. There is no provision for these contributions to cease after a certain period of service. Overtime pay in excess of \$15,000 will not be subject to ERS either in contribution from the County or the employee.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The County's contributions to ERS since 2015 and the 2020 budgeted payments are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 3,962,986
2016	3,558,733
2017	3,587,930
2018	3,428,359
2019	3,404,272
2020 (Budgeted)	4,440,976

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The County does not have any early retirement incentives outstanding.

Historical Trends and Contribution Rates: Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and PFRS rates (2017 to 2021) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2017	15.5%	24.3%
2018	15.3	24.4
2019	14.9	23.5
2020	14.6	23.5
2021	14.6	24.4

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

Stable Rate Pension Contribution Option: The 2013-14 Adopted State Budget included a provision that authorized local governments, including the County, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years.

The County is not amortizing or smoothing any pension payments nor does it intend to do so in the foreseeable future.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the County’s employees is not subject to the direction of the County. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the County which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the County provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the County, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”), described below, requires such accounting.

In June 2015, the GASB issued GASB Statement 75 (“GASB 75”), which, when implemented, will supersede and eliminate GASB 45. GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. GASB 75 is required to be implemented by all municipalities and school districts in the fiscal year beginning after June 15, 2017. Actuarial valuation will be required every two years for GASB 75.

Summary of Changes from the Last Valuation. The County has contracted with Burke Group to prepare its post-retirement benefits valuation for the fiscal year ended December 31, 2019.

The following outlines the changes to the Total OPEB Liability for the past two fiscal years, by source.

<i>Balance at December 31st:</i>	<u>2017</u>	<u>2018</u>
	<u>\$ 11,190,968</u>	<u>\$ 8,199,184</u>
<u>Changes for the Year:</u>		
Service cost	\$ 411,046	\$ 260,699
Interest	399,635	318,054
Changes of benefit terms	(621,462)	0
Differences between expected and actual experience	(2,234,836)	52,721
Changes in assumptions	(762,305)	1,903,190
Benefit payments	<u>(183,862)</u>	<u>(155,611)</u>
Net Changes	<u>(2,991,784)</u>	<u>2,379,053</u>
<i>Balance at December 31st:</i>	<u>2018</u>	<u>2019</u>
	<u>\$ 8,199,184</u>	<u>\$ 10,578,237</u>

Source: GASB 75 Actuarial Valuation Report of the County. The above tables are not audited.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The County has reserved \$0 towards its OPEB liability. The County funds this liability on a pay-as-you-go basis.

The County’s unfunded actuarial accrued OPEB liability could have a material adverse impact upon the County’s finances and could force the County to reduce services, raise taxes or both.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in recent legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Notes are to be issued, is the County Law and the Local Finance Law.

No principal or interest upon any obligation of this County is past due.

The fiscal year of the County is January 1 through December 31.

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the County.

Financial Statements

The County retains an independent certified public accountant firm for a continuous independent audit of all financial transactions of the County. The financial affairs of the County are also subject to annual audits by the State Comptroller. The County has completed its 2018 Audited Financial Report which is appended to this Official Statement as "APPENDIX – C." The Audited Financial Statements for the fiscal year ending December 31, 2019 are unavailable as of the date of this Official Statement.

The County complies with the Uniform System of Accounts as prescribed for towns in New York State by the State Comptroller. This System differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending December 31, 2003, the County is required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis. The County hired an outside consultant to assist in implementation of GASB 34, inclusive of a physical review and documentation of all assets owned by the County. The County is currently in full compliance with GASB 34.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the County has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller's office released an audit report of the County on August 18, 2017. The purpose of the audit was to review the County's assigned counsel plan and the implementation of that plan, and how courts within the County determined assigned counsel eligibility for the period January 1, 2015 through June 9, 2016.

Key Findings:

- County officials began working with the Delaware County Bar Association (DCBA) to update the County's assigned counsel plan when the State Office of Indigent Legal Services (OILS) issued guidance for determining assigned counsel eligibility in April of 2016.
- County Law and State Executive Law were amended in April 2017 and now require counties to implement OILS criteria by April 1, 2023.

Key Recommendations:

- In consultation with legal counsel, continue efforts to work with the DCBA to review and update the County's assigned counsel process to incorporate criteria and guidance provided by OILS.
- Continue to periodically monitor the County's process to ensure it meets OILS required standards no later than 2023.

The County provided a complete response to the State Comptroller's office on August 14, 2017. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no other State Comptrollers audits of the County that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past three years for the County are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2018	No Designation	0.0%
2017	No Designation	0.0%
2016	No Designation	3.3%

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein.

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TAX INFORMATION

Taxable Valuations

	2016	2017	2018	2019	2020
<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Taxable Assessed Valuations	<u>\$ 2,777,421,437</u>	<u>\$ 3,062,269,611</u>	<u>\$ 3,074,084,255</u>	<u>\$ 3,391,736,230</u>	<u>\$ 3,546,813,738</u>
State Equalization Rates	53.65%	54.01%	59.36%	58.74%	61.09%
Taxable Full Valuations	<u>\$ 5,176,927,189</u>	<u>\$ 5,669,819,683</u>	<u>\$ 5,178,713,368</u>	<u>\$ 5,774,150,885</u>	<u>\$ 5,805,882,694</u>

Tax Rate per \$1,000 (Assessed)

<u>Fiscal Year Ending December 31:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	\$ 5.33	\$ 5.42	\$ 5.53	\$ 5.54	\$ 5.59

Tax Collection Procedure

Tax payments in the County are collected by the Towns and are payable January 1, with a penalty of 1% per month added after February 1 and through April 30. Any items remaining unpaid to the respective Towns after April 30 are returned to the County, becoming the County's responsibility. Thereafter, a 5% penalty is added to unpaid items and are then penalized at the rate of 1% per month. On November 15, the non-city school district tax rolls are returned to the office of the County Treasurer and relieved as County taxes in the subsequent year. Foreclosure procedures leading to auction of tax-acquired property commences when taxes on a parcel are delinquent for two years.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending December 31:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Tax Levy	\$ 30,689,648	\$ 31,249,268	\$ 31,706,231	\$ 32,176,540	\$ 32,745,488
Uncollected Taxes ⁽¹⁾	5,280,164	5,134,199	5,623,553	6,017,060	N/A
% Uncollected December 31	17.21%	16.43%	17.74%	18.70%	N/A

⁽¹⁾ See "Tax Collection Procedure" herein.

Note: Due to COVID-19, there was a 12% decrease in 2020 real property taxes collected by Town Tax Collectors. This was expected as the number of second-home owners is substantial in Delaware County. Many taxpayers were in lock-down situations and unable to access their banks. As restrictions ease, 2020 tax payments have been coming to Treasurer's Office on a regular basis. Also, due to COVID-19, the July County-Owned Tax Auction was cancelled. This event would have generated many payments of delinquent taxes and/or sales of property. When the State releases the "no foreclosure" clause, it will correct the situation. The County sees no material adverse changes in tax collections.

County Sales Tax Collection

Sales tax collections by the County for the past five fiscal years and the amount budgeted for the 2020 fiscal year are as follows:

<u>Year</u>	<u>Amount Collected</u>
2015	\$ 20,414,202
2016	21,569,988
2017	21,925,754
2018	22,704,527
2019	22,129,419
2020 (Budgeted)	18,840,000

Note: Please see "MARKET AND RISK FACTORS – COVID-19" herein.

Source: County officials.

Larger Taxpayers 2019-2020 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
NYS Electric and Gas	Utility	\$ 82,870,202
Delaware Co Electric Coop.	Utility	8,841,809
NY Trans	Utility	7,589,549
SpecGX LLC (DM Graham)	Pharmaceutical	7,413,896
Mountainside Farms Inc.	Sewage treatment facility	7,932,600
Hanah Country Inn Mgmt. Corp.	Inn/Lodge	6,784,000
Citizens Telephone Company	Utility	5,994,694
ACCO Brands USA LLC	Manufacturing	5,515,321

The larger taxpayers listed above have a total taxable assessed valuation of \$132,942,071 which represents 2.29% of the tax base of the County.

As of the date of this Official Statement, the County does not currently have any pending or outstanding tax certioraris that are known or reasonably expected to have a material impact on the County.

Source: County Tax Rolls.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2018 through 2020:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Five-Year Average Full Valuation.....	\$ 5,670,147,989	\$ 5,716,636,318	\$ 5,764,673,362
Tax Limit – 2.0%	113,402,960	114,332,726	115,293,467
Add: Exclusions From Limit.....	1,000,600	1,034,000	1,376,995
Total Taxing Power.....	114,403,560	115,366,726	116,670,462
Less: Total County-wide levy.....	31,848,988	32,346,933	32,892,434
Tax Margin.....	\$ 82,554,572	\$ 83,019,793	\$ 83,778,028

Additional Tax Information

Real property subject to County taxes is assessed at the Town/City level.

Veterans' and senior citizens' exemptions are offered to those who qualify.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

Chapter 97 of the Laws of 2011, as amended (the “Tax Levy Limitation Law”) applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It was to expire on June 15, 2020; recent legislation has made it permanent. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total

voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

The County voted to exceed the Tax Levy Limit for the 2015, 2016 and 2017 fiscal years. For 2017, the County's tax cap percentage was 1.05%, and the actual increase in the tax levy was 2.16%. The County initially voted to exceed the Tax Levy Limit in 2018 and 2019, but later rescinded the increase. For 2018, the County's tax cap percentage was 2.22%, and the actual increase was 2.21%. For 2019, the County's tax cap percentage was 2.68%, and the actual increase was 0.49%. For 2020, the County's tax cap percentage was 5.14%, and the actual increase was 5.13%.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59"), included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts were eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government were eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets were required to comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government were required to have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets were required to be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions included counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit were set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts were required to provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the County are uncertain at this time.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the County (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the County and its indebtedness (including the Notes), include the following provisions:

Purpose and Pledge. Subject to certain enumerated exceptions, the County shall not give or loan any money or property to or in aid of any individual, private corporation or private undertaking or give or loan its credit to or in aid of any foreign or public corporation. The County may contract indebtedness only for a County purpose and shall pledge its faith and credit for the payment of the principal of any interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless substantially level or declining debt service is utilized. The County is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial and such required annual installments on its bonds.

Debt Limit. The County has the power to contract indebtedness for any County purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real property of the County and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the County is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the County to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the County Law and the General Municipal Law.

Pursuant to the Local Finance Law, the County authorizes the issuance of bonds by the adoption of a bond ordinance approved by at least two-thirds of the members of the Board of Supervisors, the finance board of the County. Customarily, the Board of Supervisors has delegated to the County Treasurer, as chief fiscal officer of the County, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that when a bond ordinance is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the County is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations, and
- (3) An action contesting such validity, is commenced within twenty days after the date of such publication, or,

Such obligations are authorized in violation of the provisions of the Constitution.

The County generally issues its obligations after the time period specified in 3, above has expired with no action filed that has contested validity. It is a procedure that is recommended by Bond Counsel and followed by the County, but it is not an absolute legal requirement.

Each bond ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The County has authorized bonds for a variety of County objects or purposes.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such bonds outstanding, commencing no later than two years from the date of the first of such bonds and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein.)

In general, the Local Finance Law contains provisions providing the County with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and deficiency notes (see “Details of Outstanding Indebtedness” herein).

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending December 31st:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$ 5,815,000	\$ 4,975,000	\$ 4,140,000	\$ 3,305,000	\$ 7,470,000
Bond Anticipation Notes	0	0	0	6,000,000	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	\$ 5,815,000	\$ 4,975,000	\$ 4,140,000	\$ 9,305,000	\$ 7,470,000

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the County evidenced by bonds and notes as of August 6, 2020.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2020-2033	\$ 7,240,000
Bond Anticipation Notes	-	<u>0</u>
	Total Indebtedness	<u>\$ 7,240,000</u>

Debt Statement Summary

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of August 6, 2020:

Five-Year Average Full Valuation of Taxable Real Property	\$ 5,521,098,764
Debt Limit - 7% thereof	552,109,876

Inclusions:

Bonds	\$ 7,240,000
Bond Anticipation Notes	<u>0</u>
Total Inclusions	<u>\$ 7,240,000</u>

Exclusions:

Appropriations	\$ 830,000
Sewer Debt ⁽¹⁾	0
Water Debt ⁽²⁾	<u>0</u>
Total Exclusions	<u>\$ 830,000</u>

Total Net Indebtedness Subject to Debt Limit	<u>\$ 6,410,000</u>
Net Debt-Contracting Margin	<u>\$ 380,066,913</u>
Percent of Debt Contracting Power Exhausted	1.66%

⁽¹⁾ Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law.

⁽²⁾ Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

Note: The proceeds of the Notes will increase the net indebtedness of the County by \$8,000,000.

Bonded Debt Service

A schedule of bonded debt service may be found in “APPENDIX – B” to this Official Statement.

Authorized But Unissued Debt

The County is currently in the early stages of planning a capital project for the Department of Public Works. The project is for approximately \$22 million and consists of the construction of 3 buildings including 2 garage-type structures and an office building. Funding for the project will come from Highway fund balance, grant money, and the issuance of bond anticipation notes and serial bonds. It is expected that construction on the buildings will occur in 2021 with borrowings beginning in 2021, pursuant to construction cash flow needs.

Cash Flow Borrowing

The County has not found it necessary to borrow revenue and tax anticipation notes in the past. The County does not see the need to issue revenue or tax anticipation notes in the foreseeable future.

