

WASHINGTON COUNTY, NEW YORK

Independent Auditor's Report

Financial Statements and
Supplementary Information

December 31, 2013

WASHINGTON COUNTY, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To The Chairman and Board of Supervisors
Washington County, New York:

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, New York, as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of Pleasant Valley Infirmary, the enterprise fund.

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 Pleasant Valley Infirmary, the enterprise fund, which represents 5.9 percent, 1.5 percent, and 13.9 percent, respectively, of the assets and deferred inflows of resources, net position, and revenues of the primary government. 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 Pleasant Valley Infirmary, is based solely on the report of the other auditors. They conducted their audit in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, New York, as of December 31, 2013, 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, budgetary comparison information and schedule of funding progress for other postemployment benefits on pages 3-11, 19 and 60 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 and other auditors 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 Washington County, New York's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 is 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 September 22, 2014, on our consideration of the Washington County, 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 Washington County, New York's internal control over financial reporting and compliance.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

September 22, 2014

WASHINGTON COUNTY, NEW YORK MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2013

As the management of County of Washington, New York, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ending on December 31, 2013.

FINANCIAL HIGHLIGHTS

The 2% tax cap for 2013, with the elimination of Federal stimulus funds and the increase in retirement costs, has made it hard to maintain services as they were done in the past. In 2013, Washington County leased our five (5) solid waste transfer stations to a private operator with an option to buy. The County also entered into a contract to cover our Home Health Services within Public Health until the actual sale of these agencies occurred on January 2, 2014. The County also entered into a sale agreement for our County-operated nursing home, with the actual sale of the facility occurring on January 31, 2014.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Washington County's basic financial statements. The statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, such as budgetary comparisons.

Government-wide Financial Statements

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

The statement of net position provides the reader with a snapshot in time of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources and resulting net position (or equity as stated with private sector reporting) of the County. Over time, increases or decreases in the net position of the County may provide an indicator of the trend in the County's financial condition. Other forward-looking indicators will also assist the reader to assess the overall financial health of the County. Some of these indicators include, but are not limited to: changes in the total property tax base, employment trends in the County and outlying areas, and condition of the County's capital assets (streets, buildings, water, and sewer infrastructure).

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

Both of the government-wide financial statements distinguish functions of Washington County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Washington County include general government, public safety, highways and streets, sanitation, economic development, culture and recreation, education and health. The business-type activities include the County's nursing home facility, Pleasant Valley.

Component Units

Washington County has three separate legal entities that are reflected in this report as "component units". These units are as follows:

1. **Washington Tobacco Asset Securitization Corporation (WTASC).** The WTASC was incorporated in 2000 under the Not-for-Profit Law of the State of New York for the purpose of bonding the value of future receipts due Washington County, New York under the New York State Tobacco Settlement Agreement. WTASC sold bonds on December 7, 2000, and paid over the proceeds net of issuance costs to Washington County. The funds were used to build the County's Law Enforcement Center which includes the Sheriff's Offices and County jail facility.

**WASHINGTON COUNTY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2013

WTASC will pay off the bonds with future settlement payments and any residual amounts received under the settlement agreement.

2. **Washington County Local Development Corporation (WCLDC).** The WCLDC provides economic development services, Empire Zone information and general business information exclusively for the County. The WCLDC also manages a revolving loan program for local businesses.
3. **Washington County Soil and Water Conservation District (SWCD).** The SWCD was founded in 1945 to assist agricultural producers, rural landowners and municipalities with the management, conservation and best use of our natural resources. The County contributed \$150,000 to the SWCD operating budget for 2013.

The government-wide financial statements can be found immediately following this section within the Basic Financial Statements.

Fund Financial Statements

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

Governmental Funds

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

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

Washington County maintains eleven governmental funds: a general fund, car pool fund, county road fund, road machinery fund, solid waste management fund, self insurance fund for workers' compensation, employee health benefits fund, community development fund, capital projects, and two part-County sewer district funds. In addition, Washington Tobacco Asset Securitization Corporation, a blended component unit, is also included in the governmental funds. The financial statements for governmental funds can be found in the Basic Financial Statements.

Compliance with the County's annual operating budget for the year ended December 31, 2013, which includes the General Fund, is reported in the "Statement of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual General Fund" which is provided as required supplemental information following the Basic Financial Statements.

Proprietary Funds

Washington County maintains one proprietary fund. The fund is used to report the same functions presented as business-type activities in the government-wide financial statements. This fund is used to account for the operations of the County's long-term care nursing facility. The proprietary fund financial statements can be found in the Basic Financial Statements section of the report.

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MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2013

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 statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary fund financial statements can be found in the Basic Financial Statements of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the Basic Financial Statements section of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Washington County, net position was \$66,889,989 at the close of the most recent fiscal year. By far, the largest portion of the County's net position reflects an investment in capital assets (i.e.: land, buildings, machinery and equipment), less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Washington County - Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Assets:						
Current and Other Assets	\$ 51,154,335	\$ 53,737,232	\$ 6,672,184	\$ 5,495,082	\$ 57,826,519	\$ 59,232,314
Capital Assets Net	87,435,701	83,559,911	3,389,547	3,773,130	90,825,248	87,333,041
Total Assets	138,590,036	137,297,143	10,061,731	9,268,212	148,651,767	146,565,355
Deferred outflows of resources	22,656,414	22,645,549	-	-	22,656,414	22,645,549
Liabilities:						
Other Liabilities	15,755,407	17,781,799	1,131,983	928,033	16,887,390	18,709,832
Bonds and Other Long-Term Liabilities	55,818,615	50,249,576	7,959,359	7,978,451	63,777,974	58,228,027
Total Liabilities	71,574,022	68,031,375	9,091,342	8,906,484	80,665,364	76,937,859
Deferred inflows of resources	23,752,828	23,978,302	-	-	23,752,828	23,978,302
Net Position:						
Invested in Capital Assets	76,225,701	71,321,204	2,189,547	2,029,837	78,415,248	73,351,041
Restricted	5,957,807	6,787,550	-	-	5,957,807	6,787,550
Unrestricted	(16,263,908)	(10,175,739)	(1,219,158)	(1,668,109)	(17,483,066)	(11,843,848)
Total Net Position	\$ 65,919,600	\$ 67,933,015	\$ 970,389	\$ 361,728	\$ 66,889,989	\$ 68,294,743

The 2012 presentation was restated to reflect the adoption of Government Accounting Standards Board Statement no. 65, *Items Previously Reported As Assets and Liabilities*, which requires the use of the terms Deferred Outflows of Resources and Deferred Inflows of Resources and the elimination of recording bond issuance costs as an asset. Those costs are now expensed when incurred.

2013 prior period adjustments include two adjustments, as follows. First, there was an over accrual of 2012 workers' compensation liability of \$461,598. This amount was included in current liabilities in the 2012 financial statements. The offsetting expenses were primarily in the public safety and health categories of the government wide statement of activities. Second, GASB 65 requires that bond costs incurred in prior years and carried on the statement of net position

**WASHINGTON COUNTY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2013

as a capital asset, be removed from the capital assets. The amount of this change was \$535,366. The total prior period adjustments netted to a reduction of net position of \$73,768. The 2012 statement of activities was not restated because it was not practical to do so. It would result in the statements not being comparable to the previously issued statements and, in general are not material to the liabilities, expenses and capital assets presented in the 2012 financial statements.

The total net position of the County declined by \$1,404,754. The breakdown of the County's 2013 net position is as follows: The County-operated nursing home had a net increase of \$608,661 due to a \$2,318,293 interfund transfer from the General Fund in 2013. Without the transfer the nursing home would have had a loss of \$1,709,632.

Washington County - Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for Services	\$ 8,461,163	\$ 10,217,050	\$ 10,490,182	\$ 9,362,050	\$ 18,951,345	\$ 19,579,100
Operating Grants and Contributions	23,546,199	22,192,087	-	-	23,546,199	22,192,087
Capital Grants and Contributions	6,094,224	1,161,969	3,000	-	6,097,224	1,161,969
Total Program Revenues:	38,101,586	33,571,106	10,493,182	9,362,050	48,594,768	42,933,156
General Revenues:						
Property Taxes and Tax Items	31,875,184	30,916,320	-	-	31,875,184	30,916,320
Non-Property Taxes	20,388,096	19,099,915	-	-	20,388,096	19,099,915
Miscellaneous and Intergovernmental Transfers	2,960,973	4,305,985	2,003,039	3,103,754	4,964,012	7,409,739
Investment Earnings	102,675	22,025	3,371	2,673	106,046	24,698
Transfers	(2,318,293)	-	2,318,293	-	-	-
Total General Revenues:	53,008,635	54,344,245	4,324,703	3,106,427	57,333,338	57,450,672
Total Program and General Revenues	91,110,221	87,915,351	14,817,885	12,468,477	105,928,106	100,383,828
Expenses:						
Governmental Activities Expenses:						
General Government Support	11,401,828	10,752,728	-	-	11,401,828	10,752,728
Education	5,493,818	2,774,491	-	-	5,493,818	2,774,491
Public Safety	15,621,065	15,236,036	-	-	15,621,065	15,236,036
Health	8,978,717	12,447,453	-	-	8,978,717	12,447,453
Transportation	12,721,521	11,300,014	-	-	12,721,521	11,300,014
Economic Opportunity and Culture and Recreation	33,116,275	31,502,276	-	-	33,116,275	31,502,276
Home and Community Services	989,226	917,023	-	-	989,226	917,023
Debt Service Expense	3,797,951	5,931,701	-	-	3,797,951	5,931,701
Interest on Long-Term Debt	61,642	-	-	-	-	-
Amortization of Bond Cost	867,825	926,603	-	-	867,825	926,603
Total Expenses:	93,049,868	91,804,722	-	-	93,049,868	91,804,722
Business-type Activities						
Nursing Home	-	-	14,209,224	13,873,570	14,209,224	13,873,570
Total Primary Government Activities	93,049,868	91,804,722	14,209,224	13,873,570	107,259,092	105,678,292
Net Changes in Net Position	(1,939,647)	(3,889,371)	608,661	(1,405,093)	(1,330,986)	(5,294,464)
Net Position, Beginning	67,933,015	71,822,386	361,728	1,766,821	68,294,743	73,589,207
Prior Period Adjustment	(73,768)	-	-	-	(73,768)	-
Net Position, Ending	\$ 65,919,600	\$ 67,933,015	\$ 970,389	\$ 361,728	\$ 66,889,989	\$ 68,294,743

WASHINGTON COUNTY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013

GOVERNMENTAL ACTIVITIES

Revenues

The total Governmental Activities revenues for 2013 were \$91,110,221 an increase of \$3,194,870 from 2012. Charges for services decreased by \$1,755,887. This was primarily due to the decline in case loads in Public Health Home Care Services and the County no longer handling the solid waste transfer stations.

Operating grants and contributions were \$1,354,112 higher in 2013 than 2012.

Summary of Changes in Grants / Contributions from 2012 to 2013:	
(\$799,199)	Health - Reduction of State Handicapped Aid
(251,105)	Net reduction in grants for Culture & Recreation
258,464	Increase in Public Safety Grants (State Aid)
298,892	Increase in Consolidated Highway Funding
706,850	Sprinkler System Grant for Infirmary
927,190	Various increases in DSS revenues due to accounting changes
213,020	Increase in Mental Health Aid
\$1,354,112	Net Increase in 2013 Operating Grants

The capital grants and contributions were higher in 2013 than in 2012 by \$4,932,255. The increase was due primarily to bridge and rail improvement projects completed in 2013.

General revenues for 2013 were \$53,008,635 representing 58.18% of the total revenue. In 2012, the same revenues were \$54,344,245. These revenues represent 61.81% of the total overall County revenue. Even though the General Revenue percentage is down from 2012. The tax levy and sales tax revenues make up \$48.4 million of the \$53 million. The property tax increase in 2013 was \$774,728. Sales tax grew by \$1,265,743.

The County's increase in investment earnings for 2013 was \$80,650. This increase was made up of \$45,000 from the lease of the transfer stations, \$21,694 in rebates for the replacement of lighting fixtures, and the premium earned on the sale of bonds and notes for the Sewer District.

Expenses

The Governmental Activities expenses were \$93,049,868 in 2013. This is an increase from 2012. The County experienced a decline of \$1,939,647 in net position (Revenue of \$91,110,221– Expenses \$93,049,868).

Listed below is a line-by-line overview of the major changes in each Governmental Activities expense category between 2013 and 2012.

General Government Support – Costs increased by \$649,100 over 2012, due mainly to increased personnel costs, pension and health insurance costs.

Education – Education cost saw an increase of \$2,719,327 in 2013. The handicapped children's program was moved from the Health category to the Education line in 2013. Therefore, this line has an increase of \$2,387,882. The increase in tuition cost was \$42,972. The remaining \$288,473 was the additional community college capital cost over 2012.

Public Safety – Expenses increased by \$385,029 over 2012. This was mainly due to increased personnel costs and pension costs (\$151,324), equipment purchases (\$124,517), and increased medical costs within the County Jail (\$109,188).

Health – Expenses decreased by \$3,468,736 over 2012 from three major reasons: 1) A reclassification of \$2,692,388 for the handicapped children's program from the Health line to the Education line for 2013; 2) The Early Intervention Program

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For the Year Ended December 31, 2013

was revamped by the State in 2013 resulting in a \$351,775 reduction in expenses; and 3) the County entered into a management contract with the future buyer of our Home Health Care programs which saved approximately \$424,000 in fringe benefit expenses.

Transportation – The 2013 increase in this category was \$1,421,507 due to several road and bridge projects funded by Federal and State aid being completed in 2013.

