

COUNTY OF HERKIMER,
NEW YORK

MANAGEMENT'S
DISCUSSION AND
ANALYSIS, BASIC
FINANCIAL STATEMENTS
AND COMPLIANCE
REPORTS

For the Year Ended
December 31, 2020

COUNTY OF HERKIMER, NEW YORK

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Independent Auditor's Report

To the Chairman and Members of the County Legislature
County of Herkimer, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Herkimer, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Herkimer County Industrial Development Agency, which represent 8%, 3%, and 14%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Herkimer County 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

New Accounting Standard

As discussed in Note 1 to the financial statements, the County changed accounting policies related to the accounting and reporting of fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*. The new pronouncement changes the criteria used to determine which government activities are considered fiduciary and provides guidance on accounting and reporting for the fiduciary activities identified. Our opinion is not modified with respect to this matter.

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 business-type activities, the aggregate discretely presented component units, each in a major fund, and the aggregate remaining fund information of the County of Herkimer, New York, as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Herkimer, New York's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and the accompanying Schedule of State Transportation Assistance Expended is presented for purposes of additional analysis as required by Draft Part 43 of the New York State Codification of Rules and Regulations and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2021, on our consideration of the County of Herkimer, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Herkimer, New York's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

August 13, 2021

Utica, New York

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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To the Chairman and Members of the County Legislature
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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Herkimer, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Herkimer County Industrial Development Agency, which represent 8%, 3%, and 14%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Herkimer County 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Herkimer, New York, as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Herkimer, New York's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and the accompanying Schedule of State Transportation Assistance Expended is presented for purposes of additional analysis as required by Draft Part 43 of the New York State Codification of Rules and Regulations and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2021, on our consideration of the County of Herkimer, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Herkimer, New York's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

August 13, 2021

Utica, New York

COUNTY OF HERKIMER, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Our discussion and analysis of the County of Herkimer, New York's financial performance provides an overview of the County's financial activities for the years ended December 31, 2020 and 2019. This document should be read in conjunction with the County's financial statements which follow this narrative.

1. FINANCIAL HIGHLIGHTS

(These items will be explained in more detail in subsequent sections of the narrative.)

Governmental Activities

- The assets and deferred outflows of Herkimer County's Governmental Activities exceeded its liabilities and deferred inflows at December 31, 2020, by \$532,332, which is illustrated in the Statement of Net Position (Page 10).
- The net position attributable to governmental activities decreased by \$1,626,464 during 2020 (Page 11).
- At December 31, 2020, Herkimer County's governmental funds reported combined ending fund balances of \$40,620,907, a decrease of \$4,112,343 from the prior year (Page 13). This is primarily attributable to continued spending in the Capital Fund for the public safety project, which was nearing completion at December 31, 2020.

Business-Type Activities

- The liabilities and deferred inflows of Herkimer County's Business-Type Activities exceeded its assets and deferred outflows at December 31, 2020, by \$415,196 which is illustrated in the Statement of Net Position (Page 15).
- The total net position attributable to Business-Type activities decreased by \$659,030 (Page 16) to a net deficit in the current year. This is primarily attributed to an increase in the net pension liability of \$253,105 and a net increase in the other postemployment benefits liability of \$360,310.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to Herkimer County's basic financial statements. These statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. Each view will be explained in more detail to follow in this narrative. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Herkimer County.

3. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole, and can be found on pages 10 and 11.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the County's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

COUNTY OF HERKIMER, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, economic assistance and opportunity, and general government support. Property taxes, sales tax, and State and Federal grant funds finance most of these activities. The Herkimer Tobacco Asset Securitization Corporation has been included in the Governmental Activities as a blended component unit. The business-type activities are those that the County charges customers to provide. These include sewer and workers' compensation services offered by Herkimer County. The final category is the component units. The County includes the Herkimer Industrial Development Agency and Herkimer County Community College in this report. Although legally separate, these "component units" are included as required by GASB. Separately issued financial statements are available for the component units. See the notes to financial statements.

4. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 – Herkimer County's
Net Position (In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets				
Current and Other Assets	\$ 63.8	\$ 66.9	\$ 8.6	\$ 8.9
Capital Assets, Net of Accumulated Depreciation	<u>120.4</u>	<u>108.0</u>	<u>3.9</u>	<u>4.3</u>
Total Assets	<u>\$ 184.2</u>	<u>\$ 174.9</u>	<u>\$ 12.5</u>	<u>\$ 13.2</u>
Deferred Outflows of Resources	<u>\$ 44.0</u>	<u>\$ 26.4</u>	<u>\$ 1.0</u>	<u>\$ 0.6</u>
Liabilities				
Current and Other Liabilities	\$ 21.6	\$ 20.1	\$ 0.2	\$ 0.1
Noncurrent Liabilities	<u>205.4</u>	<u>177.2</u>	<u>13.7</u>	<u>13.4</u>
Total Liabilities	<u>\$ 227.0</u>	<u>\$ 197.3</u>	<u>\$ 13.9</u>	<u>\$ 13.5</u>
Deferred Inflows of Resources	<u>\$ 0.7</u>	<u>\$ 1.8</u>	<u>\$ 0.0</u>	<u>\$ 0.1</u>
Net Position				
Net Investment in Capital Assets	\$ 76.9	\$ 63.6	\$ 1.4	\$ 1.5
Restricted	12.8	21.1	0.5	0.5
Unrestricted (Deficit)	<u>(89.2)</u>	<u>(82.5)</u>	<u>(2.3)</u>	<u>(1.8)</u>
Total Net Position (Deficit)	<u>\$ 0.5</u>	<u>\$ 2.2</u>	<u>\$ (0.4)</u>	<u>\$ 0.2</u>

Table 2 – Herkimer County's
Activities (In Millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues				
Program Revenues				
Charges for Services	\$ 11.4	\$ 12.0	\$ 2.1	\$ 2.1
Operating Grants and Contributions	29.5	31.7	0.0	0.0
General Revenues				
Property Taxes	25.7	26.6	0.0	0.0
Other Taxes and Items	<u>39.7</u>	<u>39.8</u>	<u>0.1</u>	<u>0.1</u>
Total Revenues	<u>106.3</u>	<u>110.1</u>	<u>2.2</u>	<u>2.2</u>

See Independent Auditor's Report.

COUNTY OF HERKIMER, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Table 2 – Herkimer County's
 Activities (In Millions)

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Program Expenses				
General Government Support	22.3	20.5	0.0	0.0
Education	5.9	6.3	0.0	0.0
Public Safety	10.0	11.4	0.0	0.0
Public Health	7.1	5.8	0.0	0.0
Transportation	19.4	20.3	0.0	0.0
Economic Assistance and Opportunity	39.2	39.0	0.0	0.0
Culture and Recreation	0.7	0.8	0.0	0.0
Home and Community Services	1.1	1.2	2.2	2.1
Workers Compensation Benefits	0.0	0.0	0.7	0.6
Unallocated Interest on Debt	<u>2.2</u>	<u>2.1</u>	<u>0.0</u>	<u>0.0</u>
Total Program Expenses	<u>107.9</u>	<u>107.4</u>	<u>2.9</u>	<u>2.7</u>
Increase (Decrease) in Net Position	\$ <u>(1.6)</u>	\$ <u>2.7</u>	\$ <u>(.07)</u>	\$ <u>(0.5)</u>

Net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Herkimer County's Governmental Activities exceeded its liabilities and deferred inflows at December 31, 2020, by \$532,332. This reflects a \$1,626,464 decrease from the 2019 net position amount. This decrease is due to a deficit of revenues over expenditures for the current year.

Table 3 presents the cost of each of the County's four largest governmental programs: public safety, public health, transportation, and economic assistance and opportunity, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table 3 - Governmental
 Activities (In Millions)

	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Public Safety	\$ 10.0	\$ 8.8	\$ 11.4	\$ 10.2
Public Health	\$ 7.1	\$ 2.1	\$ 5.8	\$ 1.6
Transportation	\$ 19.4	\$ 12.4	\$ 20.3	\$ 11.6
Economic Assistance and Opportunity	\$ 39.2	\$ 23.0	\$ 38.9	\$ 20.7

The County's Proprietary Funds consist of the Enterprise Sewer Fund and the Workers' Compensation Fund (WCF). The basic financial statements for the funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates assets, net position, and changes in net position.

Table 4 - Business-Type Activities
 (In Millions)

	2020		2019	
	Sewer	WCF	Sewer	WCF
Total Assets	\$ 4.8	\$ 7.7	\$ 5.5	\$ 7.7
Net Position	\$ (0.4)	\$ 0.0	\$ 0.2	\$ 0.0
Changes in Net Position	\$ (0.7)	\$ 0.0	\$ (0.5)	\$ 0.0

COUNTY OF HERKIMER, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

5. FUND FINANCIAL STATEMENTS

The County's major funds begins on Page 12 and provides detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by state law; however, the County Legislature may establish other funds to help it control and manage money for particular purposes. The County's three types of funds – *Governmental, Proprietary, and Fiduciary* - use different accounting approaches.

Governmental Funds – Most of the County's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (of differences) between governmental activities (reported in the statement of net position and the statement of activities) and Governmental Funds in a reconciliation on pages 12 and 14.

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 assets and the statement of activities. In fact, the County's Enterprise Funds (a component of Proprietary Funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for Proprietary Funds. These financial statements begin on page 15.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The basic fiduciary fund financial statements can be found beginning on page 18 of this report.

6. FUND FINANCIAL ANALYSIS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a *combined* fund balance of \$40,620,907 which decreased by \$4,112,343 from last year's total of \$44,733,250. The primary reason for the decrease is the County continuing to spend down funds transferred from the General Fund (sales tax revenues set aside) for the ongoing public safety facility project which was nearing completion at December 31, 2020.

A comparative overview of the Governmental Funds results for 2020 and 2019 follows. This includes more detailed information about sources and uses of funds in each year.

Table 5 - Herkimer County Governmental Funds
Summary of Revenues and Expenditures
2020 and 2019 (In Millions)

	2020 <u>Revenues</u>	2020 <u>% of Total</u>	2019 <u>Revenues</u>	2019 <u>% of Total</u>
Real Property Tax	\$ 27.4	25.9	\$ 28.7	26.1
Non Property Tax	36.2	34.2	35.4	32.2
Departmental Income, Fees, and Interest	11.3	10.7	12.5	11.4
State and Federal Aid	28.6	27.0	31.2	28.4
All Other Sources	<u>2.3</u>	<u>2.2</u>	<u>2.1</u>	<u>1.9</u>
Total Revenues	<u>\$ 105.8</u>	<u>100.0</u>	<u>\$ 109.9</u>	<u>100.0</u>

See Independent Auditor's Report.

COUNTY OF HERKIMER, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

	2020 <u>Expenditures</u>	2020 <u>% of Total</u>	2019 <u>Expenditures</u>	2019 <u>% of Total</u>
General Governmental				
Support	\$ 19.9	18.1	\$ 18.7	14.1
Education	5.9	5.4	6.2	4.7
Public Safety	19.3	17.6	38.8	29.3
Public Health	6.1	5.6	5.4	4.2
Transportation	17.8	16.2	20.6	15.6
Economic Assistance and				
Opportunity	36.0	32.7	37.5	28.3
Culture and Recreation	0.6	0.5	0.8	0.6
Home and Community				
Services	1.1	1.0	1.2	0.9
Debt Service	<u>3.2</u>	<u>2.9</u>	<u>3.2</u>	<u>2.3</u>
Total Expenditures	<u>\$ 109.9</u>	<u>100.0</u>	<u>\$ 132.4</u>	<u>100.0</u>

7. GENERAL FUND BUDGET HIGHLIGHTS

The statement on page 65 shows both adopted and final modified budget totals compared with actual results for the General Fund in 2020. The significant variances between the original and the final budget for 2020 were as follows:

Adopted Budget	\$ 93,390,447
Encumbrance Carryovers	<u>313,506</u>
Original Budget	93,703,953
Appropriations from Transfers	18,780
Appropriations from Fund Balance and Reserves	12,248,739
Supplemental Appropriations from Additional Revenue	<u>11,045,226</u>
Final Budget	<u>\$ 117,016,698</u>

8. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2020 and 2019, the County's Governmental Activities had a total cost of \$216,864,825 and \$198,350,434, respectively, invested in a broad range of capital assets including equipment, a jail, buildings, roads, and bridges (see page 37). At December 31, 2020 and 2019, the County's Business-Type Activities had a total cost of \$17,383,253 and \$17,297,432, respectively, in sewer lines and plant (see page 38).

Table 6 – Capital Assets at Year End
(Net of Accumulated Depreciation, In Millions)

	<u>2020</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>
	<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
Buildings and Improvements	8.2	0.8	9.0
Machinery, Equipment, Vehicles & Other	8.5	2.3	10.8
Infrastructure	62.8	0.8	63.6
Construction in Progress	<u>40.9</u>	<u>0.0</u>	<u>40.9</u>
Totals	<u>\$ 120.4</u>	<u>\$ 3.9</u>	<u>\$ 124.3</u>

COUNTY OF HERKIMER, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

Table 6 – Capital Assets at Year End
(Net of Accumulated Depreciation. In Millions)

	2019		
	Governmental Activities	Business-Type Activities	Totals
Buildings and Improvements	8.6	0.9	9.5
Machinery, Equipment, Vehicles & Other	6.7	2.6	9.3
Infrastructure	63.3	0.8	64.1
Construction in Progress	29.4	0.0	29.4
Totals	<u>\$ 108.0</u>	<u>\$ 4.3</u>	<u>\$ 112.3</u>

Bonds

At year end, the County had \$45,782,302 in bonds outstanding.

Table 7 - Outstanding Bonds at Year End
(In Millions)

	2020		
	Governmental Activities	Business-Type Activities	Totals
General Obligation Revenue Bonds	\$ 43.3	\$ 2.5	\$ 45.8

Table 7 - Outstanding Bonds at Year End
(In Millions)

	2019		
	Governmental Activities	Business-Type Activities	Totals
General Obligation Revenue Bonds (Backed by Specific Revenues)	\$ 44.3	\$ 2.8	\$ 47.1

9. ECONOMIC FACTORS AND BUDGET

There are many factors that play a role in influencing County budgets across New York State. They include, but are not limited to, the actions of New York State as it continues to mandate programs and cut reimbursement, the economic climate of the County as well as New York State, the property values for 2021, cost increases and decreases for the necessities to run the County government, and this past year and a half COVID-19.

These factors were taken into consideration by the Legislature in formulating our 2021 budget. The budget for 2021 is \$102,734,708 as compared to the 2020 budget of \$103,229,692. That equates to a decrease of .48% from 2020. The County tax rate for 2021 is \$4.88 per thousand, down \$0.27 from 2020. The property tax levy is stable at 25,772,406. Once again, the County did not use any Tobacco funds toward our 2021 budget, and no use of fund balance from the General Fund. No use of General Fund Dollars is in sync with our plan to stop allocation of General Fund Dollars, effective in 2018.

Remington Arms LLC has emerged from the bankruptcy sale and has 300 employees working, with plans to increase that number over the next few years. Our Frankfort Industrial Park continues to do well with over 800 employees in the Park. The IDA has two new tenants for our Schuyler Business Park. Pepsi and The Fountainhead Group have started their projects and we anticipate completion in 2022. This past month, Amazon announced the purchase in Frankfort North Park to locate a last mile site which will employ 300 new employees this year. We are seeing industrial development in the City of Little Falls, downtown development in the Villages of Ilion and Herkimer, and new interest from developers to create residential housing.

COUNTY OF HERKIMER, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2020

The County has fared well financially since COVID-19 hit last March. We ended the year with a .77% increase in sales tax and over a \$2 million addition to our unassigned fund balance. This current year, we are seeing a 25% increase over last year's first 6 months. We believe at the end of 2021, we will add additional few million dollars to our unassigned fund balance.

In summary, we added to our fund balance in 2020 and expect another increase to our fund balance in 2021 due to the conservative practices of the Legislature and great management by our department heads and staff. We continue to pursue new daycare options. A program with HCCC and Albany Can Code to develop a coding program for unemployed/underemployed individuals. Lastly, we are running out of land in our industrial parks and are looking to add another industrial park by 2022.

American Rescuc Plan of 2021

In March 2021 Congress passed and President Biden signed into law the American Rescue Plan of 2021. The County was awarded \$11,985,388 half of which it received in May 2021 and the other half of which it will receive sometime in 2022.