Estimated Overlapping Indebtedness

In addition to the County, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the County. The estimated net outstanding indebtedness of such political subdivisions is as follows:

	<u>Indebtedness</u>	<u>Exclusions</u> ⁽¹⁾	<u>Net Indebtedness</u>
Towns	\$ 5,234,322	\$ 1,590,928 ⁽²⁾	\$ 3,643,393
Villages	13,779,793	10,272,549 ⁽²⁾	3,507,244
School Districts	88,203,993	64,986,386 ⁽³⁾	23,217,607
Fire Districts	1,064,138	52,631 ⁽²⁾	<u>1,011,507</u>
		Total	<u>\$ 31,379,751</u>

(1) Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

(2) Sewer debt and water debt.

(3) Estimated State Building aid.

Source: State Comptroller's reports for fiscal year ending 2018 for the towns and fire districts and fiscal year ending 2019 for school districts and villages.

Debt Ratios

The following table sets forth certain ratios relating to the County's net indebtedness as of August 6, 2020.

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 6,410,000	\$ 145.24	0.11%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	37,789,751	856.23	0.65

(a) The current estimated population of the County is 44,135. (See "THE COUNTY – Population" herein.)

(b) The County's 2020 full value of taxable real estate is \$5,805,882,694. (See "TAX INFORMATION" herein.)

(c) See "Calculation of Net Direct Indebtedness" herein.

(d) Estimated net overlapping indebtedness is \$31,379,751. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. Each Note when duly issued and paid for will constitute a contract between the County and the holder thereof. Under current law, provision is made for contract creditors of the County to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the County upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the County may not be enforced by levy and execution against property owned by the County.

Authority to File For Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as the County, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Notes should the County be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Notes to receive interest and principal from the County could be adversely affected by the restructuring of the County's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the County (including the Notes) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the County under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such County of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the County.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the *Flushing National Bank* case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The County has not requested FRB assistance, nor does it reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “Nature of Obligation” and “State Debt Moratorium Law” herein.

No Past Due Debt. No principal of or interest on County indebtedness is past due. The County has never defaulted in the payment of the principal of and interest on any indebtedness.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the County as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the County’s control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the County to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The County is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the County, in this year or future years, the County may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the County. In several recent years, the County has received delayed payments of State aid which resulted from the State’s delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also “The County - State Aid”).

There are a number of general factors which could have a detrimental effect on the ability of the County to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the County. Unforeseen developments could also result in substantial increases in County expenditures, thus placing strain on the County's financial condition. These factors may have an effect on the market price of the Notes.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the County. Any such future legislation would have an adverse effect on the market value of the Notes (See "TAX MATTERS" herein).

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts and have restrictions in the State, including the County without providing an exclusion for debt service on obligations issued by municipalities or fire districts, including the County, could have an impact upon the market price of the Notes. See "TAX LEVY LIMITATION LAW" herein.

COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the County's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the County's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the County. The County is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

The County has concerns about the potential for decreased sales tax revenue resulting from businesses being temporarily closed and some workers being temporarily unemployed due to the COVID-19 pandemic. Although the County will be monitoring this closely, and making adjustments to its spending plan as needed, it is not possible to estimate the potential loss in sales tax revenue at this time. Actual 2020 sales tax revenue received through March 31, 2020 exceeded the prior year by 5.2%. As of July 6, 2020, the County has received sales tax distributions totaling \$13,446,671 which is only \$129,676 or 0.96% less than the amount received for the same time period in 2019.

The County has identified expenditure reductions in excess of \$1.1 million which are expected to be ratified by the Board of Supervisors at the July 14, 2020 Board meeting. The County has also instituted a hiring freeze so there will be savings in salaries and fringe benefits as a result of vacancies. There will likely be formal action by the Board of Supervisors in August to reduce department budgets. The County has placed the second half appropriations for non-for-profit agencies on hold which amounts to \$505,465. At present there is nearly \$600,000 available in the Contingent Fund.

The County is contemplating the repeal of sales tax on residential energy for a 3 year period beginning September 1, 2020. It is roughly estimated that the annual, net revenue from this release would amount to \$1,110,740 for the County.

If reductions in sales tax revenue and State aid persist throughout 2021 and beyond, the County may reduce funding for highway projects, the Sheriff's road patrol and not-for-profit agencies.

Cybersecurity. The County, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the County will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York (or any political subdivision thereof, including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – E” hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The County has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect an Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative proposals have been made which would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel expects to deliver such opinion at the time of issuance of the Notes substantially in the form set forth in “APPENDIX – E” hereto.

LITIGATION

The County is subject to a number of lawsuits in the ordinary conduct of its affairs. The County does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the County.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the County, threatened against or affecting the County to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the County taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the County.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the County will enter into an Undertaking to Provide Notice of Material Events Certificate, a description of which, is attached hereto as "APPENDIX – C".

Historical Compliance

The County is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a municipal advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the County on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the County and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the County or the information set forth in this Official Statement or any other information available to the County with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the County to the Municipal Advisor may be partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the County provided, however; the County assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATING

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the County, as such rating action will result in a material event notification to be posted to EMMA which is required by the County's Continuing Disclosure Undertakings. (See "MATERIAL EVENT NOTICES" herein.)

Moody's Investors Service ("Moody's") has assigned its underlying rating of "Aa3" to the County's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Any desired explanation of the significance of such rating should be obtained from Moody's Investors Service, 7 World Trade Center, 250 Greenwich St., New York, New York 10007. Phone: (212) 553-0038, Fax: (212) 553-1390.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the outstanding bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the County management's beliefs as well as assumptions made by, and information currently available to, the County's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the County's files with the repositories. When used in County documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the County, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the County for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the County will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the County.

The Official Statement is submitted only in connection with the sale of the Notes by the County and may not be reproduced or used in whole or in part for any other purpose.

The County hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the County nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the County disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the County also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The County contact information is as follows: Ms. Beverly J. Shields, County Treasurer, 111 Main Street, Suite 3, P.O. Box 431, Delhi, New York 13753 telephone (607) 832-5070, fax (607) 832-6013, email beverly.shields@co.delaware.ny.us.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com

This Official Statement has been duly executed and delivered by the County Treasurer of the County of Delaware.

COUNTY OF DELAWARE

Dated: August 6, 2020

BEVERLY J. SHIELDS
County Treasurer

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u> <u>Unaudited</u>
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 18,061,761	\$ 13,559,809	\$ 2,986,008	\$ -	\$ 29,396,256
Restricted cash and cash equivalents	-	340,720	440,725	429,805	446,717
Investments	2,722,868	2,732,652	15,255,934	27,574,699	-
Receivables:					
Taxes, Interest, Penalties and Liens	10,478,553	10,360,084	10,266,987	10,930,420	10,807,017
Other receivables	2,273,435	2,137,965	2,173,682	1,881,209	2,178,953
Due from State and Federal Governments	10,537,876	14,561,639	15,496,821	10,320,004	14,189,982
Loans receivable	-	-	-	-	-
Due from Other Governments	228,310	234,081	95,762	233,000	385,706
Due from Other Funds	216,964	204	97	250,934	1,020
Prepaid Items	787,342	770,425	749,784	896,635	722,753
TOTAL ASSETS	<u>\$ 45,307,109</u>	<u>\$ 44,697,579</u>	<u>\$ 47,465,800</u>	<u>\$ 52,516,706</u>	<u>\$ 58,128,404</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 2,837,527	\$ 4,576,395	\$ 3,055,812	\$ 3,009,276	\$ 3,048,856
Accrued Liabilities	650,207	743,935	787,669	849,303	942,083
Other Liabilities	2,097,150	4,213,804	2,085,853	2,319,984	2,321,358
Due to Other Funds	10,590,225	-	-	-	-
Due to Other Governments	7,967,194	7,710,830	7,702,742	8,497,517	7,920,903
Deferred Revenue	4,878,853	5,069,396	6,305,494	6,605,157	6,895,518
TOTAL LIABILITIES	<u>\$ 29,021,156</u>	<u>\$ 22,314,360</u>	<u>\$ 19,937,570</u>	<u>\$ 21,281,237</u>	<u>\$ 21,128,718</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ 787,342	\$ 770,425	\$ 749,784	\$ 896,635	\$ 722,753
Restricted	236,449	340,720	440,725	429,805	446,717
Assigned - appropriated	5,450,000	5,454,395	5,457,590	4,949,491	4,962,252
Assigned - unappropriated	1,591,655	904,150	177,069	463,226	944,367
Unassigned	8,220,507	14,913,529	20,703,062	24,496,312	29,923,597
TOTAL FUND EQUITY	<u>\$ 16,285,953</u>	<u>\$ 22,383,219</u>	<u>\$ 27,528,230</u>	<u>\$ 31,235,470</u>	<u>\$ 36,999,686</u>
TOTAL LIABILITIES, DEFERRED REVENUES AND FUND EQUITY	<u>\$ 45,307,109</u>	<u>\$ 44,697,579</u>	<u>\$ 47,465,800</u>	<u>\$ 52,516,705</u>	<u>\$ 58,128,404</u>

Source: 2015-2018 Audited financial Reports of the County and 2019 annual financial update document (unaudited).
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>REVENUES</u>					
Real Property Taxes and Tax Items	\$ 28,758,356	\$ 33,343,863	\$ 32,529,431	\$ 33,463,910	\$ 33,791,298
Non Property Tax Items	21,948,443	20,346,975	22,003,548	22,294,508	23,129,453
Departmental Income	8,779,846	8,411,164	8,072,974	7,437,588	7,039,116
Intergovernmental Revenues	408,893	459,462	592,015	672,223	678,109
Use of Money & Property	69,362	60,651	64,480	103,947	424,914
Sale of Property and					
Compensation for Loss	853,583	705,233	1,471,800	512,591	938,496
Licenses and Permits	-	-	241,536	-	2,000
Fines and Forfeitures	88,524	155,282	128,509	119,427	97,219
Miscellaneous	408,762	494,577	204,689	76,991	253,274
Interfund Revenues	462,535	600,751	617,703	649,171	698,686
State aid	10,692,205	13,374,725	13,366,747	13,417,334	11,472,744
Federal aid	8,765,683	9,801,594	9,601,260	6,964,464	6,918,896
Total Revenues	<u>\$ 81,236,192</u>	<u>\$ 87,754,277</u>	<u>\$ 88,894,692</u>	<u>\$ 85,712,154</u>	<u>\$ 85,444,205</u>
<u>EXPENDITURES</u>					
General Government Support	\$ 10,627,064	\$ 10,622,319	\$ 11,663,634	\$ 11,686,676	\$ 11,389,453
Education	732,150	716,842	673,301	734,393	744,615
Public Safety	8,702,218	9,245,111	9,253,558	9,620,812	9,951,870
Health	8,192,397	7,995,060	8,035,335	8,282,195	8,627,154
Transportation	-	-	-	-	-
Economic Assistance and					
Opportunity	33,093,044	29,161,688	28,747,417	27,695,469	27,174,416
Culture and Recreation	931,793	1,012,756	970,224	988,400	942,200
Home and Community Services	3,040,847	5,005,229	5,135,315	2,333,557	2,979,132
Employee Benefits	774,775	703,859	696,399	658,351	650,449
Debt Service	1,129,250	1,424,618	1,394,349	1,360,030	1,000,600
Total Expenditures	<u>\$ 67,223,538</u>	<u>\$ 65,887,482</u>	<u>\$ 66,569,532</u>	<u>\$ 63,359,883</u>	<u>\$ 63,459,889</u>
Excess of Revenues Over (Under)					
Expenditures	<u>\$ 14,012,654</u>	<u>\$ 21,866,795</u>	<u>\$ 22,325,160</u>	<u>\$ 22,352,271</u>	<u>\$ 21,984,316</u>
Other Financing Sources (Uses):					
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	<u>(16,579,866)</u>	<u>(16,557,762)</u>	<u>(16,227,894)</u>	<u>(17,207,260)</u>	<u>(18,277,077)</u>
Total Other Financing	<u>(16,579,866)</u>	<u>(16,557,762)</u>	<u>(16,227,894)</u>	<u>(17,207,260)</u>	<u>(18,277,077)</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures					
and Other Uses	<u>(2,567,212)</u>	<u>5,309,033</u>	<u>6,097,266</u>	<u>5,145,011</u>	<u>3,707,239</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	13,694,442	11,127,230	16,285,953	22,383,219	27,528,230
Prior Period Adjustments (net)	-	(150,310)	-	-	-
Fund Balance - End of Year	<u>\$ 11,127,230</u>	<u>\$ 16,285,953</u>	<u>\$ 22,383,219</u>	<u>\$ 27,528,230</u>	<u>\$ 31,235,469</u>

Source: Audited financial reports of the County.
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31:	2019		2020
	Adopted Budget	Unaudited Actual	Adopted Budget
REVENUES			
Real Property Taxes and Tax Items	\$ 32,176,540	\$ 33,969,023	\$ 34,552,713
Non Property Tax Items	19,040,000	22,571,637	19,220,900
Departmental Income	11,028,206	7,238,868	7,501,472
Intergovernmental Revenues	-	868,153	570,300
Use of Money & Property	-	997,056	826,100
Sale of Property and Compensation for Loss	-	853,156	667,050
Licenses and Permits	-	-	-
Fines and Forfeitures	-	120,867	95,200
Miscellaneous	190,000	492,658	56,600
Interfund Revenues	-	650,924	-
State aid	13,712,784	14,515,081	14,343,808
Federal aid	8,002,436	7,605,168	7,289,547
Serial Bonds	-	4,995,000	-
Total Revenues	<u>\$ 84,149,966</u>	<u>\$ 94,877,590</u>	<u>\$ 85,123,690</u>
EXPENDITURES			
General Government Support	\$ 12,879,271	\$ 11,618,842	\$ 13,629,031
Education	750,000	704,351	750,000
Public Safety	10,798,163	10,234,061	10,712,293
Health	9,739,037	8,538,944	10,064,436
Transportation	-	-	-
Economic Assistance and Opportunity	33,940,684	27,420,114	33,288,589
Culture and Recreation	1,073,746	959,594	1,086,349
Home and Community Services	1,788,463	5,297,326	1,847,349
Employee Benefits	718,224	681,493	718,345
Debt Service	1,199,000	7,127,200	1,526,681
Total Expenditures	<u>\$ 72,886,588</u>	<u>\$ 72,581,925</u>	<u>\$ 73,623,073</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 11,263,378</u>	<u>\$ 22,295,665</u>	<u>\$ 11,500,617</u>
Other Financing Sources (Uses):			
Operating Transfer In	-	-	-
Operating Transfers Out	<u>(16,212,869)</u>	<u>(16,530,650)</u>	<u>(16,462,869)</u>
Total Other Financing	<u>(16,212,869)</u>	<u>(16,530,650)</u>	<u>(16,462,869)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(4,949,491)</u>	<u>5,765,015</u>	<u>(4,962,252)</u>
FUND BALANCE			
Fund Balance - Beginning of Year	4,949,491	31,117,041	4,962,252
Prior Period Adjustments (net)	-	117,601	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 36,999,657</u>	<u>\$ -</u>

Source: 2019 annual financial update document (unaudited) and budgets of the County. This Appendix is not itself audited.