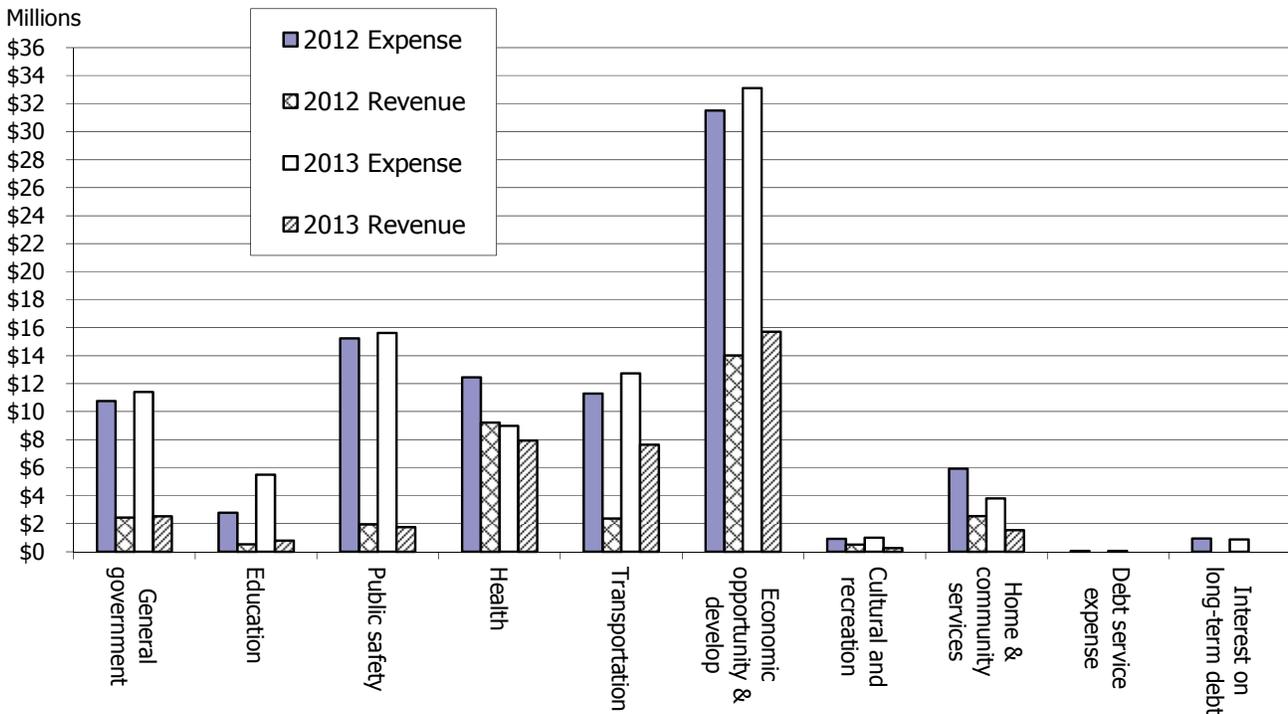
Economic Opportunity and Development – This category shows the largest single obligation at 35.59% of the County's total Government Activities expenditures. The County expenses in this category were \$1,613,999 higher in 2013 than in 2012. Medicaid increased by \$1,007,753 to cover the County's local cost of IGT. The remaining increase is from a sprinkler project that was completed at the County's nursing home.

Culture and Recreation – This category reflects a \$72,203 increase in 2013. Spending was up for the snowmobile trails and youth programs in 2013.

Home and Community Services – Gross expenses declined by \$2,133,750. The County-operated transfer station was leased to a private operator in 2013 resulting in a decrease in expenses of \$1,324,460. The remaining decrease was due to one-time grants and the completion of sewer capital projects in 2012.

Interest on Long-Term Debt and Other Debt Service/Expenses – The \$13,533 decrease in 2013 expenses is the effect of the bond schedule (see long-term liabilities).

Governmental Activities - Expenses & Program Revenues
Comparison: 2012 to 2013



WASHINGTON COUNTY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013

BUSINESS TYPE ACTIVITIES

Revenues

Intergovernmental transfer (IGT) received in 2013 totaled \$2,003,039. The County's operating revenues increased in 2013 by \$1,128,132 due to an increase in the census. The General Fund transferred \$2,318,293 to the nursing home in 2013.

Expenses

There was an overall increase in operating expenses in 2013 totaling \$335,654. It should be noted that nursing services decreased by \$568,504 while the fringe benefit cost actually increased by \$320,738. Ancillary services increased by \$200,162, in order to maximize reimbursements.

ANALYSIS OF THE COUNTY BUDGET AND FUND BASIS FINANCES IN 2013

Washington County uses fund accounting, as noted earlier, to ensure and demonstrate compliance with finance-related legal requirements.

General Fund

The County's General Fund expenses increased in 2013 over 2012 by \$1,644,326. The major increase was the local cost of Medicaid (50% of \$2,003,039 of IGT or \$1,001,520). The increased cost for indigent legal defense increased by \$95,800. The County spent an additional \$280,700 to improve the County-wide computer systems. The management agreement the County entered into for our Home Health Services prior to the sale of these services, actually reduced our fringe benefit cost. The County saw a reduction in caseload prior to the management agreement.

The 2013 revenues increased by \$1,710,352 over 2012. The property tax increase was \$774,728 and sales tax was up by \$1,265,743. The County budgets revenues for social services programs as if 100% of the expenses were to be expended. When expenses are under budget, the corresponding revenues will also have a variance.

The unknown availability of State and Federal aid, along with future Medicaid costs and fringe benefits, are of great concern to the County. During 2014, the County will be looking for ways to reduce operating costs to remain under the new 2% tax cap imposed by the State of New York. The fund balance is approximately 19.16% of the next year's operating budget, of which \$2,636,623 was appropriated. The 2014 appropriation is a \$4,349 decrease over the 2013 appropriation.

Non-Major Funds

Based upon available funds, the County was able to provide maintenance funding for its road and bridge projects and to resurface fourteen miles of road in 2013. In order to maintain a twelve-year paving project schedule, we must resurface twenty-three miles of road per year.

BUDGETARY HIGHLIGHTS

The County's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the Special Revenue funds as well as the General Fund. The Budget Officer is responsible for the preparation of the proposed County budget and submission of the same to the County Board of Supervisors. A tentative budget is submitted in October. After a public informational meeting and a public hearing, the budget is usually adopted by the County Board of Supervisors in mid-November of each year. Expenditures during the fiscal year may only be made pursuant to appropriations from the General Fund and other special funds established by the County. However, the County Board of Supervisors during the fiscal year may, by resolution, make additional appropriations from any unencumbered balances in appropriations, contingent funds or unanticipated revenues.

Exhibit E, p. 19, outlines the variance from 2013 budget to actual. Revenues were lower than budget by \$705,009 and the expenditures were lower than budget by \$5,739,099. The actual net decrease in fund balance was \$1,125,430.

**WASHINGTON COUNTY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2013

Overall expenditures are down due to a countywide reduction in staff and a major reduction in the Public Health Department's caseload.

CAPITAL ASSETS

At the end of 2013, the County had \$90.825 million invested in a broad range of capital assets, including the County Municipal Center, Nursing Home, highway infrastructures and equipment (see table below). This amount represents a net increase of \$3,492,208 over last year. (including additions and reductions).

Capital Assets Nets of Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land and Improvements	\$ 1,691,229	\$ 1,691,229	\$ 605,511	\$ 645,623	\$ 2,296,740	\$ 2,336,852
Buildings and Improvements	26,409,394	26,542,602	2,139,400	2,472,222	28,548,794	29,014,824
Construction in Progress	5,102,643	3,133,583	46,495	71,136	5,149,138	3,204,719
Bridges	27,010,150	24,224,186	-	-	27,010,150	24,224,186
Roads	12,903,372	12,860,319	-	-	12,903,372	12,860,319
Infrastructure	6,581,769	6,840,850	-	-	6,581,769	6,840,850
Machinery and Equipment	7,737,144	8,267,142	598,142	584,149	8,335,286	8,851,291
Total Net Assets	\$ 87,435,701	\$ 83,559,911	\$ 3,389,548	\$ 3,773,130	\$ 90,825,249	\$ 87,333,041

Long-Term Debt

Bonds and Other Long Term Liabilities

Bonds and Notes	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds and Notes	\$ 4,765,000	\$ 5,156,707	\$ 1,200,000	\$ 1,743,293	\$ 5,965,000	\$ 6,900,000
Bond Anticipation Notes	6,650,000	7,312,000	-	-	6,650,000	7,312,000
WTASC Bonds	13,500,000	13,590,000	-	-	13,500,000	13,590,000
Subtotal	24,915,000	26,058,707	1,200,000	1,743,293	26,115,000	27,802,000
Landfill closing costs	225,121	234,326	-	-	225,121	234,326
OPEB Liability	28,368,428	24,190,869	5,692,165	5,692,165	34,060,593	29,883,034
Workers' Compensation	1,444,571	1,974,206	1,067,194	1,390,756	2,511,765	3,364,962
Compensated Absences	758,381	769,601	107,114	101,769	865,495	871,370
Subtotal	30,796,501	27,169,002	6,866,473	7,184,690	37,662,974	34,353,692
Total	\$ 55,711,501	\$ 53,227,709	\$ 8,066,473	\$ 8,927,983	\$ 63,777,974	\$ 62,155,692

The New York State Constitution limits the taxing power for counties to 1.5 % of the five-year average full valuation. A county has the authority to increase its tax limit to a maximum rate of 2% by a resolution adopted by the legislative body by two-thirds of its membership. Washington County is subject to the 2% factor. The limitation allows for the exclusion of taxes in the amount of certain debt service. The amount of taxes for this purpose is a deduction from the tax levy resulting in a lower tax levy subject to the tax limit.

The State Constitution also limits the power of counties to issue debt. The County has the power to contract indebtedness for any County purpose so long as the principal amount, thereof, subject to certain limited exceptions, shall not exceed seven (7) per cent of the five-year average full valuation of taxable real estate of the County and subject to certain exclusions and deductions such as water and certain sewer facilities. The average full valuation, in both the Tax Limit and Debt Limit is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and, dividing the sum by five.

**WASHINGTON COUNTY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2013

The five-year average full valuation for the 2013 computation was \$4,912,823,359. The Constitutional Tax Limit is \$98,256,467 - a 2.03% increase.

The constitutional tax margin for fiscal year ending December 31, 2013, is \$69,307,712 (\$98,256,467 tax limit less \$28,948,755, 2013 tax levy subject to tax limit).

The debt limit for fiscal year ending December 31, 2013, is \$343,897,635 (five year average full valuation \$4,912,823,359 x 7%). As of the end of 2013, Washington County has a total of \$4,631,293, used in the calculation of the County debt limit. This outstanding debt is in the form of general obligation bonds and notes.

TAX CAP

The State Legislature and the Governor enacted legislation that establishes a "property tax cap" which limits the growth of the property tax levy. Under the tax cap law, the total amount to be raised through property taxes charged on the municipality's taxable assessed value is capped at 2%, or the rate of inflation, whichever is less. There are some exceptions and local communities have the ability to override the cap. The 2013 Washington County tax levy was within the property tax cap limit.

ECONOMIC FACTORS: Future Prospects for Washington County's Finances

The trend of declining revenues that began in mid-2008 has continued through 2013. Despite the County's sales tax revenue increasing by 6.94%, mortgage tax revenues and return on investments continue to decline. The County also experienced a mid-year reduction of State funding due to the State of New York's fiscal problems.

The County has continued to look for ways to reduce costs and increase revenues over the past few years. The County workforce has been reduced and benefits have been reduced for new hires. The County is facing higher costs in retirement and health insurance and expects additional increases for the foreseeable future.

It must be noted that the County's overall property value has declined by 1.03% percent. This decline has continued for four (4) years in a row. Property value is down by 6% from its highest level in 2010. This is a direct factor of the slowdown in the real estate market. Small decreases are likely to continue for the next few years.

In late 2010, the County hired the Center for Government Research, Inc. (CGR) to begin studying what the County's role should be as it relates to health care, specifically home nursing services provided by the County's Public Health Department and the County operated nursing home. In 2011, the County issued an RFP to sell both services. In late 2012, the County agreed to sell both the Home Health Care service agencies of the County's Public Health Department and the County-operated nursing home. (See subsequent events note).

The County has adopted a two-year budgeting practice, along with a direct cost review of all County operations, to better enable the Board of Supervisors and individual County departments to set both short and long-term goals. In response to the current economic climate, the County is reducing its workforce and making cuts to current and future programs. The County's goal is to maintain a stable tax rate while at the same time managing a stable fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Washington County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Brian Campbell, Budget Officer, Washington County Board of Supervisors, 383 Broadway, Fort Edward, New York, 12828.

WASHINGTON COUNTY, NEW YORK

Statement of Net Position

December 31, 2013

ASSETS	Primary Government		Total	Component Units		
	Governmental Activities	Business-Type Activities		Washington County Local Development Corporation	Soil and Water Conservation District	
Cash and cash equivalents	\$ 21,985,495	\$ 1,061,326	\$ 23,046,821	\$ 1,633,187	\$ -	-
Receivables, net	10,797,497	1,863,203	12,660,700	2,518	-	-
Internal balances	1,434,027	(1,295,790)	138,237	-	-	-
Due from state and federal governments	10,715,128	-	10,715,128	-	-	-
Due from other governments	156,337	4,497,122	4,653,459	-	-	-
Loans receivable	-	-	-	1,955,862	-	-
Inventories	976,534	143,600	1,120,134	-	-	-
Prepaid expenses	1,578,898	260,938	1,839,836	-	-	5,804
Restricted Assets:						
Cash	3,427,517	141,785	3,569,302	96,219	379,307	-
Receivables, net	82,902	-	82,902	209	-	-
Loans receivable	-	-	-	454,460	-	-
Capital assets, net	87,435,701	3,389,547	90,825,248	-	-	-
Total Assets	138,590,036	10,061,731	148,651,767	4,142,455	385,111	-
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount from tobacco settlement receivable	22,591,897	-	22,591,897	-	-	-
Deferred amount from debt refunding	64,517	-	64,517	-	-	-
Total Deferred Outflows of Resources	22,656,414	-	22,656,414	-	-	-

WASHINGTON COUNTY, NEW YORK

Statement of Net Position

December 31, 2013

LIABILITIES	Primary Government		Total	Component Units		
	Governmental Activities	Business-Type Activities		Washington County Local Development Corporation	Soil and Water Conservation District	
Accounts payable	3,893,658	469,144	4,362,802	67	-	-
Accrued liabilities	987,021	468,110	1,455,131	-	-	-
Due to other governments	10,214,019	52,944	10,266,963	-	-	-
Other liabilities	659,068	141,785	800,853	-	-	-
Payables From Restricted Assets:						
Accounts payable	613	-	613	-	-	-
Accrued liabilities	1,028	-	1,028	-	-	-
Noncurrent Liabilities:						
Due within one year	7,245,000	225,000	7,470,000	10,629	-	-
Due in more than one year	48,573,615	7,734,359	56,307,974	160,033	-	-
Total Liabilities	71,574,022	9,091,342	80,665,364	170,729	-	-
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue	23,657,891	-	23,657,891	-	-	-
Deferred amount from debt refunding	94,937	-	94,937	-	-	-
Total Deferred Inflows of Resources	23,752,828	-	23,752,828	-	-	-
NET POSITION						
Net Investment in Capital Assets	76,225,701	2,189,547	78,415,248	-	-	-
Restricted For:						
Debt service	934,174	-	934,174	-	-	-
Other purposes	5,023,633	-	5,023,633	380,226	385,111	-
Unrestricted (deficit)	(16,263,908)	(1,219,158)	(17,483,066)	3,591,500	-	-
Total Net Position	\$ 65,919,600	\$ 970,389	\$ 66,889,989	\$ 3,971,726	\$ 385,111	\$ 385,111