The stated goals of the Plan are:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses
- Address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic

The Coronavirus State and Local Fiscal Recovery Funds provide substantial flexibility for each government to meet local needs—including support for households, small businesses, impacted industries, essential workers, and the communities hardest hit by the crisis. These funds can also be used to make necessary investments in water, sewer, and broadband infrastructure.

10. CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact James Wallace, County Administrator, or Kimberlee Enea, County Treasurer, 109 Mary Street Suite 2419, Herkimer, New York, 13350.

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF NET POSITION
December 31, 2020

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 22,928,934	\$ 5,287,051	\$ 28,215,985	\$ 17,000,782
Restricted Cash	10,579,001	478,502	11,057,503	148,159
Deposits With Trustees	1,141,449		1,141,449	
Investments				5,918,161
Receivables				
Taxes Receivable (Net)	10,983,562		10,983,562	
Student Loans and Fees Receivable (Net)				839,960
Other Receivables	4,956,581	218,276	5,174,857	521,168
Due From				
Other Governments	13,091,191	2,602,840	15,694,031	737,885
Governmental Funds		3,275	3,275	127,470
Proprietary Funds	67,530		67,530	
Other Assets	43,266		43,266	173,684
Capital Assets, Net of Accumulated Depreciation	<u>120,363,234</u>	<u>3,909,655</u>	<u>124,272,889</u>	<u>27,328,577</u>
Total Assets	<u>184,154,748</u>	<u>12,499,599</u>	<u>196,654,347</u>	<u>52,795,846</u>
Deferred Outflows of Resources				
Deferred Amounts From Refunding Debt, Net	94,445		94,445	
Pension	12,486,726	263,164	12,749,890	3,040,422
Other Postemployment Benefits	<u>31,389,864</u>	<u>716,345</u>	<u>32,106,209</u>	<u>6,413,813</u>
Total Deferred Outflows of Resources	<u>43,971,035</u>	<u>979,509</u>	<u>44,950,544</u>	<u>9,454,235</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 228,125,783</u>	<u>\$ 13,479,108</u>	<u>\$ 241,604,891</u>	<u>\$ 62,250,081</u>
Liabilities				
Accounts Payable	\$ 7,590,950	\$ 65,587	\$ 7,656,537	\$ 1,792,659
Retainage Payable	1,399,442		1,399,442	
Accrued Liabilities	465,955	8,338	474,293	
Due To				
Other Governments	11,923,637		11,923,637	
Governmental Funds		67,530	67,530	
Proprietary Funds	3,275		3,275	
Related Organization				425,097
Uncarned Revenue	214,284		214,284	1,834,233
Noncurrent Liabilities				
Due Within One Year	2,058,428	297,260	2,355,688	1,205,272
Due in More Than One Year	<u>203,296,416</u>	<u>13,441,901</u>	<u>216,738,317</u>	<u>58,799,364</u>
Total Liabilities	<u>226,952,387</u>	<u>13,880,616</u>	<u>240,833,003</u>	<u>64,056,625</u>
Deferred Inflows of Resources				
Unapplied Payments: PELL and TAP				3,112
Pension	641,064	13,688	654,752	241,041
Other Postemployment Benefits				7,650,614
Total Deferred Inflows of Resources	<u>641,064</u>	<u>13,688</u>	<u>654,752</u>	<u>7,894,767</u>
Total Liabilities and Deferred Inflows of Resources	<u>227,593,451</u>	<u>13,894,304</u>	<u>241,487,755</u>	<u>71,951,392</u>
Net Position				
Net Investment in Capital Assets	76,923,819	1,382,395	78,306,214	19,915,630
Restricted For				
Special Purposes	12,835,168	478,502	13,313,670	
Trusts and Endowments:				
Expendable				12,076,063
Nonexpendable				1,201,786
Unrestricted (Deficit)	<u>(89,226,655)</u>	<u>(2,276,093)</u>	<u>(91,502,748)</u>	<u>(42,894,790)</u>
Total Net Position (Deficit)	<u>532,332</u>	<u>(415,196)</u>	<u>117,136</u>	<u>(9,701,311)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 228,125,783</u>	<u>\$ 13,479,108</u>	<u>\$ 241,604,891</u>	<u>\$ 62,250,081</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government							
Governmental Activities							
General Government Support	\$ 22,324,367	\$ 5,021,002	\$ 3,101,449	\$ (14,201,916)		\$ (14,201,916)	
Education	5,914,457		1,464,086	(4,450,371)		(4,450,371)	
Public Safety	10,020,523	607,423	624,857	(8,788,243)		(8,788,243)	
Public Health	7,062,946	893,984	4,039,314	(2,129,648)		(2,129,648)	
Transportation	19,402,576	2,116,802	4,854,351	(12,431,423)		(12,431,423)	
Economic Assistance and Opportunity	39,163,111	2,508,872	13,664,742	(22,989,497)		(22,989,497)	
Culture and Recreation	714,974	33,820	261,802	(419,352)		(419,352)	
Home and Community Services	1,089,778	215,352	1,461,336	586,910		586,910	
Unallocated Interest on Long-term Debt	2,209,149			(2,209,149)		(2,209,149)	
Total Governmental Activities	<u>107,901,881</u>	<u>11,397,255</u>	<u>29,471,937</u>	<u>(67,032,689)</u>		<u>(67,032,689)</u>	
Business-Type Activities							
Sewer Fund	2,194,517	1,527,661			(666,856)	(666,856)	
Workers' Compensation Fund	590,463	535,460			(55,003)	(55,003)	
Total Business-Type Activities	<u>2,784,980</u>	<u>2,063,121</u>			<u>(721,859)</u>	<u>(721,859)</u>	
Total Primary Government	<u>\$ 110,686,861</u>	<u>\$ 13,460,376</u>	<u>\$ 29,471,937</u>	<u>(67,032,689)</u>	<u>(721,859)</u>	<u>(67,754,548)</u>	
Component Units							
Community College	\$ 31,192,622	\$ 9,933,343	\$ 20,677,568				\$ (581,711)
HCIDA	1,568,978	251,468	1,288,363				(29,147)
Total Component Units	<u>\$ 32,761,600</u>	<u>\$ 10,184,811</u>	<u>\$ 21,965,931</u>				<u>(610,858)</u>
General Revenues							
Property Taxes, Levied for General Purposes				25,731,624		25,731,624	
Real Property Tax Items				2,061,658		2,061,658	
Nonproperty Tax Items (Sales Tax and PILOTs)				36,193,080		36,193,080	
Tobacco Settlement Revenue				1,003,720		1,003,720	
Interest Income				416,143	62,829	478,972	130,402
Total General Revenues				<u>65,406,225</u>	<u>62,829</u>	<u>65,469,054</u>	<u>130,402</u>
Change in Net Position				<u>(1,626,464)</u>	<u>(659,030)</u>	<u>(2,285,494)</u>	<u>(480,456)</u>
Net Position (Deficit), Beginning of Year				2,158,796	243,834	2,402,630	(9,320,855)
Prior Period Adjustment							100,000
Net Position (Deficit), Beginning of Year, Restated				<u>2,158,796</u>	<u>243,834</u>	<u>2,402,630</u>	<u>(9,220,855)</u>
Net Position (Deficit), End of Year				<u>\$ 532,332</u>	<u>\$ (415,196)</u>	<u>\$ 117,136</u>	<u>\$ (9,701,311)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

COUNTY OF HERKIMER, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
(INCLUDING THE RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES)
December 31, 2020

	General	County Road	Capital	Other Governmental Funds	Total
Assets					
Cash and Cash Equivalents	\$ 17,419,272	\$ 2,008,251	\$	\$ 3,501,411	\$ 22,928,934
Restricted Cash	5,578,660	3,099,836	240,033	1,660,472	10,579,001
Deposits With Trustees				1,141,449	1,141,449
Taxes Receivable (Nct)	10,983,562				10,983,562
Other Receivables	4,937,622	2,361		16,598	4,956,581
Due From					
Other Governments	10,772,978	1,481,098	769,144	67,971	13,091,191
Governmental Funds	1,265,664	6,365		14,250	1,286,279
Proprietary Fund	67,530				67,530
Other Assets	530,387	74,150		41,783	646,320
Total Assets	<u>\$ 51,555,675</u>	<u>\$ 6,672,061</u>	<u>\$ 1,009,177</u>	<u>\$ 6,443,931</u>	<u>\$ 65,680,847</u>
Liabilities					
Accounts Payable	\$ 6,934,294	\$ 269,437	\$ 251,295	\$ 135,924	\$ 7,590,950
Accrued Liabilities	393,624	49,009		23,322	465,955
Due To					
Other Governments	10,738,839	949,696	235,102		11,923,637
Governmental Funds	20,615	328,410	773,617	163,637	1,286,279
Proprietary Fund			3,275		3,275
Unearned Revenue	180,184	34,100			214,284
Total Liabilities	<u>18,267,556</u>	<u>1,630,652</u>	<u>1,263,289</u>	<u>322,883</u>	<u>21,484,380</u>
Deferred Inflows of Resources					
Unavailable Revenue-Property Taxes	3,507,489				3,507,489
Other Unavailable Revenues				68,071	68,071
Total Deferred Inflows of Resources	<u>3,507,489</u>			<u>68,071</u>	<u>3,575,560</u>
Fund Balance					
Nonspendable	530,387	74,150		41,783	646,320
Restricted	5,578,660	3,099,836	13,390	4,156,672	12,848,558
Assigned	388,469	1,867,423		1,918,430	4,174,322
Unassigned (Deficit)	23,283,114		(267,502)	(63,905)	22,951,707
Total Fund Balance (Deficit)	<u>29,780,630</u>	<u>5,041,409</u>	<u>(254,112)</u>	<u>6,052,980</u>	<u>40,620,907</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 51,555,675</u>	<u>\$ 6,672,061</u>	<u>\$ 1,009,177</u>	<u>\$ 6,443,931</u>	

Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	120,363,234
Revenues that do not provide current financial resources are recognized in the Statement of Net Position and are deferred inflows in the fund financial statements	3,575,560
Proportionate share of long-term liability, deferred inflows, and deferred outflows associated with participation in the state retirement system are not current financial resources or obligations and are not reported in the funds	(5,744,197)
Long-term liabilities, including bonds payable, postemployment benefits, retainage payable, compensated absences, deferred amounts from refunding of debt, and accrued workers compensation are not due and payable in the current period and therefore are not reported in the funds	(158,283,172)
Net Position of Governmental Activities	<u>\$ 532,332</u>

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General	County Road	Capital	Other Governmental Funds	Total
Revenues					
Real Property Taxes	\$ 25,344,550				\$ 25,344,550
Real Property Tax Items	2,061,658				2,061,658
Nonproperty Tax Items	35,193,080	1,000,000			36,193,080
Departmental Income	6,138,949			34,558	6,173,507
Intergovernmental Charges	1,182,505	1,497,754			2,680,259
Use of Money and Property	1,033,353	7,586		157,481	1,198,420
Licenses and Permits	27,310				27,310
Fines and Forfeitures	116,065	5,995			122,060
Sale of Property and Compensation for Loss	44,568	4,455		1,119,025	1,168,048
Miscellaneous Local Sources	1,465,344			163,878	1,629,222
Interfund Revenues	62,498	15,819		562,200	640,517
State Aid	10,427,599	2,923,336	1,738,560	1,213,286	16,302,781
Federal Aid	<u>9,703,351</u>	<u>1,931,015</u>		<u>644,494</u>	<u>12,278,860</u>
Total Revenues	92,800,830	7,385,960	1,738,560	3,894,922	105,820,272
Other Financing Sources					
Transfers from Other Funds	<u>18,789</u>	<u>9,487,698</u>	<u>15,144,655</u>	<u>3,820,087</u>	<u>28,471,229</u>
Total Revenues and Other Financing Sources	92,819,619	16,873,658	16,883,215	7,715,009	134,291,501
Expenditures					
General Governmental Support	19,553,095		295,117	26,109	19,874,321
Education	5,893,280				5,893,280
Public Safety	8,915,075		10,359,417		19,274,492
Public Health	6,099,324				6,099,324
Transportation		11,939,157	3,685,638	2,158,994	17,783,789
Economic Assistance and Opportunity	35,168,807			889,049	36,057,856
Culture and Recreation	597,290			1,395	598,685
Home and Community Services	595,049			494,729	1,089,778
Debt Service Principal				1,830,000	1,830,000
Debt Service Interest and Related Expenses				<u>1,431,090</u>	<u>1,431,090</u>
Total Expenditures	76,821,920	11,939,157	14,340,172	6,831,366	109,932,615
Other Financing Uses					
Transfers to Other Funds	<u>24,463,461</u>	<u>4,007,759</u>		<u>9</u>	<u>28,471,229</u>
Total Expenditures and Other Financing Uses	101,285,381	15,946,916	14,340,172	6,831,375	138,403,844
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(8,465,762)	926,742	2,543,043	883,634	(4,112,343)
Fund Balance (Deficit), Beginning of Year	38,246,392	4,114,667	(2,797,155)	5,169,346	44,733,250
Fund Balance (Deficit), End of Year	\$ 29,780,630	\$ 5,041,409	\$ (254,112)	\$ 6,052,980	\$ 40,620,907

The Accompanying Notes are an Integral Part of These Financial Statements.

COUNTY OF HERKIMER, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Net Changes in Fund Balance - Total Governmental Funds \$ (4,112,343)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their useful lives as depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceeds depreciation expense in the period.

Capital Outlays	17,666,931	
Depreciation Expense	<u>(6,191,326)</u>	11,475,605

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of bond principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of repayments and amortization of related premiums.

Repayment of Bond Principal	1,830,000	
Amortization of Bond Premium	<u>10,739</u>	1,840,739

Changes in the proportionate share of net pension expense reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (3,174,196)

Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in Accreted Interest	(744,447)	
Increase in Accrued Interest	(17,684)	
Net Increase in Other Postemployment Benefits	(7,276,186)	
Net Increase in Compensated Absences	(46,430)	
Amortized Interest on Bond Refunding	<u>(26,667)</u>	(8,111,414)

Revenues that do not provide current financial resources are recognized in the Statement of Activities but not in the fund financial statements.

Property Taxes	387,074	
Other Revenues	<u>68,071</u>	455,145

Change in Net Position Governmental Activities \$ (1,626,464)