APPENDIX - B
County of Delaware

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Principal	Interest	Total
2020	\$ 1,060,000	\$ 316,995.00	\$1,376,995.00
2021	1,130,000	204,175.00	1,334,175.00
2022	1,135,000	161,875.00	1,296,875.00
2023	325,000	119,475.00	444,475.00
2024	335,000	109,575.00	444,575.00
2025	345,000	99,375.00	444,375.00
2026	350,000	88,950.00	438,950.00
2027	360,000	78,300.00	438,300.00
2028	375,000	67,275.00	442,275.00
2029	385,000	55,875.00	440,875.00
2030	400,000	44,100.00	444,100.00
2031	410,000	31,950.00	441,950.00
2032	425,000	19,425.00	444,425.00
2033	435,000	6,525.00	441,525.00
TOTALS	\$ 7,470,000	\$1,403,870.00	\$8,873,870.00

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2011			2019		
	Refunding Bonds			Emergency Communication Towers		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 830,000	\$ 99,000.00	\$ 929,000.00	\$ 230,000	\$ 217,995.00	\$ 447,995.00
2021	825,000	65,800.00	890,800.00	305,000	138,375.00	443,375.00
2022	820,000	32,800.00	852,800.00	315,000	129,075.00	444,075.00
2023	-	-	-	325,000	119,475.00	444,475.00
2024	-	-	-	335,000	109,575.00	444,575.00
2025	-	-	-	345,000	99,375.00	444,375.00
2026	-	-	-	350,000	88,950.00	438,950.00
2027	-	-	-	360,000	78,300.00	438,300.00
2028	-	-	-	375,000	67,275.00	442,275.00
2029	-	-	-	385,000	55,875.00	440,875.00
2030	-	-	-	400,000	44,100.00	444,100.00
2031	-	-	-	410,000	31,950.00	441,950.00
2032	-	-	-	425,000	19,425.00	444,425.00
2033	-	-	-	435,000	6,525.00	441,525.00
TOTALS	\$ 2,475,000	\$ 197,600.00	\$ 2,672,600.00	\$ 4,995,000	\$ 1,206,270.00	\$ 6,201,270.00

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Commission pursuant to the Securities Exchange Act of 1934, the County has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the EMMA system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the County
- (m) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a "financial obligation" (as defined in the Rule) of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect Note holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the County does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in paragraph (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

The County may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the County determines that any such other event is material with respect to the Notes; but the County does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The County reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The County acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the County’s obligations under its material event notices undertaking and any failure by the County to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The County reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County; provided that the County agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

COUNTY OF DELAWARE, NEW YORK

FINANCIAL REPORT

For the Year Ended December 31, 2018

Such Audited Financial Statement and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

COUNTY OF DELAWARE, NEW YORK
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INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
County of Delaware, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Delaware, New York (the County) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the County of Delaware Industrial Development Agency, which is 100% of the assets, net position and revenue of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the County of Delaware Industrial Development Agency. The County of Delaware Industrial Development Agency represents 100% of the assets, net position and revenue of the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar, as it relates to the amounts included for the County of Delaware Industrial Development Agency, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Delaware, New York as of December 31, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, and the additional information on pages 53 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Delaware, New York's basic financial statements. The combining and individual fund financial statements on pages 58 and 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2019, on our consideration of the County of Delaware 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
August 14, 2019

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis
December 31, 2018

Our discussion and analysis of the County of Delaware, New York's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2018. In this section, all amounts are expressed in thousands of dollars, unless otherwise indicated. Please read it in conjunction with the County's basic financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$219.5 million (net position), as compared to \$208.3 million in 2017.
- The County's overall net position, increased by \$11.2 million, or 5.4%, compared to an increase of \$9.7 million, or 4.9%, in 2017.
- During the year, the County had revenue of \$103.6 million, as compared to \$104.2 million in 2017, a decrease of 0.6%. Expenses decreased by 2.4%, from \$94.6 million to \$92.3 million.
- The General Fund recorded a surplus of \$3.7 million during 2018, compared to a surplus of \$5.1 million during 2017 and ended the year with a fund balance of \$31.2 million.
- The County's long-term bond obligations decreased by \$0.8 million to \$3.3 million at December 31, 2018. The County's estimate of other long-term liabilities decreased by \$11.0 million during 2018.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The statement of net position and the statement of activities (on pages 14 and 15) provide information about the County as a whole and present a longer-term view of the County's finances and are referred to as the Government-Wide financial statements. Governmental Fund financial statements begin on page 16. For Governmental Funds, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Governmental Fund financial statements also report the County's operations in greater detail than the Government-Wide financial statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements, the annual report contains other information in the form of combining statements for those funds that are not considered major funds and, therefore, are not presented individually in the basic financial statements. Also included are schedules that compare the County's General Fund and County Road Fund budgets to their actual activity.

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

Reporting the County as a Whole

Our analysis of the County as a whole begins on page 14, with the Government-Wide financial statements. The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer the question of whether the County, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the County's net position and changes in them. One can think of the County's net position, the residual of assets, deferred outflows of resources, liabilities and deferred inflows of resources, as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. One needs to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the statement of net position and the statement of activities, we separate the County into two types of activities:

Governmental Activities: Most of the County's services are reported in this category, including public safety, public health, economic assistance, transportation, and general administration. Property and sales taxes, and New York State (the State) and Federal grants finance most of these activities.

Component Unit: The County includes the Industrial Development Agency (the Agency) in its report, a separate legal entity. Although legally separate, this "component unit" is important because the County is financially accountable for it. Complete financial statements for the Agency can be obtained from the Agency's administrative office.

Governmental Fund Financial Statements

Analysis of the County's major funds begins on page 16. The Governmental Fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting its legal responsibilities for using certain taxes and grants. The County's two kinds of funds - Governmental and Proprietary - use different accounting approaches.

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

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

Proprietary Funds: When the County charges customers for the services it provides - whether to outside customers 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 position and the statement of activities. We use an Internal Service Fund (a component of Proprietary Funds) to report activities that provide supplies and services for the County's other programs and activities such as the administration of workers' compensation obligations.

Fiduciary Funds: The County is the trustee, or fiduciary, for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported on the statements on page 23. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The County's net position for the year ended December 31, 2018 increased from \$208.3 million to \$219.5 million, an increase of \$11.2 million. In 2017 net position increased by \$9.7 million. A portion of the County's net position (23.9%) represents resources that are subject to external restrictions on how they may be used and are reported as restricted net position. The restricted net position consist of amounts restricted for mainly for capital projects.

An additional portion of the County's net position (64.5%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

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

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

Figure 1- Net Position at December 31,
(In thousands)

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2018</u>	<u>2017</u>	<u>2017 - 2018</u>
Current assets	\$ 136,040	113,777	19.6%
Capital assets, net	151,002	146,189	3.3%
Other noncurrent assets	<u>5,720</u>	<u>22,764</u>	-74.9%
Total assets	<u>292,762</u>	<u>282,730</u>	3.5%
Deferred outflows of resources	<u>11,188</u>	<u>7,711</u>	45.1%
Current liabilities	25,275	22,368	13.0%
Noncurrent liabilities	<u>43,306</u>	<u>55,181</u>	-21.5%
Total liabilities	<u>68,581</u>	<u>77,549</u>	-11.6%
Deferred inflows of resources	<u>15,836</u>	<u>4,592</u>	244.9%
Net investment in capital assets	141,496	141,797	-0.2%
Restricted	52,508	52,685	-0.3%
Unrestricted	<u>25,529</u>	<u>13,818</u>	84.8%
Total net position	\$ <u>219,533</u>	<u>208,300</u>	5.4%

Figure 2 - Changes in Net Position for years ended December 31,
(In thousands)

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2018</u>	<u>2017</u>	<u>2017 - 2018</u>
Revenue:			
Program revenue:			
Charges for services	\$ 19,180	18,417	4.1%
Operating grants and contributions	19,662	21,475	-8.4%
Capital grants and contributions	3,613	6,143	-41.2%
General revenue:			
Property taxes and tax items	33,959	33,498	1.4%
Sales and other taxes	23,129	22,295	3.7%
Use of money and property	964	133	624.8%
Fines and forfeitures	97	119	-18.5%
Sale of property and compensation for loss	1,992	1,608	23.9%
Miscellaneous	<u>981</u>	<u>541</u>	81.3%
Total revenue	<u>103,577</u>	<u>104,229</u>	-0.6%

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

	<u>2018</u>	<u>2017</u>	<u>Percent Change 2017 - 2018</u>
Program expenses:			
General government support	\$ 14,184	14,749	-3.8%
Education	745	734	1.5%
Public safety	11,061	11,064	0.0%
Health	8,911	8,707	2.3%
Transportation	19,336	18,428	4.9%
Economic assistance and opportunity	28,681	29,386	-2.4%
Culture and recreation	980	1,051	6.8%
Home and community	8,218	10,306	-20.3%
Interest	<u>228</u>	<u>143</u>	59.4%
Total expenses	<u>92,344</u>	<u>94,568</u>	-2.4%
Change in net position	<u>11,233</u>	<u>9,661</u>	16.3%
Net position at beginning of year	<u>208,300</u>	<u>198,639</u>	4.9%
Net position at end of year	\$ <u>219,533</u>	<u>208,300</u>	5.4%

Governmental Activities

The net position of the County's Governmental Activities increased by 5.4% to \$219.5 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints, changed from \$13.8 million at December 31, 2017 to \$24.8 million at December 31, 2018.

Revenue for the County's Governmental Activities decreased by \$0.7 million or 0.6%, while total expenses decreased by \$2.2 million, or 2.4%. This resulted in an \$11.2 million increase in net position in 2018, compared to a \$9.7 million increase in 2017.

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

Figure 3 shows the sources of revenue for 2018. Figure 4 shows program expenses for 2018.

Figure 3
Revenue by Source
2018

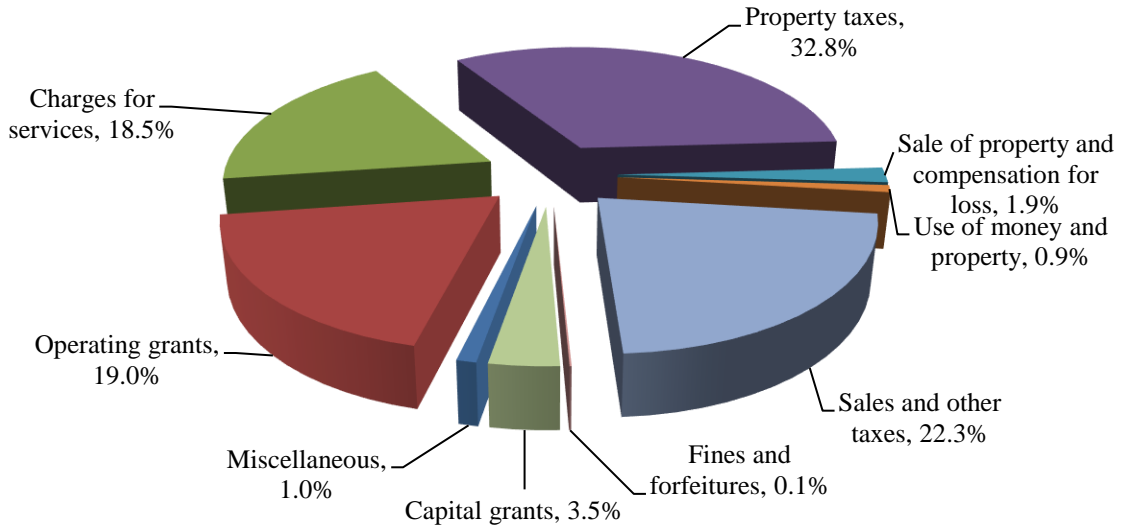
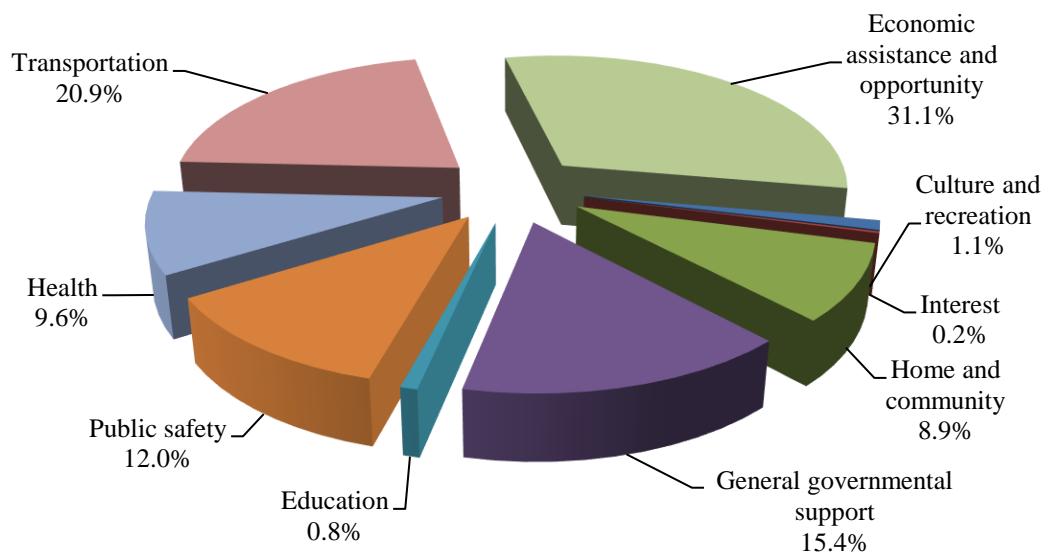


Figure 4
Program Expenses
2018



COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

The cost of all Governmental Activities this year was \$92.3 million. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through County property and other general revenue was \$61.1 million, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, the County's governmental program revenue was \$42.5 million. The County paid for the remaining "public benefit" portion of Governmental Activities with \$61.1 million in property and sales taxes and with other revenue, such as interest and other local sources.