WASHINGTON COUNTY, NEW YORK

Statement of Activities

Year Ended December 13, 2013

Functions/Programs	Program Revenues				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Local Development Corporation	Soil and Water	Net (Expenses) Revenues and Changes in Net Position
Primary Government:										
Governmental Activities:										
General government	\$ 11,401,828	\$ 1,566,394	\$ 800,085	\$ 155,213	\$ (8,880,136)	\$ -	\$ (8,880,136)	\$ -	\$ -	
Education	5,493,818	-	-	792,231	(4,701,587)	-	(4,701,587)	-	-	
Public safety	15,621,065	602,431	1,148,416	-	(13,870,218)	-	(13,870,218)	-	-	
Health	8,978,717	3,560,627	4,366,802	-	(1,051,288)	-	(1,051,288)	-	-	
Transportation	12,721,521	500,914	1,978,441	5,146,780	(5,095,386)	-	(5,095,386)	-	-	
Economic opportunity and develop	33,116,275	683,638	15,024,554	-	(17,408,083)	-	(17,408,083)	-	-	
Cultural and recreation	989,226	22,680	227,901	-	(738,645)	-	(738,645)	-	-	
Home and community services	3,797,951	1,524,479	-	-	(2,273,472)	-	(2,273,472)	-	-	
Debt service expense	61,642	-	-	-	(61,642)	-	(61,642)	-	-	
Interest on long-term debt	867,825	-	-	-	(867,825)	-	(867,825)	-	-	
Total Governmental Activities	93,049,868	8,461,163	23,546,199	6,094,224	(54,948,282)	-	(54,948,282)	-	-	
Business-Type Activities:										
Nursing home	14,209,224	10,490,182	-	3,000	-	(3,716,042)	(3,716,042)	-	-	
Total Primary Government	\$ 107,259,092	\$ 18,951,345	\$ 23,546,199	\$ 6,097,224	(54,948,282)	(3,716,042)	(58,664,324)	-	-	
Component Units:										
Local Development Corporation	\$ 128,441	\$ 6,835	\$ 89,125	\$ -	-	-	-	(32,481)	-	
Soil and Water District	382,808	21,998	366,419	-	-	-	-	-	5,609	
Total Component Units	\$ 511,249	\$ 28,833	\$ 455,544	\$ -	-	-	(32,481)	5,609	5,609	
General Revenues:										
Real property taxes and tax items					31,875,184	-	31,875,184	-	-	
Non-property taxes					20,388,096	-	20,388,096	-	-	
Miscellaneous and intergovernmental transfer					2,960,973	2,003,039	4,964,012	5,541	165,501	
Investment earnings					102,675	3,371	106,046	134,949	9,832	
Transfers					(2,318,293)	2,318,293	-	-	-	
Total General Revenues and Transfers					53,008,635	4,324,703	57,333,338	140,490	175,333	
Change in net position					(1,939,647)	608,661	(1,330,986)	108,009	180,942	
Net Position-Beginning					67,933,015	361,728	68,294,743	3,863,717	204,169	
Prior Period Adjustments					(73,768)	-	(73,768)	-	-	
Net Position-Beginning, as Restated					67,859,247	361,728	68,220,975	3,863,717	204,169	
Net Position-Ending					\$ 65,919,600	\$ 970,389	\$ 66,889,989	\$ 3,971,726	\$ 385,111	

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Exhibit C

Balance Sheet
Governmental Funds
December 31, 2013

ASSETS	General Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
	\$	\$	\$	\$	\$
Cash and cash equivalents	8,438,471	110,136	4,269,819	9,167,069	21,985,495
Taxes receivable (net of allowance for uncollectibles of \$500,000)	9,176,149	-	-	-	9,176,149
Accounts receivable (net of allowance for uncollectibles of \$255,500)	882,831	-	-	738,517	1,621,348
State and federal receivables	8,077,388	-	-	2,637,740	10,715,128
Due from other funds	4,950,821	-	52,000	1,594,004	6,596,825
Due from other governments	94,078	-	-	62,259	156,337
Inventories, at cost	4,967	-	-	971,567	976,534
Prepaid expenses	1,020,294	-	-	558,604	1,578,898
Restricted Assets:					
Cash	-	906,866	-	2,520,651	3,427,517
Other receivables	-	-	-	82,902	82,902
Total Assets	32,644,999	1,017,002	4,321,819	18,333,313	56,317,133
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount from tobacco settlement receivable	-	22,591,897	-	-	22,591,897
Total Assets and Deferred Outflows of Resources	\$ 32,644,999	\$ 23,608,899	\$ 4,321,819	\$ 18,333,313	\$ 78,909,030

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Exhibit C, Continued

Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
LIABILITIES					
Accounts payable	\$ 2,727,427	\$ -	\$ 140,887	\$ 1,025,344	\$ 3,893,658
Accrued liabilities	700,286	-	-	187,234	887,520
Other liabilities	500,750	-	-	158,318	659,068
Due to other funds	855,257	-	64,807	4,224,712	5,144,776
Due to other governments	10,171,439	-	-	42,580	10,214,019
BANS payable	-	-	6,650,000	-	6,650,000
Payables From Restricted Assets:					
Accounts payable	-	-	-	613	613
Accrued liabilities	-	-	-	1,028	1,028
Due to other funds	-	-	-	18,022	18,022
Total Liabilities	14,955,159	-	6,855,694	5,657,851	27,468,704
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	2,888,537	22,591,897	-	1,052,024	26,532,458
FUND EQUITY (DEFICIT)					
Fund Balances:					
Nonspendable	1,025,261	-	-	1,530,171	2,555,432
Assigned	3,047,430	110,136	209,693	6,388,030	9,755,289
Restricted	902,113	906,866	-	4,148,828	5,957,807
Unassigned	9,826,499	-	(2,743,568)	(443,591)	6,639,340
Total Fund Equity (Deficit)	14,801,303	1,017,002	(2,533,875)	11,623,438	24,907,868
Commitments and Contingencies					
Total Liabilities, Deferred Inflows of Resources and Fund Equity (Deficit)	\$ 32,644,999	\$ 23,608,899	\$ 4,321,819	\$ 18,333,313	\$ 78,909,030

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Exhibit D

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

Year Ended December 31, 2013

REVENUES	General Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds		Total Governmental Funds
Real property taxes and tax items	\$ 31,212,992	\$ -	\$ -	\$ 501,288	\$ -	\$ 31,714,280
Non-property taxes	20,388,096	-	-	-	-	20,388,096
Departmental income	5,877,590	-	-	1,501,246	-	7,378,836
Intergovernmental charges	601,592	-	-	10,599,048	-	11,200,640
Use of money and property	255,020	374	(8,615)	117,907	-	364,686
Licenses and permits	-	-	-	100,690	-	100,690
Fines and forfeitures	227,759	-	-	-	-	227,759
Sale of property and compensation for loss	35,897	-	-	789,683	-	825,580
Miscellaneous local sources	430,758	792,528	-	1,463,882	-	2,687,168
Interfund revenues	710,299	-	-	3,073,299	-	3,783,598
State aid	10,657,892	-	-	4,176,038	-	14,833,930
Federal aid	8,590,176	-	-	5,223,789	-	13,813,965
Total Revenues	78,988,071	792,902	(8,615)	27,546,870	-	107,319,228
EXPENDITURES						
Current:						
General government support	8,296,202	22,241	-	1,165,417	-	9,483,860
Education	4,151,238	-	-	1,309,557	-	5,460,795
Public safety	10,124,444	-	-	525,962	-	10,650,406
Health	7,341,708	-	-	-	-	7,341,708
Transportation	-	-	-	17,311,633	-	17,311,633
Economic opportunity and development	28,925,216	-	-	1,364,085	-	30,289,301
Cultural and recreation	670,458	-	-	-	-	670,458
Home and community services	741,205	-	708,149	1,630,254	-	3,079,608
Employee benefits	10,828,839	-	-	11,337,392	-	22,166,231
Debt Service:						
Principal retirement	157,860	90,000	-	924,750	-	1,172,610
Interest	60,694	664,625	-	169,484	-	894,803
Fiscal Agent Fees	-	-	-	61,642	-	61,642
Total Expenditures	71,297,864	776,866	708,149	35,800,176	-	108,583,055
Excess (Deficit) of Revenues Over (Under) Expenditures	7,690,207	16,036	(716,764)	(8,253,306)	-	(1,263,827)

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Exhibit D, Continued

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

Year Ended December 31, 2013

	General Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
Operating transfers in	998,497	-	62,000	7,549,020	8,609,517
Operating transfers out	(9,814,134)	-	-	(1,113,676)	(10,927,810)
Proceeds of Refunding Bonds	-	-	-	2,795,000	2,795,000
BANs redeemed from appropriations	-	-	-	662,000	662,000
Premium on bonds and bond anticipation notes	-	-	-	141,210	141,210
Repayments to Bond Escrow Agent	-	-	-	(2,835,532)	(2,835,532)
Total Other Financing Sources (Uses)	(8,815,637)	-	62,000	7,198,022	(1,555,615)
Net Changes in Fund Balances	(1,125,430)	16,036	(654,764)	(1,055,284)	(2,819,442)
Fund Balances (Deficit) at Beginning of Year	15,926,733	1,000,966	(1,879,111)	12,678,722	27,727,310
Fund Balances (Deficit) at End of Year	\$ 14,801,303	\$ 1,017,002	\$ (2,533,875)	\$ 11,623,438	\$ 24,907,868

OTHER FINANCING SOURCES (USES)

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
General Fund

Year Ended December 31, 2013

REVENUES	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Real property taxes and tax items	\$ 31,270,774	\$ 31,270,774	\$ 31,212,992	\$ (57,782)
Non-property taxes	18,205,500	18,205,500	20,388,096	2,182,596
Departmental income	6,947,512	6,986,232	5,877,590	(1,108,642)
Intergovernmental charges	637,923	645,333	601,592	(43,741)
Use of money and property	268,125	279,252	255,020	(24,232)
Fines and forfeitures	101,000	101,000	227,759	126,759
Sale of property and compensation for loss	30,637	39,370	35,897	(3,473)
Miscellaneous local sources	142,000	142,000	430,758	288,758
Interfund revenues	719,145	804,145	710,299	(93,846)
State aid	10,779,787	10,997,727	10,657,892	(339,835)
Federal aid	8,498,116	8,811,729	8,590,176	(221,553)
Total Revenues	77,600,519	78,283,062	78,988,071	705,009
EXPENDITURES				
Current:				
General government support	8,805,585	8,984,503	8,364,546	619,957
Education	1,677,620	4,959,115	4,151,381	807,734
Public safety	9,999,868	10,672,952	10,158,148	514,804
Health	11,211,602	8,214,215	7,343,276	870,939
Economic opportunity and development	29,053,367	31,118,944	28,925,270	2,193,674
Cultural and recreation	716,993	720,188	674,889	45,299
Home and community services	554,437	773,736	756,205	17,531
Employee benefits	11,561,024	11,498,000	10,828,839	669,161
Debt Service:				
Principal retirement	155,342	157,860	157,860	-
Interest	83,448	60,694	60,694	-
Total Expenditures	73,819,286	77,160,207	71,421,108	5,739,099
Excess of Revenues Over Expenditures	3,781,233	1,122,855	7,566,963	6,444,108
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	470,000	998,497	528,497
Operating transfers out	(6,422,205)	(9,814,134)	(9,814,134)	-
Total Other Financing Sources (Uses)	(6,422,205)	(9,344,134)	(8,815,637)	528,497
Net Change in Fund Balance - Budget Basis	\$ (2,640,972)	\$ (8,221,279)	(1,248,674)	\$ 6,972,605
Encumbrances Included in Actual			123,244	
Net Change in Fund Balance			(1,125,430)	
Fund Balance at Beginning of Year			15,926,733	
Fund Balance at End of Year			\$ 14,801,303	

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Statements of Net Position
Proprietary and Fiduciary Funds

December 31, 2013

ASSETS	Business-Type Activity Enterprise Fund	Fiduciary Fund Type Agency Fund
Current Assets:		
Cash and cash equivalents	\$ 1,061,326	\$ 763,392
Restricted cash	141,785	98,445
Patient accounts receivable, net of estimated allowance for doubtful accounts of \$470,000	1,859,961	-
Due from other funds	326,752	-
Other receivables	3,242	321,511
Supplies	143,600	-
Due from third-party payors	4,497,122	-
Prepaid expenses	260,938	-
Total Current Assets	<u>8,294,726</u>	<u>1,183,348</u>
Capital Assets, Net	<u>3,389,547</u>	<u>-</u>
Total Assets	<u>11,684,273</u>	<u>1,183,348</u>
LIABILITIES		
Current Liabilities:		
Current portion of long-term debt	225,000	-
Accounts payable, trade	469,144	-
Accrued payroll and related benefits	456,058	-
Accrued interest	12,052	-
Due to third-party payors	52,944	-
Due to other funds	1,622,542	128,304
Other liabilities	141,785	1,055,044
Total Current Liabilities	<u>2,979,525</u>	<u>1,183,348</u>
Noncurrent Liabilities:		
Long-term debt, net of current portion	975,000	-
Workers' compensation claims and judgments payable	1,067,194	-
Postemployment health benefits	5,692,165	-
Total Noncurrent Liabilities	<u>7,734,359</u>	<u>-</u>
Total Liabilities	<u>10,713,884</u>	<u>1,183,348</u>
NET POSITION		
Net Investment in Capital Assets	2,189,547	-
Unrestricted Deficit	<u>(1,219,158)</u>	<u>-</u>
Total Net Position	<u>\$ 970,389</u>	<u>\$ -</u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2013

	Business-Type Activity <u>Enterprise Fund</u>
Operating Revenues:	
Net resident revenue	\$ 10,487,987
Other operating revenue	<u>2,195</u>
Total Operating Revenues	<u>10,490,182</u>
Operating Expenses:	
Nursing services	4,572,026
Ancillary services	1,122,293
Dietary	964,639
Housekeeping	355,453
Laundry service	293,102
Maintenance	919,491
Administrative and business office	925,559
Insurance	25,320
Employee benefits	3,664,443
Cash receipts assessment	501,741
Depreciation	525,301
Provision for bad debts	<u>269,284</u>
Total Operating Expenses	<u>14,138,652</u>
Operating Loss	<u>(3,648,470)</u>
Nonoperating Revenues (Expenses):	
Subsidy from County	2,318,293
Intergovernmental transfers	1,996,560
Interest income	3,371
Interest expense	(70,572)
Other revenue	6,479
Gifts and donations	<u>3,000</u>
Total Nonoperating Revenues (Expenses)	<u>4,257,131</u>
Change in Net Position	608,661
Net Position at Beginning of Year	<u>361,728</u>
Net Position at End of Year	<u><u>\$ 970,389</u></u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Cash Flows
Proprietary Fund

Year Ended December 31, 2013

	Business-Type Activity <u>Enterprise Fund</u>
Cash Flows From Operating Activities:	
Receipts from patient services	\$ 9,989,578
Payments to suppliers for goods and services	(3,982,985)
Payments to employees for services	(8,955,204)
Other operating revenues	<u>2,195</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,946,416)</u>
Cash Flows From Noncapital Financing Activities:	
Subsidy from county	2,318,293
Intergovernmental transfer	1,996,560
Contributions and other revenue	<u>9,479</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,324,332</u>
Cash Flows Used By Capital and Related Financing Activities:	
Principal payments on serial bonds	(543,293)
Interest payments on serial bonds	(77,679)
Purchases of property and equipment	<u>(141,718)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(762,690)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>3,371</u>
Net Cash Provided (Used) by Investing Activities	<u>3,371</u>
Net Increase In Cash and Cash Equivalents	618,597
Cash and Cash Equivalents at Beginning of Year	<u>442,729</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,061,326</u></u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Cash Flows
Proprietary Fund

Year Ended December 31, 2013

	<u>Business-Type Activity Enterprise Fund</u>
Reconciliation of Operating Loss to Net	
Cash Provided (Used) by Operating Activities:	
Operating Loss	\$ (3,648,470)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	525,301
Bad debts	269,284
Decrease (Increase) in Assets:	
Residents accounts receivable	(371,285)
Due to/from Washington County	(378,950)
Supplies	18,335
Prepaid expense	(51,184)
Other receivables	(3,242)
Increase (Decrease) in Liabilities:	
Accounts payable	116,324
Accrued items	180,394
Due to/from third-party payors	(127,124)
Workers' compensation claims and judgments payable	(323,562)
Change in OPEB liability	847,763
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,946,416)</u>

Included in due to County at December 31, 2013 is \$70,069 for the purchase of capital assets.

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds
to Statement of Net Position

December 31, 2013

ASSETS	Total Governmental Funds	Long-term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	\$ 21,985,495	\$ -	\$ -	\$ 21,985,495
Taxes receivable (net)	9,176,149	-	(9,176,149)	-
Accounts receivable (net)	1,621,348	-	9,176,149	10,797,497
Internal balances	-	-	1,434,027	1,434,027
State and federal receivables	10,715,128	-	-	10,715,128
Due from other funds	6,596,825	-	(6,596,825)	-
Due from other governments	156,337	-	-	156,337
Inventories, at cost	976,534	-	-	976,534
Prepaid expenses	1,578,898	-	-	1,578,898
Restricted Assets:				
Cash	3,427,517	-	-	3,427,517
Other receivables	82,902	-	-	82,902
Capital assets, net	-	87,435,701	-	87,435,701
Total Assets	56,317,133	87,435,701	(5,162,798)	138,590,036
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount from tobacco settlement receivable	22,591,897	-	-	22,591,897
Deferred amount from debt refunding	-	64,517	-	64,517
Total Deferred Outflows of Resources	22,591,897	64,517	-	22,656,414
Total Assets and Deferred Outflows of Resources	\$ 78,909,030	\$ 87,500,218	\$ (5,162,798)	\$ 161,246,450

WASHINGTON COUNTY, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds
to Statement of Net Position

December 31, 2013

LIABILITIES	Total Governmental Funds	Long-term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Position Totals
Accounts payable	\$ 3,893,658	-	-	\$ 3,893,658
Accrued liabilities	887,520	99,501	-	987,021
Other liabilities	659,068	-	-	659,068
Due to other funds	5,144,776	-	(5,144,776)	-
Due to other governments	10,214,019	-	-	10,214,019
BANS payable	6,650,000	-	(6,650,000)	-
Payables From Restricted Assets:				
Accounts payable	613	-	-	613
Accrued liabilities	1,028	-	-	1,028
Due to other funds	18,022	-	(18,022)	-
Noncurrent Liabilities:				
Due within one year	-	595,000	6,650,000	7,245,000
Due in more than one year	-	48,573,615	-	48,573,615
Total Liabilities	27,468,704	49,268,116	(5,162,798)	71,574,022
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	26,532,458	(2,874,567)	-	23,657,891
Deferred amount from debt refunding	-	94,937	-	94,937
Total Deferred Inflows of Resources	26,532,458	(2,779,630)	-	23,752,828
FUND EQUITY/NET POSITION				
Net investment in capital assets	-	-	76,225,701	76,225,701
Restricted for:				
Debt service	-	-	934,174	934,174
Other purposes	-	-	5,023,633	5,023,633
Unrestricted	-	41,011,732	(57,275,640)	(16,263,908)
Nonspendable	2,555,432	-	(2,555,432)	-
Assigned	9,755,289	-	(9,755,289)	-
Restricted	5,957,807	-	(5,957,807)	-
Unassigned	6,639,340	-	(6,639,340)	-
Total Fund Equity	24,907,868	41,011,732	-	65,919,600
Total Liabilities, Deferred Inflows of Resources and Fund Equity (Deficit)	\$ 78,909,030	\$ 87,500,218	\$ (5,162,798)	\$ 161,246,450

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds
to Statement of Net Position

December 31, 2013

(1) Explanations of above adjustments:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the County as a whole:

Cost of capital assets	\$ 158,419,069
Less: accumulated depreciation	<u>(70,983,368)</u>
Capital assets, net	<u>\$ 87,435,701</u>

To recognize deferred outflows of resources from debt refunding

	<u>\$ 64,517</u>
--	------------------

To recognize outstanding liabilities required to be reported under GASB 34:

Accrued interest	<u>\$ 99,501</u>
------------------	------------------

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:

Bonds and loans payable	\$ 18,265,000
Landfill closing cost	225,121
Compensated absences	865,495
Workers' compensation	1,444,571
OPEB liability	<u>28,368,428</u>
Total noncurrent liabilities	<u>\$ 49,168,615</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred inflow of resources in the governmental funds, and thus are not included in fund balance:

Adjustment of deferred inflows of resources:	
Adjustment of deferred revenue	\$ (2,874,567)
To recognize deferred inflows of resources from debt refunding	<u>94,937</u>
Total deferred inflows of resources	<u>\$ (2,779,630)</u>

WASHINGTON COUNTY, NEW YORK

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Year Ended December 31, 2013

Total revenues in the governmental funds differ from total revenues for governmental activities in the statement of activities. The differences result primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The main components of the difference are described below:

Total revenues and other financing sources of the governmental funds. (Exhibit D)	\$ 119,526,955
Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available" revenues in the governmental funds.	160,904
Interfund revenues are used to charge the costs of certain activities, such as telecommunications, mailing and printing to individual funds. These interfund revenues are reported with governmental activities, but eliminated for the statement of activities.	(4,252,983)
To eliminate interfund revenues of self insurance funds for workers' compensation and health insurance premiums, as well as payments received from the Washington Tobacco Asset Securitization Corporation.	(9,412,345)
To eliminate interfund revenue to redeem bond anticipation notes	(662,000)
To eliminate fund revenue for new bond proceeds recorded as long-term debt for the statement of net position.	(2,795,000)
To eliminate interfund transfers, including transfer out recorded in net revenue	(10,927,810)
To recognize the loss on disposition of capital assets.	(425,326)
To recognize premium received on bond refunding as deferred inflow of resources	<u>(102,174)</u>
	<u>\$ 91,110,221</u>

Total revenues of governmental activities in the statement of activities (Exhibit B) are comprised of:

Charges for services	\$ 8,461,163
Operating grants and contributions	23,546,199
Capital grants and contributions	6,094,224
General revenues and transfers	<u>53,008,635</u>
Total Revenues of Governmental Activities (Exhibit B)	<u>\$ 91,110,221</u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Year Ended December 31, 2013

Total expenditures of the governmental funds differ from total expenses of governmental activities in the statement of activities. The difference is attributable primarily to the long-term focus of governmental activities versus the current financial resources focus of governmental funds. The main components of the differences are described below:

Total expenditures and other financing uses of the governmental funds. (Exhibit D)	\$ 122,346,397
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital expenditures (\$10,252,400) exceeded depreciation (\$5,951,284).	(4,301,116)
The recording of the County's actuarially calculated liability for retiree health insurance benefits (OPEB expense) is not recognized in the governmental funds, but is recognized in the County-wide financial statements.	4,177,559
Interfund expenditures are eliminated against the respective interfund revenues.	(4,252,983)
To eliminate interfund transfers and reclass transfer to component unit offset in miscellaneous and intergovernmental transfer revenue.	(10,927,810)
Repayment of bond principal is reported as an expenditure in governmental funds, including the payment to the escrow agent for defeased debt. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.	(4,008,142)
To eliminate interfund expenditures for workers' compensation and health insurance premiums.	(9,412,345)
To recognize compensated absences expense for current year change in liability.	(5,875)
To recognize landfill closing costs for current year change in liability.	(9,205)
To recognize current year effect of change in workers' compensation liability.	(529,635)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Interest in the statement of activities differs from the amount reported in governmental funds by this amount.	<u>(26,977)</u>
Total Expenses of Governmental Activities (Exhibit B)	<u>\$ 93,049,868</u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies

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

Financial Reporting Entity

Washington County, New York, which was established in 1784, is governed by the general laws of the State of New York and various local laws and ordinances. The County Board of Supervisors, which is the legislative body responsible for the overall operation of the County, consists of the Town Supervisors representing the seventeen towns within the County. The Chairman of the Board, elected by the Board each year, is the chief executive officer of the County. The Board of Supervisors also appoints a county administrator and a clerk of the board. The Chairman of the Finance Committee has been appointed as the Budget Officer. The County Treasurer, elected at large to a four year term, is the chief fiscal officer of the County. The County Clerk, Sheriff, and District Attorney are constitutional officials and are elected in accordance with constitutional provisions.

The County provides the following basic services: general government, education, public safety, social services, recreation, health and nursing services, road maintenance, public improvements, home and community services, general administrative services, and solid waste management services. The County participates in the Job Training Partnership Act Program for Saratoga, Warren and Washington Counties as administered by Saratoga County.

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

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

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

Included in the Reporting Entity

The Washington County Soil and Water Conservation District is administered by a Board of Directors, of which 40% are members of the Washington County Board of Supervisors. Approximately 27% of the District's revenues are generated by a transfer from the Washington County General Fund. The District is considered a component unit and is discretely presented.

The Washington County Local Development Corporation ("LDC") was incorporated in 1985 under the Not-For-Profit Law of the State of New York. Ten County Board Supervisors serve on the 17 person board of the LDC. The LDC is considered a component unit of the County and is discretely presented.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Included in the Reporting Entity – Continued

Washington Tobacco Asset Securitization Corporation (WTASC) was incorporated in 2000 under the Not-for-Profit Law of the State of New York for the purpose of bonding the value of future receipts due Washington County, New York under the New York State Tobacco Settlement Agreement. WTASC sold bonds on December 7, 2000 and paid over the proceeds net of issuance costs to Washington County who used the funds to build a county jail. These bonds were subsequently defeased as described in the accompanying note regarding indebtedness. WTASC is a blended component unit of the County.

Complete financial statements of individual component units can be obtained from their respective administrative offices.

Administrative offices:

Washington County Soil and Water Conservation District
USDA Service Center
2530 State Route 40
Greenwich, NY 12834

Washington County Local Development Corporation
County Office Complex
383 Upper Broadway
Fort Edward, NY 12828

Washington Tobacco Asset Securitization Corporation
County Office Complex
383 Upper Broadway
Fort Edward, NY 12828

Basis of Presentation

1. County-Wide statements:

The statement of net position and the statement of activities present financial information about the County's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements:

The fund financial statements provide information about the County's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Basis of Presentation – Continued

The County Reports the Following Major Governmental Funds:

- a. General Fund
This is the County's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- b. Washington Tobacco Assets Securitization Corporation
Used to bond the value of future receipts due to the County under the New York State Tobacco Settlement Agreement.
- c. Sewer District #2 Long-Term Control Plan Capital Project
Used to account for the financial resources to be used for the Sewer District #2 Long-Term Control Plan capital projects involving various upgrades to the sewer system.

The County Reports the Following Non-Major Governmental Funds:

Special Revenue Funds

These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, sewer and county road operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. Certain revenues may also be committed or assigned by the Board of Supervisors as intended to be used for specific purposes.

- a. Special Grant Fund
Used to account for the use of federal monies received under the Workforce Investment Act.
- b. Road Machinery Fund
Used to account for the purchase, repair, maintenance and storage of highway machinery, tools and equipment pursuant to Section 133 of the Highway Law.
- c. Sewer District Fund
Used to account for taxes and other revenues which are raised or received to provide related services to an area which encompasses less than the whole county.
- d. Solid Waste Management
Used to account for fees charged and other revenues which are raised or received to operate the five County solid waste transfer stations.
- e. Self-Insured Health Benefits Fund
Used to account for the administration and obligations of the County's self-insured health plan for the benefit of County employees.
- f. Self-Insurance Fund
Used to account for the administration, compensation, and other obligations of the County's self-insurance program under the Workers' Compensation Law, Article 5.
- g. Car Pool Fund
Used to account for the purchase, repair, maintenance, and fuel used for the County vehicles.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Basis of Presentation – Continued

Special Revenue Funds - Continued

h. County Road Fund

This fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.

Capital Projects Funds

Used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment other than those financed by the Enterprise Fund.

Debt Service Fund

Used to account for financial resources that are restricted, committed, or assigned for payment of debt principal and interest.

The County Reports the Following Proprietary Fund:

Enterprise Fund

Used to account for the operations of the County's long-term care nursing facility which is financed and operated in a manner similar to private business enterprises. The intent of the governing board is that the costs or expenses, including depreciation, of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The County maintains one enterprise fund to account for The Pleasant Valley Infirmary (the Home) which is a New York State licensed 122 bed skilled nursing facility. The Pleasant Valley Infirmary also operates an on-site medical model adult day care program and a 35 bed adult home.

The enterprise fund distinguishes between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the operation of the long-term care nursing facility and adult care programs. Operating expenses include the cost of the services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund

Used to account for fiduciary activities. Fiduciary activities are those in which the County acts as trustee or agent for resources that belong to others. These activities are not included in the County-Wide financial statements because their resources do not belong to the County, and are not available to be used.

Component Units

Used to report the activities of the following entities:

Washington County Soil and Water Conservation District
Washington County Local Development Corporation
Washington Tobacco Asset Securitization Corporation

See pages 40, 41, 49-51 and 56-57 for further information.

Capital Assets

Capital assets include property, plant and equipment, and infrastructure assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Capital Assets – Continued

purchased or constructed. Donated capital assets are recorded at estimated fair market value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets, which include property, plant and equipment of the County are depreciated using the straight-line method over the following useful lives.

Assets

Buildings	40 Years
Road improvements	12 Years
Bridges	50 Years
Sewer lines	50 Years
Equipment	5-15 Years
Vehicles	3-13 Years

Measurement Focus and Basis of Accounting

The County-Wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Enterprise fund activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Statement and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

1. General Budget Process

The County employs the following budgetary procedures:

- a. In September, department heads receive budget forms and submit their requests to the budget officer.
- b. No later than November 15, the budget officer submits a tentative budget to the Clerk of the Board of Supervisors for the fiscal year commencing the following January 1. The tentative

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Measurement Focus and Basis of Accounting – Continued

1. General Budget Process – Continued

- b budget includes proposed expenditures and the proposed means of financing for the following funds: general, sewer, self insurance, county road, road machinery, solid waste management, and solid waste machinery.
- c. After public hearings are conducted to obtain taxpayer comments, but no later than December 20, the Board of Supervisors adopts the County budget.
- d. Any revisions that alter total appropriations of any department or fund must be approved by the Board of Supervisors.
- e. Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects which remain in effect for the life of the project. Budgets are prepared for the proprietary fund primarily to establish any estimated contributions required from other funds.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year end are reported as assigned fund balances since the commitments do not constitute expenditures or liabilities.

3. Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are recorded at year end and are included in Exhibit E for comparing actual results to the budget for the year.

Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements which cover a period other than the County's fiscal year. A reconciliation of budgetary to GAAP results for the general fund is as follows:

	<u>General Fund Expenditures</u>
Total funds included in budget comparison (Exhibit E)	\$ 71,421,108
Less: encumbrances recorded in budget comparison (not GAAP)	<u>(123,244)</u>
GAAP Basis (Exhibit D)	<u>\$ 71,297,864</u>

No annual budget is required for the Washington Tobacco Asset Securitization Corporation or the Sewer District #2 Long-Term Control Plan capital project.

Cash and Cash in Time Deposits

The County investment policies are governed by State law and various resolutions of the County Board of Legislators. County monies must be deposited in FDIC insured commercial banks or trust companies located within the state. Collateral is required for deposits not covered by federal deposit insurance. Obligations which may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Cash and Cash in Time Deposits - Continued

The County's December 31, 2013 bank balances were collateralized and insured as follows:

Total on deposit	\$ 27,547,169
Insured by FDIC	(250,000)
Collateralized by pledged securities held by the financial institutions	<u>(27,297,169)</u>
Uninsured and uncollateralized	<u>\$ -</u>

Washington Tobacco Asset Securitization Corporation, a component unit has \$110,136 on deposit at a local bank on December 31, 2013, which was fully insured by the FDIC.

Washington County Local Development Corporation, a component unit had the following on deposit at December 31, 2013:

Total on deposit	\$ 1,711,616
Insured by FDIC	(500,000)
Collateralized by pledged securities held by the financial institutions	<u>(1,211,616)</u>
Uninsured and uncollateralized	<u>\$ -</u>

The Soil and Water Conservation District, a component unit, had the following on deposit at December 31, 2013:

Total on deposit	\$ 391,400
Insured by FDIC	(352,899)
Collateralized by pledged securities held by the financial institutions	<u>-</u>
Uninsured and uncollateralized	<u>\$ 38,501</u>

Cash and Cash Equivalents

Washington County, New York considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories

Inventories are comprised of prescription drugs, medical and other supplies (enterprise fund), and fuel oil, parts, sand and salt (special revenue funds), and are valued at the lower of cost or market. The expenditure is recognized when the inventory is purchased, but for governmental fund financial statement purposes, the year end balance on hand is reported as an asset in the balance sheet with an offsetting nonspendable fund balance.

Capital Assets

Capital assets purchased for general government purposes are recorded as expenditures in the governmental funds and are capitalized at cost in the statement of net position. Contributed capital assets are recorded at fair market value at the date received.

No interest on construction in progress has been capitalized.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Capital Assets - Continued

Capital assets purchased for the enterprise fund are capitalized at cost in the fund. Repairs and maintenance are charged against operations as incurred. When assets are disposed of, their cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are credited or charged to operations.

Depreciation of plant and equipment is provided using the straight-line method at various rates calculated to write off costs over the estimated useful lives of the assets. No depreciation is taken on assets in the year in which they are acquired but on assets disposed of before they are fully depreciated, a full year's depreciation is taken in the year of disposition.

Vacation and Sick Leave and Compensated Absences

Washington County employees are granted vacation and sick leave and earn compensated absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and unused compensated absences at various rates.

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

Postretirement Benefits

In addition to providing pension benefits, Washington County provides health insurance coverage and survivor benefits for 400 employees and their spouses. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County after 20 years of service. The health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County recognized the cost of providing benefits by recording its share of insurance premiums of \$1,600,027 as an expenditure during 2013.

Restricted Net Assets

Portions of the net assets are restricted for specific purposes and are not available as spendable resources.

Revenue Recognition, Property Taxes

Property taxes are levied annually on January 1. The principal components are as follows:

1. Taxes for County purposes are based on County budgetary requirements. Such taxes are apportioned to the towns on the basis of full valuation of taxable properties and assessed through use of an ad valorem tax rate.
2. Town and special district taxes are based on their budgetary requirements. These taxes are levied on properties within the appropriate town or district and assessed by use of an ad valorem tax rate or benefit basis.
3. Unpaid school district taxes on town properties and unpaid village taxes are turned over to the County for collection. Any remaining unpaid taxes at year end are relieved as County taxes against the individual properties.

Collection of County property taxes are as follows:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Revenue Recognition, Property Taxes - Continued

All property taxes are the enforcement responsibility of the County. The town and special districts receive the full amount of their levies annually. School districts and villages are paid by the County for the full amount of delinquent taxes turned over to the County for enforcement.

County taxes receivable as described above consist in part of direct County tax revenues and in part of taxes initially levied for the purpose of other local governments over which the County exercises no fiscal control. Therefore, the deferred inflows of resources on the County General Fund balance sheet at December 31, 2013 include total taxes receivable owned by the County, less the amount estimated to be available within the first 60 days of the subsequent year.

The following tax calendar pertains to County real property taxes:

Taxable status date	March 1 st
Lien date	August 1 st
Levy date	January 1 st
Date taxes due	January 31 st
Date penalty periods begin	February 1 st
In reim procedure (Article 11 Tax Sale Enforcement)	January 1 st

Non-Property Taxes

The primary non-property tax item is sales tax. The County has enacted a 3% County wide sales tax. Sales tax is recorded as revenue in the general fund when it is received and is adjusted for year end accruals.

Retirement Plans

The County provides retirement benefits for substantially all of its full time and those part-time employees who elect to participate, through contributions to the New York State and Local Employees' Retirement System. These retirement systems are noncontributory except for employees who joined their respective systems after July 27, 1976 and must contribute 3% of their annual salary.

The member contributions are deducted by the County from the employees' paychecks and are sent currently to the systems. The retirement systems compute the cost of retirement benefits based on their respective fiscal years - April 1 to March 31.

Concentrations of Credit Risk

Financial instruments which potentially expose the primary government to concentrations of credit risk consist primarily of taxes receivable and tax sale certificates which are secured by property values throughout the County.

Pleasant Valley Infirmarary's patient census includes a large number of patients who are eligible for federal and state assistance under the Medicare and Medicaid programs. Although the nursing home is directly affected by the financial well-being of the state and federal health care reimbursement programs, management does not believe significant credit risk exists at December 31, 2013.

Pleasant Valley Infirmarary grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows at December 31:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Concentrations of Credit Risk - Continued

Medicare	16%
Medicaid	53%
Private Pay	31%

Financial instruments which potentially expose the County's component units to concentrations of credit risk consist primarily of loans receivable of the Local Development Corporation. Management considers all loans net of allowance to be collectible at December 31, 2013.

Fund Balance Classifications

The County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which requires the County to change its fund balance classifications for governmental funds. The classifications are as follows:

Nonspendable fund balance – Amounts that are not in a spendable form such as inventory, prepaid expenses or long-term portions of loans receivable.

Restricted fund balance – Amounts subject to a constraint imposed by providers such as creditors, grantors, contributors or higher levels of government or through constitutional provisions or enabling legislation.

Committed fund balance – Amounts subject to a purpose imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Assigned fund balance – Amounts subject to a constraint that represents an intended use established by the government's highest level of decision-making authority or by their designated body or official, which is the Board of Supervisors.

Unassigned fund balance – Amounts available for any purpose, which are only found in the general fund or as a deficit balance in any other fund.

Order of use of fund balance:

In determining the order that expenditures will be applied to the various classifications of fund balance, it is the County's policy to first determine the total fund balance that is nonspendable and to then determine the amount of restricted fund balance. Any remaining fund balance is first committed and/or assigned to a specific purpose. In the general fund the remaining balance is unassigned and a deficit in any other fund is considered unassigned. Unassigned balances are available for general use. Stabilization amounts may be formally set aside by the Board of Legislators and may be used from any unassigned balance.

Adoption of New Accounting Pronouncement

During the year ended December 31, 2013, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This pronouncement requires that certain assets be recorded as deferred outflows of resources and certain liabilities be recorded as deferred inflows of resources. In addition, the County adopted Governmental Accounting Standards Board Statement No. 66, *Technical Corrections – 2012 - an Amendment of Statements 10 and 62*.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Future Impacts of Accounting Pronouncements

The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB 69, *Government Combinations and Disposals of Government Operations*; GASB No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These pronouncements were not effective as of December 31, 2013. The County is, therefore, unable to disclose the impact that adopting these pronouncements will have on the financial position and results of operations in the future.

Explanation of Certain Differences Between Governmental Fund Statements and County-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the County-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 vs. net position of governmental activities:
Total fund balances of the County's governmental funds differs from "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 sheet.

- B. Statement of revenues, expenditures and changes in fund balances vs. statement of activities:
Differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities fall into one of three broad categories. The amounts shown below represent:
 - i) 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.

 - ii) 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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Explanation of Certain Differences Between Governmental Fund Statements and County-Wide Statements, Continued

- iii) 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.

Stewardship, Compliance and Accountability

Compliance with finance related legal and contractual provisions are discussed in a separate "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*".

Deficit Fund Balances - The following funds had a deficit fund balance at December 31, 2013:

<u>Fund</u>	Deficit Fund Balance
Blended Component Unit:	
Washington Tobacco Asset Securitization Corporation (on its accrual basis financial statements included in Exhibit A.	<u>\$ 12,539,561</u>
Governmental Funds:	
Capital Project – Clinton Street CP Rail	\$ 25,067
Capital Project – Sewer Repairs Saterlee Lane	23,844
Capital Project – Snowplow routing efficiency study	3,279
Capital Project – Hurricane Irene Flood Mitigation	50,970
Capital Project – ACC Facilities Improvement Plan	148,280
Capital Project – Sewer District #2 Long-Term Control Plan	<u>2,533,875</u>
Total	<u>\$ 2,785,315</u>

These deficits will be relieved as follows:

- a. The Washington Tobacco Asset Securitization Corporation deficit will be relieved as the tobacco settlements are received and recognized as revenue.
- b. The Capital project deficits will be relieved through additional appropriations.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Restricted Assets

Restricted assets are as follows:

	Cash Checking and Savings	Loans and Other Receivables
	<u> </u>	<u> </u>
Special revenue	\$ 1,544,370	\$ 82,902
Capital projects	976,281	-
Agency	98,445	-
Enterprise	141,785	-
Local Development Corporation	96,219	454,669
Soil and Water District	379,307	-
Washington Tobacco Asset Securitization Corporation	906,866	-
	<u> </u>	<u> </u>
Total	<u>\$ 4,143,273</u>	<u>\$ 537,571</u>

Special Revenue Fund assets are restricted for the Self-Insurance Funds (workers' compensation claims and employee health benefit claims) and community development grants.

Capital Project assets are restricted due to the nature of individual projects in that they are funded with debt or funded with receipts from other entities for specific purposes.

Agency assets are restricted for Court and Trust Funds.

Enterprise assets are restricted for patient funds purposes.

Local Development Corporation assets are restricted to U.S. Department of Housing and Urban Development (HUD) approved loan programs.

Soil and Water District assets are restricted because they are used to provide services to the farmers of Washington County.

Washington Tobacco Asset Securitization Corporation assets are restricted because they are to be used to repay the WTASC Bonds.

The County uses any restricted assets available for a specific purpose before using unrestricted assets.

Pleasant Valley Infirmary (PVI) Accounts Receivable and Net Resident Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for service rendered.

Revenue received under third-party reimbursement agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor retroactive adjustments under those agreements are provided in the financial statements if they are able to be reasonably estimated. Differences between amounts accrued and interim and final settlements are reported in operations in the year of settlement.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Pleasant Valley Infirmary (PVI) Accounts Receivable and Net Resident Service Revenue-Continued

PVI grants credit to its patients without collateral. Most of the patients are insured under third-party payor agreements (see commitments). Accounts receivable are stated net of an allowance for doubtful accounts. Bad debts are provided for on the allowance method based upon historical experience and management's estimation of collection losses on outstanding receivables. The allowance for doubtful accounts was \$470,000 at December 31, 2013.

Loans Receivable – Washington County Local Development Corporation

Loans receivable includes various amounts loaned to local businesses through its revolving loan program. Of the total receivable of \$2,436,184, there is an allowance for doubtful accounts of \$25,862; \$296,130 due within one year and \$2,114,192 due thereafter through 2027.

Changes in Capital Assets

A summary of changes in capital assets is as follows:

	Balance January 1, 2013	Additions	Retirements/ Reclass- ifications	Balance December 31, 2013
Governmental Funds:				
Land	\$ 1,691,229	\$ -	\$ -	\$ 1,691,229
Buildings	46,217,092	750,000	250,746	47,217,838
Construction in progress	3,133,583	5,313,112	(3,344,052)	5,102,643
Improvements	474,994	-	28,204	503,198
Bridges	28,542,648	590,944	2,834,380	31,967,972
Roads	32,858,186	2,190,613	-	35,048,799
Infrastructure	12,954,067	-	-	12,954,067
Machinery and equipment	24,865,373	1,407,731	(2,339,781)	23,933,323
Total cost	150,737,172	10,252,400	(2,570,503)	158,419,069
Less: accumulated depreciation:				
Buildings	(20,043,921)	(1,130,288)	-	(21,174,209)
Improvements	(105,563)	(31,870)	-	(137,433)
Bridges	(4,318,462)	(639,360)	-	(4,957,822)
Roads	(19,997,867)	(2,147,560)	-	(22,145,427)
Infrastructure	(6,113,217)	(259,081)	-	(6,372,298)
Machinery and equipment	(16,598,231)	(1,743,125)	2,145,177	(16,196,179)
Total accumulated depreciation	(67,177,261)	(5,951,284)	2,145,177	(70,983,368)
Total cost, net	\$ 83,559,911	\$ 4,301,116	\$ (425,326)	\$ 87,435,701

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Changes in Capital Assets - Continued

Depreciation was charged to governmental funds as follows:

General Government	\$ 513,927
Public Safety	1,011,085
Health and Sanitation	71,577
Transportation	3,475,347
Economic Assistance	96,531
Culture and Recreation	9,474
Home and Community	773,343
	<hr/>
Total	<u>\$ 5,951,284</u>

	Balance January 1, 2013	Net Additions (Deletions)	Balance December 31, 2013
	<hr/>	<hr/>	<hr/>
Enterprise Fund:			
Land improvements	\$ 1,422,418	\$ -	\$ 1,422,418
Buildings and improvements	9,050,608	6,873	9,057,481
Fixed equipment	727,659	112,743	840,402
Moveable equipment	2,674,026	46,742	2,720,768
Construction in progress	71,136	(24,641)	46,495
	<hr/>	<hr/>	<hr/>
Total cost	13,945,847	141,717	14,087,564
Less: accumulated depreciation	(10,172,717)	(525,300)	(10,698,017)
	<hr/>	<hr/>	<hr/>
Total cost, net	<u>\$ 3,773,130</u>	<u>\$ (383,583)</u>	<u>\$ 3,389,547</u>

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources to provide services. These transactions are recorded as interfund revenues, interfund transfers and expenditures in the respective funds. Generally, the interfund payables and receivables result from expenditures for other governmental funds and are sometimes made out of the general fund for payroll and related taxes and benefits until interfund balances may be processed.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Interfund Transactions – Continued

Individual interfund receivable and payable balances at December 31, 2013 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 4,950,821	\$ 855,257
Sewer District #2 Long-Term Control Plan Capital Project	52,000	64,807
Non-Major Funds:		
Special Revenue Funds:		
Car Pool	33,235	11,971
County Road	95,218	418,106
Road Machinery	315,771	16,935
Sewer District #1	-	2,000
Sewer District #2	83,603	79,066
Solid Waste Management	282	41,423
Self-Insurance – Workers' Compensation	588,443	18,022
Self Insurance- Health Insurance	406,770	-
Special Grant	70,069	68,174
Capital Projects Funds	613	3,587,037
Total Non-Major Funds	1,594,004	4,242,734
Enterprise Fund	316,819	1,622,542
Trust and Agency Fund	-	128,304
 Total	 <u>\$ 6,913,644</u>	 <u>\$ 6,913,644</u>

Transfers among funds result as part of the annual budget process and are generally routine in nature. General fund revenues finance, in part, county road and solid waste management expenses including payroll and related taxes and benefits, as well as materials. One capital project received amounts from one of the sewer districts for a project involving that district.

Interfund transfers during the year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 998,497	\$ 9,814,134
Sewer District #2 Long-Term Control Plan Capital Project	62,000	-
Non-Major Funds:		
Special Revenue Funds:		
County Road	7,344,223	-
Sewer District #2	-	62,000
Solid Waste Management	-	470,000
Capital Project Funds	204,797	581,676
Total Non-Major Funds	7,549,020	1,113,676
Enterprise Fund	2,318,293	-
 Total	 <u>\$ 10,927,810</u>	 <u>\$ 10,927,810</u>

The interfund balances between the Washington County records and Pleasant Valley Infirmary records may have immaterial differences due to differences in classifications between the entities.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Deferred Outflows of Resources

Deferred Outflows of Resources for Washington Tobacco Asset Securitization Corporation includes an estimate of the present value of future tobacco settlement receipts in the amount of \$22,591,897 in accordance with Government Accounting Standards Board Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." This receivable is offset by an equal amount included in deferred inflows of resources. Also included in deferred outflows of resources is a deferred amount from debt refunding totaling \$64,517, net of amortization of \$4,918. (See Long-term debt footnote).

Indebtedness

Retirement Plan

Washington County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple public employer retirement system. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. As of October 1, 2000, employees with 10 years of service or more do not contribute towards the Plan. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Washington County is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>County</u>	<u>Nursing Home</u>	<u>Total ERS</u>
2013	\$ 4,784,139	\$ 992,567	\$ 5,776,706
2012	4,388,571	803,363	5,191,934
2011	3,642,003	664,744	4,306,747

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

Due to Other Governments

The liability for due to other governments represents amounts owed at December 31, 2013 as follows:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Indebtedness – Continued

Due to Other Governments, Continued

	General Fund	Special Revenue	Capital Projects
Due to other counties	\$ 241,908	\$ -	\$ -
Due to New York State	1,976,580	-	1,389
Due to special districts	17,700	-	-
Due to central school districts	7,023,818	-	-
Due to villages and towns	911,433	41,191	-
Total	\$ 10,171,439	\$ 41,191	\$ 1,389

Bonds, Notes and Long-Term Liabilities

The following is a summary of bonds, notes and long-term liabilities for the primary government:

	Payable at January 1, 2013	Additions	Payments	Payable at December 31, 2013	Due Within One Year	Due in More Than One Year
Bond anticipation notes payable	\$ 7,312,000	\$ -	\$ (662,000)	\$ 6,650,000	\$ 6,650,000	\$ -
Compensated absences	871,370	-	(5,875)	865,495	-	865,495
Workers' compensation	1,974,206	-	(529,635)	1,444,571	-	1,444,571
OPEB liability	24,190,869	6,228,900	(2,051,341)	28,368,428	-	28,368,428
Landfill closing costs	234,326	-	(9,205)	225,121	-	225,121
Pleasant Valley OPEB liability	4,844,402	1,092,000	(244,237)	5,692,165	-	5,692,165
Pleasant Valley Debt	1,743,293	-	(543,293)	1,200,000	225,000	975,000
Pleasant Valley workers' compensation	1,390,756	-	(323,562)	1,067,194	-	1,067,194
State loans payable	230,000	-	(25,000)	205,000	25,000	180,000
General obligations and serial bonds	4,926,707	2,795,000	(3,161,707)	4,560,000	425,000	4,135,000
WTASC bonds	13,590,000	-	(90,000)	13,500,000	145,000	13,355,000
Total	\$ 61,307,929	\$10,115,900	\$ (7,645,855)	\$ 63,777,974	\$ 7,470,000	\$ 56,307,974

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Indebtedness – Continued

Bond Anticipation Notes

Bond anticipation notes, (BANS) as of December 31, 2013 represented short-term financing arrangements for one capital project at an interest rate of 1.25%.

State Loans Payable

\$500,000 in revenue bonds issued by New York State Environmental Facilities Corporation for the State Clean Water and Drinking Water Revolving Fund, payable in annual principal payments ranging from \$20,000 to \$30,000 on April 15 of each year through 2021 with semi-annual interest payments ranging from 1.85% - 5% due on April 15 and October 15 of each year.

\$ 205,000

General Obligation and Serial Bonds

\$2,795,000 Public Improvement serial bonds, due in annual installments ranging from \$5,000 to \$350,000 through 2023 with interest ranging from 2% to 3%. These bonds were used to refund 2003 public improvement bonds totaling \$3,060,000

\$ 2,790,000

\$1,933,000 Public Improvement serial bonds, due in annual installments ranging from \$63,000 to \$160,000 through 2027 with interest ranging from 2.25% to 4%.

1,770,000

Total general obligation and serial bonds

\$ 4,560,000

On April 11, 2013, \$2,795,000 in general obligation bonds with an average interest rate of 2.34% were issued with a premium of \$102,174 to advance refund \$3,060,000 of outstanding bonds with an average interest rate of 4.12%. The net proceeds of \$2,835,532 (after payment of \$61,642 in fees) plus \$301,392 contribution by the Pleasant Valley Infirmary were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 10 years by almost \$337,000. The difference between the total amount deposited with the escrow agent of \$3,136,924 and the balance of the defeased debt of \$3,060,000, less excess deposits by Pleasant Valley Infirmary is \$69,435, which is shown on the statement of net position as deferred amount on refunding included with deferred outflow of resources, net of amortization of \$4,918. The premium received is shown net of amortization of \$7,237 as deferred inflows of resources on the statement of net position. These amounts were amortized over 10 years, the term of the new bonds.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Indebtedness – Continued

General Obligation and Serial Bonds, Continued

The sources and uses of funds required for the transaction are shown below:

Sources:

Bond Proceeds:

Par amount	\$ 2,795,000
Premium	102,174
	<hr/>

2,897,174

Other Sources of Funds:

Equity contribution	301,392
	<hr/>

Total Sources	<u>\$ 3,198,566</u>
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Uses:

Refunding Escrow Deposits	\$ 3,136,924
	<hr/>

Delivery Date Expenses:

Cost of issuance	46,000
Underwriter's discount	14,534
	<hr/>

Total delivery date expenses	<u>60,534</u>
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Other Uses of Funds:

Additional proceeds	1,108
	<hr/>

Total Uses	<u>\$ 3,198,566</u>
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Total interest expense for Washington County was \$867,825 for the year ended December 31, 2013.

The aggregate maturities of long-term bonds and State loans payable are as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 450,000	\$ 130,347
2015	460,000	119,905
2016	475,000	105,632
2017	480,000	90,956
2018	490,000	79,481
2019-2023	1,805,000	246,308
2024-2027	605,000	49,440
Total	<u>\$ 4,765,000</u>	<u>\$ 822,069</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Indebtedness – Continued

General Obligation and Serial Bonds, Continued

The Pleasant Valley Infirmery issued general obligation serial bonds in April, 1998 in the amount of \$3,800,000 as part of a capital project to build an Alzheimer wing. These bonds are maintained on the infirmery's books as long-term debt and are due in annual installments with interest at 4.75%-4.85% as follows:

2014-2015	225,000	
2016-2018	250,000	
Total principal due		\$ 1,200,000
Less: current portion		<u>(225,000)</u>
Total Pleasant Valley Infirmery General Obligation Serial Bonds		<u>\$ 975,000</u>

Long-term debt maturities for Pleasant Valley Infirmery as of December 31, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 225,000	\$ 52,450
2015	225,000	41,650
2016	250,000	30,250
2017	250,000	18,188
2018	<u>250,000</u>	<u>6,060</u>
Total	<u>\$ 1,200,000</u>	<u>\$ 148,598</u>

Total interest expense for Pleasant Valley Infirmery was \$70,572 for the year ended December 31, 2013.

Washington Tobacco Asset Securitization Corporation (WTASC)

In December 2000, WTASC issued \$11,160,000 in serial and term bonds for the purpose of funding the building of a county jail. These bonds would have been paid off with receipts from the New York Tobacco Settlement Agreement. On August 25, 2005, WTASC issued \$14,690,000 in bonds to refund the balance of the 2000 Bonds. The remaining balance of the defeased 2000 Bonds of \$9,050,000 was paid in full in June 2010.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Indebtedness – Continued

Washington Tobacco Asset Securitization Corporation (WTASC) - Continued

Term bonds totaling \$14,690,000 were issued on August 25, 2005. The interest rates vary from 4.25% to 5%. The total debt service has been projected assuming that the tobacco settlement revenues will be at a level that allows the flexible amortization term bonds to be repaid by June 1, 2045. A summary of the future debt maturities follows:

	<u>Term Bonds</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 145,000	\$ 678,756	\$ 823,756
2015	150,000	672,488	822,488
2016	145,000	666,219	811,219
2017	145,000	660,056	805,056
2018	235,000	651,981	886,981
2019-2023	1,330,000	3,096,138	4,426,138
2024-2028	1,675,000	2,745,457	4,420,457
2029-2033	2,155,000	2,272,375	4,427,375
2034-2038	2,765,000	1,660,625	4,425,625
2039-2043	3,550,000	875,000	4,425,000
2044-2045	1,205,000	83,375	1,288,375
	<u>\$ 13,500,000</u>	<u>\$ 14,062,470</u>	<u>\$ 27,562,470</u>
Total			

WTASC has pledged, as security for the above bonds, its future tobacco settlement revenues pursuant to the New York State Tobacco Settlement Agreement. For the current year, principal and interest paid by WTASC totaled \$754,625 as compared to its tobacco settlement revenues of \$792,528. To estimate the present value of the receivable for future tobacco settlement revenues, an average bond interest rate of 4.625% was used, compounded annually through the year 2042.

Total interest expense for Washington Tobacco Asset Securitization Corporation was \$664,462 for the year ended December 31, 2013.

Washington County Local Development Corporation (LDC)

Intermediary Relending Program Loan Payable

Washington County Local Development Corporation entered into a loan agreement on November 25, 1998 with the U.S. Department of Agriculture for \$300,000 to be paid back over 30 years at a fixed rate of 1%. Interest only was paid for the first two years. Principal and interest payments are made in 28 equal annual installments with any remaining balance being paid 30 years from the date of the note. A stipulation of this program is that the Washington County Local Development Corporation must match a portion of the loan. The Corporation's matching requirement was \$75,000, making the program funds total \$375,000. As of December 31, 2013, the Corporation has drawn down \$300,000 and has made four loans. The terms are as follows:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Indebtedness – Continued

Washington County Local Development Corporation (LDC)

Intermediary Relending Program Loan Payable - Continued

Installment contract to the U.S. Department of Agriculture payable in annual installments of \$12,339, including interest at 1%, through November 2027.

\$ 170,662

Less: current portion

(10,629)

Long-term debt, net of current portion

\$ 160,033

Maturities of long-term debt are as follows:

Years ending December 31,	<u>Principal</u>	<u>Interest</u>
2014	\$ 10,629	\$ 1,710
2015	10,735	1,604
2016	10,842	1,497
2017	10,951	1,388
2018	11,060	1,278
2019-2023	56,982	4,713
2024-2027	59,463	1,684
	<u>\$ 170,662</u>	<u>\$ 13,874</u>

Compensated Absences

Under the terms of a resolution of the Board of Supervisors and contractual agreements, employees are entitled to vacation leave, personal leave, and sick leave in varying amounts depending upon years of service. Upon termination of employment, employees are entitled to payment for all accumulated vacation leave and personal leave, but they are not entitled to payment for accumulated sick leave. Year end estimated liabilities of \$865,495 for compensated absences were determined based upon a survey of each department made by the County Administrator. Compensated absences for Pleasant Valley Infirmary totaled \$107,114 and are included in accrued liabilities.

Postemployment Healthcare Benefits – Prior Year Accounting Change

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In prospectively adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2008, the County recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years is being recognized in a thirty year amortization schedule, which commenced in 2008.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Other Postemployment Benefits (OPEB)

Plan Description

Washington County (the "County") administers the Washington County Retiree Medical Plan (the "Plan") as a single-employer defined benefit Other Postemployment Benefit 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. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligation of the plan members, employers and other entities are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the County.

Accounting Policy

The accrual basis of accounting is used. The fair market value of assets is determined by the market value of assets paid by a willing buyer to a willing seller.

Other Disclosure Information

The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. Annual OPEB contributions are estimates and do not reflect exact contributions during the year.

Annual OPEB Cost – Fiscal Year Ended December 31, 2013	County	Nursing Home	Total
Normal cost	\$ 3,575,800	\$ 628,300	\$ 4,204,100
Past service cost	2,660,600	465,100	3,125,700
Annual Required Contribution (ARC)	6,236,400	1,093,400	7,329,800
Interest on OPEB obligation	846,700	165,300	1,012,000
Adjustments to ARC	(854,200)	(166,700)	(1,020,900)
OPEB expense	<u>\$ 6,228,900</u>	<u>\$ 1,092,000</u>	<u>\$ 7,320,900</u>
<u>Reconciliation of Net OPEB Obligation</u>	<u>County</u>	<u>Nursing Home</u>	<u>Total</u>
At December 31, 2013:			
Net OPEB obligation at the beginning of the year	\$ 24,190,869	\$ 4,844,402	\$ 29,035,271
OPEB expense	6,228,900	1,092,000	7,320,900
Net OPEB contributions made during the fiscal year *	<u>(2,051,341)</u>	<u>(244,237)</u>	<u>(2,295,578)</u>
Net OPEB obligation at the end of the year	<u>\$ 28,368,428</u>	<u>\$ 5,692,165</u>	<u>\$ 34,060,593</u>
Percentage of expense contributed	32.9%	22.4%	31.4%

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Other Postemployment Benefits (OPEB) - Continued

Other Disclosure Information - Continued

<u>Reconciliation of Net OPEB Obligation</u>	<u>County</u>	<u>Nursing Home</u>	<u>Total</u>
At December 31, 2012:			
Net OPEB obligation at the beginning of the year	\$ 20,120,069	\$ 4,040,908	\$ 24,160,977
OPEB expense	5,961,500	1,047,400	7,008,900
Net OPEB contributions made during the fiscal year *	<u>(1,890,700)</u>	<u>(243,906)</u>	<u>(2,134,606)</u>
Net OPEB obligation at the end of the year	<u>\$ 24,190,869</u>	<u>\$ 4,844,402</u>	<u>\$ 29,035,271</u>
Percentage of expense contributed	31.78%	23.3%	30.5%

<u>Reconciliation of Net OPEB Obligation</u>	<u>County</u>	<u>Nursing Home</u>	<u>Total</u>
At December 31, 2011:			
Net OPEB obligation at the beginning of the year	\$ 15,198,521	\$ 3,124,815	\$ 18,323,336
OPEB expense	6,194,300	1,170,200	7,364,500
Net OPEB contributions made during the fiscal year *	<u>(1,272,752)</u>	<u>(254,107)</u>	<u>(1,526,859)</u>
Net OPEB obligation at the end of the year	<u>\$ 20,120,069</u>	<u>\$ 4,040,908</u>	<u>\$ 24,160,977</u>
Percentage of expense contributed	20.5%	21.7%	20.7%

Estimated annual OPEB Cost is based upon an actuarial report. Reconciliation of Net OPEB Obligation is based upon other group auditor's reports. Therefore a slight difference may appear between the two.

* Estimated

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are "community-rated" and annual premiums for community-rated coverages were used as a proxy for claims without age adjustment. The actual methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of November 1, 2012, the most recent actuarial valuation, the liabilities were computed using the projected unit credit method with a thirty year amortization. The actuarial assumptions utilized a 3.5% discount rate. The valuation assumes a variable healthcare cost trend inflation rate ranging from 8.5% down to 4.4% and a postretirement benefit increase of 3% for contract migration. The actuary determined based on information provided by the County that the use of the November 1, 2012 valuation for a subsequent year was appropriate.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Deferred Inflows of Resources

Deferred inflows of resources represents deferred tax, tobacco settlement, and capital project revenues of \$23,657,891, in addition to a deferred amount from debt refunding totaling \$94,937, the bond premium received on debt refinancing net of \$7,237 of current year amortization. (See Long-term debt footnote).

Intergovernmental Transfer Revenue (IGT)

Included in due from third party payers are monies receivable through the Intergovernmental Transfer Program (IGT), which provides Medicaid rate enhancements to all non-state operated, publicly sponsored nursing facilities. Its continuation is subject to annual negotiations between New York State and the federal government. IGT revenues amounted to \$1,996,560 in the year ended December 31, 2013.

Operating Leases

On April 22, 2013, the County signed a lease agreement with Earth Waste & Metals, a third party, to lease five transfer stations for a period of five years with an option to purchase the properties, expiring April 21, 2018. Rent payments are to be received in the amount of \$5,000 per month. An option fee of \$147,371 was received upon execution of the agreement. The option price and a declining percentage of the rental payments will be applied to the purchase price of \$1,473,712 depending upon the date the option is exercised. Stock and inventory were purchased for \$470,000. The option price of \$147,371 is recorded as a deposit and is included in other liabilities in the nonmajor funds. Rent revenue of \$45,000 is recorded as use of money and property in the nonmajor funds.

Future minimum lease payments to be received are as follows:

Years ending	
December 31	
2014	\$ 60,000
2015	60,000
2016	60,000
2017	60,000
2018	<u>15,000</u>
Total	<u>\$ 255,000</u>

Contingent Liabilities

In June of 2006, the County modified its agreement with the County's Health Insurance provider, Blue Shield, to pay claims only, plus administrative expenses for health insurance benefits for its employees and qualified retirees. The plan has a stop loss insurance coverage that pays all individual claims over \$100,000 on an annual basis. The County's broker tracks all claims to insure the County receives proper credit from the health insurance provider.

Should the County change providers or plans, the fund will be responsible for all claims incurred during the effective date of the plan. As of December 31, 2013, the total amount of claims incurred but not paid until 2014 was \$1,418. This liability is reflected in accounts payable on the balance sheet and statement of net position.

A health insurance rate is established for the employee's and employer's portion of the monthly premium to provide for the budgeted/projected annual expense for the administrative costs plus claims. The

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Contingent Liabilities – Continued

employee's share of the monthly premium is withheld from the employee's first pay of the month and recorded within the County's Trust & Agency Fund. The employer's share of the monthly premiums is recorded as a liability within the fund that the employee's personal service expense/payroll expense is charged.

The administrative costs are invoiced on a monthly basis to the County by the County's health insurance provider. The monthly invoice is reconciled to the health insurance payroll deductions and withdrawn monthly on a date scheduled by the County's health insurance carrier from the account previously established for the health insurance administrative costs and claims.

The employer's share of the monthly premiums is also reconciled to the provider's monthly invoice on a biweekly basis at the same time as the employee's share reconciliation. Once reconciled, the employer's and employees' shares of the monthly premium are transferred to the bank account previously established for the health insurance administrative costs and claims. These transactions are recorded in the Self-insurance Fund for Health Insurance, accordingly.

Claim disbursements to the provider are processed at least bi-monthly to maintain the escrow account held at JP Morgan Chase Bank for the benefit of Empire Blue Cross at a balance of \$210,000.00. The ACH transfers to Blue Cross are journalized as they occur within the Self-insurance for Health Insurance Fund.

Per the New York State Comptroller's accounting bulletin of May 2006, "the Medicare Prescription Drug, Improvement and Modernization Act of 2003" established prescription drug coverage for Medicare-eligible beneficiaries under Medicare Part D. Provisions of Medicare Part D address employers who provided prescription drug benefits to retirees. If an employer provides to its Medicare-eligible retirees prescription drug benefits that are at least actuarially equivalent to those that otherwise would be provided by Medicare, the Federal government will make subsidy assistance payments either directly to or on behalf of the employer. It is expected that these Federal subsidy payments will equal 28% of allowable retiree costs (about \$600 per participant) for each Part D eligible retiree enrolled in the employer's prescription drug plan and not enrolled in Part D. The provisions of Medicare Part D became effective January 1, 2006.

The federal subsidy offered under this program is intended to provide a financial incentive or assistance to employers to continue providing prescription drug benefits to its Medicare-eligible retirees, thereby relieving the Medicare program of coverage responsibility. Generally, federal subsidy payments will be made directly to the local government employer although there may be situations when payments are made to the prescription drug plan provider on behalf of the local government employer. For the purposes of the Medicare Part D program, *Federal subsidies or "reimbursements" to or on behalf of the employer are not considered Federal Aid.*

A revenue account – Reimbursement of Medicare Part D Expenditures is used to record the amount of the Medicare Part D Federal subsidy. Revenue is recorded in the fund from which prescription drug expenditures were charged.

Medicare Part D subsidy payments are made to the County's prescription drug plan provider on behalf of Washington County and are credited to revenue within the Self-insurance Fund for Health Insurance.

In 1994 the County joined NYMIR (New York Municipal Insurance Reciprocal) for its municipal property and casualty insurance. NYMIR is a consortium whose members are all municipalities. The subscribers pay a 25% capitalization fee that is based on each subscriber's annual premium and is paid over a five

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Contingent Liabilities – Continued

year period. This capitalization fee amounts to approximately \$24,000 per year. The County may be eligible for future dividends if the consortium does well or may be liable for its share of ownership if a major loss occurs. NYMIR does carry re-insurance with other companies. The County's premiums charged to 2013 expenditures approximated \$451,000. Washington County was notified in 2008 that NYMIR plans to refund the capital investment over a 3-year period beginning in 2009. Estimated additional revenue per year is \$35,000.

The County established its own self-insurance plan for Workers' Compensation under Local Law Nos. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality for participation. There were 39 participants at December 31, 2013. The County is responsible for administration of the plan and its reserves. This self-insurance plan is managed by a third party administrator selected by the County. This administrator has computed the liability for reported cases to date at \$2,511,765. Of this, \$1,444,571 is reported in the County's long-term debt. A provision has been made for \$1,067,194 in the Enterprise Fund for the liability related to Pleasant Valley Infirmary. The plan purchases commercial insurance for claims in excess of \$1,000,000 (each occurrence) involving "third party over actions." Settled claims have not resulted in a claim against this excess liability coverage to date. All funds of the County participate in the program and make payments to the self-insurance fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. A balance in the amount of \$902,113 has been reserved as of December 31, 2013. Claims and judgments calculated for 2013 totaled \$932,477.

Changes in the Workers' Compensation aggregate claims liabilities for the years ended December 31, 2013 and 2012 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2013	\$ 4,181,742	\$ (238,175)	\$ (932,477)	\$ 3,011,090
2012	4,907,520	290,931	(1,016,709)	4,181,742

Pleasant Valley Contingent Liabilities

Third Party Rate Adjustments

As stated in the notes to the financial statements, net patient service revenue is reported at estimated net realizable amounts from residents, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Revenue from the Medicare and Medicaid programs accounted for approximately 14% and 68%, respectively, of the Home's net patient service revenue for the year ended December 31, 2013. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2013 net patient service revenue decreased approximately \$1,800 as a result of the final settlements in excess of amounts previously estimated.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Pleasant Valley Contingent Liabilities - Continued

Regulatory

The Home is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased, resulting in fines and penalties for noncompliance by individual health care providers. During 2012, the Home, was notified that it was in violation of certain patient care regulations, and could be subject to unspecified fines and/or penalties. During 2013, the home paid \$45,040 in penalties related to those violations.

Litigation

The Home is involved in various litigations arising in the normal course of business. After conversation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Home's future financial position or results from operations.

Medical Malpractice Insurance

The Home is covered by professional liability insurance on an occurrence basis. For the year ended December 31, 2013, per claim coverage was \$1,000,000 with an aggregate maximum annual coverage of \$3,000,000. Losses on medical malpractice claims are estimated based on deductibles and claims in excess of per claim or aggregate coverage and claims incurred but not reported during the claim year and represent the Home's best estimate of the ultimate costs of reported and unreported claims, using the Home's past experience, industry experience, and identified asserted claims and reported incidents. There were no estimated losses on medical malpractice claims for the year ended December 31, 2013.

Fund Balances

At December 31, 2013, Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type definitions in the Government Fund Statements are as follows:

Nonspendable amounts represent prepaid expenses and inventories.

Restricted funds represent the following:

- Workers' Compensation reserve of \$902,113 in the general fund
- Debt reserve of \$906,866 in Washington Tobacco Asset Securitization Corporation component unit
- Worker' compensation reserve of \$1,544,370 in the non-major funds
- Sewer capital and repair reserves totaling \$503,061 in the non-major sewer funds
- Debt reserve of \$27,308 in the non-major funds
- Capital project reserves of \$2,074,089

Assigned funds include the following:

Encumbrances:

General fund encumbrances totaled \$123,244 and non-major fund encumbrances totaled \$141,532 for the year ended December 31, 2013.

Subsequent year's expenditures:

The general fund has assigned \$2,636,623 and the non-major funds have assigned \$2,092,515 for appropriation to meet expenditure requirements for the 2014 year.

Funds reserved by the Board of Supervisors for various purposes in the general fund, including public safety and tax abatement of \$287,562. In addition, assigned funds include positive fund balances in the Washington Tobacco Asset Securitization Corporation of \$110,136 and in the non-major funds of \$4,153,980.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Prior Period Adjustments

Prior period adjustments to net position on the government-wide financial statements represent the following:

Overaccrual of prior year workers' compensation liability	\$ 461,598
Accounting change for implementation of GASB 65 – expensing of prior balance of bond costs	<u>(535,366)</u>
Total Prior Period Adjustments	<u>\$ (73,768)</u>

There was no effect on the government fund financial statements

Joint Ventures

Community College: The Adirondack Community College is jointly sponsored by Washington and Warren Counties under provisions of Article 126 of the Education Law. As a joint venture, separate financial statements are issued by the College.

The following is a summary of financial information included in the financial statements of the joint venture:

Adirondack Community College financial statement date: August 31, 2013

Total assets	\$ 42,876,363
Total liabilities	22,541,941
Total deferred inflows of resources	970,566
Joint net position	19,363,856
Total revenues	30,860,992
Total expenditures	31,889,092

Joint Venture Net Position consists of the following:

Net investment in capital assets	\$ 25,883,722
Restricted	360,000
Unrestricted (deficit)	<u>(6,879,866)</u>
Total	<u>\$ 19,363,856</u>

The above financial information does not include any component units included in the College's financial statements because the County has no responsibility for the component units. Complete financial statements of the College can be obtained from their Administrative Office at 640 Bay Road, Queensbury, NY 12804.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Commitments

Deferred Compensation Plan

In October 1993 the County established for its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County will fund all amounts of compensation deferred under the Plan, at the direction of the covered employee. The County has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The County made no contribution and employees made \$380,586 in contributions to the deferred compensation plan for the year ended December 31, 2013.

Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the County to perform certain maintenance and monitoring functions at the two closed County owned landfills for thirty years after closure.

NYSDEC approved the closure certification reports for the two facilities in late 1999 and early 2000. As a result, the postclosure monitoring commenced in the year 2000 and will continue until 2029 (30 years total).

\$125,488 is reported as landfill closure and postclosure care in accrued liabilities at the Easton Landfill at December 31, 2013 and represents the estimated costs of future monitoring for 16 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 16 years.

\$ 99,633 is reported as postclosure care in accrued liabilities for the Fort Ann Landfill on December 31, 2013 and represents the estimated costs of future monitoring for 16 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 16 years.

In both cases, actual costs may be higher due to inflation, changes in technology, changes in regulations, or an inflation rate different than assumed.

There were no landfill closure and postclosure care expenditures recognized in 2013.

Related Party Transactions

The Washington County Local Development Corporation (LDC) is provided rental space, use of equipment and certain personnel for its operations by the County at no cost to the organization. Also, federal funds received by the County under the Community Development Block Grant Program are transferred to the LDC for administration of the Revolving Loan and Micro-Enterprise Programs.

Subsequent Events

The County has evaluated all events through September 22, 2014, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure, except for the following:

On January 31, 2014, Washington County sold Pleasant Valley Infirmary to a private entity, who took over operations of the facility and adult home. A small "transition" team was left in place to aid the new owners, prepare all necessary reports for the 2013 fiscal year and the one month of operations in the 2014 fiscal year. The transition team will also finalize and settle all outstanding and unbilled receivables

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Subsequent Events – Continued

for the facility through January 31, 2014. It is expected that all infirmary functions of the transition team will be finalized by the close of the 2014 fiscal year at which time the Enterprise Fund will be closed and residual fund equity transferred to the County's General Fund, with the exception of any Intergovernmental Transfer Monies that will be reserved for payment of infirmary legacy costs, which include workers compensation, retirees health costs, etc.