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2020

	Enterprise Sewer Fund	Workers' Compensation Fund	Total
Assets			
Cash and Cash Equivalents	\$ 212,062	\$ 5,074,989	\$ 5,287,051
Restricted Cash	478,502		478,502
Accounts Receivable	218,276		218,276
Due From Other Governments		2,602,840	2,602,840
Due From Governmental Funds	3,275		3,275
Capital Assets (Net)	<u>3,909,655</u>		<u>3,909,655</u>
Total Assets	<u>4,821,770</u>	<u>7,677,829</u>	<u>12,499,599</u>
Deferred Outflows of Resources			
Pension	263,164		263,164
Other Postemployment Benefits	<u>716,345</u>		<u>716,345</u>
Total Deferred Outflows of Resources	<u>979,509</u>		<u>979,509</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 5,801,279</u>	<u>\$ 7,677,829</u>	<u>\$ 13,479,108</u>
Liabilities			
Accounts Payable	\$ 50,216	\$ 15,371	\$ 65,587
Accrued Liabilities	8,338		8,338
Due to Governmental Funds	67,530		67,530
Noncurrent Liabilities			
Due Within One Year	297,260		297,260
Due in More Than One Year	<u>5,779,443</u>	<u>7,662,458</u>	<u>13,441,901</u>
Total Liabilities	<u>6,202,787</u>	<u>7,677,829</u>	<u>13,880,616</u>
Deferred Inflow of Resources - Pension	<u>13,688</u>		<u>13,688</u>
Net Position			
Net Investment in Capital Assets	1,382,395		1,382,395
Restricted For Special Purposes	478,502		478,502
Unrestricted (Deficit)	<u>(2,276,093)</u>		<u>(2,276,093)</u>
Total Net Position (Deficit)	<u>(415,196)</u>		<u>(415,196)</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 5,801,279</u>	<u>\$ 7,677,829</u>	<u>\$ 13,479,108</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Sewer Fund	Workers' Compensation Fund	Total
Operating Revenue			
Departmental Charges	\$ 1,247,388	\$	\$ 1,247,388
Intergovernmental Charges	278,533	275,276	553,809
Miscellaneous	<u>1,740</u>		<u>1,740</u>
Total Operating Revenue	<u>1,527,661</u>	<u>275,276</u>	<u>1,802,937</u>
Operating Expenses			
Personal Services	383,234		383,234
Employee Benefits	555,289		555,289
Contractual Expenses	291,636	590,463	882,099
Operations and Maintenance	352,041		352,041
Depreciation Expense	<u>524,728</u>		<u>524,728</u>
Total Operating Expenses	<u>2,106,928</u>	<u>590,463</u>	<u>2,697,391</u>
Net Operating (Loss)	<u>(579,267)</u>	<u>(315,187)</u>	<u>(894,454)</u>
Nonoperating Revenue (Expenses)			
Use of Money and Property	7,826	55,003	62,829
Compensation for Loss		260,184	260,184
Debt Service Interest	<u>(87,589)</u>		<u>(87,589)</u>
Total Nonoperating Revenue (Expenses)	<u>(79,763)</u>	<u>315,187</u>	<u>235,424</u>
Net (Loss)	(659,030)		(659,030)
Net Position, Beginning of Year	<u>243,834</u>		<u>243,834</u>
Net Position (Deficit), End of Year	<u>\$ (415,196)</u>	<u>\$</u>	<u>\$ (415,196)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Sewer Fund	Workers' Compensation Fund	Total
Cash Flows from Operating Activities			
Cash Received from Providing Services	\$ 1,498,119	\$ 275,276	\$ 1,773,395
Cash Payments for Contractual Expenses	(628,400)	(597,616)	(1,226,016)
Cash Payments for Personal Services and Benefits	(713,505)		(713,505)
Net Cash Provided (Used) by Operating Activities	<u>156,214</u>	<u>(322,340)</u>	<u>(166,126)</u>
Cash Flows from Capital and Related Financing Activities			
Principal Payments on Debt	(275,000)		(275,000)
Interest Payments on Debt	(88,737)		(88,737)
Payments to Contractors	(85,820)		(85,820)
Transfers to/from Primary Government	5,874		5,874
Net Cash (Used) by Capital and Related Financing Activities	<u>(443,683)</u>		<u>(443,683)</u>
Cash Flows from Investing Activities			
Interest on Cash and Cash Equivalents	7,826	55,003	62,829
Proceeds from Compensation for Loss		198,824	198,824
Net Cash Provided by Investing Activities	<u>7,826</u>	<u>253,827</u>	<u>261,653</u>
Net (Decrease) in Cash and Cash Equivalents, and Restricted Cash	(279,643)	(68,513)	(348,156)
Cash and Cash Equivalents, and Restricted Cash, Beginning of Year	<u>970,207</u>	<u>5,143,502</u>	<u>6,113,709</u>
Cash and Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 690,564</u>	<u>\$ 5,074,989</u>	<u>\$ 5,765,553</u>
Reconciliation of Net Operating (Loss) to Net Cash Provided (Used) by Operating Activities			
Net Operating (Loss)	\$ (579,267)	\$ (315,187)	\$ (894,454)
Adjustment to Reconcile Net Operating (Loss) to Net Cash			
Provided (Used) by Operating Activities			
Depreciation Expense	524,728		524,728
Change in Postemployment Benefits	155,357		155,357
Change in Pension Expense for GASB 68	67,774		67,774
Change in Compensated Absences	(1,477)		(1,477)
(Increase) Decrease in Assets Other Than Cash			
Accounts Receivable	(29,542)		(29,542)
Prepaid Pension Expense	(260)		(260)
Increase (Decrease) in Liabilities			
Accounts Payable and Accrued Liabilities	<u>18,901</u>	<u>(7,153)</u>	<u>11,748</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 156,214</u>	<u>\$ (322,340)</u>	<u>\$ (166,126)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020

	<u>Custodial Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>1,863,095</u>
Liabilities	
Accrued Liabilities	\$ 1,148,794
Due to Local Governments	<u>713,610</u>
Total Liabilities	<u>1,862,404</u>
Net Position	
Restricted for:	
Individuals, Organizations, and Other Governments	<u>691</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

COUNTY OF HERKIMER, NEW YORK

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2020

	<u>Custodial Funds</u>
Additions	
Real Property Tax Collections for Other Governments	\$ 231,345
Sales Tax Collections for Other Governments	4,893,100
Fee Collections for Other Governments	12,997,277
Interest	986
Miscellaneous	<u>1,506,017</u>
Total Additions	<u>19,628,725</u>
Deductions	
Payments of Real Property Tax to Other Governments	231,345
Payments of Sales Tax Collections to Other Governments	5,371,421
Payments of Fees to Other Governments	6,005,113
Payments to New York State	6,840,028
Payments to Other Entities	<u>1,492,685</u>
Total Deductions	<u>19,940,592</u>
Change in Net Position	<u>(311,867)</u>
Net Position, Beginning of Year	0
Cumulative Effect of Change in Accounting Principle	<u>312,558</u>
Net Position, Beginning of Year (Restated)	<u>312,558</u>
Net Position, End of Year	<u>\$ 691</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF NET POSITION - DISCRETELY
PRESENTED COMPONENT UNITS
December 31, 2020

	Community College	HCIDA	Total
Assets			
Cash and Cash Equivalents	\$ 16,665,199	\$ 335,583	\$ 17,000,782
Restricted Cash		148,159	148,159
Investments	5,918,161	0	5,918,161
Receivables			
Tuition and Fees Receivable (Net)	839,960		839,960
Other Receivables	423,931	97,237	521,168
Due From			
Other Governments	737,885		737,885
Related Organization	127,470		127,470
Other Assets	166,886	6,798	173,684
Capital Assets (Net)	<u>23,828,503</u>	<u>3,500,074</u>	<u>27,328,577</u>
Total Assets	<u>48,707,995</u>	<u>4,087,851</u>	<u>52,795,846</u>
Deferred Outflows of Resources			
Pension	2,943,431	96,991	3,040,422
Other Postemployment Benefits	<u>6,100,592</u>	<u>313,221</u>	<u>6,413,813</u>
	<u>9,044,023</u>	<u>410,212</u>	<u>9,454,235</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 57,752,018</u>	<u>\$ 4,498,063</u>	<u>\$ 62,250,081</u>
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 1,643,436	\$ 149,223	\$ 1,792,659
Unearned Revenue	1,822,503	11,730	1,834,233
Due to Related Organization	425,097		425,097
Noncurrent Liabilities			
Due Within One Year	1,186,249	19,023	1,205,272
Due in More Than One Year	<u>54,823,830</u>	<u>3,975,534</u>	<u>58,799,364</u>
Total Liabilities	<u>59,901,115</u>	<u>4,155,510</u>	<u>64,056,625</u>
Deferred Inflows of Resources			
Unapplied Payments: PELL and TAP	3,112		3,112
Pension	238,362	2,679	241,041
Other Postemployment Benefits	<u>7,650,614</u>		<u>7,650,614</u>
Total Deferred Inflows of Resources	<u>7,892,088</u>		<u>7,894,767</u>
Total Liabilities and Deferred Inflows of Resources	<u>67,793,203</u>	<u>4,158,189</u>	<u>71,951,392</u>
Net Position			
Net Investment in Capital Assets	18,447,128	1,468,502	19,915,630
Restricted			
Expendable	11,927,904	148,159	12,076,063
Nonexpendable	1,201,786		1,201,786
Unrestricted (Deficit)	<u>(41,618,003)</u>	<u>(1,276,787)</u>	<u>(42,894,790)</u>
Total Net Position (Deficit)	<u>(10,041,185)</u>	<u>339,874</u>	<u>(9,701,311)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 57,752,018</u>	<u>\$ 4,498,063</u>	<u>\$ 62,250,081</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

COUNTY OF HERKIMER, NEW YORK
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION - DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended December 31, 2020

	Community College	HCIDA	Total
Operating Revenues			
Student Tuition and Fees (Net)	\$ 5,708,197	\$	\$ 5,708,197
Federal Grants and Contracts	900,594		900,594
State and Local Grants and Contracts	181,019	100,000	281,019
Nongovernmental Grants and Contracts	3,742		3,742
Auxiliary Enterprises			
Residential Life	2,241,478		2,241,478
Faculty Student Association Service Fees	582,405		582,405
Other Operating Revenues	<u>1,401,263</u>	<u>251,468</u>	<u>1,652,731</u>
Total Operating Revenues	<u>11,018,698</u>	<u>351,468</u>	<u>11,370,166</u>
Operating Expenses			
Educational and General Expenditures	23,064,875		23,064,875
Scholarships and Fees	4,085,408		4,085,408
Faculty Student Association	436,851		436,851
Housing Corporation Program Services	2,439,446		2,439,446
Other Deductious		494,692	494,692
Depreciation	<u>998,169</u>	<u>77,199</u>	<u>1,075,368</u>
Total Operating Expenses	<u>31,024,749</u>	<u>571,891</u>	<u>31,596,640</u>
Operating (Loss)	<u>(20,006,051)</u>	<u>(220,423)</u>	<u>(20,226,474)</u>
Non-Operating Revenues (Expenses)			
State Operating Aid	5,919,810		5,919,810
County Chargebacks	4,105,752		4,105,752
Local Appropriations	1,830,612		1,830,612
Non-operating Grants	7,106,051	1,188,363	8,294,414
Investment Income	130,217	185	130,402
Interest Expense		(1,732)	(1,732)
Net County Capital Asset Related Debt Reimbursement	(167,873)		(167,873)
Other Nonoperating Revenues	533,988		533,988
Other Nonoperating Expenses		<u>(995,355)</u>	<u>(995,355)</u>
Net Nonoperating Revenues	<u>19,458,557</u>	<u>191,461</u>	<u>19,650,018</u>
(Loss) Before Capital Appropriations	(547,494)	(28,962)	(576,456)
Capital Appropriations	<u>96,000</u>		<u>96,000</u>
Net (Decrease) in Net Position	<u>(451,494)</u>	<u>(28,962)</u>	<u>(480,456)</u>
Net Position (Deficit), Beginning of Year	(9,589,691)	268,836	(9,320,855)
Prior Period Adjustment		<u>100,000</u>	<u>100,000</u>
Net Position (Deficit), Beginning of Year, Restated	<u>(9,589,691)</u>	<u>368,836</u>	<u>(9,220,855)</u>
Net Position (Deficit), End of Year	<u>\$ (10,041,185)</u>	<u>\$ 339,874</u>	<u>\$ (9,701,311)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

The County of Herkimer, New York, (the County) is governed by the Charter of the County of Herkimer, the County Law, other general laws of the State of New York, and various local laws and ordinances. The present County Charter provides for a County Executive form of government.

The County Legislature, which is the legislative body responsible for the overall operation of the County, consists of 17 legislators, one from each of the County's legislative districts. The Chairman of the Legislature is the Chief Executive of the County. The County Treasurer is the Chief Fiscal Officer of the County and is elected for a four-year term. The County Administrator (every three years) and Auditor (every two years) are appointed by the Legislature.

The County provides the following basic services: maintenance of County roads, economic assistance, parks and waterways, police and law enforcement, health and nursing services, waste water management facilities, and education through Herkimer County Community College.

Financial Reporting Entity

The accompanying basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

The basic financial statements have been prepared primarily from accounts maintained by the County. Additional data has been derived from reports prescribed by the County Treasurer and prepared by component units based on independent or subsidiary accounting systems maintained by them.

(a) Reporting Entity

The financial reporting entity consists of the County (primary government) and organizations for which the primary government is financially accountable and the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Based on the application of these criteria, the following is a brief review of certain entities considered in determining the County's reporting entity as a whole. These activities are included as discretely presented component units and blended component units of the primary government.

(b) Discretely Presented Component Units

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

Herkimer County Community College (Community College) – The Community College is a two-year higher educational institution sponsored by the County of Herkimer and under the supervision of the State University of New York. The Community College is administered by a Board of Trustees consisting of ten voting members in which five are appointed and confirmed by the County Legislature, four by the Governor, and one student is elected by the student body. The Community College's budget is subject to the approval of the County Legislature, with the County providing substantial funding for the operation of the Community College. Title to the real property of the Community College rests with the County. Bonds and notes for Community College capital costs are issued by the County.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

The Community College accounts for resources received and used in its own financial system which is independent of the County's centralized financial system. A fiscal year ending August 31 is mandated by State law for the Community College. For this reason and also because of differences between accounting principles generally accepted in the United States of America for colleges and those of counties, the financial statements of the Community College are presented in a separate column in the basic financial statements of the County. All of the financial data for the Community College has been derived from the independently audited financial statements. Certain amounts have been reclassified to conform with the County's presentation.

The Community College maintains an auxiliary service corporation known as the Faculty Student Association of Herkimer County Community College, Inc. (FSAHCCC). The FSAHCCC is a campus-based not-for-profit corporation which, as an independent contractor, operates, manages, and promotes educationally related services for the benefit of the campus community. All of the financial data for this corporation was derived from the FSAHCCC's financial statements for its fiscal year ended June 30, 2020.

The Community College also maintains a foundation known as Herkimer County College Foundation, Inc. (The Foundation). The Foundation is a tax-exempt foundation [under Internal Revenue Code Section 501(c)(3)] established to receive and maintain funds to aid and advance the welfare, development, purposes, and programs of Herkimer County Community College and its students. All of the financial data for this corporation was derived from the Foundation's financial statements for its fiscal year ended August 31, 2020.

Also, Herkimer County Community College Housing Corporation (HCCCHC) is a not-for-profit corporation organized in New York State for the purpose of providing student resident facilities (on campus) at Herkimer County Community College. The primary source of revenue is from room rent charged to campus-based students. All of the financial data for this corporation was derived from the HCCCHC's financial statements for its fiscal year ended August 31, 2020.

Although each of these entities are separate and distinct legal entities, they carry out operations that are integrally related to the Community College and are, therefore, blended in the financial reporting entity of the Community College.

Financial statements of the Community College and related entities can be obtained from the Vice-President of Administrative Services at the HCCC's campus located at Reservoir Road, Herkimer, New York 13350.

Herkimer County Industrial Development Agency - The Herkimer County Industrial Development Agency (HCIDA) was created on October 5, 1970 by the New York State Legislature under the provisions of Chapter 410 of the 1970 Laws of New York State for the purpose of encouraging economic growth in the County of Herkimer. The Agency is exempt from federal, state, and local income taxes. The Agency is governed by a five-person Board of Directors appointed by the County Legislature and receives a significant portion of its operating funds from the County of Herkimer. The Agency maintains a December 31 year end. All of the financial information for the Agency has been derived from the independently audited financial statements and can be obtained from the Agency's administrative offices located on Washington Street, Herkimer, New York 13350.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

(c) *Blended Component Units*

The following blended component units are reported as other governmental funds:

Herkimer Tobacco Asset Securitization Corporation - Herkimer Tobacco Asset Securitization Corporation (HTASC) is a not-for-profit corporation formed exclusively for the purpose of acquiring from the County of Herkimer, New York (County) all or any of the rights, titles, and interest of the County under the Master Settlement Agreement with respect to tobacco related litigation among various settling states and participating manufacturers. HTASC is an instrumentality of, but separate and apart from, the County. HTASC utilizes December 31, as its year end.

In lieu of receiving the Tobacco Settlement Rights (TSR), HTASC, in conjunction with the New York Counties Tobacco Trust I, Trust IV, and Trust V issued Tobacco Settlement Pass-Through Bonds. The bonds have been issued to the Trust pursuant to an indenture between HTASC and Manufacturers and Traders Trust Company (the Trustee).

HTASC is primarily dependent on the future proceeds from the TSR to meet future obligations under the indenture agreement.

The financial statements of HTASC can be obtained at the Treasurer's Office of the County located at 109 Mary Street Suite 2419, Herkimer, New York 13350.

Soil and Water Conservation District - The District was established in 1949 by a resolution of the Herkimer County Board of Supervisors to assist in the conservation of soil and water resources, to ensure watershed protection, to preserve the tax base and to promote the general welfare of Herkimer County.

The District, a subdivision of the State of New York, is governed by a board of five directors designated by the County Legislature, with two members from the County Board of Legislators, one from the Grange, one from the Farm Bureau, and the fifth member representing the urban, suburban, and rural nonfarm landowners. The District utilizes December 31 as its year end. The financial information for the Conservation District can be obtained from the Conservation District's Administrative Office on State Route 5, Herkimer, New York 13350.

Basis of Presentation

(a) *Basic Financial Statements - Government-Wide Statements*

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The County's police, maintenance of County roads, public works, health and nursing services, educational activities, and general administrative services are classified as governmental activities. The County's Sewer Fund and Workers' Compensation Fund are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. The County first utilizes restricted resources to finance qualifying activities.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants, if applicable. All direct expenses incurred are charged to the corresponding function. Capital asset additions that cannot be identified to a specific function are allocated based on total expenses by program.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

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.