THE COUNTY'S FUNDS

As the County completed the year, its Governmental Funds, as presented in the balance sheet on page 16, reported a combined fund balance of \$84,009,880, as compared to last year's total of \$79,799,864.

Figure 5- Governmental Funds Fund Balances at December 31, (In thousands)

	<u>2018</u>	<u>2017</u>	<u>Percent Change</u> <u>2017 - 2018</u>
General Fund	\$ 31,236	27,528	13.5%
County Road Fund	10,931	10,628	2.9%
Capital Project Funds	29,000	30,903	-6.2%
Nonmajor Funds:			
Road Machinery Fund	6,862	5,687	20.7%
Refuse and Garbage Fund	5,661	4,756	19.0%
Special Grant Fund	<u>320</u>	<u>298</u>	7.4%
Totals	\$ <u>84,010</u>	<u>79,800</u>	5.3%

General Fund Budgetary Highlights

Over the course of the year, the County Board of Supervisors revised the County's general fund budget several times. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget. In addition to these transfers, the County Board of Supervisors increased the overall budget to provide for various grants where the majority of the funding came from Federal and State sources.

In total, actual revenue was more than the final budget by \$760,064. Revenue that exceeded budgeted figures included real property taxes and tax items of \$277,842, nonproperty tax items of \$3,768,353, intergovernmental charges of \$119,259, use of money and property of \$351,083 and other sources of \$278,008. Revenue that fell short of the final budget included departmental income of \$428,761, state sources of \$2,792,112 and federal sources of \$813,608. Expenditures were \$9,374,404 under the final appropriations. Of this amount, \$5,192,013 was in economic assistance and opportunity, \$1,937,770 in the areas of public safety and health, \$178,204 in home and community and \$1,645,135 in general government support.

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

Figure 6 - Budgetary Comparison Schedule - General Fund
Year ended December 31, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Fav-(Unfav.)</u>
Revenue:				
Real property taxes and tax items	\$ 33,513,456	33,513,456	33,791,298	277,842
Nonproperty tax items	19,361,100	19,361,100	23,129,453	3,768,353
Departmental income	7,457,877	7,467,877	7,039,116	(428,761)
Intergovernmental charges	520,300	558,850	678,109	119,259
Use of money and property	73,025	73,831	424,914	351,083
Interfund revenue	-	698,686	698,686	-
State sources	12,390,715	14,264,856	11,472,744	(2,792,112)
Federal sources	7,166,852	7,732,504	6,918,896	(813,608)
Other	821,550	1,012,981	1,290,989	278,008
Total revenue	<u>81,304,875</u>	<u>84,684,141</u>	<u>85,444,205</u>	<u>760,064</u>
Expenditures:				
General government support	12,778,325	13,034,588	11,389,453	1,645,135
Education	750,000	750,000	744,615	5,385
Public safety	10,405,932	10,833,908	9,951,870	882,038
Health	9,609,590	9,682,886	8,627,154	1,055,732
Economic assistance and opportunity	31,887,749	32,366,429	27,174,416	5,192,013
Culture and recreation	1,112,131	1,233,491	942,200	291,291
Home and community	1,737,240	3,157,336	2,979,132	178,204
Employee benefits	728,629	661,655	650,449	11,206
Debt service (principal and interest)	1,114,000	1,114,000	1,000,600	113,400
Total expenditures	<u>70,123,596</u>	<u>72,834,293</u>	<u>63,459,889</u>	<u>9,374,404</u>
Excess of revenue over expenditures	<u>11,181,279</u>	<u>11,849,848</u>	<u>21,984,316</u>	<u>10,134,468</u>
Other financing uses - interfund transfers out	<u>(16,638,869)</u>	<u>(18,277,077)</u>	<u>(18,277,077)</u>	<u>-</u>
Change in fund balance	<u>\$ (5,457,590)</u>	<u>(6,427,229)</u>	<u>3,707,239</u>	<u>10,134,468</u>

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2018, the County had \$151.0 million, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net increase (including additions and depreciation) of \$4.8 million over the previous year.

Figure 7 - Capital Assets, Net of Depreciation
(In thousands)

	<u>2018</u>	<u>2017</u>	<u>Percent Change 2017 - 2018</u>
Land and land improvements	\$ 3,914	3,249	20.5%
Construction in progress	17,127	11,403	50.2%
Buildings and improvements, net	49,988	51,595	-3.1%
Machinery and equipment, net	6,275	6,397	-1.9%
Infrastructure, net	<u>73,699</u>	<u>73,545</u>	0.1%
Totals	\$ <u>151,003</u>	<u>146,189</u>	3.2%

Debt Administration

Long-term liabilities of the County decreased in 2018 by \$11.9 million, as shown in Figure 8. Of this amount, \$3.3 million was subject to the constitutional debt limit and represented 1.76% of the County's statutory debt limit. In addition, \$11.5 million was accrued to fulfill the County's obligations for landfill closure and postclosure costs. The liability for the County's proportionate share of the net pension liability decreased \$5.3 million, as investment income assumptions were changed for the ERS system's plan year ended March 31, 2018.

Figure 8 - Outstanding Debt
(In thousands)

	<u>2018</u>	<u>2017</u>	<u>Percent Change 2017 - 2018</u>
Serial bonds	\$ 3,305	4,140	-20.2%
Unamortized premiums	201	252	-20.2%
Landfill closure and postclosure costs	11,460	11,404	0.5%
Claims and judgments	16,906	19,627	-13.9%
Other postemployment benefits liability	8,199	11,191	-26.7%
Net pension liability	3,288	8,625	-61.9%
Compensated absences	<u>827</u>	<u>828</u>	0.1%
Totals	\$ <u>44,186</u>	<u>56,067</u>	-21.2%

COUNTY OF DELAWARE, NEW YORK
Management's Discussion and Analysis, Continued

The County's bond rating is currently AA. The County does not purchase insurance to pay its obligations under Workers' Compensation Law and has claims and judgments of \$16.9 million outstanding at December 31, 2018 compared with \$19.6 million at December 31, 2017. More detailed information about the County's long-term liabilities is presented in note 2(b)(4) to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year December 31, 2019 budgeted tax rates. The 2019 budget includes a property tax levy of \$32,176,540, which is 1.48% higher than the 2018 tax levy.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Christa Schafer, Clerk of the Board of Supervisors, Delaware County, 111 Main Street, Delhi, New York 13753.

COUNTY OF DELAWARE, NEW YORK
Statement of Net Position
December 31, 2018

	Primary <u>Government</u> Governmental <u>Activities</u>	<u>Component Unit</u> Industrial Development <u>Agency</u>
Assets:		
Current assets:		
Cash and equivalents - unrestricted	\$ 20,158,141	1,616,825
Investments	71,323,576	
Taxes receivable, net	10,930,420	-
Accounts receivable, net	10,751,177	26,653
Loans receivable, current portion	-	797,008
Due from State and Federal governments	13,094,228	-
Due from other governments	8,686,181	-
Due from fiduciary funds	195	-
Prepaid expenses	1,096,454	8,479
Total current assets	<u>136,040,372</u>	<u>2,448,965</u>
Noncurrent assets:		
Cash and equivalents - restricted	5,719,517	51,410
Loans receivable, net of current portion	-	1,691,512
Non-depreciable capital assets	21,041,203	1,980,984
Capital assets, net of accumulated depreciation	<u>129,961,149</u>	<u>609,728</u>
Total noncurrent assets	<u>156,721,869</u>	<u>4,333,634</u>
Total assets	<u>292,762,241</u>	<u>6,782,599</u>
Deferred outflows of resources:		
Pensions	11,141,929	-
Other postemployment benefits	46,471	-
Total deferred outflows of resources	11,188,400	-
Liabilities:		
Current liabilities:		
Accounts payable	4,924,218	42,143
Accrued liabilities	1,120,145	-
Interest payable	147,337	-
Due to other governments	8,497,517	-
Bond anticipation notes payable	6,000,000	-
Land deposit	-	5,000
Other liabilities	3,705,486	428
Long-term obligations due within one year - bonds payable and unamortized premiums	<u>880,333</u>	<u>-</u>
Total current liabilities	<u>25,275,036</u>	<u>47,571</u>
Noncurrent liabilities:		
Bonds payable and unamortized premiums	2,626,003	-
Due to federal housing administration	-	18,000
Claims and judgments	16,906,361	-
Landfill closure and postclosure costs	11,459,932	-
Total OPEB liability	8,199,184	-
Compensated absences	827,436	-
Net pension liability - proportionate share	<u>3,287,566</u>	<u>-</u>
Total noncurrent liabilities	<u>43,306,482</u>	<u>18,000</u>
Total liabilities	<u>68,581,518</u>	<u>65,571</u>
Deferred inflows of resources:		
Pensions	10,928,784	-
Other postemployment benefits	2,468,608	-
Government advances	<u>2,439,044</u>	<u>-</u>
Total deferred inflows of resources	<u>15,836,436</u>	<u>-</u>
Net position:		
Net investment in capital assets	141,496,016	2,590,712
Restricted	52,507,560	2,539,930
Unrestricted	<u>25,529,111</u>	<u>1,586,386</u>
Total net position	<u>\$ 219,532,687</u>	<u>6,717,028</u>

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Statement of Activities
Year ended December 31, 2018

Functions/Programs	<u>Expenses</u>	Program revenue			Net expense and changes in net position	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary</u>	<u>Component Unit</u>
					<u>Governmental Activities</u>	<u>Industrial Development Agency</u>
Primary government:						
Governmental activities:						
General government support	\$ 14,183,976	5,474,649	337,846	-	(8,371,481)	-
Education	744,615	-	-	-	(744,615)	-
Public safety	11,060,973	746,001	318,070	-	(9,996,902)	-
Health	8,910,529	1,949,482	3,929,729	339,166	(2,692,152)	-
Transportation	19,335,845	9,314,636	150,842	3,273,343	(6,597,024)	-
Economic assistance and opportunity	28,681,266	1,032,316	12,807,608	-	(14,841,342)	-
Culture and recreation	980,110	1,894	312,425	-	(665,791)	-
Home and community	8,217,986	661,217	1,805,434	-	(5,751,335)	-
Interest	228,104	-	-	-	(228,104)	-
Total primary government	<u>\$ 92,343,404</u>	<u>19,180,195</u>	<u>19,661,954</u>	<u>3,612,509</u>	<u>(49,888,746)</u>	<u>-</u>
Component unit - Industrial Development Agency	<u>\$ 191,368</u>	<u>185,600</u>	<u>222,000</u>	<u>-</u>	<u>-</u>	<u>216,232</u>
General revenue:						
Taxes:						
Real property taxes					31,614,603	-
Real property tax items					2,344,538	-
Sales taxes					22,704,527	-
Nonproperty tax items					424,926	-
Use of money and property					964,206	75,269
Fines and forfeitures					97,219	-
Sale of property and compensation for loss					1,992,094	-
Licenses and permits					5,744	-
Miscellaneous					973,950	154
Total general revenue					<u>61,121,807</u>	<u>75,423</u>
Change in net position					<u>11,233,061</u>	<u>291,655</u>
Net position at beginning of year					<u>208,299,626</u>	<u>6,425,373</u>
Net position at end of year					<u>\$219,532,687</u>	<u>6,717,028</u>

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Balance Sheet - Governmental Funds
December 31, 2018

	Major Funds				
	General <u>Fund</u>	Special Revenue Fund County Road <u>Fund</u>	Capital Projects <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets:					
Cash and equivalents - unrestricted	\$ -	8,259,068	-	11,899,073	20,158,141
Cash and equivalents - restricted	429,805	-	-	-	429,805
Investments	27,574,699	-	35,964,825	-	63,539,524
Taxes receivable, net	10,930,420	-	-	-	10,930,420
Due from other funds	250,934	2,868,734	-	1,165,637	4,285,305
Due from State and Federal governments	10,320,004	-	2,721,911	52,313	13,094,228
Due from other governments	233,000	-	-	-	233,000
Other receivables	1,881,209	27,390	199,256	162,619	2,270,474
Prepaid expenditures	<u>896,635</u>	<u>148,288</u>	<u>-</u>	<u>40,374</u>	<u>1,085,297</u>
Total assets	<u>\$52,516,706</u>	<u>11,303,480</u>	<u>38,885,992</u>	<u>13,320,016</u>	<u>116,026,194</u>
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	3,009,276	187,248	1,367,026	360,668	4,924,218
Accrued liabilities	849,303	164,840	10,192	93,936	1,118,271
Due to other funds	-	-	1,165,637	28	1,165,665
Due to other governments	8,497,517	-	-	-	8,497,517
Bond anticipation notes payable	-	-	6,000,000	-	6,000,000
Other liabilities	<u>2,319,984</u>	<u>20,475</u>	<u>1,342,703</u>	<u>22,324</u>	<u>3,705,486</u>
Total liabilities	<u>14,676,080</u>	<u>372,563</u>	<u>9,885,558</u>	<u>476,956</u>	<u>25,411,157</u>
Deferred inflows of resources	<u>6,605,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,605,157</u>
Fund balances:					
Nonspendable	896,635	148,288	-	40,374	1,085,297
Restricted	429,805	-	28,303,778	-	28,733,583
Assigned - appropriated	4,949,491	1,008,099	-	-	5,957,590
Assigned - unappropriated	463,226	9,774,530	696,656	12,802,686	23,737,098
Unassigned	<u>24,496,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,496,312</u>
Total fund balances	<u>31,235,469</u>	<u>10,930,917</u>	<u>29,000,434</u>	<u>12,843,060</u>	<u>84,009,880</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$52,516,706</u>	<u>11,303,480</u>	<u>38,885,992</u>	<u>13,320,016</u>	<u>116,026,194</u>