WASHINGTON COUNTY, NEW YORK

Schedule of Funding Progress for Other Postemployment Benefits

Year Ended December 31, 2013

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
November 1, 2012:	County	\$ -	\$ 71,163,300	\$ 71,163,300	0%	\$ 24,796,705	287%
	Nursing Home	-	12,472,400	12,472,400	0%	5,296,182	235%
	Total	<u>\$ -</u>	<u>\$ 83,635,700</u>	<u>\$ 83,635,700</u>	0%	<u>\$ 30,092,887</u>	278%
November 1, 2010:	County	\$ -	\$ 66,551,900	\$ 66,551,900	0%	\$ 25,263,400	263%
	Nursing Home	-	12,528,700	12,528,700	0%	5,286,056	237%
	Total	<u>\$ -</u>	<u>\$ 79,080,600</u>	<u>\$ 79,080,600</u>	0%	<u>\$ 30,549,456</u>	259%
November 1, 2008:	County	\$ -	\$ 67,265,000	\$ 67,265,000	0%	\$ 26,599,156	253%
	Nursing Home	-	14,395,700	14,395,700	0%	5,405,474	266%
	Total	<u>\$ -</u>	<u>\$ 81,660,700</u>	<u>\$ 81,660,700</u>	0%	<u>\$ 32,004,630</u>	255%

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Federal Expenditures	
<u>U.S. Department of Labor</u>				
Employment and Training Program				
Passed Through Saratoga County, New York:				
WIA Cluster:				
WIA Adult Program	17.258		\$ 136,821	
WIA Dislocated Workers	17.278		163,515	
WIA Youth Activities	17.259		<u>108,520</u>	
Total WIA Cluster				408,856
Trade Adjustment Assistance	17.245			126,506
Workforce Innovation Fund	17.283			<u>59,420</u>
Total U. S. Department of Labor				594,782
<u>U.S. Federal Emergency Management Agency</u>				
U.S. Department of Homeland Security				
Passed Through NYS Division of Homeland Security and Emergency Services:				
Security Grant Program	97.067		75,390	
		C837680	41,373	
		C837670	11,988	
		C837600	2,199	
		C974310	2,450	
		T837602	47,261	
		T974312	<u>20,500</u>	
				201,161
State and Local Homeland Security Training Program	97.005			<u>124</u>
Total U.S. Federal Emergency Management Agency				201,285
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Office of Temporary and Disability Assistance:				
Supplemental Nutrition Assistance Program	10.561		537,806	
Passed Through New York State Department of Health:				
Supplemental Food W.I.C.	10.557		456,577	
Passed Through New York Office of Temporary and Disability Assistance:				
Special Supplemental Nutrition for WIC	10.557		<u>1,129,535</u>	
				2,123,918
Rural Development Intermediary Relending Program (Through Washington County LDC-Component Unit)	10.767			<u>12,339</u>
Total U.S. Department of Agriculture				2,136,257

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Federal Expenditures
<u>U. S. Department of Transportation</u>			
Passed Through New York State Dept. of Transportation:			
Highway Planning and Construction Cluster:			
Highway Construction Program	20.205		3,599,591
ARRA-Highway Construction Program	20.205		<u>48,944</u>
Total Highway Planning and Construction Cluster			3,648,535
National Traffic Safety Board Administration			
Passed Through New York State Traffic Safety Board Administration:			
Highway Safety Cluster:			
Speed & Seatbelt Compliance Grant	20.600	T837692	15,200
DWI Crackdown Grant	20.600		8,286
Child Passenger Safety Seat Grant	20.602	2014-00065	<u>14,599</u>
Total Highway Safety Cluster			<u>38,085</u>
Total U. S. Department of Transportation			3,686,620
<u>U.S. Department of Education</u>			
Passed Through New York State Board of Elections:			
Help America Vote Act Grant	90.401	C003251	<u>10,301</u>
Total U.S. Department of Education			10,301
<u>U.S. Department of Health and Human Services</u>			
Passed Through New York State Department of Health:			
Immunization Grant	93.268		25,569
Passed Through Health Research Incorporated			
Bio-Terrorism Grant	93.069	1629-10	56,627
Medicaid Cluster:			
Passed Through New York State Department of Health:			
Medical Assistance Program	93.778		996,679
Passed Through New York State Office of Mental Health:			
Medicaid Salary Sharing	93.778		24,843
Passed Through New York State Office of Alcoholism and Substance Abuse Services:			
Medicaid Salary Sharing	93.778		<u>5,279</u>
Total Medicaid Cluster			1,026,801

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Federal Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>			
TANF Cluster:			
Passed Through Office of Temporary and Disability Assistance:			
Assistance Payments / Maintenance (TANF)	93.558		3,877,692
Safety Net	93.558		29,464
Passed Through Hudson Headwaters Health Network			
TANF Summer Youth Employment	93.558		<u>62,452</u>
Total TANF Cluster			3,969,608
Passed Through Office of Temporary and Disability Assistance:			
Foster Care	93.658		589,334
Adoption Assistance	93.659		14,243
Child Support Enforcement Title IV-D	93.563		236,212
Passed Through Office of Temporary and Disability Assistance:			
Low Income Home Energy Assistance	93.568		3,087,862
Passed Through New York State Office of Aging:			
Weatherization Referral and Packaging (W.R.A.P.)	93.568		<u>7,164</u>
Total Energy Assistance and Weatherization			3,095,026
Passed Through New York State Office of Aging:			
Aging Cluster:			
Special Programs for the Aging, Title III-C	93.045		114,994
Special Programs for the Aging, Title III-B	93.044		53,498
Nutrition Services Incentive Program	93.053		<u>57,266</u>
Total Aging Cluster			225,758
Passed Through New York Office of Children and Family Services:			
Child Care, Tit IV-E	93.596		937,427
Special Programs for the Aging, Title III-D	93.043		4,776
Title III-E	93.052		41,391
HIICAP	93.779		37,159

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Federal Expenditures	
<u>U.S. Department of Health and Human Services (continued):</u>				
Passed Through New York State Office of Alcoholism and Substance Abuse:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959		<u>148,501</u>	
Total U.S. Department of Health and Human Services				10,408,432
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through New York State Department of Homes and Community Renewal:				
Community Development Block Grant	14.228	1202PF58-11	<u>706,850</u>	
Total U. S. Department of Housing and Urban Development				706,850
<u>U.S. Department of Justice</u>				
Violence Against Women Grant	16.588	T549946	31,100	
Drug Enforcement Administration	16.580		<u>19,608</u>	
Total U. S. Department of Justice				50,708
<u>U.S. Environmental Protection Agency</u>				
Passed Through NYS Department of Health:				
Radon Grant	66.032	T027076	<u>3,419</u>	3,419
<u>Corporation for National and Community Service</u>				
Americorps	94.006		<u>440</u>	
Total Corporation for National and Community Service				<u>440</u>
Total Federal Expenditures				<u>\$ 17,799,094</u>

WASHINGTON COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

December 31, 2013

General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Washington County, New York. Washington County's reporting entity is defined in the notes to the County's basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in the notes to the County's basic financial statements.

Sub-Recipients

Of the federal expenditures presented in the schedule, the County provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided Sub-recipients</u>	
<u>U.S. Department of Labor</u>			
To Washington County Economic Opportunity Council, Inc./Employment and Training Program:			
WIA:			
WIA Adult Program	17.258 **	\$ 136,821	
WIA Dislocated Workers	17.278 **	163,515	
WIA Youth Activities	17.259 **	<u>108,520</u>	
Total WIA Funds			408,856
Trade Adjustment Assistance	17.245 **		126,506
Workforce Innovation Fund	17.283		<u>59,420</u>
Total U.S. Department of Labor			<u>\$ 594,782</u>

** These programs were audited as major programs by the subrecipient's auditor for the year ended March 31, 2013. Reference should be made to the subrecipient's audit report for information related to that audit.

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 Board of Supervisors
Washington County, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Washington County, New York's basic financial statements and have issued our report thereon dated September 22, 2014. Our report includes a reference to other auditors who audited the financial statements of The Pleasant Valley Infirmary, the enterprise fund, as described in our report on Washington County, New York's financial statements. The financial statements of The Pleasant Valley Infirmary were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2013-02, 2013-03 and 2013-04)

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. (2013-01)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Washington County, New York's Response to Findings

Washington County, New York's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Washington County, New York's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

September 22, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To The Chairman and Board of Supervisors
Washington County, New York

Report on Compliance for Each Major Federal Program

We have audited Washington County, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Washington County, New York's major federal programs for the year ended December 31, 2013. Washington County, 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.

Washington County, New York's financial statements include the operations of The Pleasant Valley infirmary, a component unit. This entity may have received federal awards. Such awards, if any, were not included in the schedule of expenditures of federal awards for Washington County, New York, during the year ended December 31, 2013, because the entity engaged other auditors for the year ended December 31, 2013, and they did not audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Washington County, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County, 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 Washington County, New York's compliance.

Opinion on Each Major Federal Program

In our opinion, Washington County, 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, 2013.

Report on Internal Control Over Compliance

Management of Washington County, 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 Washington County, 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 OMB Circular A-133, 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 Washington County, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

September 22, 2014

WASHINGTON COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2013

Section I – Summary of Auditor’s Results

I. Financial Statements

A. Type of auditor’s report issued

1. Unmodified, with explanatory language relating to the fact we did not audit the financial statements of Pleasant Valley Infirmary. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in Pleasant Valley Infirmary is based solely on the reports of the other auditors.

B. Internal control over financial reporting:

1. Material weaknesses identified? Yes No
2. Significant deficiencies identified not considered to be material weaknesses? Yes None reported
3. Noncompliance material to financial statements noted? Yes No

II. Federal Awards

A. Internal Control over major programs:

1. Material weaknesses identified? Yes None reported
2. Significant deficiencies identified not considered to be material weaknesses? Yes No

B. Types of auditor’s report issued on noncompliance for major programs:

1. Unmodified

- C. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510 (a))? Yes No

WASHINGTON COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2013

Section I - Summary of Auditor's Results, Continued

II. Federal Awards – Continued

D. Identification of major programs

<u>**CFDA Numbers</u>	<u>Name of Federal Program</u>
17.258	WIA Cluster: WIA Adult Program WIA Dislocated Worker Formula Grants WIA Youth Activities
17.278	
17.259	
20.205	Highway Planning and Construction Program
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
14.228	Community Development Block Grants
93.563	Child Support Enforcement

** CFDA numbers and determination of clusters based upon OMB Circular A-133 Compliance Supplement dated June 2013.

- E. The dollar threshold used to distinguish Type A and Type B programs was \$533,973.
- F. The auditee qualifies as a low-risk auditee.

WASHINGTON COUNTY, NEW YORK

Schedule of Findings and Questioned Costs

Year Ended December 31, 2013

Section II - Financial Statement Findings

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2013-01	<p><u>Criteria:</u> Risk should be assessed by an entity to assist with the establishment of relevant operating procedures and to ensure sufficient internal control.</p> <p><u>Condition:</u> Management nor the Board of Supervisors of Washington County have documented any form of risk assessment over the financial operations of the County. This is a repeat finding from 2007 through 2013.</p> <p><u>Cause of Condition:</u> The County has not completed a risk assessment.</p> <p><u>Effect of Condition:</u> By not studying risks and not documenting the study, the County is taking a chance that a significant risk of misappropriation and/or misstatement of the financial statements exists and is not being considered in the preparation of its financial statements.</p> <p><u>Recommendation:</u> Management and the Board Audit Committee should conduct a risk assessment regarding the County's financial operations. The assessment should be documented and maintained as part of the County's formal policies and procedures.</p> <p><u>Management Response:</u> The County will develop a formal risk assessment of financial operations to be approved by the Board of Supervisors. The assessment will be reviewed and updated by the Finance Committee of the Board of Supervisors.</p>	N/A
2013-02	<p><u>Criteria:</u> Revenue recorded for a fiscal year should only include that amount of revenue earned during the year.</p> <p><u>Condition:</u> It was noted that the County recorded revenue twice for a portion of snow and ice removal revenue in the County road fund in the amount of \$400,784.</p> <p><u>Cause of Condition:</u> There appeared to be a lack of management oversight in that the journal entry to accrue revenue was not reviewed.</p> <p><u>Effect of Condition:</u> The effect of the oversight was to duplicate revenue for the year, which was adjusted upon audit.</p> <p><u>Recommendation:</u> Snow and ice revenue should be recorded as earned as evidenced by claims made by the public works department. Any money received should then be applied to a receivable or to a deferred inflow of resources if the revenue is not yet earned.</p>	N/A

WASHINGTON COUNTY, NEW YORK

Schedule of Findings and Questioned Costs

Year Ended December 31, 2013

Section II – Financial Statement Findings

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
	<p><u>Management Response:</u> In the reorganization of job duties, a secondary review was not completed for a new revenue recording procedure. Additional training has been provided and management has issued policies and procedures for the oversight of the revenue recording process.</p>	
2013-03	<p><u>Criteria:</u> County capital asset records should include all assets owned by the county.</p> <p><u>Condition:</u> During audit procedures, it was noted that the County prepared its capital asset schedules before all expenditures were recorded, thereby understating the value of the capital assets in the accounting records.</p> <p><u>Cause of Condition:</u> The cause of this condition was a lack of communication between the County supervisor's and the treasurer's offices.</p> <p><u>Effect of Condition:</u> The effect of the condition was to understate the County's assets in the capital asset records, which were corrected during the audit.</p> <p><u>Recommendation:</u> The supervisor's office should wait to complete the capital asset records until the treasurer's office closes the books for the fiscal year. If any adjustment is required, it should be communicated to the supervisor's office.</p> <p><u>Management Response:</u> One of the supervisor's employees has been assigned the task of coordinating with the treasurer's office in the future.</p>	N/A
2013-04	<p><u>Criteria:</u> Calculations of deferred inflows of resources should include only those amounts which were earned on the accrual basis for the current fiscal year.</p> <p><u>Condition:</u> During audit procedures, it was noted that the spreadsheet used to calculate deferred inflows of resources at the end of the fiscal year contained errors totaling \$653,800.</p> <p><u>Cause of Condition:</u> The cause of this condition was a lack of management oversight in that the journal entry used to record deferred inflows of resources was not reviewed by management.</p> <p><u>Effect of Condition:</u> The effect of the condition resulted in inaccurate calculations for deferred inflows of resources which were adjusted upon audit.</p>	N/A

WASHINGTON COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2013

Section II – Financial Statement Findings

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
	<p><u>Recommendation:</u> The County treasurer should appoint a staff member to review all deferred inflow calculations in the future prior to posting in the County's financial system.</p> <p><u>Management Response:</u> The Deputy County Treasurer will be trained on preparing the deferred inflow of tax revenue, which will then be reviewed and approved by the County Treasurer, adding the separation of duties and oversight.</p>	

WASHINGTON COUNTY, NEW YORK

Schedule of Status of Findings and Questioned Costs
From 2012 Report

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2012-01	<u>Failure to Document Risk Assessment</u> : Management nor the Board of Supervisors have documented any form of risk assessment over the financial operations of the County. <u>Status</u> : The finding was repeated in 2013 as 2013-01.	N/A