(b) Basic Financial Statements - Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on all major governmental funds, as well as enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Governmental Funds - Governmental fund types 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 fund types. The measurement focus of the governmental fund types is upon determination of financial position and changes in financial position, rather than upon the flow of economic resources. The following are the County's major governmental funds:

- General Fund - the principal operating fund that includes all operations not required to be recorded in other funds.
- County Road Fund - to account for the repairs and maintenance of County roads in accordance with New York State laws.
- Capital Fund - used to account for the acquisition, construction, and/or reconstruction of major capital assets.

In addition to the Herkimer Tobacco Asset Securitization Corporation and Soil Water Conservation District, the County reports the following as other governmental funds:

The following are the County's non-major governmental funds:

- Special Grant Fund - to account for the use of Federal monies received under the Workforce Investment Act.
- Road Machinery Fund - to account for the purchase of highway machinery and equipment in accordance with New York State laws.
- Debt Service Fund - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs (except for those presented in the discretely presented component units).

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Proprietary Funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Operating and non-operating revenues are defined based on how individual transactions are categorized for purposes of preparing a statement of cash flows using GASB. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities normally would not be reported as components of operating income. The following is a description of the proprietary funds of the County:

- Enterprise Sewer Fund – used to account for the operations of the Sewer District. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity; (a) is financed with debt that is solely secured by a pledge of the net revenues; (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or; (c) establishes fees and charges based on a pricing policy designed to recover similar costs.
- Workers' Compensation Fund - accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The Internal Service Fund is used to account for the operations of the workers' compensation self-insurance program.

Fiduciary Funds - Fiduciary funds are used to account for and report assets held in a custodial capacity for others and therefore, are not available to support County programs. The County's Fiduciary fund consists of only the Custodial Fund. These activities are not included in the government-wide financial statements, because their resources do not belong to the County and are not available to be used.

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements and the proprietary fund financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of the cash flow. In addition, the Community College, Herkimer Tobacco Asset Securitization Corporation, and the Herkimer Industrial Development Agency are accounted for on the accrual basis of accounting.

Modified Accrual Basis - The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Effective December 31, 2020, the County amended this policy to 180 days after year-end, excluding property tax collections. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, as well as expenditures related to compensated absences are recorded when the payment is due.

Accrual Basis – Proprietary and fiduciary fund types and discretely presented component units are accounted for using the accrual basis of accounting. Under this method, revenues including unbilled amounts are recognized when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of related cash inflows and outflows. Capital assets, the related outstanding debt and other long-term liabilities related to activities of the proprietary and fiduciary fund types, and the discretely presented component units, are recorded within these fund types.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Operating revenues and expenses generally result from the proprietary funds' principal operations, providing services and producing and delivering goods. Non-operating revenues and expenses are reported as capital and related financing activities, non-capital financing activities, or investing activities which normally would not be reported as components of operating income.

Enterprise funds apply all applicable GASB pronouncements unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. The County has elected not to adopt the option as allowed by paragraph 7 of GASB No. 20 to adopt all FASB pronouncements issued after November 30, 1989.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, net pension liabilities, deferred inflows and outflows of resources- pensions, other postemployment benefits, potential contingent liabilities, and useful lives of long-lived assets.

Cash, Cash Equivalents, and Investments

State statutes require that collateral be pledged at 100 percent of all deposits not covered by Federal Deposit Insurance Corporation insurance for demand deposits, time deposits, repurchase agreements, and certificates of deposit. Obligations of the United States Treasury and its agencies as well as obligations of the State and its municipalities and school districts may be pledged. The County has established a pooled cash account in which interest earned is allocated to participating funds based on their pro-rata shares of the pool.

Investments in equity securities with readily determinable fair values and all investments in debt securities are to be reported at fair market values with gains and losses included in the Statement of Activities.

For purposes of the Statement of Cash Flows – Proprietary Funds, the County considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents include all unrestricted as well as restricted assets with the exception of those held by trustees.

Receivables

Receivables are recorded at cost net of an allowance for uncollectible accounts.

Interfund Transactions

The operations of the County give rise to certain transactions between funds, including transfers of expenditures and transfers of revenues to provide services and to construct assets. 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 in the government-wide financial statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Capital Assets/Property, Plant, and Equipment

Primary Government - Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land Improvements	20 Years
Buildings and Improvements	45 Years
Infrastructure	15-50 Years
Machinery and Equipment	5-15 Years

Component Units - Property, plant, and equipment of the Community College and HCIDA are recorded at cost and are depreciated over their estimated useful lives using the straight-line basis over the following estimated useful lives:

Land Improvements, and Infrastructure	15-50 Years
Buildings and Improvements	7-50 Years
Machinery, Furniture, Equipment, Licensed Vehicles, Library Books, and Intangibles	3-20 Years

Unearned Revenue

Unearned revenues arise when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the County has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Statement of Net Position has three items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the County's, Community College's, and HCIDA's proportion of the collective net pension asset or liability and the difference during the measurement period between the County's, Community College's, or HCIDA's contributions and their proportionate share of total contributions not included in pension expense. The second item is a deferred amount on refunding of debt reported by the County. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The third item is related to other postemployment benefits (OPEB) reported by the Community College and represents the effect of differences between expected and actual experience, changes in assumptions during the year, and contributions subsequent to the measurement date. These amounts are deferred and will be recognized in OPEB expense over the next several years.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Statement of Net Position has three items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the County's, Community College's, or HCIDA's proportion of the collective net pension asset or liability and the difference during the measurement periods between the County's, Community College's, or HCIDA's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported by the Community College and represents the effect of differences between expected and actual experience and changes in assumptions during the year.

The governmental funds also report deferred inflows from two sources, property taxes and other unavailable revenues. These items arise only under a modified accrual basis of accounting. Statute provides the authority for the County to levy taxes to be used to finance expenditures within the first 60 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Vested Employee Benefits-Compensated Absences

Under the terms of personnel policies and union contracts, County employees, other than elected officials, are granted sick, personal, and vacation credits (compensated absences) and may accumulate these credits as follows:

Sick Leave – Employees are granted sick leave credits of one day per month, and they are allowed to accumulate up to 175 days of sick leave credits depending on contract coverage. Sick leave must be used prior to leaving County employment. The value of unused sick leave can be converted into retirement credits; however, no cash will be issued by the County.

Personal Leave – Employees are granted up to 3-5 days personal leave each year depending on their contracts, coverage, and hiring date. At December 31 of each year, all unused personal leave is converted to sick leave.

Vacation Leave – Employees are granted vacation leave credits of 10 to 30 days per year depending on their contract and years of service. Employees can carry over 5 or 30 days from year to year, depending on terms of the contract.

It is the County's policy to accrue all costs associated with earned, but not yet paid, compensated absences of all employees involved in the operations of the County's reporting entity.

Community College employees accrue vacation leave in varying amounts and are subject to various maximum accruals based on contract group. Community College employees also earn one day of sick leave each month subject to a maximum of 175 or 165 days, depending on the contract group. Only Community College employees are entitled to receive a benefit for sick leave accumulated upon retirement. At August 31, 2020, the Community College accrued \$587,453 as a liability for this benefit.

Retirement Benefits

The County and HCIDA provide retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State Employees' Retirement System. The system provides various plans and options, some of which require employee contributions. The retirement system computes the cost of retirement benefits based on its fiscal year, April 1 to March 31.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

The Community College also participates in the Employees' Retirement System, the New York Teachers' Retirement System, and the Teachers' Insurance and Annuity Association/College Retirement Equities Fund.

In addition to providing pension benefits, the County, Community College, and HCIDA provide post-employment health insurance coverage and survivor benefits for retired employees and their dependents. Collective bargaining agreements determine if employees are eligible for these benefits. Substantially all employees may become eligible for these benefits if they reach normal retirement age while working. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the County, Community College, HCIDA and the retired employee. The County, Community College, and HCIDA recognize the costs of providing health insurance by recording its share of insurance premiums as an expenditure.

Accrued Liabilities and Long-term Obligations

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the County's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB. In applying GASB to grant revenues, 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 unearned revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Medicaid Claims

Physicians, hospitals, pharmacists, and others who provide services to public assistance recipients and other individuals enrolled in the Medical Assistance Program are entitled to reimbursement of the defined cost of such services through the federal, state, and locally funded Medicaid programs. The County participates in a state-wide system to process and pay such claims. The County is subsequently billed by the system for its share of paid claims. At any point in time, unpaid claims for services rendered by providers are either being processed by the system or are still to be reported by the providers. Under this Medicaid Cap Legislation, Medicaid liabilities paid subsequent to December 31, 2020 will be paid from expendable and available resources of 2021. Thus, no 2020 accrual for Medicaid claims is required.

Insurance

The County maintains insurance against liability for most risks, excluding workers' compensation and unemployment claims. 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 and is in excess of the County's insured liability limits.

Public Entity Risk Pool

The County's Workers' Compensation Fund was created pursuant to Article 5 of Workers' Compensation Law and is recognized by the State of New York as a public entity risk pool. The Workers' Compensation Fund consists of a cooperative group of county-wide cities, towns, and villages as well as the County itself participating in the fund to finance the cost of providing workers' compensation benefits for employees of its participating members. The County is considered the predominant participant in this fund.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the following notes.

Equity Classifications

(a) Government-wide Financial Statements

In the Government-wide statements there are three classes of net position:

Net investment in capital assets consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets or deferred outflow of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the County.

(b) Fund Statements

In the fund basis statements, there are five classifications of fund balance:

Nonspendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of inventories, prepaid expenses, and permanent fund principal balances.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Restricted Resources

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the County's policy is to use restricted resources only when appropriated by the Legislators. When an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available, the County's policy concerning which to apply first varies with the intended use, and with associated legal requirements.

Due to the legal constraints involving the issuance of debt and the accumulation of funds to retire that debt, the fund balances of the Capital Projects Fund and Debt Service Fund are classified as restricted. In addition, funds restricted by the legislators for special purposes are also classified as restricted.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the County has provided otherwise in its commitment or assignment actions.

- ***Committed*** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision-making authority, i.e., the Legislators. The County has no committed fund balances as of December 31, 2020.
- ***Assigned*** – Includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Legislators or (b) the designated official, such as the County's Purchasing Agent, to which the Legislators has delegated the authority to assign amounts to be used for specific purposes. All encumbrances, other than in the Capital Fund, are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year's budget of the General Fund is also classified as Assigned Fund Balance in the General Fund.
- ***Unassigned*** – Includes all other fund net assets that do not meet the definition of the above classifications and are deemed to be available for general use by the County. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

(c) Order of Use of Fund Balance

The County's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Committed and assigned fund balances are determined next, with any remaining fund balance reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Adopted Changes in Accounting Standards

GASB Statement No. 84 – *Fiduciary Activities* was implemented effective January 1, 2020. The County previously accounted for payroll withholdings and related items in a Trust and Agency Fund. These items are now required to be reported in the governmental funds. In addition, certain deposits, fees, tax collections, and other funds are now classified in a Custodial Fund, which replaces the Trust and Agency Fund. A statement of fiduciary net position and a statement of changes in fiduciary net position are required to be presented for these activities.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Future Changes in Accounting Standards

- GASB Statement No. 87 – Leases Effective for the year ended December 31, 2022

The County will evaluate the impact this pronouncement may have on its financial statements and will implement it as applicable and when material.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

(a) Total Fund Balances of Governmental Funds Compared to Net Position of Governmental Activities

Total fund balances of the County's governmental funds differ from the "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

(b) Statement of Revenues, Expenditures, and Changes in Fund Balance Compared to Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of six broad categories.

Long-Term Revenue Differences - Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital Related Differences - Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences - Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Employee Benefit Allocation-Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Equity based on the requirements of New York State. These costs have been allocated based on total salary for each function.

Pension Differences - Pension differences occur as a result of changes in the proportion of the collective net pension asset/ liability and differences between contributions and the proportionate share of the total contributions to the pension systems.

OPEB Differences – OPEB differences occur as a result of changes in the total OPEB liability and differences between contributions and expenses.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(a) Budgetary Data

Budget Policies - Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

No later than November 15, the budget officer submits a tentative budget to the clerk of the Legislature for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing them.

Public hearings are conducted to obtain taxpayer comments. Prior to December 31, the budget is legally enacted through the passage of legislative resolution or by provisions in the County Charter.

All revisions that alter appropriations of any department or fund must be approved by the Legislature. Budgetary controls are established for the Capital Fund through resolutions authorizing individual projects which remain in effect for the life of the project.

Legally Adopted Budgets - All of the funds have legally adopted budgets. The fund's budgets are adopted on a departmental and object level of expenditure basis in which expenditures may not legally exceed appropriations on a departmental and object of expenditure level.

Individual governmental fund comparisons of budget and actual data at the legal level of control established by the adopted budget (i.e., minimally at the department and object level) are not presented in this report for those funds with annually adopted budgets due to the excessive detail involved. However, a separate budgetary comparison report is available which contains this information.

(b) Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period.

Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

4. CUSTODIAL AND CONCENTRATION OF CREDIT RISK

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

As of December 31, 2020, \$37,317,812 of the County's total bank balances of \$38,784,272 were exposed to custodial credit risk and fully collateralized with collateral held by agents of the County's custodial banks in the County's name.

In addition, \$7,282,659 of the Community College and its applicable blended component units bank balances of \$9,827,930 were exposed to custodial credit risk as detailed below, as of each applicable entity's year-end. The Community College also has \$7,189,032 in U.S. Treasury bills, which are uninsured and uncollateralized, however, they are backed by the full faith and credit of the United States Government.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

	Primary Institution	Component Units
Uninsured and Uncollateralized	\$	\$ 3,019,339
Uninsured and Collateral held by the pledging financial institution in the Community College's name, or	4,263,320	_____
Total	\$ 4,263,320	\$ 3,019,339

5. PROPERTY TAXES AND COLLECTION

County real property taxes are levied annually no later than December 31 and become a lien on January 1. Collection of real property taxes starts January 1 and continues until tax sale. Taxes for County purposes apportioned to the areas of the County outside the City of Little Falls are levied together with taxes for town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The County assumes enforcement responsibility for all taxes levied in the towns and special districts, and for unpaid County taxes in the City of Little Falls.

The recognition of revenue from real property taxes is considered available to finance current operations if collected within 60 days after the end of the year. The net receivables collected during 2020 and within the first 60 days of 2020 are recognized as revenues in 2020. Net receivables estimated to be collectible subsequent to the first 60 days of 2020 are reflected as deferred inflows.

The County is permitted, in accordance with Section 10 of Article VIII of the New York State Constitution, to levy taxes: (a) up to 1.5% of the five-year average fully assessed valuation of taxable real property, for general governmental services other than the payment of principal and interest on long-term debt, (b) in unlimited amounts for the payment of principal and interest on long-term debt, and (c) in unlimited amounts for capital appropriations (budgetary appropriations for objects or purpose for which a period of probable usefulness is provided by Section 11.00 of local finance law). At December 31, 2020 the County utilized approximately 33.53% of its constitutional tax limit.

Uncollected school district and village taxes assumed by the County for enforcement through December 31, 2020, were \$5,031,962 and \$1,780,026, respectively. Such amounts will be paid to the school districts and villages by April 1, 2020 and are included in the amounts due to other governments in the accompanying basic financial statements. Any such taxes remaining unpaid at year end are relieved as County taxes on December 31.

Taxes receivable at December 31, 2020 are recorded net of an estimated allowance for uncollectible accounts of \$1,517,000.

6. SALES TAX

Effective September 1, 1992, the County imposed a 4% sales tax. The sharing formula for the first 3% of the sales tax is distributed between the County, Towns and Villages. The additional 1% is kept by the County. At December 1, 2007, the County imposed an additional .25% of the sales tax that is kept by the County and is placed in a reserve for the new County Jail. Effective October 1, 2018, the additional .25% is being transferred from the General Fund to the Debt Service Fund to assist with payments on the County Jail debt.

Sales tax revenues are recorded on an accrual basis to the extent that such accrued amounts were received by New York State (the intermediary government) from vendors through December 31. The County also accrues its portion of such revenue attributable to the current year but remitted to the State (and ultimately the County) in the subsequent year.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

7. TUITION AND FEES RECEIVABLES

Student tuition and fees receivable are presented on the Statement of Net Position, net of an allowance for uncollectible accounts of \$412,304.

8. RESTRICTED ASSETS HELD BY TRUSTEE

Herkimer Tobacco Asset Securitization Corporation

Deposits with trustees represent a liquidity reserve that has been established pursuant to HTASC's indenture. The reserve is required to be funded in an amount equal to the maximum annual debt service on the Series 2005 Bonds. Amounts exceeding the reserve requirements will be transferred to the debt service account and will be available to make flexible amortization payments.