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Reconciliation of Balance Sheet - Governmental Funds
to the Statement of Net Position
December 31, 2018

Total Governmental Fund Balances	\$ 84,009,880
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Amounts reported for Governmental Activities in the statement of net position are different because:

Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Historical cost	\$ 262,089,137	
Accumulated depreciation	<u>(111,086,785)</u>	151,002,352

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds, primarily deferred uncollected real property taxes.	4,166,113
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Internal Service Funds are used by management to charge the costs of certain activities, such as health and workers' compensation insurance. The position and liabilities of the Internal Service Fund is included in Governmental Activities in the statement of net position.	9,991,125
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Accrued interest expense reported in the statement of net position does not require the use of current financial resources and, therefore, is not reported as a liability in the Governmental Funds.	(147,337)
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Premiums received on debt issuance, are recorded as revenue in the government funds but included in long-term debt in the government-wide financial statements, to be recognized over the life of the bonds.	(201,336)
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Some deferred inflows and outflows are not reported in the government funds. These consist of the following:

Deferred outflows of resources - pensions	11,141,929	
Deferred inflows of resources - pensions	(10,928,784)	
Deferred outflows of resources - other postemployment benefits	46,471	
Deferred inflows of resources - other postemployment benefits	(2,468,608)	

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(3,305,000)	
Total OPEB liability	(8,199,184)	
Landfill closure and postclosure care costs	(11,459,932)	
Compensated absences	(827,436)	
Net pension liability - proportionate share	<u>(3,287,566)</u>	<u>(27,079,118)</u>

Net position of Governmental Activities	<u><u>\$ 219,532,687</u></u>
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See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended December 31, 2018

	Major Funds				
		Special			
	General	Revenue Fund	Capital	Nonmajor	Total
	Fund	County Road	Projects	Governmental	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenue:					
Real property taxes	\$ 31,446,760	-	-	-	31,446,760
Real property tax items	2,344,538	-	-	-	2,344,538
Sales and use tax	22,704,527	-	-	-	22,704,527
Nonproperty tax items	424,926	-	-	-	424,926
Departmental income	7,039,116	23,865	-	20,969	7,083,950
Intergovernmental charges	678,109	229,488	5,388,148	77,026	6,372,771
Use of money and property	424,914	61	447,420	765	873,160
Licenses and permits	2,000	3,744	-	-	5,744
Fines and forfeitures	97,219	-	-	-	97,219
Sale of property and compensation for loss	938,496	22,337	-	1,032,317	1,993,150
Interfund revenue	698,686	-	-	3,200,000	3,898,686
State sources	11,472,744	16,721	2,605,422	20,361	14,115,248
Federal sources	6,918,896	100,327	1,007,088	1,132,692	9,159,003
Miscellaneous local sources	253,274	-	74,767	588,106	916,147
Total revenue	<u>85,444,205</u>	<u>396,543</u>	<u>9,522,845</u>	<u>6,072,236</u>	<u>101,435,829</u>
Expenditures:					
General government support	11,389,453	-	604,138	82,994	12,076,585
Education	744,615	-	-	-	744,615
Public safety	9,951,870	-	4,932,690	-	14,884,560
Health	8,627,154	-	-	-	8,627,154
Transportation	-	8,244,161	9,398,750	2,773,651	20,416,562
Economic assistance and opportunity	27,174,416	-	16,490	1,006,016	28,196,922
Culture and recreation	942,200	-	-	-	942,200
Home and community	2,979,132	-	376,004	3,775,503	7,130,639
Employee benefits	650,449	2,117,319	-	-	2,767,768
Debt service (principal and interest)	1,000,600	-	-	-	1,000,600
Total expenditures	<u>63,459,889</u>	<u>10,361,480</u>	<u>15,328,072</u>	<u>7,638,164</u>	<u>96,787,605</u>
Excess (deficiency) of revenue over expenditures	<u>21,984,316</u>	<u>(9,964,937)</u>	<u>(5,805,227)</u>	<u>(1,565,928)</u>	<u>4,648,224</u>
Other financing sources (uses):					
Interfund transfers in	-	10,268,179	3,902,989	3,667,701	17,838,869
Interfund transfers out	<u>(18,277,077)</u>	-	-	-	<u>(18,277,077)</u>
Total other financing sources (uses)	<u>(18,277,077)</u>	<u>10,268,179</u>	<u>3,902,989</u>	<u>3,667,701</u>	<u>(438,208)</u>
Change in fund balances	3,707,239	303,242	(1,902,238)	2,101,773	4,210,016
Fund balances at beginning of year	<u>27,528,230</u>	<u>10,627,675</u>	<u>30,902,672</u>	<u>10,741,287</u>	<u>79,799,864</u>
Fund balances at end of year	<u>\$ 31,235,469</u>	<u>10,930,917</u>	<u>29,000,434</u>	<u>12,843,060</u>	<u>84,009,880</u>

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Reconciliation of Statement of Revenue, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year ended December 31, 2018

Net change in fund balances - total Governmental Funds \$ 4,210,016

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

Governmental Funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$12,175,942	
Loss on disposal of capital assets	(1,056)	
Depreciation expense	<u>(7,360,974)</u>	4,813,912

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds.

Deferred property tax revenue	167,843
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Bond proceeds provide current financial resources in the Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayment of bond principal.	835,000
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Unamortized bond premiums are recorded as revenue in the government funds but are deferred in the government-wide financial statements, to be recognized over the life of the bonds. This is the amount of currently amortized premium.	50,333
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds.

Change in landfill closure and postclosure costs	(55,728)	
Change in other postemployment benefits liability	2,991,784	
Change in interest payable	(112,837)	
Change in net pension liability	5,337,290	
Change in compensated absences	<u>661</u>	8,161,170

Certain items related to the change in deferred outflows and inflows are reflected in the statement of net position.

Deferred outflows of resources - pensions	3,603,051	
Deferred inflows of resources - pensions	(9,315,526)	
Deferred outflows of resources - other postemployment benefits	(126,103)	
Deferred inflows of resources - other postemployment benefits	<u>(1,796,843)</u>	(7,635,421)

Internal Service Funds are used by management to charge the costs of certain activities, such as health and workers' compensation insurance. The assets and liabilities of the Internal Service Funds are included in Governmental Activities.

		<u>630,208</u>
Change in net position of Governmental Activities		<u>\$11,233,061</u>

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Statement of Net Position
Proprietary Fund
December 31, 2018

	Governmental <u>Activities</u> Internal Service <u>Fund</u>
Assets:	
Current assets:	
Investments	\$ 7,784,052
Accounts receivable, net	8,480,703
Due from other governments	8,453,181
Prepaid expenses	<u>11,157</u>
Total current assets	24,729,093
Noncurrent assets - cash and equivalents - restricted	<u>5,289,712</u>
Total assets	<u>30,018,805</u>
Liabilities:	
Current liabilities:	
Accrued liabilities	1,874
Due to other funds	<u>3,119,445</u>
Total current liabilities	3,121,319
Noncurrent liabilities - claims and judgements	<u>16,906,361</u>
Total liabilities	<u>20,027,680</u>
Net position:	
Restricted	5,289,712
Unrestricted	<u>4,701,413</u>
Total net position	<u><u>\$ 9,991,125</u></u>

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Statement of Revenue, Expenses and Changes in Net Position
Proprietary Fund
Year ended December 31, 2018

	Governmental <u>Activities</u> Internal <u>Service Fund</u>
Operating revenue:	
Charges for services - external participants	\$ 1,825,000
Other operating revenue	<u>57,803</u>
Total operating revenue	1,882,803
Operating expenses - claims and judgments	<u>1,781,849</u>
Gain from operations	<u>100,954</u>
Nonoperating revenue:	
Interest income	91,046
Interfund transfers in	<u>438,208</u>
Total nonoperating revenue	<u>529,254</u>
Change in net position	630,208
Net position at beginning of year	<u>9,360,917</u>
Net position at end of year	<u><u>\$ 9,991,125</u></u>

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Statement of Cash Flows
Proprietary Fund
Year ended December 31, 2018

	Governmental Activities Internal Service Fund
Cash flows from operating activities:	
Cash received from providing services	\$ 4,527,786
Other cash received	57,803
Cash payments - claims and judgments	<u>(4,502,005)</u>
Net cash provided by operating activities	<u>83,584</u>
Cash flows from noncapital financing activities - proceeds from other funds	<u>3,557,653</u>
Cash flows from investing activities:	
Purchases of investments	(4,484,052)
Interest income received	<u>91,046</u>
Net cash used in investing activities	<u>(4,393,006)</u>
Change in cash and equivalents	(751,769)
Cash and equivalents at beginning of year	<u>6,041,481</u>
Cash and equivalents at end of year	<u><u>\$ 5,289,712</u></u>
Reconciliation of gain from operations to net cash provided by operating activities:	
Gain from operations	100,954
Changes in:	
Accounts receivable	2,702,786
Prepaid expenses	34
Accrued liabilities	213
Claims and adjustments	<u>(2,720,403)</u>
Net cash provided by operating activities	<u><u>\$ 83,584</u></u>

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK
Statement of Net Position/Statement of Changes in Net Position
Fiduciary Funds
December 31, 2018

	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
Assets:		
Cash and equivalents - unrestricted	\$ 800	807,911
Securities and mortgages	<u>1,150</u>	<u>138,640</u>
Total assets	<u>1,950</u>	<u>946,551</u>
Liabilities:		
Agency liabilities	-	946,356
Due to other funds	<u>-</u>	<u>195</u>
Total liabilities	<u>-</u>	<u>946,551</u>
Net position	<u><u>\$ 1,950</u></u>	<u><u>-</u></u>
Revenue - interest income	\$ 220	
Expenditures - contractual	<u>220</u>	
Change in net position	-	
Net position at beginning of year	<u>1,950</u>	
Net position at end of year	<u><u>\$ 1,950</u></u>	

See accompanying notes to financial statements.

COUNTY OF DELAWARE, NEW YORK

Notes to Financial Statements

December 31, 2018

(1) Summary of Significant Accounting Policies

The financial statements of the County of Delaware, New York (the County) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

(a) Financial Reporting Entity

The County, which was established pursuant to Chapter 10 of the Laws of 1791, is governed by County Law, other general laws of the State of New York (the State), special acts of the State Legislature, and various local laws. The Board of Supervisors is the legislative body responsible for the overall operations of the County. The Chairman of the Board of Supervisors serves as Chief Executive Officer and the Treasurer serves as Chief Fiscal Officer of the County.

The County provides the following basic services: general governmental support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services.

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

The financial reporting entity consists of (a) the primary government which is the County of Delaware, (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 No. 14 - "The Financial Reporting Entity," as amended by GASB Statement No. 39 - "Determining Whether Certain Organizations are Component Units." Based on the application of these criteria, the following is included as a discretely presented component unit:

County of Delaware Industrial Development Agency (the Agency) - The Industrial Development Agency is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities, and prosperity of the County's residents. Members of the Agency are appointed by the County Board of Supervisors. The Agency members have complete responsibility for management of the Agency. The County is not liable for Agency bonds or notes. The County is financially accountable for the Agency. Copies of the Agency's financial statements can be obtained by writing the Delaware County Treasurer's office.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(a) Financial Reporting Entity, Continued

Although related to the County, the following is not included in the reporting entity because of the following reasons:

Soil and Water Conservation District (the District) - The County Board of Supervisors has declared the County to be a soil and water conservation district in accordance with provisions of the Soil and Water Conservation District Law. Two out of five total members of the Board of Directors of the District are members of the County Board of Supervisors. The County Board of Supervisors has minimal oversight responsibilities.

(b) Basic Financial Statements

The County's basic financial statements include both Government-Wide (reporting the County as a whole) and Governmental Funds financial statements (reporting the County's funds). Both the Government-Wide and Governmental Funds financial statements categorize primary activities as either Governmental or Business-type. The County's general governmental support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities.

(1) Government-Wide Financial Statements

The Government-Wide financial statements include a statement of net position and a statement of activities. These statements present summaries of activities for the primary government and for the County's discretely presented component units. Government-Wide financial statements do not include the activities reported in the Fiduciary Funds or fiduciary component units. This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

The Government-Wide statements of net position and activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, and deferred outflows of resources as well as long-term debt, obligations and deferred inflows. The County's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Basic Financial Statements, Continued

(2) Governmental Fund Financial Statements

The financial transactions of the County are reported in individual funds in the Governmental Funds financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund balance or net position, revenue, and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The County records its transactions in the fund types and account groups described below:

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

Major Funds:

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

Capital Projects Fund - Used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities other than those financed by the Enterprise or Internal Service Funds.

Special Revenue Fund - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Fund is reported as a major fund:

County Road Fund - Used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.

Nonmajor Funds:

Special Revenue Funds:

Road Machinery Fund - Used to account for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of Highway Law.

Refuse and Garbage Fund - Used to account for the expense of operation and program income of the energy recovery facility.

Special Grant Fund - Used to account for funds received under the Workforce Innovation and Opportunity Act.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Basic Financial Statements, Continued

(2) Governmental Fund Financial Statements, Continued

Proprietary Fund - Used to account for activities which are similar to those often found in the private sector. The cost of providing goods or services to the general public are financed or recovered primarily through user fees. The measurement focus is upon determination of operating income, changes in net position, financial position, and cash flows. The following Proprietary Funds are utilized:

Internal Service Fund - Used to account for special activities or services provided by one department to other departments or to other governments on a cost-reimbursement basis, and for a self-insurance program on an actuarial basis. The reimbursements and premiums are treated as operating revenue of the Internal Service Fund and as expenditures/expenses of the reimbursing or insured fund. Included is the following:

Self-Insurance Fund - Used to account for the accumulation of resources for payment of health insurance benefits and the payment of compensation, assessments, and other obligations under the Workers' Compensation Law, Article 5.

Fiduciary Funds - Used to account for assets held by the County in a trustee or custodial capacity, which therefore, are not available to support the County's programs. The following comprise the County's Fiduciary Funds:

Agency Funds - The Agency Funds are used to account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Funds are custodial in nature and do not involve measurement of results of operations. The most significant of the County's Agency Funds are the Mortgage Tax and Social Service Trust Funds.

Private Purpose Trust Fund - The Private Purpose Trust Fund is used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

(c) Basis of Accounting/Measurement Focus

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

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Accounting/Measurement Focus, Continued

(1) Accrual Basis - The Government-Wide financial statements and the Proprietary and Fiduciary Fund financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets, as well as infrastructure assets and long-term liabilities, are included in each respective statement of net position. The statement of activities and the statement of revenue, expenses and changes in net position presents changes in net position. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

(2) Modified Accrual Basis - Under this basis of accounting, revenue is recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenue that is accrued includes: real property taxes, State and Federal aid, sales tax, and certain user charges. The County considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenue of the current year, with the remaining amount recorded as deferred inflows of resources. All other revenue deemed collectible within one year after year-end is recognized as revenue in the current year. If expenditures are the prime factor for determining eligibility, revenue from Federal and State grants is accrued when the related expenditures are made.

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

(d) Cash and Equivalents/Investments

For financial statement purposes, the County considers all highly-liquid investments with original maturities of three months or less to be cash equivalents. Investments consist of certificates of deposit with original maturities greater than three months and are valued at cost, which approximates fair value.

(e) Budget Policies

Budgets are adopted annually on a basis consistent with GAAP for the General, County Road, Road Machinery and Refuse and Garbage Funds. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in the GAAP-based financial statements, but reserve a portion of the applicable appropriation, thereby ensuring that the appropriations are not exceeded.

No later than November 15th, the budget officer submits a tentative budget to the County Board of Supervisors for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds, except the Capital Projects and the Special Grant Funds.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Budget Policies, Continued

After public hearings are conducted to obtain taxpayer comments, no later than December 20th, the County Board of Supervisors adopts the budget.

Budget modifications are authorized by resolution of the County Board of Supervisors. The budget officer is authorized to transfer certain budgeted amounts, other than for personal services or equipment.

Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects and remain in effect for the life of the project. Budget controls for the Self-Insurance Fund are established through separate annual resolutions.

(f) Real Property Taxes

Real property taxes for County purposes are levied no later than December 31st of each year based on County budget requirements and are recognized as revenue in the year levied, to the extent that they are collected. These taxes are apportioned among the towns on the basis of calculated full valuation of taxable real property.

Included in the amount levied by the County Board of Supervisors and spread over tax rolls are other taxes, primarily workers' compensation, special district taxes, delinquent school and village taxes, and certain other items.

County real property taxes levied become a lien on January 1st, at which point taxes receivable are recorded. Taxes for County purposes apportioned to areas of the County are levied together with town and special district taxes and are included as a single bill.

The towns and special districts receive the full amount of their levies annually out of the first amounts collected with all excess funds remitted to the County.

Unpaid school district taxes are turned over to the County for collection. All such taxes are paid to the various jurisdictions and the County obtains ultimate collection responsibility for the unpaid taxes. Any such taxes remaining unpaid at year-end are re-levied as County taxes in the following year.

All property for which County taxes remain unpaid is subject to lien by the County. Such properties are held for a mandatory two-year period after which the property is sold at a tax sale.

In the Government-Wide financial statements, real property taxes levied are recognized in the current period, net of an allowance for uncollectible accounts. The Governmental Fund financial statements recognize only those amounts collected within 60 days following the end of the fiscal year.

(g) Receivables

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from State and Federal governments represent amounts owed to the County for reimbursement of expenditures incurred pursuant to State and Federally funded programs.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Capital Assets

All capital assets are valued at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of over \$5,000 for equipment and land, \$10,000 for buildings, and \$20,000 for infrastructure, which have a useful life greater than one year, are capitalized. The estimated useful lives for governmental capital assets are as follows:

Buildings	40 years
Machinery and equipment	5 - 20 years
Infrastructure	40 years

(i) Self-Insurance

(1) General Liability - The County assumes the liability for most risk including comprehensive general liability, auto liability, and law enforcement liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The liability is funded by annual budget appropriations from the Governmental Funds. It is management's belief that any estimated current contingent loss liabilities (i.e., those to be liquidated with available financial resources in the ensuing fiscal year), of Governmental Fund types are not significant. All revenue and expenditures related to the County's general liability self-insurance plan are recorded in the General Fund.

(2) Workers' Compensation - The County participates in a self-insurance plan (the Plan) established to pay claims and judgments for workers' compensation. The guidance provided by GASB Statement No. 10 - "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," indicates that these activities should be accounted for in an Internal Service Fund. Accordingly, the County accounts for the activities of this pool in its Internal Service Fund.

In addition to the County, participation in the Plan is available to, and includes, each of the 10 villages, 19 towns, and 37 fire districts within the County. Funding of the Plan is determined annually by a Workers' Compensation Committee, which is appointed by the County Board of Supervisors and payments are collected through the annual tax levy. The County portion is charged back to the appropriate departments annually.

Outstanding claims, as actuarially determined by an independent consultant, amounted to \$16,906,361 (present value, discounted at 2.5%) at December 31, 2018. Outstanding claims expected to be liquidated with currently available resources are included in accounts payable in the statement of net position of the Self-Insurance Fund. Changes in the fund's claims liability during fiscal years 2018 and 2017 were:

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Self-Insurance, Continued

(2) Workers' Compensation, Continued

<u>Year</u>	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability End of Year</u>
2018	\$ <u>19,626,764</u>	<u>1,781,849</u>	<u>(4,502,252)</u>	<u>16,906,361</u>
2017	\$ <u>19,204,539</u>	<u>2,480,267</u>	<u>(2,058,042)</u>	<u>19,626,764</u>

(j) Compensated Absences

Each employee, depending on length of employment, may accumulate a total of 20 days of vacation and 165 days of sick leave; however, employees are not paid for the accumulated unused sick leave upon retirement or other termination. Therefore, no accrual for sick leave is required in the accompanying financial statements.

The County accrues a liability for vacation pay which has been earned but not taken by County employees in the Government-Wide financial statements.

The liability accrued within the Governmental Fund types for compensated absences is an estimate of what normally would be liquidated with current available financial resources. Payment of vacation recorded in the Governmental Funds is dependent upon many factors. Therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation when such payment becomes due.

(k) Postemployment Benefits

The County provides COBRA coverage for all retirees and health insurance coverage for four retired employees grandfathered under another plan. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year.

(l) Net Position and Fund Balance Classifications

In the government-wide statements equity is classified as net position and displayed in three components:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Additionally, the positive fund balances from special revenue funds are included as restricted net position.
- Unrestricted net position - consists of net position without constraints.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Net Position and Fund Balance Classifications, Continued

Fund balance is reported in five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

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

When resources are available from multiple classifications, the County spends funds in the following order: restricted, committed, assigned, unassigned.

(m) Revenue

Substantially all Governmental Fund revenue is accrued. Property tax receivables expected to be received later than 60 days after year-end are deferred. In applying GASB Statement No. 33 to grant revenue, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and a deferred inflow by the recipient. Subsidies and grants to Proprietary Funds which finance either capital or current operations are reported as nonoperating revenue based on GASB Statement No. 33.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Restricted Resources

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

(o) Interfund Activity

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

(p) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(q) Deferred Outflows and Inflows of Resources

In the statement of net position, in addition to assets, the County reports a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has three items that qualify for reporting in this category. The first item is related to pensions reported in the County's statement of net position. This represents the effect of the net change in the County's proportion of the collective net pension liability and difference during the measurement period between the County's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the County contributions to the pension system subsequent to the measurement date of March 31, 2018. Lastly, is the County's contributions for other postemployment benefits subsequent to the measurement date of September 30, 2018.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(q) Deferred Outflows and Inflows of Resources, Continued

The County's statement of net position and Governmental Funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to future periods. The County will not recognize the related revenues until a future event occurs. The County has three types of items that qualify for reporting in this category. The first item occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and grants are reported in the Governmental Funds balance sheet. The second item is related to pensions reported in the County's statement of net position, and represents the change in the proportion between the County's contributions and proportionate share of contributions. The third item represents the difference between expected and actual experience as well as the change of assumptions or other inputs related to the total OPEB liability.

(r) Subsequent Events

The County has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

The County issued a serial bond in the amount of \$4,995,000 on April 9, 2019. The serial bond was issued with an interest rate of 3.00% and will mature on April 1, 2033.

(2) Detail Notes

(a) Assets

(1) Cash and Equivalents

The County's investment policies are governed by State statutes. In addition, the County has its own written investment policy. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. While the County does not have a specific policy for custodial credit risk, State statutes govern the County's investment policies, as discussed previously in these notes.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(a) Assets, Continued

(1) Cash and Equivalents, Continued

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

Deposits and investments at year-end were entirely covered by Federal depository insurance or by collateral held by the County's custodial banks in the County's name. All deposits, including certificates of deposit, are carried at cost. The table below describes cash and investment balances and related collateralization:

<u>Fund Type</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental activities	\$ 25,877,658	27,393,553
Fiduciary funds	<u>808,711</u>	<u>886,740</u>
Total cash balances	\$ <u>26,686,369</u>	<u>28,280,293</u>
Insured (FDIC)		1,840,615
Insured - collateral held in the County's name		<u>26,439,678</u>
Total cash balances		\$ <u>28,280,293</u>

(2) Investments

The County's investments at December 31, 2018 consist of the following:

<u>Certificates of deposit</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
General Fund:	11/7/18	5/6/19	2.10%	\$ 4,000,000
	11/19/18	5/20/19	2.12%	7,517,203
	12/11/18	3/12/19	1.95%	7,057,496
	12/11/18	6/11/19	2.22%	9,000,000
Capital Projects Fund:	7/10/18	1/6/19	1.51%	3,007,479
	8/21/18	8/21/19	2.00%	4,500,000
	10/9/18	1/8/19	1.51%	12,134,341
	10/9/18	1/8/19	1.51%	4,044,782
	12/11/18	3/12/19	1.95%	7,078,223
	12/12/18	6/12/19	2.31%	3,500,000
	12/18/18	3/20/19	2.15%	1,700,000
Internal Service Fund:	7/9/18	1/5/19	1.51%	1,031,100
	10/9/18	1/8/19	1.51%	3,000,000
	12/17/18	3/19/19	2.15%	<u>3,752,952</u>
				\$ <u>71,323,576</u>

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(a) Assets, Continued

(3) Property Taxes

At December 31, 2018, the total real property taxes receivable of \$10,930,420 are net of an allowance for uncollectible taxes of \$604,835.

Current year returned school taxes of \$5,965,604 are offset by liabilities to the school districts, which will be paid no later than April 15, 2019. The remaining portion of taxes receivable is partially offset in the Governmental Fund financial statements by deferred inflows of \$4,166,113 (which represents an estimate of the taxes which will not be collected within the first sixty (60) days of the subsequent year).

(4) Sales Tax

A 4% sales tax is levied in and for the County under the general authority of Article 29 of the Tax Law and specific authority of local law. This tax is administered and collected by the State Sales Tax Commission in the same manner that relates to State imposed 4% sales and compensating use tax. Net collections, meaning monies collected after deducting expenses of administration and collection and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State to the County on a monthly basis.