Deposits with trustees of \$1,141,449 at December 31, 2020, are comprised of investments in money market funds and invested cash, which are considered cash and cash equivalents.

9. INVESTMENTS

Investments at August 31, 2020, for the discretely presented component units are as follows:

	<u>Market</u>	<u>Cost</u>
Cash and Cash Equivalents	\$ 5,807	\$ 5,807
U.S. Government Obligations	876,818	795,922
Corporate Notes	1,332,593	1,319,877
Corporate Equities	3,159,274	2,310,975
Mutual Funds	<u>543,669</u>	<u>496,850</u>
Total	<u>\$ 5,918,161</u>	<u>\$ 4,929,431</u>

The following summarizes net appreciation on investments for the year ended August 31, 2020:

	<u>Market</u>	<u>Cost</u>	<u>Net Change</u>
Unrealized Gain			
End of Year	\$ 5,918,161	\$ 4,929,431	\$ 988,730
Beginning of Year	5,061,229	4,597,365	<u>463,864</u>
Total Unrealized Gain			524,866
Realized Gain			251,323
Interest and Dividends			150,557
Investment Fees			<u>(47,928)</u>
Net Investment Gain			<u>\$ 878,818</u>

The Financial Accounting Standards Board authoritative guidance on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The component unit only has investments in the first two levels. The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs consist of unadjusted quoted prices in active markets for identical assets and generally have the most reliable evidence of fair value.

Level 2: Inputs consist of observable inputs other than quoted prices for the identical assets.

Level 3: Inputs consist of unobservable inputs and should be used only when Level 1 and Level 2 inputs are unavailable.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

The component unit measures fair value using the highest-level inputs available because they generally provide the most reliable evidence of fair value.

Level 1 – Fair Value Measurement

The fair value of Mutual Funds are based on quoted net asset values of the shares held by the Mutual Fund at year-end. The fair value of Common Stocks, certain U.S. Government Securities, Corporate Debt Obligations, and Money Market Funds are based on quoted prices of identical assets.

Level 2 – Fair Value Measurement

The fair value of certain pooled U.S. Government Securities (FNMA Pools and FHLMC Pools) are based on market values determined by outside sources. While the underlying asset values are quoted prices, the Net Asset Value of the pool is not publicly quoted.

The component unit's investments are reported at fair value in the accompanying statement of financial position and are summarized below as of August 31, 2020:

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
		\$ 1,790,415	\$ 1,544,905	\$ 245,510
4,127,746	3,604,778	522,968	0	
Total	\$ 5,918,161	\$ 5,149,683	\$ 768,478	\$ 0

10. CAPITAL ASSETS

Capital asset activity of the Governmental Activities for the year ended December 31, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 70,800	\$	\$	\$ 70,800
Construction in Progress	29,373,403	12,156,394	657,298	40,872,499
	29,441,203	12,156,394	657,298	40,943,299
Capital Assets Being Depreciated				
Buildings and Improvements	17,041,107	130,518		17,171,625
Infrastructure	134,693,838	3,014,071		137,707,909
Machinery, Vehicles, Equipment and Other Items	17,171,286	3,870,706		21,041,992
	168,906,231	7,015,295		175,921,526
Accumulated Depreciation				
Buildings and Improvements	8,484,658	480,308		8,964,966
Infrastructure	71,304,658	3,618,690		74,923,348
Machinery, Vehicles, Equipment and Other Items	10,520,949	2,092,328		12,613,277
	90,310,265	6,191,326		96,501,591
Net Capital Assets	\$ 108,040,169	\$ 12,980,363	\$ 657,298	\$ 120,363,234

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government Support	\$ 811,064
Public Safety	247,653
Public Health	24,765
Transportation	5,076,887
Economic Assistance and Opportunity	<u>30,957</u>
Total Governmental Activities Expense	<u>\$ 6,191,326</u>

Capital asset activity of the Business-Type Activities for the year ended December 31, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated			
Land	\$ 3,100	\$	\$ 3,100
Capital Assets Being Depreciated			
Buildings and Improvements	5,967,176		5,967,176
Infrastructure	5,849,638		5,849,638
Machinery and Equipment	<u>5,477,518</u>	<u>85,821</u>	<u>5,563,339</u>
	<u>17,294,332</u>	<u>85,821</u>	<u>17,380,153</u>
Accumulated Depreciation			
Buildings and Improvements	5,031,350	141,541	5,172,891
Infrastructure	5,007,205	62,861	5,070,066
Machinery and Equipment	<u>2,910,314</u>	<u>320,327</u>	<u>3,230,641</u>
	<u>12,948,869</u>	<u>524,729</u>	<u>13,473,598</u>
Net Capital Assets	<u>\$ 4,348,563</u>	<u>\$ (438,908)</u>	<u>\$ 3,909,655</u>

A summary of the book value of property, plant, and equipment of the discretely presented component units, is as follows:

	<u>Community College</u>	<u>HCIDA</u>
Capital Assets Not Being Depreciated	\$ 299,511	\$ 1,652,980
Buildings and Improvements	48,128,659	3,188,952
Land Improvements, and Infrastructure	5,678,720	0
Machinery, Equipment, Vehicles, Library Books, and Intangibles	<u>14,331,760</u>	<u>0</u>
	68,438,650	4,841,932
Less Accumulated Depreciation	<u>44,610,147</u>	<u>1,341,858</u>
Net Capital Assets	<u>\$ 23,828,503</u>	<u>\$ 3,500,074</u>

11. NONCURRENT LIABILITIES

Noncurrent liability balances and activity are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds	\$ 44,347,855	\$ 744,447	\$ 1,830,000	\$ 43,262,302	1,905,000
Serial Bond Premium	139,608		10,739	128,869	10,739
Accrued Interest	125,005	24,870	7,186	142,689	142,689
Compensated Absences	677,792	46,430		724,222	
Net Pension Liability Proportionate Share	4,669,647	12,317,158		16,986,805	
Other Postemployment Benefits	123,334,743	19,647,230	2,772,016	140,209,957	
Accrued Workers' Compensation	<u>3,900,000</u>			<u>3,900,000</u>	
Total Governmental Activities	<u>\$ 177,194,650</u>	<u>\$ 32,780,135</u>	<u>\$ 4,619,941</u>	<u>\$ 205,354,844</u>	<u>0,584,28</u>

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-Type Activities					
Bonds	\$ 2,795,000		\$ 275,000	\$ 2,520,000	\$ 290,000
Accrued Interest	8,408		1,148	7,260	7,260
Compensated Absences	20,070		1,477	18,593	
Net Pension Liability Proportionate Share	109,588	253,105		362,693	
Other Postemployment Benefits	2,807,847	419,497	59,187	3,168,157	
Accrued Workers' Compensation	<u>7,662,458</u>			<u>7,662,458</u>	
Total Business-Type Activities	<u>\$ 13,403,371</u>	<u>\$ 672,602</u>	<u>\$ 336,812</u>	<u>\$ 13,739,161</u>	<u>\$ 297,260</u>
Component Units					
Bonds and Notes Payable	\$ 6,596,304	\$ 106,200	\$ 915,802	\$ 5,786,702	\$ 775,023
Capital Lease Obligation	210,184		72,138	138,046	73,131
Compensated Absences	533,998	53,455		587,453	357,118
Net Pension Liability (Proportionate Share)	850,439	2,628,052		3,478,491	
Other Postemployment Benefits	<u>42,943,608</u>	<u>7,070,336</u>		<u>50,013,944</u>	
Total Component Units	<u>\$ 51,134,533</u>	<u>\$ 9,858,043</u>	<u>\$ 987,940</u>	<u>\$ 60,004,636</u>	<u>\$ 1,205,272</u>

Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately.

Accrued Interest – represents interest accrued yet unpaid at December 31, 2020, which is included in the Government-Wide statements and Enterprise Sewer Fund Statement of Net Position.

Serial Bonds and Other Debt

The County borrows funds on a long-term basis for the purpose of financing acquisitions of land and equipment and construction of buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide statements except for those amounts which relate to and are, therefore, accounted for in the proprietary fund types and discretely presented component units. Interest associated with long-term debt is recorded as an expenditure when such amounts are due. Interest expense for governmental funds and business type activities for the year ended December 31, 2020 was \$1,431,090 and \$87,589, respectively. Business type activities interest expense was directly related to the Sewer Fund and has been included as a direct function expense.

Details relating to general obligation (serial) bonds and other debt of the County outstanding at December 31, 2020, are summarized as follows:

Description of Issue	Final Maturity	Interest Rate	Balance
Governmental Activities			
HTASC Tobacco Settlement Bonds	2040	4.25-7.85	\$ 25,242,302
2013 Refunding Bonds – County	2024	0.35-2.13	1,720,000
2018 Public Safety Bldg. Serial Bond	2032	2.00-4.00	<u>16,300,000</u>
Total Governmental Activities			<u>43,262,302</u>
Business-Type Activities			
VFD Sewer	2029	2.00-4.375	1,110,000
2015 Sewer Belt Press	2030	1.00-3.00	1,345,000
2013 Refunding Bond – Sewer Improvements	2021	0.35-2.125	<u>65,000</u>
Total Business-Type Activities			<u>2,520,000</u>

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Final Description of Issue	Interest Maturity	Rate	Balance
Component Units			
Community College			
Mortgage Note	2024	4.60	1,959,749
Mortgage Note	2025	4.55	1,534,858
Payroll Protection Program Loan	2022	1.00	106,200
HCIDA			
Notes Payable	2028	1.00	<u>2,185,895</u>
Total Component Units			<u>5,786,702</u>
Total Reporting Entity			\$ <u>51,697,873</u>

Principal and interest payments due on serial bonds and loans outstanding at December 31, 2020, are as follows:

	Governmental Funds		Business Type		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	1,905,000	1,301,450	290,000	81,187	775,023	148,252
2022	2,020,000	1,245,450	235,000	73,237	834,412	114,506
2023	2,065,000	1,185,725	240,000	66,337	804,404	77,603
2024	2,100,000	1,125,125	250,000	58,675	839,598	40,459
2025	1,795,000	1,059,900	250,000	50,581	444,401	7,908
2026-2030	14,987,732	8,261,549	1,255,000	113,734	2,088,864	1,117
2031-2035	7,397,285	8,667,856				
2036-2040	<u>10,992,285</u>	<u>7,270,701</u>				
Total	\$ <u>43,262,302</u>	\$ <u>30,117,756</u>	\$ <u>2,520,000</u>	\$ <u>443,751</u>	\$ <u>5,786,702</u>	\$ <u>389,845</u>

Unamortized Premium

The original issue premium on the 2018 serial bond has been deferred and recorded as an addition to long-term liabilities on the Government-wide financial statements. The premium is being amortized using the straight-line method over 14 years, the remaining time to maturity of the respective bond issue. The current year amortization is \$10,739 and is included as a reduction to interest expense on the Statement of Activities.

Advance Refunding

In a prior year, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On December 31, 2020, \$2,105,000 of bonds outstanding are considered defeased.

The refunding resulted in a deferred cost of \$307,000 due to the reacquisition price exceeding the carrying value of the refunded bonds. This amount was classified as a deferred outflow of resources on the Government-wide financial statements in accordance with Governmental Accounting Standards (GASB Statement) No. 63 and GASB Statement No. 65. The deferred cost is being amortized as interest expense over the life of the refunding bonds. Interest expensed amortized in 2020 was \$26,667, and the balance remaining at December 31, 2020 is \$94,445.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Joint Guarantor of Debt

The County is a joint guarantor with Oneida County on revenue bonds issued by the Oneida-Herkimer Solid Waste Management Authority (The Authority), a legally separate entity that is a component unit of Oneida County. The bonds mature annually through 2026, with semiannual interest payments. At December 31, 2020, the Authority had \$17,592,593 in outstanding bonds.

12. CAPITAL LEASES PAYABLE

The Community College maintains various capital leases for the rental of several copy machines for approximately \$6,230 monthly, including interest of approximately .402% to 1.651% nominal annual rate through November 20, 2023.

The following is an analysis of the leased assets included as capital assets on the Community College's books at August 31, 2020:

	Amount
Equipment	\$ 389,380
Accumulated Depreciation	278,024
Net Property	\$ 111,356

Amortization of assets held under capital leases by the Community College is included in depreciation expense.

The following is a schedule of the future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of August 31, 2020:

Year Ending August 31,	Minimum Payments Due
2021	74,760
2022	45,452
2023	16,145
2024	4,036
Minimum Lease Payments- Capital Leases	140,393
Less: Amount Representing Interest	2,347
Present Value of Minimum Lease Payments \$	\$ 138,046

13. RETIREMENT PLANS

The County participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). These systems are cost-sharing, multiple-employer public employee retirement systems. Both systems offer a wide range of plans and benefits, which are related to years of services and final average salary, vesting of retirement benefits, and death and disability. The employees of the Community College are also offered the optional Teachers' Insurance and Annuity College Retirement Equities Fund (TIAA/CREF) retirement plan.

Obligations of employers and employees to contribute, and related benefits, are governed by the New York State Retirement and Social Security Law (NYSRSSL) and Education Law. These plans offer a wide range of programs and benefits. ERS and TRS benefits are related to years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. TIAA-CREF is a State University Optional Retirement Program (ORP) and offers benefits through annuity contracts.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

A. Teachers' Insurance and Annuity College Retirement Equities Fund (TIAA/CREF)

TIAA/CREF is a defined contribution retirement plan which provides benefits through annuity contracts and provides retirement and death benefits to those employees that elected to participate in the optional retirement program. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service. TIAA/CREF is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary in tiers 3, 4, and 5. Tier 6 participants are required to make employee contributions based on their estimated gross annual wages with percentages ranging from 3% to 6%. Employer contributions range from 8% to 15% depending upon when the employee was hired. Employee contributions are deducted from their salaries and are remitted on a current basis to TIAA/CREF. The Community College's pension contributions to TIAA/CREF for fiscal years 2020, 2019, and 2018 were \$553,279, \$597,653, and \$659,186, respectively. Financial reports of the plan may be obtained by writing to: TIAA/CREF, 730 Third Avenue, New York, New York 10017.

B. New York State and Local Employees' Retirement System (ERS)

(a) Plan Description

The County, the Community College, and the HCIDA participate in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer, defined benefit, public employee 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 assets 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. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2018, he was elected for a new term commencing January 1, 2019. System benefits are established under the provisions 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 Community College also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

(b) Contributions

The System is noncontributory for employees who joined prior to July 27, 1976. For employees who joined on or after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 and prior to April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Employees who joined on or after April 1, 2012 must contribute a specific percentage of earnings (3-6 %) for their entire career. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2020, were paid.

The required contributions for the current year and two preceding years were:

	Community		
	County	College	HCIDA
2018	\$ 2,522,220	\$ 453,801	\$ 16,671
2019	\$ 2,457,357	\$ 451,445	\$ 23,445
2020	\$ 2,463,891	\$ 427,583	\$ 27,193

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

County

At December 31, 2020, the County reported a liability of \$17,349,498 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2020, the County's proportion was 0.065518%, which was a decrease of .0001935% as compared to the County's proportion as of December 31, 2019.

For the year ended December 31, 2020, the County recognized pension expense of \$5,706,347. At December 31, 2020, the County reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,021,088	\$
Change of assumptions	349,336	301,646
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments	8,894,196	
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	20,731	353,106
Contributions Subsequent to the Measurement Date	2,464,539	
Total	\$ 12,749,890	\$ 654,752

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

At December 31, 2020, \$2,464,539 was reported as a deferred outflow of resources related to pensions resulting from County contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset/liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31:

2021	\$ 1,542,019
2022	\$ 2,408,815
2023	\$ 3,136,088
2024	\$ 2,543,679

Component Units

At August 31, 2020, the Community College reported a liability of \$3,124,302 for its proportionate share of the net pension liability. At December 31, 2020, the HCIDA reported a liability of \$114,275 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Component Units' proportion of the net pension liability was based on a projection of the Component Units' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At August 31, 2020, the Community College's proportion was 0.01180%, which is an increase of .00009% as compared to the Community College's proportion at August 31, 2019.

At December 31, 2020, the HCIDA's proportion was .00043%, which is an increase of .00014% as compared to the HCIDA's proportion at December 31, 2019.

For the year ended August 31, 2020, the Community College recognized pension expense of \$1,039,203. For the year ended December 31, 2020, the HCIDA recognized pension expense of \$20,465.

At August 31, 2020, the Community College reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 183,878	\$
Change of assumptions	62,909	54,321
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments	1,601,669	
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	3,733	63,587
Contributions Subsequent to the Measurement Date	184,858	
Total	\$ 2,037,047	\$ 117,908

At August 31, 2020, \$184,858 was reported as a deferred outflow of resources related to pensions resulting from Community College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset/liability in the year ended August 31, 2021.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending August 31:

2021	\$ 277,687
2022	\$ 433,780
2023	\$ 564,747
2024	\$ 458,066

At December 31, 2020, the HCIDA reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,726	\$
Change of assumptions	2,301	1,987
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments	58,583	
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	8,986	692
Contributions Subsequent to the Measurement Date	20,395	
Total	<u>\$ 96,991</u>	<u>\$ 2,679</u>

At December 31, 2020, \$20,395 was reported as a deferred outflow of resources related to pensions resulting from HCIDA contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset/liability in the year ended December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending December 31:

2021	\$ 13,803
2022	\$ 18,104
2023	\$ 23,061
2024	\$ 18,949

(d) Actuarial Assumptions

The total pension liability as of the measurement date of March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019 with update procedures used to roll forward the total pension liability to March 31, 2020.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Significant actuarial assumptions used in the April 1, 2019 valuation were as follows:

Investment Rate of Return (Net of Investment Expense, Including Inflation)	6.80%
Salary Scale	4.20%
Decrements	Based on FY 2011-2015 System's Experience Study
Inflation Rate	2.50%
Cost of Living adjustments	1.30%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	36%	4.05%
International Equity	14%	6.15%
Private Equity	10%	6.75%
Real Estate	10%	4.95%
Absolute Return Strategies	2%	3.25%
Opportunistic Portfolio	3%	4.65%
Real Assets	3%	5.95%
Bonds and Mortgages	17%	0.75%
Cash	1%	0.00%
Inflation-Indexed Bonds	4%	0.50%
	100%	

The real rate of return is net of the long-term inflation assumption of 2.5%

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

(e) Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County's, Community College's, and HCIDA's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what their proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is one percentage-point lower (5.8 percent) or one percentage-point higher (7.8 percent) than the current rate:

		1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
County	Proportionate Share of the Net Pension Liability (Asset)	\$ 31,841,228	\$ 17,349,498	\$ 4,002,554
Community College	Proportionate Share of the Net Pension Liability (Asset)	\$ 5,733,976	\$ 3,124,302	\$ 720,781
HCIDA	Proportionate Share of the Net Pension Liability (Asset)	\$ 209,727	\$ 114,275	\$ 26,363

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) Payables to the Pension Plan

Community College

The Community College has recorded an amount due to ERS in amount of \$184,858 at August 31, 2020. This amount represents the five months of the Community College's fiscal year that will be covered in the ERS 2020-2021 billing cycle and has been accrued as an expenditure in the current year.

C. New York State Teachers' Retirement System (TRS)

(a) Plan Description

The Community College participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten-member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

The required employer contributions for the current year and two preceding years were:

	Amount
2018	\$ 181,267
2019	\$ 180,679
2020	\$ 130,566

(c) Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2020, the Community College reported a liability of \$239,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Community College's proportion of the net pension liability was based on a projection of the Community College's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At August 31, 2020, the Community College's proportion was 0.00868%, which was a decrease of .00151% from its proportion measured as of August 31, 2019.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

For the year ended August 31, 2020, the Community College recognized pension expense of \$372,447.

At August 31, 2020, the Community College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 210,213	\$ 12,295
Changes of assumptions	303,436	108,159
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments	156,685	
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	212,186	
Contributions Subsequent to the Measurement Date	23,864	
Total	\$ 906,384	\$ 120,454

At August 31, 2020, \$23,864 was reported as a deferred outflow of resources related to pensions resulting from Community College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset/liability in the year ended August 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending August 31:

2021	\$ 142,811
2022	\$ 238,015
2023	\$ 200,524
2024	\$ 126,283
2025	\$ 28,579
Thereafter	\$ 25,854

(d) Actuarial Assumptions

The plans total pension liability at the June 30, 2020 measurement date was determined by using an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Significant actuarial assumptions used in the June 30, 2019 valuation were as follows:

Investment Rate of Return	7.10% Compounded Annually, Net of Pension Plan Investment Expense, Including Inflation.	
Salary Scale	Rates of Increase Differ Based on Service. They Have Been Calculated Based Upon Recent NYSTRS Member Experience.	
	Service	Rate
	5	4.72%
	15	3.46%
	25	2.37%
	35	1.90%
Projected COLAs	1.3% Compounded Annually.	
Inflation Rate	2.2%	

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2019, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	33.0%	7.1%
International Equity	16.0%	7.7%
Global Equity	4.0%	7.4%
Real Estate Equity	11.0%	6.8%
Private Equity	8.0%	10.4%
Domestic Fixed Income	16.0%	1.8%
Global Bonds	2.0%	1.0%
Private Debt	1.0%	5.2%
High-yield Fixed Income	1.0%	3.9%
Real Estate Debt	7.0%	3.6%
Cash Equivalents	1.0%	0.7%
	100.0%	

* Real rates of return are net of the long-term inflation assumption of 2.2% for 2020.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

(e) Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from Colleges will be made at statutorily required rates, actuarially determined. Based on those 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.

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

The following presents Community College's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Community College's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (6.10 percent) or one percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Assumption <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
Proportionate Share of the Net Pension Liability (Asset)	\$ 1,515,457	\$ 239,914	\$ (830,589)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) Payables to the Pension Plan

The Community College has recorded an amount due to TRS in amount of 23,864 (excluding employees' share) in the General Fund at August 31, 2020. This amount represents the contribution for the 2019-2020 fiscal year that will be made in 2020-2021 and has been accrued as an expenditure in the current year.

14. POSTRETIREMENT HEALTH CARE BENEFITS

The County

(a) *Plan Description*

The County offers medical coverage to retirees on a self-funded basis through Excellus Blue Cross Blue Shield as a single-employer defined benefit Other Postemployment Benefit plan (The Plan). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the County subject to applicable collective bargaining and employment agreements. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

The Plan does not issue a standalone publicly available financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

(b) *Benefits Provided*

The County Plan provides medical coverage, including prescription drugs, to retirees and their dependents.

(c) *Contributions*

Eligibility for retirement is based on meeting a criteria of minimum age and/or years of service requirement with variations based on bargaining unit and date of hire. Below is a summary of retirement eligibility requirements by bargaining unit and their respective contribution rates:

<u>Bargaining Unit</u>	<u>Hire Date</u>	<u>Age</u>	<u>Years of Service</u>	<u>Employee Share</u>	<u>Dependent Share</u>
CSEA	Before 9/1/1983	55	10	0%	0%
CSEA	On/After 9/1/1983	55	25	50%	65%
Sheriff	Before 9/1/1987	55	10	0%	0%
Sheriff	On/After 9/1/1987	55	25	50%	65%
Highway	Before 1/1/94	55	10	0%	0%
Highway	1/1/94 to 1/31/2000	55	10	25%	25%
Highway	On/After 2/1/2000	55	25	50%	65%
Exempt	Before 4/1/2009	55	10	0%	0%
Exempt	On/After 4/1/2009	62	15	10%	10%

The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you go basis.

(d) *Covered Employees*

	<u>Total</u>
Inactive employees currently receiving benefit payments	225
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>383</u>
Total	<u><u>608</u></u>

(e) *Total OPEB Liability*

The County's total OPEB liability of \$143,378,114 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2020. Financial data and actuarial roll forward techniques were used to calculate the results as of December 31, 2020, the measurement date.

(f) *Changes in the Total OPEB Liability*

The following table summarizes the changes in the County's total OPEB liability:

Balance at December 31, 2019	\$ <u>126,142,590</u>
Changes recognized for the year:	
Service cost	2,956,759
Interest on total OPEB liability	2,519,485
Change in assumptions or other inputs	14,590,483
Benefit payments	<u>(2,831,203)</u>
Net Changes	<u>17,235,524</u>
Balance at December 31, 2020	\$ <u><u>143,378,114</u></u>

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Changes of assumptions and other inputs reflects a change in the discount rate from 2.9% in 2019 to 2.02% in 2020 offset by reductions in starting claims cost and trend (i.e. favorable premium rate increases since prior valuation).

(g) 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 (1.02 percent) or 1 percentage point higher (3.02 percent) than the current discount rate:

	<u>1% Decrease (1.02%)</u>	<u>Current Assumption (2.02%)</u>	<u>1% Increase (3.02%)</u>
Total OPEB liability	\$ 179,988,072	\$ 143,378,114	\$ 116,654,369

(h) Sensitivity of the total OPEB liability to changes in the healthcare cost 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 (6.0 percent decreasing to 3.5 percent) or 1 percentage point higher (8.0 percent decreasing to 5.5 percent) than the current healthcare cost trend rate:

	<u>1% Decrease (6.0%-3.5%)</u>	<u>Current Assumption (7.0%-4.5%)</u>	<u>1% Increase (8.0%-5.5%)</u>
Total OPEB liability	\$ 115,032,012	\$ 143,378,114	\$ 182,545,653

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

For the year ended December 31, 2020, the County recognized OPEB expense of \$10,262,746.

At December 31, 2020, the County reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes of assumptions or other inputs	<u>\$ 32,106,209</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:		
2021	\$	3,872,808
2022	\$	3,872,808
2023	\$	3,872,808
2024	\$	3,872,808
2025	\$	3,872,808
Thereafter	\$	12,742,169

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

(j) *Actuarial Methods and Assumptions*

The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Healthcare Cost Trend Rates	7.0 percent for 2022, decreasing 0.25 percent per year to an ultimate rate of 4.5 percent for 2032 and later years
Salary Increases	3.0% average
Value of Assets	N/A
Actuarial Cost Method	Entry Age Normal as a Level Percentage of Payroll
Discount Rate	2.02% (2.9% for prior valuation)

The mortality table used for the current valuation was the Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 using an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO – 2.12%, S&P Municipal Bond 20 Year High Grade Rate Index – 1.93%, and Fidelity GA AA 20 Years – 2.00 %) as of December 31, 2020.

The Community College

(a) *Plan Description:* The Community College provides three self-insured and one community rated MVP medical plan option to Non-Medicare eligible retirees and dependents which provide postemployment health insurance coverage to its retired employees meeting certain requirements. Substantially all full-time employees may become eligible for these benefits if they reach normal retirement age while working for the Community College. Benefit provisions are established and may be amended by the Community College's Board of Trustees. The Plan does not issue a stand-alone publicly available report since no assets are accumulated in a trust that meets all of the criteria in GASB No. 75, paragraph 4.

(b) *Benefits Provided*

The Community College provides medical and prescription drug benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses.

(c) *Eligibility and Funding Policy:* The Community College pays the following percentages of health insurance premiums for the various employee groups:

Professional Association

- Members hired on or before January 1, 1995 who have continued with unbroken employment with the Community College for 10 years or more and who are at least 55 years of age are eligible. Type of coverage (individual, two-person, or family) will be determined by the coverage that the employee had at the time of retirement. Retirees shall make the same percentage contribution toward health insurance as when last employed by the Community College. As of August 31, 2020, these members contribute 10% of the individual premium and an additional 10% of the additional premium cost for spousal coverage.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

- Members hired between January 1, 1995 and August 31, 2000 must have at least 15 years of service and be at least age 60 to be eligible for retiree health insurance coverage. Type of coverage (individual, two-person, or family) will be determined by the coverage that the employee had at the time of retirement. Retirees shall make the same percentage contribution toward health insurance as when last employed by the Community College. As of August 31, 2020, these members contribute 18% of the individual premium and an additional 18% of the additional premium cost for spousal coverage.
- Members hired on or after September 1, 2000 must have at least 15 years of service and be at least 60 to be eligible for retiree health insurance coverage. Retirees are entitled to individual health insurance benefits at the time of retirement. Retirees shall make the same percentage contribution toward health insurance as when last employed by the Community College. Should an employee opt for a two-person or family plan (if eligible) at the time of retirement, they would be responsible for 100% of the difference in premiums between the individual and two-person or family plan. As of August 31, 2020, these members contribute 18% of the individual premium and an additional 100% of the additional premium cost for spousal coverage.

Civil Service

- Members hired prior to August 31, 1983, who have continuous, unbroken employment with the Community College for 10 years or more and who are at least 55 years of age are eligible for health insurance coverage. These retiree health insurance premiums are covered 100% by the Community College.
- Members hired after August 31, 1983 must have at least 25 years of service and be at least age 55 to be eligible for retiree health insurance coverage. These retirees are responsible for 50% of the individual premium and an additional 35% of the additional premium cost for spousal coverage.

Exempt Employees

- Exempt employees hired prior to January 1, 1995 must have at least 10 years of service and be at least age 55 to be eligible. The type of coverage (individual, two-person, or family) will be determined by the coverage that the employee had at the time of retirement. Retirees shall make the same percentage contribution as when last employed by the Community College. As of August 31, 2020, these contributions totaled 8% of the individual premium and an additional 8% of the additional premium cost for spousal coverage.
- Exempt employees hired on or after January 1, 1995 must have at least 15 years of service and be at least age 60 to be eligible for retiree health insurance coverage. These retirees are entitled to individual health insurance benefits at the time of retirement and shall make the same percentage contribution as when last employed by the Community College and if the retiree's spouse and/or dependents need coverage, they may be carried under the group plan at the retiree's expense. As of August 31, 2020, the contribution rate is 10% of the individual premium and an additional 100% of the additional premium cost for spousal coverage.

Surviving Spouse Coverage

- Surviving spouses are covered by the Community College's postemployment plan and are required to pay 100% of the premium.

Medicare Part B Reimbursement

- The Community College does not provide Medicare Part B premium reimbursement for retirees.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

(d) *Covered Employees*

	<u>Total</u>
Inactive employees currently receiving benefit payments	117
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	176
Total	293

(e) *Total OPEB Liability*

The Community College's total OPEB liability of \$48,319,557 was measured as of September 1, 2019, and was determined by an actuarial valuation as of September 1, 2018.

(f) *Changes in the Total OPEB Liability*

The following table summarizes the changes in the Community College's total OPEB liability:

Balance at August 31, 2019	\$ <u>41,579,950</u>
Changes recognized for the year:	
Service cost	834,068
Interest on total OPEB liability	1,653,207
Change in assumptions or other inputs	5,585,044
Benefit payments	<u>(1,332,712)</u>
Net Changes	<u>6,73,9607</u>
Balance at August 31, 2020	\$ <u>48,319,557</u>

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

The following presents the total OPEB liability of the Community College, as well as what the Community College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.97 percent) or 1 percentage point higher (3.97 percent) than the current discount rate:

	1% Decrease (1.97%)	Current Assumption (2.97%)	1% Increase (3.97%)
Total OPEB liability	\$ 56,799,498	\$ 48,319,557	\$ 41,557,019

(h) *Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*

The following presents the total OPEB liability of the Community College, as well as what the Community College'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	Current Assumption	1% Increase
Total OPEB liability	\$ 40,752,683	\$ 48,319,557	\$ 58,072,249

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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

For the year ended August 31, 2020, the Community College recognized OPEB expense of \$212,258. At August 31, 2020, the Community College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 3,032,976
Changes of assumptions or other inputs	4,612,041	4,617,638
Contributions subsequent to the measurement date	<u>1,488,551</u>	
Total	<u>\$ 6,100,592</u>	<u>\$ 7,650,614</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending August 31:	
2021	\$ (1,210,982)
2022	\$ (1,210,982)
2023	\$ (1,210,982)
2024	\$ (125,652)
2025	\$ 720,025

(j) *Actuarial Methods and Assumptions*

The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Healthcare Cost Trend Rates	10 percent for 2020, decreasing to an ultimate rate of 3.94 percent for 2089
Value of Assets	N/A
Inflation Rate	2.2%
Actuarial Cost Method	Entry Age Normal as a Level Percentage of Payroll
Discount Rate	2.97% (3.96% was used in the prior valuation)

The mortality table used for the current valuation is the Society of Actuaries' Scale RPH-2014 Mortality Table, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2018.

The selected discount rate of 2.97% is based on the prescribed discount interest rate methodology under GASB 75 based on a rate for a 20-year high quality tax-exempt municipal bond index as of each measurement date.

HCIDA

(a) *Plan Description*

HCIDA offers medical coverage to retirees under a single-employer defined benefit healthcare plan (The Plan) through Excellus Blue Cross and Blue Shield. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

The Plan does not issue a standalone publicly available financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

(b) *Benefits Provided*

The Plan provides medical and prescription drug coverage to the retiree and his or her beneficiaries for the life of the retiree.

(c) *Contributions*

For employees hired after April 29, 2019, HCIDA will pay 90% of the premium costs for the health insurance coverage until the employee or retiree reaches age 65. After age 65, HCIDA pays 90% of premium costs of a Medicare Supplement Plan. HCIDA will pay 100% of the premium costs for the health insurance coverage for employees hired before April 29, 2015.

The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you go basis.

(d) *Covered Employees*

	<u>Total</u>
Inactive employees currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	3
Total	5

(e) *Total OPEB Liability*

HCIDA's total OPEB liability of \$1,694,387 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2019. Financial data and actuarial roll forward techniques were used to calculate the results as of December 31, 2020, the measurement date.

(f) *Changes in the Total OPEB Liability*

The following table summarizes the changes in the HCIDA's total OPEB liability:

Balance at December 31, 2019	\$ <u>1,363,659</u>
Changes recognized for the year:	
Service cost	25,480
Interest on total OPEB liability	27,191
Changes of Assumptions or Other Inputs	313,221
Benefit payments	(35,164)
Net Changes	330,728
Balance at December 31, 2020	\$ <u>1,694,387</u>

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

The following presents the total OPEB liability of the HCIDA, as well as what the HCIDA's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.02 percent) or 1 percentage point higher (3.02 percent) than the current discount rate:

	1% Decrease (1.02%)	Current Assumption (2.02%)	1% Increase (3.02%)
Total OPEB liability	\$ 2,194,905	\$ 1,694,387	\$ 1,362,160

COUNTY OF HERKIMER, NEW YORK
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(h) *Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*

The following presents the total OPEB liability of the HCIDA, as well as what the HCIDA'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 rate:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Total OPEB liability	\$ 1,364,791	\$ 1,694,387	\$ 2,162,556

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

For the year ended December 31, 2020, the HCIDA recognized OPEB expense of \$17,507.

At December 31, 2020, the HCIDA reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes of assumptions or other inputs	<u>\$ 313,221</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:		
2021	\$	34,802
2022	\$	34,802
2023	\$	34,802
2024	\$	34,802
2025	\$	34,802
Thereafter	\$	139,211

(j) *Actuarial Methods and Assumptions*

The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Healthcare Cost Trend Rates	8.0 percent for 2020 decreasing to 5.0 percent in 2027
Value of Assets	N/A
Actuarial Cost Method	Entry Age Normal as a Level Percentage of Payroll
Discount Rate	2.92% (2.02% in prior valuation)

The mortality table used for the current valuation was the Society of Actuaries Pnb-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post-retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 using an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, and Fidelity GA AA 20 Years) as of December 31, 2020.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

15. INTERFUND TRANSACTIONS

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 1,333,194	\$ 20,615	\$ 18,789	\$ 24,463,461
County Road	6,365	328,410	9,487,698	4,007,759
Capital		776,892	15,144,655	
Other Governmental	14,250	163,637	3,820,087	9
Business-Type	3,275	67,530		
Total Activities	<u>\$ 1,357,084</u>	<u>\$ 1,357,084</u>	<u>\$ 28,471,229</u>	<u>\$ 28,471,229</u>

- Net transfers from the General Fund and County Road Fund to the Capital Fund were for capital construction of and improvements on County buildings and roadways, respectively.
- Transfers from the General Fund to the County Road Fund and Road Machinery Fund (included in Other Governmental Funds) were allocations of sales tax revenue to support the operating and maintenance of the County's machinery and roadways.
- The County typically transfers funds from the General Fund to the Debt Service Fund to pay debt service payments on outstanding bonds.

16. CONTINGENCIES

Self-Insurance

The County is self-insured for workers' compensation. A liability of \$3,900,000 for unpaid workers' compensation claims has been recorded as a long-term liability. The amounts accrued are based on individual case estimates for claims reported at December 31, 2020.

Federal and State Funded Programs

The County and Community College participate in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County and Community College expect such amounts, if any, to be immaterial. Expenditures disallowed by completed audits have generally been immaterial in nature and, accordingly, have been reflected as adjustments to revenues in the year the expenditure was determined to be unallowable.

Judgments and Claims

The reporting entity of the County is subject to various claims and legal actions in the ordinary conduct of its affairs. Such claims and legal actions, in the opinion of management, are not expected to have a material effect on the financial condition of any of the components of the County's reporting entity. However, at December 31, 2020, the County does not have an estimated liability for any potential losses.

17. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. One such risk is associated with its workers' compensation program. The County's program is self-insured and is accounted for in the Internal Service Fund. The program provides for the participation of other municipalities within the County and is administered by the County's Workers' Compensation Board.

COUNTY OF HERKIMER, NEW YORK
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For the Year Ended December 31, 2020

All funds of the County participate in the program and make payments to the Internal Service Fund. Payments from other funds and component units are determined by two methods. The first method reimburses the risk management fund by assessment against County organizations based upon actual claims history for the preceding five years (a rolling average). The second method results in charges to County organizations based upon pro-rata taxable base value.

The estimated accrued claims of \$7,662,458 reported in the fund at December 31, 2020, are based upon the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A receivable has been recorded for amounts due from other municipalities that participate in the program. All liabilities are recorded at their value as of December 31, 2020. Changes in the fund's accrued claims liabilities for the year ended December 31, 2020, are as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Balance at Year End</u>
2020	\$ 7,662,458	\$	\$ 7,662,458

Included in the year-end liability are amounts payable for workers' compensation claims reported, and those incurred but not yet reported. During 2018, the County utilized an actuary for estimating liabilities under this coverage. Estimated liabilities include specific, incremental claim adjustment expenditures.

The County has \$3,900,000 accrued at December 31, 2020, in the Government-wide Statement of Net Assets for claims reported, and those incurred but not yet reported.

The County utilizes a third-party administrator who is responsible for processing claims and estimating liabilities under this coverage. Estimated liabilities include specific, incremental claim adjustment expenditures. In determining the liability, the County uses the gross, undiscounted amount, which is allowable in accordance with the GASB.

In addition to its workers' compensation program, the County is self-insured for the Major Medical portion of its health insurance. Under this program, the County accounts in the General Fund for claims in the General Fund with maximum exposure of \$150,000 per person per year and \$1,000,000 per person per lifetime. The County has \$392,588 accrued at December 31, 2020, in the General Fund for claims incurred but not yet reported and is included in accounts payable. Remaining health insurance and dental coverage is provided through commercial insurance.

County employees are entitled to coverage under the New York State 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-to-dollar reimbursement to the fund for benefits paid from the fund to former County employees and charged to the County's account.

The County purchases commercial insurance for all other risks of loss. Coverage includes policies for general liability, automobile, and police protection. Other miscellaneous policies provide coverage with varying immaterial deductibles per individual claims.

There have been no significant changes in insurance coverage since 2006.

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

18. FUND BALANCE

The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet:

Reserve	Governmental Funds				Total
	General	County Road	Capital	Other	
Nonspendable	\$ 530,387	\$ 74,150	\$	\$ 41,783	\$ 646,320
Restricted					
Debt Service				2,782,955	2,782,955
Soil and Water				1,354,751	1,354,751
Endowments				18,966	18,966
Capital Projects			13,390		13,390
Highway Reserve #1		289			289
Emergency Disaster Work		3,099,547			3,099,547
IDA/Shell Building	225,227				225,227
Stop DWI	139,943				139,943
Alternatives to Incarceration	30,728				30,728
Crime Proceeds	90,779				90,779
Correctional Facility Sales Tax	608,228				608,228
New County Jail	3,415,718				3,415,718
County Bldg. Improvements	78,882				78,882
IDA Promissory Note	73,588				73,588
DA Fed Equitable Share	44,932				44,932
Handicapped Parking	3,005				3,005
Correctional Facility	203,316				203,316
Computer Replacement	140,150				140,150
Jail Commissary	9,986				9,986
Court Ordered Payments	514,178				514,178
Total Restricted	5,578,660	3,099,836	13,390	4,156,672	12,848,558
Assigned					
Encumbrances	192,088	51,776		439,957	683,821
Other		1,315,647		1,478,473	2,794,120
Designated for Subsequent Year's Expenditures	196,381	500,000			696,381
Total Assigned	388,469	1,867,423		1,918,430	4,174,322
Unassigned (Deficit)	23,283,114		(267,502)	(63,905)	22,951,707
Total Fund Balance (Deficit)	\$ 29,780,630	\$ 5,041,409	\$ (254,112)	\$ 6,052,980	\$ 40,620,907

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

19. PRIOR PERIOD ADJUSTMENT

HCIDA recorded a prior period adjustment for \$100,000 to correctly present this amount as income in the prior period instead of a liability due to the County. The adjustment increased their beginning net position by this amount.

20. NET POSITION DEFICITS

The Statement of Net Position for governmental activities has an unrestricted net position deficit of \$89,226,655 at December 31, 2020. This is the result of having long-term commitments that are greater than currently available resources, primarily due to the accrual of other postemployment benefits of \$140,209,957.

Similarly, the Statement of Net Position for business-type activities has an unrestricted net position deficit of \$2,276,093 and a total net deficit of \$415,196 at December 31, 2020. This is also the result of having long-term commitments that are greater than currently available resources, primarily due to the accrual of other postemployment benefits for the Sewer Fund of \$3,168,157.

The Statement of Net Position for the component units' activities also has an unrestricted net position deficit of \$42,894,790 and a total net position deficit of \$9,701,311 at the respective component unit's fiscal year-end dates. This is also the result of having long-term commitments that are greater than currently available resources, primarily due to the accrual of other postemployment benefits of \$50,013,944.

The Capital Fund has an unassigned deficit in the governmental fund balance sheet of \$267,502 and a total fund deficit of \$254,112 at December 31, 2020. This deficit will be eliminated in future years with additional General Fund appropriations or from additional funding sources.

21. TAX ABATEMENTS

The County is subject to tax abatements that are granted by the HCIDA. Article 18-A of the New York State Municipal Law, "New York State Industrial Development Agency Act" was enacted to provide for the creation of Industrial Development Agencies (IDA's) to facilitate economic development in specific localities, and delineate their powers and status as public benefit corporations. The legislation establishes the power of New York IDA's, including the authority to grant tax abatements and enter into agreements to require payments in lieu of taxes. Each IDA must adopt and follow a tax exemption policy with input from the effected taxing jurisdictions, however once created the IDA can independently grant abatements in conformity with their policy. The HCIDA enters into agreements to abate property tax for the purpose of increasing or retaining employment in the County.

Property abatements may be partially offset by an agreement that requires payments in lieu of taxes. These agreements specify the annual amount to be remitted by the property owner and are allocated to the effected jurisdiction based on the proportion of taxes abated. The County has chosen to disclose information about its tax abatement by purpose. It established a quantitative threshold of 10 percent of the total dollar amount of taxes abated during the year.

Significant abatement agreements of HCIDA meeting the quantitative threshold resulted in a revenue impact to the County for the year December 31, 2020 as follows:

<u>Purpose</u>	<u>Gross Tax Reduction</u>	<u>Payments in Lieu of Taxes</u>	<u>Net Revenue Reduction</u>
Economic Development and Job Creation	\$ 772,122	\$ 149,973	\$ 622,149

COUNTY OF HERKIMER, NEW YORK
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

22. CUMULATIVE EFFECT OF IMPLEMENTING NEW ACCOUNTING STANDARD

The following adjustments were made to the prior year's net position and fund balance due to the implementation of GASB 84, *Fiduciary Accounting*:

- The Fiduciary Custodial Fund is a new fund required by the new accounting standard. The beginning net position was increased by \$312,558.

23. SUBSEQUENT EVENT

American Rescue Plan of 2021

In March 2021 Congress passed and President Biden signed into law the American Rescue Plan of 2021. The County was awarded \$11,985,388 half of which it received in May 2021 and the other half of which it will receive sometime in 2022.

The stated goals of the Plan are:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses
- Address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic

The Coronavirus State and Local Fiscal Recovery Funds provide substantial flexibility for each government to meet local needs—including support for households, small businesses, impacted industries, essential workers, and the communities hardest hit by the crisis. These funds can also be used to make necessary investments in water, sewer, and broadband infrastructure.

COUNTY OF HERKIMER, NEW YORK
**COMBINED STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
AND EXPENDITURES AND OTHER FINANCING USES - BUDGET AND
ACTUAL - GENERAL FUND AND COUNTY ROAD FUND**
For the Year Ended December 31, 2020

	General				County Road			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues								
Real Property Taxes	\$ 25,702,406	\$ 25,702,406	\$ 25,344,550	\$ (357,856)	\$	\$	\$	\$
Real Property Tax Items	2,289,115	2,289,115	2,061,658	(227,457)				
Nonproperty Tax Items	32,515,706	32,783,671	35,193,080	2,409,409	1,000,000	1,000,000	1,000,000	
Departmental Income	6,481,061	6,669,900	6,138,949	(530,951)				
Intergovernmental Charges	1,210,083	1,274,824	1,182,505	(92,319)	1,850,000	1,850,000	1,497,754	(352,246)
Use of Money and Property	919,542	922,542	1,033,353	110,811	6,750	6,750	7,586	836
Licenses and Permits	30,000	30,000	27,310	(2,690)				
Fines and Forfeitures	119,590	119,590	116,065	(3,525)	1,500	1,500	5,995	4,495
Sale of Property and Compensation for Loss	102,900	102,900	44,568	(58,332)	16,000	16,000	4,455	(11,545)
Miscellaneous Local Sources	1,359,000	1,365,728	1,465,344	99,616	13,000	13,000		(13,000)
Interfund Revenues	62,498	62,498	62,498		25,000	25,000	15,819	(9,181)
State Aid	12,533,073	18,679,638	10,427,599	(8,252,039)	5,000,000	5,000,000	2,923,336	(2,076,664)
Federal Aid	9,840,473	14,207,861	9,703,351	(4,504,510)			1,931,015	1,931,015
Total Revenues	93,165,447	104,210,673	92,800,830	(11,409,843)	7,912,250	7,912,250	7,385,960	(526,290)
Other Financing Sources								
Appropriation of Prior Years Fund Balance	313,506	1,103,228		(1,103,228)	500,000	707,435		(707,435)
Appropriated Reserve	225,000	11,684,017		(11,684,017)				
Transfers from Other Funds		18,780	18,789	9	9,470,422	9,487,698	9,487,698	
Total Revenues and Other Financing Sources	93,703,953	117,016,698	92,819,619	(24,197,079)	17,882,672	18,107,383	16,873,658	(1,233,725)
Expenditures								
General Governmental Support	21,087,611	20,269,923	19,553,095	716,828				
Education	6,561,138	6,561,138	5,893,280	667,858				
Public Safety	9,382,136	9,948,384	8,915,075	1,033,309				
Public Health	5,389,970	8,734,930	6,099,324	2,635,606				
Transportation					12,742,672	12,645,262	11,939,157	706,105
Economic Assistance and Opportunity	38,969,652	41,256,346	35,168,807	6,087,539				
Culture and Recreation	868,419	791,045	597,290	193,755				
Home and Community Services	425,883	3,560,293	595,049	2,965,244				
Total Expenditures	82,684,809	91,122,059	76,821,920	14,300,139	12,742,672	12,645,262	11,939,157	706,105
Other Financing Uses								
Transfers to Other Funds	11,019,144	25,894,639	24,463,461	1,431,178	5,140,000	5,462,121	4,007,759	1,454,362
Total Expenditures and Other Financing Uses	93,703,953	117,016,698	101,285,381	15,731,317	17,882,672	18,107,383	15,946,916	2,160,467
Excess Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$	\$	\$ (8,465,762)	\$ (8,465,762)	\$	\$	\$ 926,742	\$ 926,742

See Independent Auditor's Report

COUNTY OF HERKIMER, NEW YORK
SCHEDULES OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2020

	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>
Service cost	\$ 2,956,759	\$ 1,585,790	\$ 1,267,839
Interest	2,519,485	3,548,453	3,661,060
Changes in assumptions or other inputs	14,590,483	23,789,043	
Expected benefit payments	<u>(2,831,203)</u>	<u>(2,704,208)</u>	<u>(2,698,134)</u>
Net change in total OPEB liability	17,235,524	26,219,078	2,230,765
Total OPEB liability - beginning	<u>126,142,590</u>	<u>99,923,512</u>	<u>97,692,747</u>
Total OPEB liability - ending	<u>\$ 143,378,114</u>	<u>\$ 126,142,590</u>	<u>\$ 99,923,512</u>
Covered employee payroll	\$ 16,547,224	\$ 16,337,210	\$ 16,337,210
Total OPEB liability as a percentage of covered payroll	866.48%	772.12%	611.63%

* 10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

Notes to Schedule:

Changes of benefit terms: Not Applicable.

Changes of Assumptions: The discount rate changed from 2.9% in the prior valuation to 2.02% in the current valuation.

Plan Assets: No assets are accumulated in a trust that meets all of the criteria of GASBS No. 75, paragraph 4, to pay benefits.

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF THE COUNTY'S PENSION CONTRIBUTIONS
For the Year Ended December 31, 2020

	ERS Pension Plan								
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 2,463,891	\$ 2,457,357	\$ 2,522,220	\$ 2,526,073	\$ 2,801,878	\$ 3,262,048	\$ 3,641,073	\$ 3,074,972	\$ 2,885,222
Contributions in Relation to the Contractually Required Contribution	<u>2,463,891</u>	<u>2,457,357</u>	<u>2,522,220</u>	<u>2,526,073</u>	<u>2,801,878</u>	<u>3,262,048</u>	<u>3,641,073</u>	<u>3,074,972</u>	<u>2,885,222</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
County's Covered-ERS Employee Payroll	\$ 17,266,859	\$ 16,943,402	\$ 16,726,369	\$ 16,682,658	\$ 16,400,052	17,312,019	17,517,178	17,217,908	18,032,165
Contributions as a Percentage of Covered-Employee Payroll	14.27%	14.50%	15.08%	15.14%	17.08%	18.84%	20.79%	17.86%	16.00%

Information is presented only for the years available

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended December 31, 2020

	ERS Pension Plan						
	2020	2019	2018	2017	2016	2015	2014
County's Proportion of the Net Pension Liability	0.065518%	0.067453%	0.066950%	0.066217%	0.068850%	0.069652%	0.069652%
County's Proportionate Share of the Net Pension Liability	\$ 17,349,498	\$ 4,779,235	\$ 2,160,768	\$ 6,222,318	\$ 11,051,423	\$ 2,352,606	\$ 3,146,929
County's Covered-Employee Payroll	\$ 17,266,859	\$ 16,943,402	\$ 16,726,369	\$ 16,682,658	\$ 16,400,052	\$ 17,312,019	\$ 17,517,178
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	100.48%	28.21%	12.92%	37.30%	67.39%	13.59%	17.96%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%	97.20%

Information is presented only for the years available

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
315-735-5216 Fax: 315-735-5210

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Chairman and Members of the County Legislature
County of Herkimer, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Herkimer, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County of Herkimer, New York's basic financial statements and have issued our report thereon dated August 13, 2021. Our report includes a reference to other auditors who audited the financial statements of Herkimer County Industrial Development Agency as described in our report on the County of Herkimer, New York's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

D'Arcangelo + Co., LLP

August 13, 2021

Utica, New York

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

120 Lemond Court, Utica, N.Y. 13502-5950
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Chairman and Members of the County Legislature
County of Herkimer, New York

Report on Compliance for Each Major Federal Program

We have audited the County of Herkimer, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the County of Herkimer, New York's major federal programs for the year ended December 31, 2020. The County of Herkimer, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of Herkimer, New York's basic financial statements include the operations of the Herkimer County Community College, which received \$10,670,050 in federal awards which is not included in the County of Herkimer, New York's schedule of expenditures of federal awards during the year ended December 31, 2020. Our audit, described below, did not include the operations of Herkimer County Community College because their report is issued separately.

Also, the County of Herkimer, New York's basic financial statements include the operations of the Herkimer County Industrial Development Agency, which received \$999,997 in federal awards which is not included in the County of Herkimer, New York's schedule of expenditures of federal awards during the year ended December 31, 2020. Our audit, described below, did not include the operations of Herkimer County Industrial Development Agency because the organizational unit engaged other auditors to perform an audit of compliance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Herkimer, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Herkimer, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Herkimer, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

D'Arcangelo + Co., LLP

August 13, 2021

Utica, New York

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Agriculture</u>				
(Pass-Through NYS Department of Social Services)				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	10.561	No. 21-01	\$ <u>724,641</u>	\$ _____
Total SNAP Cluster			<u>724,641</u>	_____
Total U.S. Department of Agriculture			<u>724,641</u>	_____
<u>U.S. Department of Housing and Urban Development</u>				
(Pass-Through NYS Office of Community Renewal)				
Community Development Block Grants/ State's program				
	14.228	528ME136-19	101,075	101,075
Community Development Block Grants/ State's program	14.228	528ED928-19	<u>750,000</u>	<u>750,000</u>
Total U.S. Department of Housing and Urban Development			<u>851,075</u>	<u>851,075</u>
<u>U.S. Department of Justice</u>				
(Direct)				
State Criminal Alien Assistance Program	16.606		17,134	
Bulletproof Vest Partnership Program	16.607		7,439	
(Pass-Through NYS Office of Victim Services)				
Crime Victim Assistance	16.575	10973GG	<u>42,841</u>	_____
Total U.S. Department of Justice			<u>67,414</u>	_____
<u>U.S. Department of Labor</u>				
(Pass-Through NYS Department of Labor)				
WIOA Adult Program	17.258	No. 21-01	229,911	
WIOA Youth Activities	17.259	No. 21-01	146,683	
WIOA Dislocated Worker Formula Grant	17.278	No. 21-01	<u>90,487</u>	_____
Total WIOA Cluster			<u>467,081</u>	_____
Trade Adjustment Assistance	17.245	No. 21-01	79,364	
Total U.S. Department of Labor			<u>546,445</u>	_____
<u>U.S. Department of Transportation</u>				
(Pass-Through NYS STOP-DWI Foundation)				
National Priority Safety Programs	20.616	No. C002358	<u>23,580</u>	<u>23,580</u>
Total Highway Safety Cluster			<u>23,580</u>	<u>23,580</u>
Total U.S. Department of Transportation			<u>23,580</u>	<u>23,580</u>

(Continued)

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

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

(Continued)

<u>Federal Grantor/Pass-Through</u> <u>Grantor/Program or Cluster Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity</u> <u>Identifying</u> <u>Number</u>	<u>Total Federal</u> <u>Expenditures</u>	<u>Expenditures</u> <u>to</u> <u>Subrecipients</u>
<u>U.S. Department of Education</u>				
(Pass-Through New York State Department of Health)				
Special Education - Grants for Infants and Families	84.181	No. C31637GG	18,664	
Total U.S. Department of Education			18,664	
<u>Election Assistance Commission</u>				
(Pass-Through NYS Board of Elections)				
Help America Vote Act Requirements Payments	90.401	T002546	1,045	
Help America Vote Act Requirements Payments	90.401	C003224	29,956	
Subtotal			31,001	
COVID-19-Election Assistance Commission	90.404	C004190	59,368	
Total Election Assistance Commission			90,369	
<u>U.S. Department of Health and Human Services</u>				
(Pass-Through NYS Department of Aging)				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	No. 21.01	87,725	
Special Programs for the Aging - Title III, Part C – Nutrition Services	93.045	No. 21.01	128,663	
COVID-19 -Special Programs for the Aging - Title III, Part C – Nutrition Services	93.045	No. 21.01	34,434	
Nutrition Services Incentive Program	93.053	No. 21.01	46,903	
Total Aging Cluster			297,725	
Special Programs for the Aging - Title III, Part D – Disease and Health Promotion Services	93.043	No. 21.01	15,083	
National Family Caregiver Support, Title III, Part E	93.052	No. 21.01	43,885	
Medicare Enrollment Assistance Program	93.071	No. 21.01	13,376	12,876
(Pass-Through Health Research Incorporated)				
Public Health Emergency Preparedness	93.069	No. 1612-11	41,882	
COVID-19 Public Health Emergency Preparedness	93.069	No. 6300-01	95,373	
COVID-19 Public Health Emergency Preparedness	93.069	No. 6300-01	7,700	
Subtotal			144,955	

(Continued)

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

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

(Continued)

<u>Federal Grantor/Pass-Through</u> <u>Grantor/Program or Cluster Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity</u> <u>Identifying</u> <u>Number</u>	<u>Total Federal</u> <u>Expenditures</u>	<u>Expenditures</u> <u>to</u> <u>Subrecipients</u>
(Direct)				
CABHI (Cooperative Agreements to Benefit Homeless Individuals	93.243		417,668	
CARES ACT – Provider Relief Fund (Pass-Through NYS Department of Mental Health)	93.498		3,247	
Medical Assistance Program	93.778	N/A	108,927	
(Pass-Through NYS Department of Social Services)				
Promoting Safe and Stable Families	93.556	No. 21.01	26,388	
Temporary Assistance for Needy Families	93.558	No. 21.01	3,658,339	
Child Support Enforcement	93.563	No. 21.01	409,168	
Low-Income Home Energy Assistance	93.568	No. 21.01	3,869,245	
COVID-19 Low-Income Home Energy Assistance	93.568	No. 21.01	24,527	
Child Care and Development Block Grant	93.575	No. 21.01	713,002	
Foster Care - Title IV-E	93.658	No. 21.01	810,472	
Adoption Assistance	93.659	No. 21.01	521,562	
Social Services Block Grant	93.667	No. 21.01	753,149	
Chafee Foster Care Independence Program	93.674	No. 21.01	17,635	
Medical Assistance Program	93.778	No. 21.01	72,312	
(Pass-Through NYS Department of Health)				
Maternal and Child Health Services Block Grant to the States	93.994	No. C30896GG	32,910	
Immunization Grants	93.268	No. C32521GG	16,950	
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	No.6432-01	78,857	
(Pass-Through NYS Office of Temporary and Disability Assistance)				
Temporary Assistance for Needy Families	93.558	N/A	104,120	
(Pass-Through NYS Office of Children and Family Services)				
Temporary Assistance for Needy Families	93.558	No. C028013	21,434	21,434
Child Abuse and Neglect State Grants	93.669	SFY1920	27,096	27,096
Total CCDF Cluster			<u>713,002</u>	
Total Medicaid Cluster			<u>181,239</u>	
Total U.S. Department of Health and Human Services			<u>12,202,032</u>	<u>61,406</u>

(Continued)

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

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

(Continued)

<u>Federal Grantor/Pass-Through</u> <u>Grantor/Program or Cluster Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity</u> <u>Identifying</u> <u>Number</u>	<u>Total Federal</u> <u>Expenditures</u>	<u>Expenditures</u> <u>to</u> <u>Subrecipients</u>
<u>Social Security Administration</u>				
(Direct)				
Incentive Payments for State and Local Institutions	96.001 & 96.006		2,200	_____
Total Disability Insurance/SSI Cluster			2,200	_____
Total Social Security Administration			2,200	_____
<u>(U.S. Department of Homeland Security</u>				
<u>(Pass-Through NYS Division of Homeland Security)</u>				
Public Assistance Grant	97.036	PA-02-NY- 4472	1,945,412	_____
Emergency Management Performance Grants	97.042	T837185	4,303	_____
	97.042	T971082	15,140	_____
	97.042	T837195	7,453	_____
	97.042	T837205	4,184	_____
	97.042	T971072	22,494	_____
Subtotal			53,574	_____
Homeland Security Grant Program	97.067	No. C971080	14,151	_____
	97.067	No. T971094	49,000	_____
	97.067	No. C971090	25,875	_____
Subtotal			89,026	_____
Total U.S. Department of Homeland Security			2,088,012	_____
Total Federal Financial Assistance			\$16,614,432	\$ 936,061

COUNTY OF HERKIMER, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

1. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Herkimer, New York, an entity as defined in Note 1 to the County's financial statements, under programs of the federal government for the year ended December 31, 2020. Federal awards are received directly or indirectly from the Department of Agriculture, Housing and Urban Development, Justice, Labor, Transportation, Education, Election Assistance Commission, Health and Human Services, Social Security Administration, and Homeland Security. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Herkimer, New York, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Herkimer, New York.

Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the financial records detail, which is the source of the financial statements.

New York State Child Care and Development Block Grant

The amount reported under this grant includes Federal and New York State monies. New York State does not provide a breakdown to the County.

De Minimis Indirect Cost Rate

The County of Herkimer, New York has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Donated Personal Protective Equipment (Unaudited)

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to non-federal entities. In connection with that donation, the recipient must disclose the estimated value of donated PPE, but such amounts are not included in the Schedule of Expenditures of Federal Awards. The County did receive donated PPE during the reporting year in the amount of \$1,450.

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

(a) Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the County of Herkimer, New York were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses were noted relating to the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the County of Herkimer, New York, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses were noted relating to the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the County of Herkimer, New York, expresses an unmodified opinion on all major federal programs.
6. No audit findings were required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs include:

Program	CFDA No.
Temporary Assistance for Needy Families (TANF)	93.558
Medicaid Cluster	93.778
Social Security Block Grant	93.667
Public Assistance Grant	97.036
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The County of Herkimer, New York, was determined to be a low-risk auditee.

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

(b) Findings - Financial Statement Audit

None.

(c) Findings and Questioned Costs Major Federal Award Programs Audit

None.

COUNTY OF HERKIMER, NEW YORK
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE
REQUIREMENTS
For the Year Ended December 31, 2020

(b) Findings – Financial Statement Audit

None.

(c) Findings and Questioned Costs Major Federal Award Programs Audit

None.

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
315-735-5216 Fax: 315-735-5210

Independent Auditor's Report on Compliance and Internal Controls Over State Transportation Assistance
Expended Based on an Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards

To the Chairman and Members of the County Legislature
County of Herkimer, New York

Report on Compliance for State Transportation Assistance Program Tested

We have audited the County of Herkimer, New York's compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have direct and material effect on the County of Herkimer, New York's state transportation assistance program tested for the year ended December 31, 2020. The County of Herkimer, New York's program tested is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to its state transportation assistance programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance the County of Herkimer, New York's state transportation assistance program tested based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state transportation assistance program tested occurred. An audit includes examining, on a test basis, evidence about the County of Herkimer, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state transportation assistance program tested. However, our audit does not provide a legal determination of the County of Herkimer, New York's compliance.

Opinion on Each State Transportation Assistance Program Tested

In our opinion, the County of Herkimer, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs tested for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the County of Herkimer, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Herkimer, New York's internal control over compliance with the types of requirements that could have a direct and material effect on state transportation assistance program tested to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each state transportation assistance program tested and to test and report on internal control over compliance in accordance with Draft Part 43 of NYCRR, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Herkimer, New York's internal control over compliance.

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

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

Schedule of State Transportation Assistance Expended

We have audited the financial statements of the County of Herkimer, New York as of and for the year ended December 31, 2020, and have issued our report thereon dated August 13, 2021, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of Herkimer, New York's financial statements. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NYCRR, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 schedule of State transportation assistance expended is fairly stated, in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Draft Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

D'Arcangelo + Co., LLP

August 13, 2021

Utica, New York

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
For the Year Ended December 31, 2020

<u>Program Title</u>	<u>NYS DOT Contract Number</u>	<u>Current Year Expenditures</u>
Consolidated Highway Improvements	n/a	\$ 2,188,944
Pave NY	n/a	437,923
Extreme Winter Recovery (EWR)	n/a	109,074
Snow and Ice Removal	n/a	<u>1,497,754</u>
Total State Transportation Assistance Expended		\$ <u>4,233,695</u>

See Independent Auditor's Report and Notes to Schedule of State Transportation Assistance Expended.

COUNTY OF HERKIMER, NEW YORK
NOTES TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED
For the Year Ended December 31, 2020

I. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of State Transportation Assistance Expended presents the activity of all New York State Department of Transportation awards administered by the County of Herkimer, New York, an entity as defined in Note 1 to the County's financial statements.

Basis of Accounting

The accompanying Schedule of State Transportation Assistance Expended is presented using the accrual basis of accounting. The amounts reported as expenditures of State Transportation Assistance were obtained from the accounting records utilized to record activity for the applicable programs and periods.

COUNTY OF HERKIMER, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE TRANSPORTATION
ASSISTANCE EXPENDED

For the Year Ended December 31, 2020

(a) Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the County of Herkimer, New York.
2. No significant deficiencies or material weaknesses were noted relating to the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the County of Herkimer, New York, were required to be reported in accordance with Government Auditing Standards.
4. The auditor's report on compliance for the State award programs for the County of Herkimer, New York, expresses an unmodified opinion.
5. No significant deficiencies or material weaknesses relating to the audit of State awards were reported in the Independent Auditor's Report on Compliance and Controls Over State Transportation Assistance Expended Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
6. No audit findings required to be reported relative to the State award program tested for the County of Herkimer, New York, were reportable on this schedule.
7. The County of Herkimer, New York, was determined to be a low-risk auditee.
8. State Transportation Assistance Program tested: Consolidated Highway Improvements

(b) Findings and Questioned Costs

None