(5) Other Receivables

Accounts receivable as of December 31, 2018 was comprised of the following:

Governmental Funds:

General Fund	\$ 1,881,209
County Road Fund	27,390
Capital Projects Fund	199,256
Road Machinery Fund	13,869
Refuse and Garbage Fund	129,047
Special Grant Fund	<u>19,703</u>
Total Governmental Funds	\$ <u>2,270,474</u>

Included in the General Fund is a receivable from a nursing home of \$652,199. This amount is included in General Fund deferred inflows of resources as the timing with regards of collection is uncertain.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(a) Assets, Continued

(6) Capital Asset Activity

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance at <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/18</u>
Governmental Activities:				
Non-depreciable capital assets:				
Land and land improvements	\$ 3,248,615	665,698	-	3,914,313
Construction in progress	<u>11,403,379</u>	<u>9,715,000</u>	<u>(3,991,489)</u>	<u>17,126,890</u>
Total non-depreciable capital assets	<u>14,651,994</u>	<u>10,380,698</u>	<u>(3,991,489)</u>	<u>21,041,203</u>
Depreciable assets:				
Buildings	71,966,083	94,516	-	72,060,599
Machinery and equipment	40,369,493	1,700,728	(754,433)	41,315,788
Infrastructure	<u>123,680,058</u>	<u>3,991,489</u>	<u>-</u>	<u>127,671,547</u>
Total depreciable capital assets	<u>236,015,634</u>	<u>5,786,733</u>	<u>(754,433)</u>	<u>241,047,934</u>
Total cost	<u>250,667,628</u>	<u>16,167,431</u>	<u>(4,745,922)</u>	<u>262,089,137</u>
Less accumulated depreciation:				
Buildings	20,371,628	1,701,397	-	22,073,025
Machinery and equipment	33,972,029	1,822,523	(753,377)	35,041,175
Infrastructure	<u>50,135,531</u>	<u>3,837,054</u>	<u>-</u>	<u>53,972,585</u>
Total accumulated depreciation	<u>104,479,188</u>	<u>7,360,974</u>	<u>(753,377)</u>	<u>111,086,785</u>
Governmental Activities capital assets, net	\$ <u>146,188,440</u>	<u>8,806,457</u>	<u>(3,992,545)</u>	<u>151,002,352</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General government support	\$ 874,137
Public safety	1,061,936
Health	57,092
Transportation	4,174,170
Economic assistance and opportunity	218,441
Home and community	<u>975,198</u>
Total Governmental Activities depreciation expense	\$ <u>7,360,974</u>

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities

(1) Pension Plans

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System

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

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3.0 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 6.0 percent of their salary for their entire length of service. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>
2018	\$ 3,428,359
2017	3,537,930
2016	3,558,733

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(1) Pension Plans, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the County reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The County's proportionate share of the net pension liability was based on a projection of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the County.

Measurement date	3/31/2018
Net pension liability	\$ 3,287,566
County's proportion of the System's net pension liability	0.1018628%

For the year ended December 31, 2018, the County recognized pension expense of \$3,882,937 for the System in the statement of activities. At December 31, 2018, the County's proportionate share was 0.1018628% which was a percentage increase of 0.0100721 from its proportionate share at December 31, 2017. At December 31, 2018 the County's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,172,568	(968,966)
Changes of assumptions	2,179,928	-
Net difference between projected and actual investment earnings on pension plan investments	4,774,930	(9,425,232)
Changes in proportion and differences between the County's contributions and proportionate share of contributions	443,234	(534,586)
County's contributions subsequent to the measurement date	<u>2,571,269</u>	<u>-</u>
Total	<u>\$ 11,141,929</u>	<u>(10,928,784)</u>

County contributions subsequent to the March 31, 2018 measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(1) Pension Plans, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions, Continued

<u>Year ending</u>	<u>The System</u>
2019	\$ 612,207
2020	505,743
2021	(2,393,984)
2022	(1,082,090)
Thereafter	-

(c) Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Investment rate of return, net of investment expenses, including inflation	7.0%
Salary scale	3.8% Average
Inflation rate	2.5%
Cost of living adjustment	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on Society of Actuaries (SOA) Scale MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(1) Pension Plans, Continued

(c) Actuarial Assumptions, Continued

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

	<u>Long-term expected real rate of return*</u>	<u>Target allocation</u>
Asset type:		
Domestic equity	4.55%	36.00%
International equity	6.35%	14.00%
Private equity	7.50%	10.00%
Real estate	5.55%	10.00%
Absolute return strategies	3.75%	2.00%
Opportunistic portfolio	5.68%	3.00%
Real assets	5.29%	3.00%
Bonds and mortgages	1.31%	17.00%
Cash	(0.25%)	1.00%
Inflation - indexed bonds	1.25%	4.00%

*The real rate of return is net of the long-term inflation assumption of 2.50%.

(d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(1) Pension Plans, Continued

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share of the net pension asset (liability)	\$ (24,874,613)	(3,287,566)	14,974,212

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of all participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)
Measurement date	3/31/2018
Employer's total pension liability	\$ (183,400)
Plan fiduciary net position	<u>180,173</u>
Employer's net pension liability	\$ <u>(3,227)</u>
Ratio of the plan fiduciary net position to the Employer's total pension liability	98.24%

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2018 represent the projected employer contribution for the period of April 1, 2018 through March 31, 2019, based on paid employee wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

(2) Other Postemployment Benefits Other than Pensions

(a) Plan Description

The Other Postemployment Benefits Plan (OPEB) Plan is a single-employer, defined benefit healthcare plan administered by the County which provides medical, dental, and vision benefits to four grandfathered retirees plus retirees who continue with the County's coverages. The County allows former employees who retire from the County, and eligible dependents, may continue to participate in the County's health and hospitalization plan for medical, and prescription drug coverage. The County implicitly subsidizes the premium rates paid by retirees by

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(2) Other Postemployment Benefits Other than Pensions, Continued

(a) Plan Description. Continued

allowing them to participate in the plan at blended group premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The County does not offer any explicit subsidies for retiree coverage under its existing contractual agreements. Benefit provisions were established through negotiations between the County and bargaining units.

The County assigns the authority to establish and amend benefit provisions to the County Board of Supervisors for non-bargaining unit employees. The OPEB Plan does not issue a stand-alone financial report.

The contribution requirements of OPEB Plan members and the County are established and may be amended by the County Board of Supervisors. The County Board of Supervisors has negotiated several collective bargaining agreements, which include 100% contributions to the plan by participants. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2018, the County contributed \$183,162 to the OPEB Plan for current premiums. Participants receiving benefits are required to contribute 100% of the premiums to the OPEB Plan depending on their collective bargaining unit.

(b) Employees covered by benefit terms

At December 31, 2018, the following employees were covered by the benefit terms:

Current retirees	31
Active employees	<u>399</u>
	<u>430</u>

(c) Total OPEB Liability

The County's total OPEB liability of \$8,199,184 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

(d) Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	3.36%
Discount rate	3.83%
Initial healthcare cost trend rates	6.20%
Ultimate healthcare cost trend rate	4.23%

Mortality rates were based on the SOA RP-2014 total dataset. Mortality improvements are projected using SOA Scale MP-2017.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(2) Other Postemployment Benefits Other than Pensions, Continued

(e) Changes in the Total OPEB Liability

Total OPEB liability as of January 1, 2018	\$ 11,190,968
Changes for the year:	
Service cost	411,046
Interest	399,635
Changes of benefit terms	(621,462)
Differences between expected and actual experience	(2,234,836)
Changes in assumptions or other inputs	(762,305)
Benefit payments	<u>(183,862)</u>
Total changes	<u>(2,991,784)</u>
Total OPEB liability as of December 31, 2018	\$ <u>8,199,184</u>

(f) Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.83%) or 1-percentage-point higher (4.83%) than the current discount rate:

	1% Decrease (2.83%)	Discount Rate (3.83%)	1% Increase (4.83%)
Total OPEB liability	\$ <u>9,810,336</u>	<u>8,199,184</u>	<u>6,938,917</u>

(g) Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ <u>6,787,135</u>	<u>8,199,184</u>	<u>10,028,079</u>

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(2) Other Postemployment Benefits Other than Pensions, Continued

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB benefit of \$1,011,079. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	(1,594,668)
Changes of assumptions or other inputs	-	(873,940)
County's contributions subsequent to the measurement date	<u>46,471</u>	<u>-</u>
	\$ <u>46,471</u>	<u>(2,468,608)</u>

County contributions subsequent to the September 30, 2018 measurement date we will be recognized as a reduction of the OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending</u>	<u>OPEB</u>
2019	\$ (1,200,298)
2020	(995,844)
2021	(272,466)
Thereafter	-

(3) Short-Term Debt Bond Anticipation Notes

Bond anticipation notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as long-term debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

The County issued \$6,000,000 in bond anticipation notes on April 10, 2018, with an interest rate of 2.75%, maturing on April 10, 2019.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(4) Long-Term Debt

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Balance at <u>12/31/17</u>	<u>Additions</u>	<u>Decreases</u>	Balance at <u>12/31/18</u>	Amount Due Within <u>One Year</u>
Governmental Activities:					
Serial bonds	\$ 4,140,000	-	(835,000)	3,305,000	830,000
Unamortized premium	251,669	-	(50,333)	201,336	50,333
Landfill closure and post- closure costs	11,404,204	55,728	-	11,459,932	-
Claims and judgments	19,626,764	1,781,849	(4,502,252)	16,906,361	-
Total OPEB liability	11,190,968	810,681	(3,802,465)	8,199,184	-
Net pension liability - proportionate share	8,624,856	-	(5,337,290)	3,287,566	-
Compensated absences, net	<u>828,097</u>	<u>-</u>	<u>(661)</u>	<u>827,436</u>	<u>-</u>
Total Governmental Activities	\$ <u>56,066,558</u>	<u>2,648,258</u>	<u>(14,528,001)</u>	<u>44,186,815</u>	<u>880,333</u>

Long-term debt was comprised of the following:

Governmental <u>Activities Bonds</u>	Original Date <u>Issued</u>	Original Debt	Interest Rate	Date Final <u>Maturity</u>	2018 Amount <u>Paid</u>	Balance at December 31, 2018
Jail expansion	2011	\$ 9,800,000	3.0-4.0%	12/22	835,000	3,305,000

Premiums associated with the issuance of long-term debt, originally recorded at \$604,000, are being amortized over the life of the underlying bonds. Unamortized premiums at December 31, 2018 are \$201,336.

The annual debt service requirements for the bonds payable as of December 31, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Due</u>
2019	\$ 830,000	132,200	962,200
2020	830,000	99,000	929,000
2021	825,000	65,800	890,800
2022	<u>820,000</u>	<u>32,800</u>	<u>852,800</u>
Total	\$ <u>3,305,000</u>	<u>329,800</u>	<u>3,634,800</u>

At December 31, 2018, the total outstanding bonds payable of the County aggregated \$3,305,000 and represented 1.76% of its statutory debt limit.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Liabilities, Continued

(4) Long-Term Debt, Continued

(a) Serial Bonds - The County borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. Payment on the bonds is made by the General Fund.

(b) Landfill Closure and Postclosure Cost - Represents the financial obligation related to closure and postclosure care of the Delaware County Solid Waste Management Center (the Landfill). Liquidation of this liability is through expenditures in the Refuse and Garbage Fund.

State and Federal laws and regulations require the County to place a final cover on the Landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the Landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on capacity used as of each balance sheet date.

The County reported \$11,459,932 as landfill closure and postclosure care liability at December 31, 2018, which represents the cumulative amount reported to date, less amounts previously paid, based on the use of 100% of closed cells 1, 2, 3, 4, 4E and 5; 79.6% of the construction and debris cell, and 74.6% of cell 6. The County will recognize the remaining estimated costs of closure and postclosure care of \$1,494,774 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has obtained the certification required for compliance with the Financial Assurance Requirements for Local Government Owners/Operators of Municipal Solid Waste Landfills.

(c) Compensated Absences - Represents the value of the earned and unused portion of the liability for employee compensated absences. This liability is liquidated in the General, Special Grant, County Road, and Refuse and Garbage Funds.

(d) Claims and Judgments - Represents the estimated liability for claims for workers' compensation that have been incurred but not reported. This liability is liquidated in the County's Internal Service Fund.

(e) Long-Term Debt Interest - Interest on long-term debt totaled \$228,104 for the year ended December 31, 2018.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Deferred Inflows of Resources

Certain revenues have been deferred in the fund and/or government-wide statements as the revenue relates to future reporting periods:

	Statement of <u>net position</u>	General <u>Fund</u>
Pensions	\$ 10,928,784	-
Other postemployment benefits	2,468,608	-
Government advances	2,439,044	2,439,044
Real property tax revenue	<u>-</u>	<u>4,166,113</u>
	\$ <u>15,836,436</u>	<u>6,605,157</u>

(d) Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Governmental Funds financial statements generally reflect such transactions as transfers whereas the Proprietary Funds record such transactions as nonoperating revenue or expenses.

Interfund transactions for the year ended December 31, 2018 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
Governmental Funds:				
General Fund	\$ 250,934	-	-	18,277,077
Capital Projects Fund	-	1,165,637	3,902,989	-
Special Revenue Fund - County Road Fund	2,868,734	-	10,268,179	-
Nonmajor Governmental Funds	<u>1,165,637</u>	<u>28</u>	<u>3,667,701</u>	<u>-</u>
Totals	4,285,305	1,165,665	17,838,869	18,277,077
Fiduciary Fund - Agency Fund	-	195	-	-
Proprietary Fund - Internal Service Fund	<u>-</u>	<u>3,119,445</u>	<u>438,208</u>	<u>-</u>
Totals	\$ <u>4,285,305</u>	<u>4,285,305</u>	<u>18,277,077</u>	<u>18,277,077</u>

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(e) Fund Balances

Designation of fund balances at December 31, 2018 is as follows:

Fund	Non-Spendable	Restricted	Fund Balance Assigned		Unassigned	Total Fund Balance
			Appropriated for Subsequent Year's Budget	Other Assigned Fund Balance		
Major Governmental Funds:						
General fund	\$ 896,635	429,805	4,949,491	463,226	24,496,312	31,235,469
County road fund	148,288	-	1,008,099	9,774,530	-	10,930,917
Capital project funds	-	<u>28,303,778</u>	-	<u>696,656</u>	-	<u>29,000,434</u>
Total major funds	<u>1,044,923</u>	<u>28,733,583</u>	<u>5,957,590</u>	<u>10,934,412</u>	<u>24,496,312</u>	<u>71,166,820</u>
Nonmajor Funds:						
Road machinery fund	-	-	-	6,862,455	-	6,862,455
Refuse and garbage fund	40,374	-	-	5,620,693	-	5,661,067
Special grant fund	-	-	-	<u>319,538</u>	-	<u>319,538</u>
Total nonmajor funds	<u>40,374</u>	-	-	<u>12,802,686</u>	-	<u>12,843,060</u>
Total governmental activities	\$ <u>1,085,297</u>	<u>28,733,583</u>	<u>5,957,590</u>	<u>23,737,098</u>	<u>24,496,312</u>	<u>84,009,880</u>

(f) Commitments and Contingent Liabilities

The County or its agencies are named in several lawsuits arising in the ordinary course of the County's operations. These claims and lawsuits, in the opinion of management, are either adequately covered by insurance or will not result in a material impact on the financial position of the County and, therefore, are not reflected in the accompanying financial statements.

(1) Grants

The County participates in a number of Federal and State assisted programs which are subject to periodic program compliance audits by the grantors or their representatives. Accordingly, any noncompliance by the County with the applicable programs could be established at some future date and have a material effect on the financial condition of the County. There were no material questioned or disallowed costs which have been communicated by grantors as a result of audits for the year ended December 31, 2018.

(2) Unemployment Insurance

County employees are entitled to coverage under the Unemployment Insurance Law. The County has elected to discharge its liability to the New York State Unemployment Insurance Fund ("the Fund") by the benefit reimbursement method, a dollar-for-dollar reimbursement to the Fund for benefits paid from the Fund to former County employees and charged to the County's account.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(f) Commitments and Contingent Liabilities, Continued

(3) Deferred Compensation Plan

Employees of the County may elect to participate in the PEBSCO Deferred Compensation Plan created in accordance with Internal Revenue Code (IRC) Section 457. This plan, available to all employees, permits participants to defer a portion of their salary until future years, usually after retirement.

In October, 1997, GASB issued Statement Number 32 - "Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Plans." This statement established accounting and financial reporting standards for IRC Section 457 deferred compensation plans of state and local governments. Because the deferred compensation plan assets are held by an outside trustee, they are not reported in the basic financial statements of the County.

(4) Tax Abatements

As of December 31, 2018, the County abatement programs include abatements on property taxes. All abatement agreements are made by Delaware County Industrial Development Agency (the Agency), a component unit of the County.

All property tax abatements are performed through Payment in Lieu of Tax (PILOT) agreements made by the Agency. The PILOT agreements are made to support construction. Total taxes abated by the Agency for the year ended December 31, 2018 was \$91,633. PILOT revenue received for the year ended December 31, 2018 was \$222,884.

(3) Transactions with Component Unit

The County applies for and receives Federal grants, which are passed through to the Industrial Development Agency. During 2018, the County provided monetary support to the Agency in the amount of \$222,000. In addition, the County provides various administrative support at no cost to the Agency.

(4) Joint Venture

The County provides support to the Soil and Water Conservation District through an annual appropriation. In 2018, the County provided \$120,000 in support to the District.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(5) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the County. This Statement is not expected to have a material effect on the financial statements of the County.

GASB Statement No. 84 - "Fiduciary Activities." This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the County. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the County.

GASB Statement No. 87 - "Leases." This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the County. Management is in process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the County.

GASB Statement No. 88 - "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the County. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the County.

COUNTY OF DELAWARE, NEW YORK
Notes to Financial Statements, Continued

(5) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 89 - “Accounting for Interest Cost Incurred before the End of a Construction Period.” This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” which are superseded by this Statement. The requirements of this Statements are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the County. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the County.

GASB Statement No. 90 - “Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61.” This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the County. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the County.

GASB Statement No. 91 - “Conduit Debt Obligations.” This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning January 1, 2021 for the County. This Statement is not expected to have a material effect on the financial statements of the County.

COUNTY OF DELAWARE, NEW YORK
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Real property taxes	\$31,706,231	31,706,231	31,446,760	(259,471)
Real property tax items	1,807,225	1,807,225	2,344,538	537,313
Nonproperty tax items	19,361,100	19,361,100	23,129,453	3,768,353
Departmental income	7,457,877	7,467,877	7,039,116	(428,761)
Intergovernmental charges	520,300	558,850	678,109	119,259
Use of money and property	73,025	73,831	424,914	351,083
Licenses and permits	99,500	99,500	2,000	(97,500)
Fines and forfeitures	664,050	806,438	97,219	(709,219)
Sale of property and compensation for loss	-	-	938,496	938,496
Interfund revenue	-	698,686	698,686	-
State sources	12,390,715	14,264,856	11,472,744	(2,792,112)
Federal sources	7,166,852	7,732,504	6,918,896	(813,608)
Miscellaneous local sources	<u>58,000</u>	<u>107,043</u>	<u>253,274</u>	<u>146,231</u>
Total revenue	<u>81,304,875</u>	<u>84,684,141</u>	<u>85,444,205</u>	<u>760,064</u>
Expenditures:				
General government support	12,778,325	13,034,588	11,389,453	1,645,135
Education	750,000	750,000	744,615	5,385
Public safety	10,405,932	10,833,908	9,951,870	882,038
Health	9,609,590	9,682,886	8,627,154	1,055,732
Economic assistance and opportunity	31,887,749	32,366,429	27,174,416	5,192,013
Culture and recreation	1,112,131	1,233,491	942,200	291,291
Home and community	1,737,240	3,157,336	2,979,132	178,204
Employee benefits	728,629	661,655	650,449	11,206
Debt service (principal and interest)	<u>1,114,000</u>	<u>1,114,000</u>	<u>1,000,600</u>	<u>113,400</u>
Total expenditures	<u>70,123,596</u>	<u>72,834,293</u>	<u>63,459,889</u>	<u>9,374,404</u>
Excess of revenue over expenditures	<u>11,181,279</u>	<u>11,849,848</u>	<u>21,984,316</u>	<u>10,134,468</u>
Other financing uses - interfund transfers out	<u>(16,638,869)</u>	<u>(18,277,077)</u>	<u>(18,277,077)</u>	<u>-</u>
Change in fund balance	<u>\$ (5,457,590)</u>	<u>(6,427,229)</u>	<u>3,707,239</u>	<u>10,134,468</u>

COUNTY OF DELAWARE, NEW YORK
Required Supplementary Information
Budgetary Comparison Schedule
County Road Fund
Year ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Departmental income	\$ 15,000	15,000	23,865	8,865
Intergovernmental charges	155,000	155,000	229,488	74,488
Use of money and property	30	30	61	31
Licenses and permits	500	500	3,744	3,244
Sale of property and compensation for loss	17,000	17,000	22,337	5,337
State sources	-	-	16,721	16,721
Federal sources	<u>-</u>	<u>-</u>	<u>100,327</u>	<u>100,327</u>
Total revenue	<u>187,530</u>	<u>187,530</u>	<u>396,543</u>	<u>209,013</u>
Expenditures:				
Transportation	8,236,856	8,463,969	8,244,161	219,808
Employee benefits	<u>2,662,237</u>	<u>2,435,124</u>	<u>2,117,319</u>	<u>317,805</u>
Total expenditures	<u>10,899,093</u>	<u>10,899,093</u>	<u>10,361,480</u>	<u>537,613</u>
Deficiency of revenue over expenditures	(10,711,563)	(10,711,563)	(9,964,937)	746,626
Other financing sources - interfund transfers in	<u>10,508,179</u>	<u>10,268,179</u>	<u>10,268,179</u>	<u>-</u>
Change in fund balance	<u><u>\$ (203,384)</u></u>	<u><u>(443,384)</u></u>	<u><u>303,242</u></u>	<u><u>746,626</u></u>

COUNTY OF DELAWARE, NEW YORK
Required Supplementary Information
Schedule of Changes in the County's
Total OPEB Liability and Related Ratios
Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 411,046	389,037
Interest	399,635	365,469
Changes of benefit terms	(621,462)	-
Differences between expected and actual experience	(2,234,836)	(94,065)
Changes of assumptions or other inputs	(762,305)	(869,773)
Benefit payments	<u>(183,862)</u>	<u>(172,574)</u>
Net change in total OPEB liability	(2,991,784)	(381,906)
Total OPEB liability - beginning	<u>11,190,968</u>	<u>11,572,874</u>
Total OPEB liability- ending	<u>\$ 8,199,184</u>	<u>11,190,968</u>
Covered payroll	\$ 17,627,055	18,155,867
Total OPEB liability as a percentage of covered payroll	46.51%	61.64%

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each

2018	3.83%
2017	3.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for those years for which information is available.

COUNTY OF DELAWARE, NEW YORK
Required Supplementary Information
Schedule of County's Proportionate Share of the Net Pension Liability
Year ended December 31, 2018

	NYSERS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.1018628%	0.0917907%	0.0934377%	0.0947124%	0.0947124%
County's proportionate share of the net pension liability	\$ 3,287,566	8,624,856	14,997,010	3,199,616	4,279,921
County's covered payroll	\$23,689,569	23,715,257	21,997,238	21,514,793	22,023,524
County's proportionate share of the net pension liability as a percentage of its covered payroll	13.88%	36.37%	68.18%	14.87%	19.43%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%	97.20%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for those years for which information is available.

COUNTY OF DELAWARE, NEW YORK
Required Supplementary Information
Schedule of County's Pension Contributions
Year ended December 31, 2018

	NYSERS Pension Plan							
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 3,428,359	3,537,930	3,558,733	3,962,986	4,281,659	4,106,423	3,989,716	3,325,924
Contributions in relation to the contractually required contribution	<u>3,428,359</u>	<u>3,537,930</u>	<u>3,558,733</u>	<u>3,962,986</u>	<u>4,281,659</u>	<u>4,106,423</u>	<u>3,989,716</u>	<u>3,325,924</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$23,689,569	23,715,257	21,997,238	21,514,793	22,023,524	21,116,543	21,569,263	21,761,926
Contributions as a percentage of covered payroll	14.47%	14.92%	16.18%	18.42%	19.44%	19.45%	18.50%	15.28%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for those years for which information is available.

COUNTY OF DELAWARE, NEW YORK
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue Funds			Total
	Road Machinery Fund	Refuse and Garbage Fund	Special Grant Fund	Nonmajor Governmental Funds
Assets:				
Cash and equivalents - unrestricted	\$ 6,965,151	4,623,506	310,416	11,899,073
Due from other funds	-	1,165,637	-	1,165,637
Due from State and Federal governments	-	-	52,313	52,313
Other receivables	13,869	129,047	19,703	162,619
Prepaid expenditures	-	40,374	-	40,374
Total assets	<u>\$ 6,979,020</u>	<u>5,958,564</u>	<u>382,432</u>	<u>13,320,016</u>
Liabilities:				
Accounts payable	94,217	219,822	46,629	360,668
Accrued liabilities	22,348	55,351	16,237	93,936
Due to other funds	-	-	28	28
Other liabilities	-	22,324	-	22,324
Total liabilities	<u>116,565</u>	<u>297,497</u>	<u>62,894</u>	<u>476,956</u>
Fund balances:				
Nonspendable	-	40,374	-	40,374
Assigned - unappropriated	<u>6,862,455</u>	<u>5,620,693</u>	<u>319,538</u>	<u>12,802,686</u>
Total fund balances	<u>6,862,455</u>	<u>5,661,067</u>	<u>319,538</u>	<u>12,843,060</u>
Total liabilities and fund balances	<u>\$ 6,979,020</u>	<u>5,958,564</u>	<u>382,432</u>	<u>13,320,016</u>

COUNTY OF DELAWARE, NEW YORK
Other Supplementary Information
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended December 31, 2018

	<u>Special Revenue Funds</u>			Total
	<u>Road Machinery Fund</u>	<u>Refuse and Garbage Fund</u>	<u>Special Grant Fund</u>	<u>Nonmajor Governmental Funds</u>
Revenue:				
Departmental income	\$ -	20,969	-	20,969
Intergovernmental charges	4,274	72,752	-	77,026
Use of money and property	91	674	-	765
Sale of property and compensation for loss	264,991	767,326	-	1,032,317
Interfund revenue	3,200,000	-	-	3,200,000
State sources	-	20,361	-	20,361
Federal sources	-	-	1,132,692	1,132,692
Miscellaneous local sources	<u>479,933</u>	<u>682</u>	<u>107,491</u>	<u>588,106</u>
Total revenue	<u>3,949,289</u>	<u>882,764</u>	<u>1,240,183</u>	<u>6,072,236</u>
Expenditures:				
General government support	-	82,994	-	82,994
Transportation	2,773,651	-	-	2,773,651
Economic assistance and opportunity	-	-	1,006,016	1,006,016
Home and community	<u>-</u>	<u>3,562,975</u>	<u>212,528</u>	<u>3,775,503</u>
Total expenditures	<u>2,773,651</u>	<u>3,645,969</u>	<u>1,218,544</u>	<u>7,638,164</u>
Excess (deficiency) of revenue over expenditures	<u>1,175,638</u>	<u>(2,763,205)</u>	<u>21,639</u>	<u>(1,565,928)</u>
Other financing sources - interfund transfers in	<u>-</u>	<u>3,667,701</u>	<u>-</u>	<u>3,667,701</u>
Excess of revenue and other financing sources over expenditures	1,175,638	904,496	21,639	2,101,773
Fund balances at beginning of year	<u>5,686,817</u>	<u>4,756,571</u>	<u>297,899</u>	<u>10,741,287</u>
Fund balances at end of year	<u><u>\$6,862,455</u></u>	<u><u>5,661,067</u></u>	<u><u>319,538</u></u>	<u><u>12,843,060</u></u>

FORM OF BOND COUNSEL’S OPINION

September 1, 2020

County of Delaware
State of New York

Re: County of Delaware, New York
\$8,000,000 Bond Anticipation Notes, 2020

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$8,000,000 Bond Anticipation Notes, 2020 (the "Obligation"), of the County of Delaware, State of New York (the "Obligor"), dated September 1, 2020, in the denomination of \$ _____, bearing interest at the rate of _____% per annum, payable at maturity, and maturing September 1, 2021.

The Notes will not be subject to redemption prior to maturity.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of revenues or moneys of the Obligor legally available will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP