

WASHINGTON COUNTY, NEW YORK

Independent Auditors' Report

Financial Statements and
Supplementary Information

December 31, 2009



Whittemore, Downen & Ricciardelli, LLP
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WASHINGTON COUNTY, NEW YORK

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INDEPENDENT AUDITORS' 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, 2009 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Washington County, New York's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Pleasant Valley Infirmary which statements represent the amounts shown as the enterprise fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for The Pleasant Valley Infirmary is based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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 discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, New York, as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2010 on our consideration of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 18 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington County, New York's financial statements as a whole. The accompanying 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 not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Whittemore, Dowen & Ricciardelli, LLP

Whittemore, Dowen & Ricciardelli, LLP

September 8, 2010

As management of the County of Washington, 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, 2009.

FINANCIAL HIGHLIGHTS

The down turn in the economy hit Washington County in 2009. We have seen our revenues drop by over 4.2% despite a property tax and tax item increase of 4.1%. The County also saw Medicaid expenses reduced by \$1,527,000 due to Federal stimulus funding. The County is currently making every effort to lower operating costs as reflected in the decrease of expenses by \$5,749,896 in 2009. (\$104,789,550 in 2009 - \$110,539,446 in 2008).

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 assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets 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, and culture and recreation. The business-type activities include the County's nursing home facility, Pleasant Valley.

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 spend-able resources as well as on balances of spend-able 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 twelve 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, an enterprise fund, and two part-County sewer district funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each fund.

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 ending December 31, 2009, which includes the General Fund as well as certain special revenue and enterprise funds is reported in the "Combined Schedule of Revenues, Expenditures and Changes in Fund Equity – Budget and Actual" which is provided as required supplemental information following the Basic Financial Statements.

Proprietary Funds

Washington County maintains two different types of proprietary funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Washington County uses the internal service fund to account for general liability risk management. The proprietary fund financial statements can be found in the Basic Financial Statements section of the report.

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 assets may serve over time as a useful indicator of a government's financial position. In the case of Washington County, assets exceed liabilities by \$80,274,157 at the close of the most recent fiscal year. By far, the largest portion of the County's net assets 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's Net Assets

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Cash & Cash Equivalents	\$ 15,477,249	\$ 18,071,837	\$ 4,028,459	\$ 2,144,933	\$ 19,505,708	\$ 20,216,770
All Receivables, Net	42,917,172	45,622,184	1,536,493	1,462,351	44,453,665	47,084,535
Other Assets	5,380,087	2,170,615	466,252	364,445	5,846,339	2,535,060
Capital Assets, Net	85,815,709	86,954,319	4,722,410	5,158,400	90,538,119	92,112,719
Total Assets	149,590,217	152,818,955	10,753,614	9,130,129	160,343,831	161,949,084
Liabilities:						
Short Term Payables	15,699,710	17,926,262	849,074	782,774	16,548,784	18,709,036
Deferred Revenue	23,716,071	23,360,667	-	-	23,716,071	23,360,667
Other Liabilities	126,501	182,485	583,025	544,786	709,526	727,271
Bonds & Other Long-Term Liabilities	33,557,931	28,389,194	5,537,362	4,709,553	39,095,293	33,098,747
Total Liabilities	73,100,213	69,858,608	6,969,461	6,037,113	80,069,674	75,895,721
Net Assets:						
Invested in Capital Assets (net of related debt)	63,713,634	67,374,374	2,312,044	2,527,302	66,025,678	69,901,676
Restricted for:						
Debt Service	915,441	991,300	-	-	915,441	991,300
Unrestricted (Deficit)	11,860,929	14,594,673	1,472,109	565,714	13,333,038	15,160,387
Total Net Assets	\$ 76,490,004	\$ 82,960,347	\$ 3,784,153	\$ 3,093,016	\$ 80,274,157	\$ 86,053,363

The total net assets of the County declined by \$5,779,206. The amount is generally due to operations for 2009. The County's unrestricted net asset declined by \$1,827,349. This is a reflection of how the down turn in the economy affected the County. This figure is made up of \$5,779,206 in total asset decline plus the County's net investment in capital assets. A breakdown of assets is included in the footnotes.

Washington County's Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for Services	\$ 13,039,119	\$ 13,712,461	\$10,460,686	\$ 11,255,311	\$ 23,499,805	\$ 24,967,772
Operating Grants & Contributions	22,845,898	21,559,266	-	-	22,845,898	21,559,266
Capital Grants & Contributions	972,012	4,895,500	-	-	972,012	4,895,500
Total Program Revenues	36,857,029	40,167,227	10,460,686	11,255,311	47,317,715	51,422,538
General Revenues:						
Property Taxes & Tax Items	29,075,780	27,908,195	-	-	29,075,780	27,908,195
Non-Property Taxes	17,021,044	18,893,488	-	-	17,021,044	18,893,488
Miscellaneous & Intergovernmental Transfer	2,885,373	2,338,139	2,433,733	2,086,824	5,319,106	4,424,963
Investment Earnings	255,838	710,254	20,861	19,055	276,699	729,309
Transfers	-	-	-	4,730	-	4,730
Total General Revenues	49,238,035	49,850,076	2,454,594	2,110,609	51,692,629	51,960,685
Total Program & General Revenues	86,095,064	90,017,303	12,915,280	13,365,920	99,010,344	103,383,223
Expenses:						
Governmental Activities Expenses:						
General government support	11,507,288	11,949,724	-	-	11,507,288	11,949,724
Education	1,834,323	7,265,408	-	-	1,834,323	7,265,408
Public Safety	14,802,010	14,045,688	-	-	14,802,010	14,045,688
Health	13,285,408	12,944,963	-	-	13,285,408	12,944,963
Transportation	11,162,164	10,641,090	-	-	11,162,164	10,641,090
Economic Opportunity & Development	31,017,677	32,484,037	-	-	31,017,677	32,484,037
Culture & Recreation	518,636	640,543	-	-	518,636	640,543
Home & Community Services	7,323,642	6,973,814	-	-	7,323,642	6,973,814
Interest on Long-Term Debt	1,097,862	1,141,160	-	-	1,097,862	1,141,160
Amortization of Bond Cost	16,397	16,397	-	-	16,397	16,397
Total Expenses	92,565,407	98,102,824	-	-	92,565,407	98,102,824
Business-type Activities:						
Nursing Home	-	-	12,224,143	12,436,622	12,224,143	12,436,622
Total Government Activities:	92,565,407	98,102,824	12,224,143	12,436,622	104,789,550	110,539,446
Net Changes in Net Assets	(6,470,343)	(8,085,521)	691,137	929,298	(5,779,206)	(7,156,223)
Net Assets, Beginning	82,960,347	91,045,868	3,093,016	2,163,718	86,053,363	93,209,586
Net Assets, Ending	\$ 76,490,004	\$ 82,960,347	\$ 3,784,153	\$ 3,093,016	\$ 80,274,157	\$ 86,053,363

GOVERNMENTAL ACTIVITIES**Revenues**

The total Government Activities revenues for 2009 were \$86,095,064, a reduction of \$3,922,239 from 2008. Charges for services decreased by \$673,342. This was primarily due to a decline in boarding out-of-County inmates at the County jail as well as a reduction in fees for Solid Waste and Sewer District. The County did see an increase in County Clerk fees, due to a change in fee schedule, as well as Public Health and Social Services Home Relief, due to an increased caseload.

Operating grants and contributions were \$1,286,632 higher in 2009 than 2008. The major reason for this increase was within Public Health due to a combination of increased rates and an increased caseload.

The capital grants and contributions were lower in 2009 than in 2008 by \$3,923,488 due to the completion of several capital projects in 2008 including: voting machines at a cost of \$519,952; Adirondack Community College Higher Learning Center at \$2,687,287; and various highway and sewer projects totaling \$716,249.

General revenues for 2009 were \$49,238,035 representing 57.19% of the total revenue. In 2008, the same revenues were \$49,850,076. Although higher, the 2008 revenues represented 55.31% of the total overall County revenue. Although not a major increase, this shows the County's reliance on these revenue groups from 2008 to 2009 to fund County operations.

Real property taxes and tax items showed an increase of \$1,167,585. The increase in the property tax levy for 2009 accounted for \$1,017,527 of this increase. The remaining increases were from Interest and Penalties on Real Property Taxes, Payment in Lieu of Taxes and Gain from Sale of Tax Acquired Properties.

In 2009, non-property taxes decreased by \$1,872,444 primarily from the County's sales tax which was \$1,778,748 lower than in 2008. Mortgage tax also declined by \$114,940. However, the County's 911 surcharges and automobile use tax increased by \$21,244.

Miscellaneous and intergovernmental transfers increased in 2009 by \$547,234.

Investment earnings declined by \$454,416 in 2009. The main reason for this decline was a reduction in the interest rate earned on the County's investments. This combined with an overall lower amount of cash available for investing, led to a loss of interest income in 2009. This trend is expected to continue for the foreseeable future.

Expenses

The Governmental Activities expenses were \$92,565,407 in 2009. This is a \$5,537,417 reduction from 2008. The County experienced a decline of \$6,470,343 in net assets (Revenue of \$86,095,064 – Expenses \$92,565,407).

Listed below is a line-by-line overview of the major changes in each Governmental Activities expense category between 2008 and 2009.

General Government Support – Costs decreased by \$442,436 over 2008 due to a reduction in overall expenses in Buildings & Grounds and Data Processing, as well as a reduction in general liability insurance.

Education – Costs decreased by \$5,431,085 in 2009. Washington County and one of our neighboring counties are joint sponsors of a community college. Washington County maintains all capital projects related to the college. In 2008, a \$7 million dollar building project was completed at the college. This reflects the net change for 2009.

Public Safety – Expenses increased by \$756,322 over 2008. A portion of this increase, \$155,803, was due to OPEB. The County completed a new communications project for Emergency Services in 2009, which was omitted from the depreciation schedule resulting in an increased depreciation of expenses of \$600,519.

Health – Expenses increased by \$340,445 over 2008. OPEB cost increase amounted to \$83,785. The cost of the handicapped children's program made up the remainder of the increase in this category.

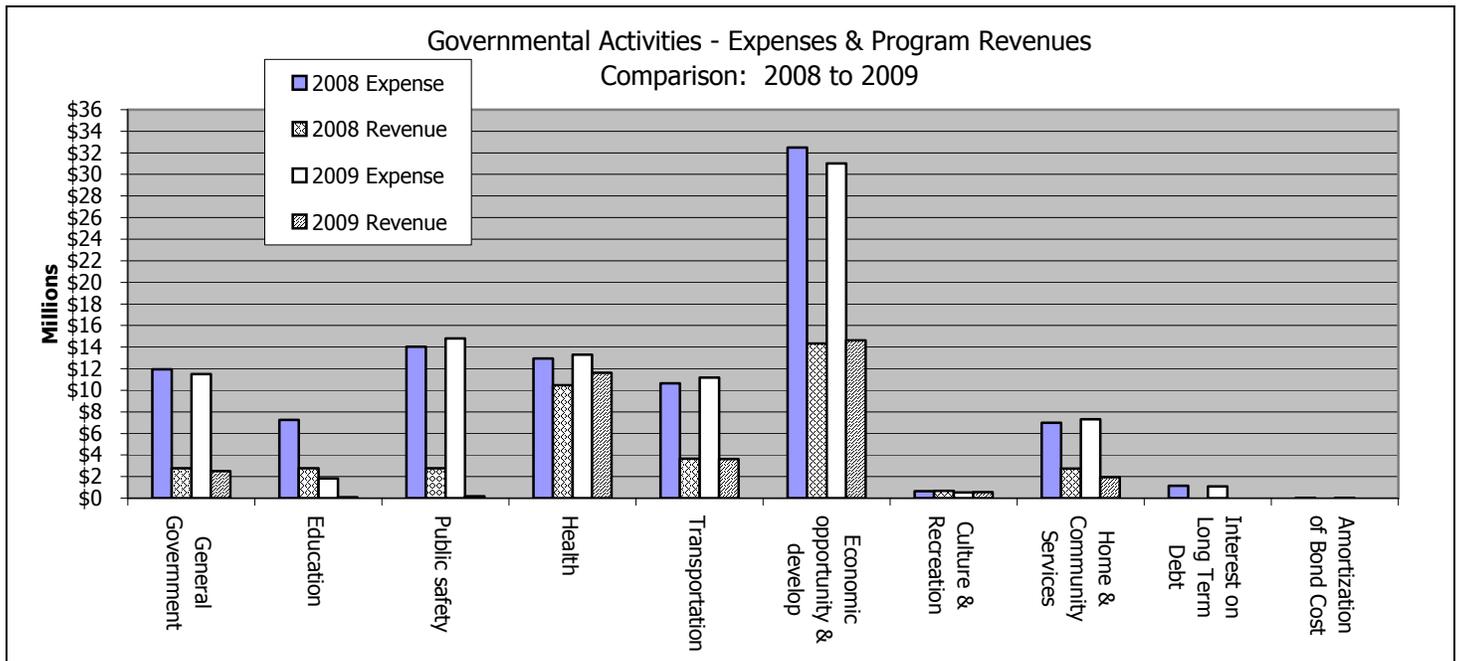
Transportation – The 2009 increase in this category was \$521,074 over 2008. This was due mainly to the completion of several additional road and bridge projects.

Economic Opportunity & Development – This category shows the largest single obligation at 33.51% of the County’s total Government Activities expenditures. The County expenses in this category were \$1,466,360 lower in 2009 than in 2008. Medicaid local cost decreased by \$1,446,692 due to the Federal government’s stimulus package. Funds were made available to pay a higher Federal share of the County’s Medicaid cost. The County did have an increased cost in Family Assistance and Foster Care Programs, however, the closing of the County’s Group Home and other cost reductions offset these increases.

Culture & Recreation – This category reflects a \$121,907 decrease in 2009. Overall cut backs in County programs are reflected in this change.

Home & Community Services – Gross expenses exceeded 2008 amounts by \$349,828 in 2009. The County reduced these expenses by \$250,307, by lowering contributions to various agencies that provide services for the County. There were several capital projects completed within the Sewer District to account for the net increase in this line item.

Interest on Long-Term Debt – The \$43,298 reduction in 2009 expenses is the effect of the bond schedule (see long-term liabilities).



BUSINESS TYPE ACTIVITIES

Revenues

Overall, the County’s nursing home revenue decreased by \$450,640. Due mainly to a reduction in State aid funding the operation.

Expenses

There was an overall decrease in expenses amounting to \$212,479, which reflects the County’s efforts to reduce the operating costs of the facility.

Federal Medical Assistance Percentages Funding (FMAP)

The New York State Department of Health was able to receive additional funding for County operated nursing homes within the State in the form of an Upper Payment Limit (UPL) draw down from available Federal Medicaid dollars.

The total funds available to Washington County's nursing home are \$2,531,389 for 2009. This means the County will pay 38.4% of the local share in 2009, amounting to \$972,389 ($\$2,531,390 \times 38.4\% = \$972,389$). The County's nursing home will receive \$2,531,390 in FMAP funds.

ANALYSIS OF THE COUNTY BUDGET AND FUND BASIS FINANCES IN 2009

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 declined by \$2,558,046 in 2009. The main factor was the Federal Stimulus fund which offset \$1,527,937 of the County's share of Medicaid costs for 2009. Revenues also declined by \$1,681,503, even with a property tax levy increase of \$1,183,416. The County's sales tax has remained flat. The unknown availability of State and Federal aid along with future Medicaid cost and fringe benefits are of great concern to the County. During 2010, the County will be looking for ways to reduce operating costs. The fund balance is approximately 13.86% of the next years operating budget, of which \$1,966,210 was appropriated for 2010, a \$332,674 reduction.

Non-Major Funds

Over the past few years, Washington County has been involved with many capital projects. In 2008, the County finished the majority of these projects, ie: the Regional Higher Education Center at the County's jointly owned college and several road and sewer projects. This resulted in a reduction of expenses totaling \$11,373,984 for the non-major funds.

BUDGETARY HIGHLIGHTS

The County's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary 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.

Schedule E, p. 18 outlines variances from the 2009 Budget to Actual Results for the General Fund, the County's major Governmental Fund. While County Departments were careful to keep expenditures within budgeted amounts, the County experienced shortfalls in revenues. The largest shortfall of \$3,590,228 was in State Aid.

CAPITAL ASSETS

In accordance with GASB 34, the County records capital work in progress as well as depreciation expenses associated with all of its capital assets. The net capital assets of the governmental funds declined by \$1,138,610 from 2008 to 2009. The County added \$4,306,509 in investments in capital assets for its governmental and business type activities in 2009. The total depreciation charged was \$5,360,608 accounting for \$1,054,099 of the decline in fixed assets. The balance of the decline of \$84,511 reflected the sale or disposal of assets. The total cost of \$964,452 less accumulated depreciation of those assets amounted to \$879,941. In 2009, the County's work in progress schedule was revised to remove and reclassify items from open capital projects that had been put into service in order to begin depreciating these items.

Major capital asset events during the 2009 fiscal year included:

- County road paving projects totaling \$1,347,796
- Completing a bridge project over the Mettawee River totaling \$1,725,106
- Repair work on roof of the Municipal Center at a cost of \$144,000
- Various additional minor infrastructure projects

LONG-TERM DEBT

Washington County

Bonds & Other Long Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Bonds						
General Obligation Bonds	\$ 5,225,634	\$ 6,030,902	\$ 2,410,366	\$ 2,631,098	\$ 7,636,000	\$ 8,662,000
Bond Anticipation Notes	3,957,000	3,200,000	-	-	3,957,000	3,200,000
WTASC Bonds	13,855,000	14,150,000	-	-	13,855,000	14,150,000
Subtotal	23,037,634	23,380,902	2,410,366	2,631,098	25,448,000	26,012,000
OPEB Liability	10,520,297	5,008,292	2,256,131	1,082,363	12,776,428	6,090,655
Pleasant Valley Workers' Compensation	-	-	870,865	996,092	870,865	996,092
Subtotal	10,520,297	5,008,292	3,126,996	2,078,455	13,647,293	7,086,747
Total	\$ 33,557,931	\$ 28,389,194	\$ 5,537,362	\$ 4,709,553	\$ 39,095,293	\$ 33,098,747

The New York State Constitution Limits the taxing power for Counties to 1.5 percent of the five-year average full valuation. A county has the authority to increase its tax limit to a maximum rate of two (2) per cent 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.

The five-year average full valuation for the 2009 computation was \$3,748,519,622. The Constitutional Tax Limit (2.0% x \$3,748,519,622) is \$74,970,392. The Constitutional Tax Margin and Debt Limit for fiscal year ending December 31, 2009 calculated out to be \$50,401,514, and \$262,396,373, respectively.

ECONOMIC FACTORS: Future Prospects for Washington County's Finances

The trend of declining revenues that began in mid-2008 continued in 2009. The County saw sales tax decline by 10% along with a decline in mortgage tax revenue and return on investments. The County also experienced a mid-year reduction of State funding due to the State of New York's fiscal problems.

In 2009, the County reduced staffing countywide by 53 part-time and fulltime employees. Also, effective October 1, 2009, the County changed retiree health coverage policy for new hires to allow coverage for the spouse of the qualifying retiree up to Medicare eligible age only. 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 is still increasing. In 2010, the increase slowed from the prior year amount of 8.38% to 7.87%. The County has adopted a two-year budgeting practice 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 Activities

Year Ended December 31, 2009

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Government Activities	Business-Type Activities	Total	Local Develop Corporation	Soil and Water
Primary Government:									
Governmental Activities:									
General government	\$ 11,507,288	\$ 1,416,834	\$ 1,079,118	\$ 4,725	\$ (9,006,611)	\$ -	\$ (9,006,611)	\$ -	\$ -
Education	1,834,323	-	-	81,311	(1,753,012)	-	(1,753,012)	-	-
Public safety	14,802,010	1,014,603	874,043	-	(12,913,364)	-	(12,913,364)	-	-
Health	13,285,408	6,633,862	4,969,150	-	(1,682,396)	-	(1,682,396)	-	-
Transportation	11,162,164	974,870	1,772,822	885,976	(7,528,496)	-	(7,528,496)	-	-
Economic opportunity & develop	31,017,677	1,025,454	13,610,722	-	(16,381,501)	-	(16,381,501)	-	-
Cultural and recreation	518,636	15,040	540,043	-	36,447	-	36,447	-	-
Home & community services	7,323,642	1,958,456	-	-	(5,365,186)	-	(5,365,186)	-	-
Interest on long-term debt	1,097,862	-	-	-	(1,097,862)	-	(1,097,862)	-	-
Amortization of bond cost	16,397	-	-	-	(16,397)	-	(16,397)	-	-
Total Governmental Activities	<u>92,565,407</u>	<u>13,039,119</u>	<u>22,845,898</u>	<u>972,012</u>	<u>(55,708,378)</u>	<u>-</u>	<u>(55,708,378)</u>	<u>-</u>	<u>-</u>
Business-Type Activities:									
Nursing home	12,224,143	10,460,686	-	-	-	(1,763,457)	(1,763,457)	-	-
Total Primary Government	<u>\$ 104,789,550</u>	<u>\$ 23,499,805</u>	<u>\$ 22,845,898</u>	<u>\$ 972,012</u>	<u>(55,708,378)</u>	<u>(1,763,457)</u>	<u>(57,471,835)</u>	<u>-</u>	<u>-</u>
Component Units:									
Local Development Corporation	\$ 179,757	\$ 9,350	\$ 78,729	\$ -	-	-	-	(91,678)	-
Soil and Water District	536,350	15,205	199,284	-	-	-	-	-	(321,861)
Total Component Units	<u>\$ 716,107</u>	<u>\$ 24,555</u>	<u>\$ 278,013</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,678)</u>	<u>(321,861)</u>
General Revenues:									
Real property taxes and tax items					29,075,780	-	29,075,780	-	-
Non-property taxes					17,021,044	-	17,021,044	-	-
Miscellaneous and intergovernmental transfer					2,885,373	2,433,733	5,319,106	197	169,774
Investment earnings					255,838	20,861	276,699	85,583	8,598
Transfers					-	-	-	-	-
Total General Revenues and Transfers					<u>49,238,035</u>	<u>2,454,594</u>	<u>51,692,629</u>	<u>85,780</u>	<u>178,372</u>
Change in net assets					(6,470,343)	691,137	(5,779,206)	(5,898)	(143,489)
Net Assets-Beginning					82,960,347	3,093,016	86,053,363	3,798,780	558,796
Net Assets-Ending					<u>\$ 76,490,004</u>	<u>\$ 3,784,153</u>	<u>\$ 80,274,157</u>	<u>\$ 3,792,882</u>	<u>\$ 415,307</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Balance Sheet
Governmental Funds

December 31, 2009

ASSETS	General Fund	Washington Tobacco Asset Securitization Corporation	Non-Major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 6,132,416	\$ 59,353	\$ 9,285,480	\$ 15,477,249
Taxes receivable (net of allowance for uncollectibles of \$500,000)	8,573,627	-	-	8,573,627
Accounts receivable (net of allowance for uncollectibles of \$680,500)	1,247,407	22,710,587	841,662	24,799,656
State and federal receivables	12,728,287	-	1,241,398	13,969,685
Due from other funds	1,495,655	-	462,309	1,957,964
Due from other governments	87,310	-	731,685	818,995
Inventories, at cost	11,207	-	838,629	849,836
Prepaid expenses	395,596	-	82,908	478,504
Restricted Assets:				
Cash	-	912,973	2,383,299	3,296,272
Due from other governments	-	-	4,523	4,523
Other receivables	-	-	166,393	166,393
Total Assets	\$ 30,671,505	\$ 23,682,913	\$ 16,038,286	\$ 70,392,704
LIABILITIES				
Accounts payable	\$ 2,518,194	\$ -	\$ 1,085,865	\$ 3,604,059
Accrued liabilities	499,604	-	145,748	645,352
Other liabilities	5,285,767	-	3,678	5,289,445
Bond anticipation notes payable	-	-	3,957,000	3,957,000
Due to other funds	296,311	-	1,005,301	1,301,612
Due to other governments	8,215,349	-	95,779	8,311,128
Deferred revenues	2,517,774	22,710,587	250,300	25,478,661
Payables From Restricted Assets:				
Accounts payable	-	-	111,403	111,403
Accrued liabilities	-	-	1,535	1,535
Due to other funds	-	-	416,098	416,098
Deferred revenues	-	-	748,434	748,434
Total Liabilities	19,332,999	22,710,587	7,821,141	49,864,727

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Balance Sheet
Governmental Funds

December 31, 2009

FUND EQUITY	General Fund	Washington Tobacco Asset Securitization Corporation	Non-Major Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances:				
Reserved For:				
Encumbrances	156,262	-	329,948	486,210
Miscellaneous	61,844	-	197,593	259,437
Inventories	11,207	-	838,629	849,836
Workers' compensation	-	-	1,523,308	1,523,308
Insurance	902,113	-	-	902,113
Debt	-	912,973	2,468	915,441
Unreserved:				
Designated-ensuing year's budget	1,966,210	-	3,497,552	5,463,762
Undesignated	8,240,870	59,353	1,827,647	10,127,870
Total Fund Equity	<u>11,338,506</u>	<u>972,326</u>	<u>8,217,145</u>	<u>20,527,977</u>
Commitments and Contingencies				
Total Liabilities and Fund Equity	<u>\$ 30,671,505</u>	<u>\$ 23,682,913</u>	<u>\$ 16,038,286</u>	<u>\$ 70,392,704</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2009

REVENUES	General Fund	Washington Tobacco Asset Securitization Corporation	Non-Major Funds	Total Governmental Funds
Real property taxes and tax items	\$ 28,124,166	\$ -	\$ 491,400	\$ 28,615,566
Non-property taxes	17,021,044	-	-	17,021,044
Departmental income	9,229,211	-	1,907,334	11,136,545
Intergovernmental charges	936,315	-	9,684,194	10,620,509
Use of money and property	305,998	1,365	138,194	445,557
Licenses and permits	-	-	97,939	97,939
Fines and forfeitures	175,378	-	-	175,378
Sale of property and compensation for loss	643,012	-	521,639	1,164,651
Miscellaneous local sources	210,083	985,571	1,561,350	2,757,004
Interfund revenues	512,904	-	2,373,849	2,886,753
State aid	10,769,134	-	1,834,105	12,603,239
Federal aid	9,199,913	-	1,461,124	10,661,037
Total Revenues	77,127,158	986,936	20,071,128	98,185,222
EXPENDITURES				
Current:				
General government support	8,139,786	23,393	1,735,006	9,898,185
Education	1,747,287	-	87,036	1,834,323
Public safety	9,669,979	-	393,034	10,063,013
Health	11,790,456	-	-	11,790,456
Transportation	-	-	11,413,682	11,413,682
Economic opportunity and development	27,400,272	-	570,293	27,970,565
Cultural and recreation	382,928	-	-	382,928
Home and community services	968,195	-	4,867,290	5,835,485
Employee benefits	8,601,235	-	9,239,786	17,841,021
Debt Service:				
Principal retirement	774,390	295,000	570,470	1,639,860
Interest	222,378	684,069	208,744	1,115,191
Total Expenditures	69,696,906	1,002,462	29,085,341	99,784,709
Excess (Deficit) of Revenues Over (Under) Expenditures	7,430,252	(15,526)	(9,014,213)	(1,599,487)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	117,772	-	8,478,101	8,595,873
Operating transfers out	(8,322,329)	-	(273,544)	(8,595,873)
BAN Principal Redeemed From Appropriation	-	-	44,592	44,592
Total Other Financing Sources (Uses)	(8,204,557)	-	8,249,149	44,592

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2009

	General Fund	Washington Tobacco Asset Securitization Corporation	Non-Major Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balances	(774,305)	(15,526)	(765,064)	(1,554,895)
Fund Balance at Beginning of Year	12,112,811	987,852	8,982,209	22,082,872
Fund Balance at End of Year	<u>\$ 11,338,506</u>	<u>\$ 972,326</u>	<u>\$ 8,217,145</u>	<u>\$ 20,527,977</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2009

REVENUES	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Real property taxes and tax items	\$ 28,172,455	\$ 28,172,455	\$ 28,124,166	\$ (48,289)
Non-property taxes	18,315,000	18,215,000	17,021,044	(1,193,956)
Departmental income	8,642,260	8,692,809	9,229,211	536,402
Intergovernmental charges	1,753,206	996,966	936,315	(60,651)
Use of money and property	433,574	340,574	305,998	(34,576)
Fines and forfeitures	112,000	141,358	175,378	34,020
Sale of property and compensation for loss	795,413	790,016	643,012	(147,004)
Miscellaneous local sources	183,300	210,100	210,083	(17)
Interfund revenues	788,311	620,811	512,904	(107,907)
State aid	13,937,481	14,359,362	10,769,134	(3,590,228)
Federal aid	8,164,066	9,548,939	9,199,913	(349,026)
Total Revenues	<u>81,297,066</u>	<u>82,088,390</u>	<u>77,127,158</u>	<u>(4,961,232)</u>
EXPENDITURES				
Current:				
General government support	9,237,468	11,287,304	8,268,882	3,018,422
Education	1,717,293	1,767,293	1,747,287	20,006
Public safety	10,361,102	10,400,599	9,679,696	720,903
Health	13,303,935	12,622,587	11,807,215	815,372
Economic opportunity and development	29,815,460	28,707,897	27,400,962	1,306,935
Cultural and recreation	358,395	397,569	382,928	14,641
Home and community services	658,958	1,023,531	968,195	55,336
Employee benefits	9,644,019	9,224,326	8,601,235	623,091
Debt Service:				
Principal retirement	774,390	774,390	774,390	-
Interest	263,141	263,141	222,378	40,763
Total Expenditures	<u>76,134,161</u>	<u>76,468,637</u>	<u>69,853,168</u>	<u>6,615,469</u>
Excess of Revenues Over Expenditures	<u>5,162,905</u>	<u>5,619,753</u>	<u>7,273,990</u>	<u>1,654,237</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	117,772	117,772
Operating transfers out	(7,461,789)	(8,322,329)	(8,322,329)	-
Total Other Financing Sources (Uses)	<u>(7,461,789)</u>	<u>(8,322,329)</u>	<u>(8,204,557)</u>	<u>117,772</u>
Net Change in Fund Balance - Budget Basis	<u>\$ (2,298,884)</u>	<u>\$ (2,702,576)</u>	<u>(930,567)</u>	<u>\$ 1,772,009</u>
Encumbrances Included in Actual			156,262	
Net Change in Fund Balance			(774,305)	
Fund Balance at Beginning of Year			12,112,811	
Fund Balance at End of Year			<u>\$ 11,338,506</u>	

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Balance Sheet
Proprietary and Fiduciary Funds

December 31, 2009

ASSETS	Business-Type Activity	Fiduciary Fund Type
	Enterprise Fund	Agency Fund
Current Assets:		
Cash and cash equivalents	\$ 4,028,459	\$ 734,645
Restricted cash	203,972	115,320
Residents accounts receivable, net of estimated allowance for doubtful accounts of \$200,000	1,383,843	-
Due from other funds	150,049	-
Other receivables	2,601	69,393
Supplies	168,670	-
Prepaid expenses	93,610	-
Total Current Assets	6,031,204	919,358
Property, plant and equipment, net of accumulated depreciation	4,722,410	-
Total Assets	\$ 10,753,614	\$ 919,358
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 221,341	\$ -
Accounts payable, trade	286,884	-
Accrued payroll and related benefits	259,688	-
Accrued interest	26,103	-
Accounts payable, third-party payors	72,427	-
Due to other funds	583,025	58,815
Other liabilities	203,972	860,543
Total Current Liabilities	1,653,440	919,358
Non-Current Liabilities:		
Long-term debt, net of current portion	2,189,025	-
Workers' compensation claims and judgments payable	870,865	-
Postemployment health benefits	2,256,131	-
Total Non-Current Liabilities	5,316,021	-
Total Liabilities	6,969,461	919,358
FUND EQUITY		
Invested in property, plant and equipment, net of related debt	2,312,044	-
Unrestricted surplus	1,472,109	-
Total Fund Equity	3,784,153	-
Total Liabilities and Fund Equity	\$ 10,753,614	\$ 919,358

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Cash Flows
Proprietary Fund

Year Ended December 31, 2009

	Business-Type Activity
	<u>Enterprise Fund</u>
Cash Flows From Operating Activities:	
Receipts from and on behalf of residents	\$ 10,360,350
Payments to suppliers for goods and services	(2,754,042)
Payments to employees for services	(7,585,861)
Other operating revenues	<u>8,756</u>
Net Cash Provided (Used) by Operating Activities	<u>29,203</u>
Cash Flows From Noncapital Financing Activities:	
Intergovernmental transfer	<u>2,531,389</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,531,389</u>
Cash Flows From Capital and Related Financing Activities:	
Principal payments on serial bonds	(220,732)
Interest payments on serial bonds	(118,315)
Purchases of property and equipment	<u>(162,958)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(502,005)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>20,861</u>
Net Cash Provided (Used) by Investing Activities	<u>20,861</u>
Net Increase In Cash and Cash Equivalents	2,079,448
Cash and Cash Equivalents at Beginning of Year	<u>1,949,011</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,028,459</u></u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Cash Flows
Proprietary Fund

Year Ended December 31, 2009

	Business-Type Activity
	<u>Enterprise Fund</u>
Reconciliation of Loss From Operations to Net Cash Provided (Used) by Operating Activities:	
Loss From Operations	\$ (1,763,457)
Adjustments to Reconcile Loss From Operations to Net Cash Provided (Used) by Operating Activities:	
Depreciation	594,269
Bad debts	105,000
Changes in:	
Residents accounts receivable	(56,868)
Due to/from Washington County	111,887
Supplies	7,406
Prepaid expense	94,759
Other receivables	(2,601)
Accounts payable	(71,747)
Accrued items	(673)
Due to/from third-party payors	(37,313)
Workers' Compensation claims and judgments payable	(125,227)
Change in OPEB liability	<u>1,173,768</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 29,203</u>

Supplemental Disclosure of Cash Flow Information:

Included in accounts payable at December 31, 2009 is \$56,995 for the purchase of fixed assets.

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

December 31, 2009

ASSETS	Total Governmental Funds	Long-term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Assets Totals
Cash and cash equivalents	\$ 15,477,249	\$ -	\$ -	\$ 15,477,249
Taxes receivable (net)	8,573,627	-	-	8,573,627
Accounts receivable (net)	24,799,656	-	240,254	25,039,910
State and federal receivables	13,969,685	(5,485,045)	-	8,484,640
Due from other funds	1,957,964	-	(1,957,964)	-
Due from other governments	818,995	-	-	818,995
Inventories, at cost	849,836	-	-	849,836
Prepaid expenses	478,504	-	-	478,504
Restricted Assets:				
Cash	3,296,272	-	-	3,296,272
Due from other governments	4,523	-	-	4,523
Other receivables	166,393	-	-	166,393
Bond issue cost	-	584,559	-	584,559
Capital assets, net	-	85,815,709	-	85,815,709
Total Assets	\$ 70,392,704	\$ 80,915,223	\$ (1,717,710)	\$ 149,590,217
LIABILITIES				
Accounts payable	\$ 3,604,059	\$ -	\$ -	\$ 3,604,059
Accrued liabilities	645,352	3,026,233	-	3,671,585
Other liabilities	5,289,445	(5,162,944)	-	126,501
Due to other funds	1,301,612	-	(1,301,612)	-
Due to other governments	8,311,128	-	-	8,311,128
Deferred revenues	25,478,661	(2,511,024)	-	22,967,637
Bond anticipation notes payable	3,957,000	-	-	3,957,000
Payables from Restricted Assets:				
Accounts payable	111,403	-	-	111,403
Accrued liabilities	1,535	-	-	1,535
Due to other funds	416,098	-	(416,098)	-
Deferred revenues	748,434	-	-	748,434
Noncurrent Liabilities:				
Due within one year	-	924,659	-	924,659
Due in more than one year	-	28,676,272	-	28,676,272
Total Liabilities	49,864,727	24,953,196	(1,717,710)	73,100,213
FUND EQUITY				
Invested in assets net of debt	-	63,713,634	-	63,713,634
Reserved For:				
Encumbrances	486,210	-	(486,210)	-
Inventories	849,836	-	(849,836)	-
Insurance	902,113	-	(902,113)	-
Debt	915,441	-	-	915,441
Workers' Compensation	1,523,308	-	(1,523,308)	-
Miscellaneous	259,437	-	(259,437)	-
Unreserved:				
Designated-ensuing year's budget	5,463,762	-	(5,463,762)	-
Undesignated	10,127,870	(7,751,607)	9,484,666	11,860,929
Total Fund Equity	20,527,977	55,962,027	-	76,490,004
Total Liabilities and Fund Equity	\$ 70,392,704	\$ 80,915,223	\$ (1,717,710)	\$ 149,590,217

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

December 31, 2009

(1) Explanations of above adjustments:

To recognize changes in state aid receivable for unsettled claims in mental health programs	<u>\$ (5,485,045)</u>
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Bond issue cost is recognized as an asset for the statement of net assets, but reported as an expenditure in governmental funds	<u>\$ 584,559</u>
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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 assets includes those capital assets among the assets of the County as a whole:

Cost of capital assets	\$ 137,986,636
Less: accumulated depreciation	<u>(52,170,927)</u>
	<u>\$ 85,815,709</u>

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

Landfill closing cost	\$ 267,239
Compensated absences	897,676
Workers' compensation	1,715,056
Accrued interest	<u>146,262</u>
	<u>\$ 3,026,233</u>

To recognize the changes in advances (liabilities) for unsettled claims in mental health programs	<u>\$ (5,162,944)</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 revenue in the governmental funds, and thus are not included in fund balance:

Adjustment of Deferred Revenues	<u>\$ (2,511,024)</u>
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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 assets:

Bonds and Loans Payable	\$ 19,080,634
OPEB Liability	<u>10,520,297</u>
	<u>\$ 29,600,931</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, 2009

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 of the governmental funds. (Exhibit D)	\$ 98,185,222
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.	460,215
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.	(3,207,264)
To reverse state mental health aid recognized in prior years as revenue instead of advances/liabilities regarding unsettled claims.	(431,937)
To eliminate interfund revenues of self insurance funds for workers' compensation and health insurance premiums.	(8,331,660)
To eliminate reimbursement from the escrow agent regarding defeased bond payments against principal paid expense in the governmental funds.	(495,000)
To recognize the loss on disposition of capital assets.	<u>(84,511)</u>
	<u>\$ 86,095,065</u>

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

Charges for services	\$ 13,039,119	
Operating grants and contributions	22,845,898	
Capital grants and contributions	972,012	
General revenues and transfers	<u>49,238,036</u>	
Total Revenues of Governmental Activities		<u>\$ 86,095,065</u>

See Auditors' 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, 2009

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 of the governmental funds. (Exhibit D)	\$ 99,784,709
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 depreciation (\$5,360,608) exceed capital expenditures (\$4,306,509).	1,054,099
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.	5,512,005
Interfund expenditures are eliminated against the respective interfund revenues.	(3,207,264)
Repayment of bond principal is reported as an expenditure in governmental funds. 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.	(1,639,860)
To recognize mental health costs for expense recognized in past year instead of deferred expense regarding unsettled claims.	(635,480)
To eliminate interfund expenditures for workers' compensation and health insurance premiums.	(8,331,660)
To recognize compensated absences expense for current year change in liability.	(38,092)
To recognize landfill closing costs for current year change in liability.	(52,508)
To recognize current year effect of change in workers' compensation liability.	120,390
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 and amortization of bonds expense in the statement of activities differs from the amount reported in governmental funds by this amount.	(932)
Total Expenses of Governmental Activities (Exhibit B)	<u>\$ 92,565,407</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

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 as set forth in GASB Statement 14.

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining 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 37% 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, 2009

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 assets 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, 2009

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.

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.

- 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.
- h. County Road Fund
This fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Summary of Significant Accounting Policies – Continued

Basis of Presentation – Continued

i. 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.

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 on capital asset. 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 36, 37, 45 and 46 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 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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Summary of Significant Accounting Policies – Continued

Capital Assets – Continued

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 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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Summary of Significant Accounting Policies – Continued

Measurement Focus and Basis of Accounting – Continued

- 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 reservations of 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>Expenditures</u> <u>General Fund</u>
Total funds included in budget comparison (Exhibit E)	\$ 69,853,168
Less: encumbrances recorded in budget comparison (not GAAP)	<u>(156,262)</u>
GAAP Basis (Exhibit D)	<u>\$ 69,696,906</u>

No budget is required for the Washington Tobacco Asset Securitization Corporation.

Cash and Cash in Time Deposits

All cash accounts were fully collateralized or covered by FDIC, or covered by an irrevocable standby letter of credit. No amounts were drawn on the letter of credit at December 31, 2009.

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 financial statement purposes, the year end balance on hand is reported as an asset in the balance sheet with an offsetting reserve of the fund balance.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Summary of Significant Accounting Policies – Continued

Property, Plant and Equipment

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

No interest on construction in progress has been capitalized.

Fixed 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 Compensatory Absences

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

Payment of vacation and compensatory absences recorded in accrued liabilities 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 compensatory absences when such payments become due.

Post Retirement Benefits

In addition to providing pension benefits, Washington County provides health insurance coverage and survivor benefits for 383 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 \$1,333,211 as an expenditure during 2009.

Reserves and Restricted Net Assets

The County records reserves to indicate the portion of the fund balance which is legally segregated for a specific future use or not available for current appropriation. The reserve for DWI program is established to indicate a portion of fund balance is restricted for expenditures under the STOP - DWI program. The reserve for inventories indicates the portion of the fund balance that has been used to fund inventory and is not available for appropriation. The reserve for workers' compensation has been established to indicate a portion of fund balance is restricted for the payment of future claims. The reserve for debt represents mortgage tax monies and interest earned on deposits which will be used to offset future debt service payments relating to an Adirondack Community College Capital Project as well as tobacco asset settlement receipts set aside for future debt service payments relating to the Washington County bonds issued for jail construction. The reserve for debt is considered a restricted net asset in the statement of net assets because it is created under enabling legislation.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Summary of Significant Accounting Policies – Continued

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:

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 revenues on the County General Fund balance sheet at December 31, 2009 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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Summary of Significant Accounting Policies – Continued

Concentrations of Credit Risk

Financial instruments which potentially expose the primary government to concentrations of credit risk, as defined by Financial Accounting Standards Board Statement No. 105, consist primarily of taxes receivable and tax sale certificates which are secured by property values throughout the County.

Pleasant Valley Infirmery'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, 2009.

Pleasant Valley Infirmery 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:

Medicare	12%
Medicaid	63%
Private Pay	25%

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, 2009.

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 assets of governmental activities:
Total fund balances of the County's governmental funds differs from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets versus the solely current financial resources focus of the governmental fund balance sheet.
- B. Statement of revenues, expenditures and changes in fund balance vs. statement of activities:
Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of 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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

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

B. Statement of revenues, expenditures and changes in fund balance vs. statement of activities – Continued:

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.

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 assets.

Stewardship, Compliance and Accountability

Compliance with finance related legal and contractual provisions are discussed in a separate "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, 2009:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Washington Tobacco Asset Securitization Corporation (on its accrual basis financial statements)	\$ 12,356,475
Capital Project – Adirondack Community College	819,672
Capital Project – Microwave equipment	211,869
Capital Project – Snowplow routing efficiency study	1,750
Capital Project – Route 4 betterment	381,844
Capital Project – Sewer repairs	114,717
Capital Project – Sewer district garage roof repair	50,403
Total	<u>\$ 13,936,730</u>

These deficits will be relieved as follows:

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Restricted Assets

Restricted assets are as follows:

	Cash Checking and Savings	Due From Other Governments	Loans and Other Receivables
Special revenue	\$ 1,523,308	\$ 632	\$ 166,393
Capital projects	859,991	3,891	-
Agency	115,320	-	-
Enterprise	203,972	-	-
Local Development Corporation	965,190	-	720,014
Soil and Water District	415,307	-	-
Washington Tobacco Asset Securitization Corporation	912,973	-	-
Total	<u>\$ 4,996,061</u>	<u>\$ 4,523</u>	<u>\$ 886,407</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.

Accounts Receivable

Accounts receivable for Washington Tobacco Asset Securitization Corporation include an estimate of the present value of future tobacco settlement receipts in the amount of \$22,710,587 in accordance with Government Accounting Standards Board Statement #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 revenue.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

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.

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 \$200,000 at December 31, 2009.

Changes in Property, Plant and Equipment

A summary of changes in property, plant and equipment is as follows:

	Balance January 1, 2009	Additions	Retirements/ Reclass- ifications	Balance December 31, 2009
Governmental Funds:				
Land	\$ 1,640,616	\$ -	\$ 50,613	\$ 1,691,229
Buildings	46,164,483	-	-	46,164,483
Construction in progress	16,990,643	742,385	(11,887,540)	5,845,488
Improvements	42,113	-	4,602	46,715
Bridges	13,820,808	247,255	7,778,614	21,846,677
Roads	24,144,634	1,347,796	410,462	25,902,892
Infrastructure	11,992,361	-	961,706	12,954,067
Machinery and equipment	19,848,921	1,969,073	1,717,091	23,535,085
Total cost	134,644,579	4,306,509	(964,452)	137,986,636
Less: accumulated depreciation:				
Buildings	(15,542,883)	(1,125,186)	-	(16,668,069)
Improvements	(17,576)	(1,439)	-	(19,015)
Bridges	(2,203,483)	(436,934)	-	(2,640,417)
Roads	(12,210,069)	(1,760,944)	-	(13,971,013)
Infrastructure	(5,076,893)	(259,081)	-	(5,335,974)
Machinery and equipment	(12,639,356)	(1,777,024)	879,941	(13,536,439)
Total accumulated depreciation	(47,690,260)	(5,360,608)	879,941	(52,170,927)
Total cost, net	\$ 86,954,319	\$ (1,054,099)	\$ (84,511)	\$ 85,815,709

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Changes in Property, Plant and Equipment – Continued

Depreciation was charged to governmental funds as follows:

General Government	\$ 583,944
Public Safety	888,691
Health and Sanitation	86,374
Transportation	2,861,971
Economic Assistance	101,063
Culture and Recreation	6,995
Home and Community	831,570
	<hr/>
Total	\$ 5,360,608

	Balance January 1, 2009	Net Additions (Deletions)	Balance December 31, 2009
	<hr/>	<hr/>	<hr/>
Enterprise Fund:			
Land improvements	\$ 1,267,065	\$ 32,777	\$ 1,299,842
Buildings and improvements	8,867,745	39,907	8,907,652
Fixed equipment	633,078	1,505	634,583
Moveable equipment	2,314,085	(15,063)	2,299,022
Construction in progress	57,269	19,430	76,699
	<hr/>	<hr/>	<hr/>
Total cost	13,139,242	78,556	13,217,798
Less: accumulated depreciation	(7,980,842)	(514,546)	(8,495,388)
	<hr/>	<hr/>	<hr/>
Total cost, net	\$ 5,158,400	\$ (435,990)	\$ 4,722,410

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.

Individual interfund receivable and payable balances at December 31, 2009 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,495,655	\$ 296,311
Special Revenue Funds:		
Car Pool	97,158	68,577
County Road	15,901	227,878
Road Machinery	268,267	1,151
Sewer District #1	-	2,000
Sewer District #2	2,000	3,237
Solid Waste Management	78,983	13,396
Self-Insurance – Workers' Compensation	-	416,098

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Interfund Transactions – Continued

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Agency Fund	-	58,815
Capital Projects Funds	-	689,062
Enterprise Fund	140,479	321,918
	<hr/>	<hr/>
Total	<u>\$ 2,098,443</u>	<u>\$ 2,098,443</u>

Interfund transfers during the year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 117,772	\$ 8,322,329
Special Revenue Funds:		
County Road	5,789,806	-
Sewer District #2	-	155,772
Solid Waste Management	1,671,983	-
Self-insurance	700,000	-
Capital Project Funds	316,312	117,772
	<hr/>	<hr/>
Total	<u>\$ 8,595,873</u>	<u>\$ 8,595,873</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.

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:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Indebtedness – Continued

	<u>County</u>	<u>Nursing Home</u>	<u>Total ERS</u>
2009	\$ 1,904,374	\$ 382,971	\$ 2,287,345
2008	2,032,483	440,686	2,473,169
2007	2,121,953	533,023	2,654,976

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, 2009 as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Due to other counties	\$ 186,952	\$ 36,722	\$ -
Due to New York State	306,993	-	1,112
Due to special districts	1,546	-	-
Due to central school districts	6,824,504	-	-
Due to villages and towns	895,354	57,945	-
 Total	 <u>\$ 8,215,349</u>	 <u>\$ 94,667</u>	 <u>\$ 1,112</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 \$897,676 for compensated absences were determined based upon a survey of each department made by the County Administrator and are reported on the statement of net assets as an accrued liability.

Bonds, Notes and Long-Term Liabilities

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

	<u>Payable at January 1, 2009</u>	<u>Additions</u>	<u>Payments and Defeas- ments</u>	<u>Payable at December 31, 2009</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Bond						
anticipation						
notes						
payable	\$ 3,200,000	\$ 2,160,000	\$(1,403,000)	\$ 3,957,000	\$ 3,957,000	\$ -
OPEB liability	5,008,292	5,512,005	-	10,520,297	-	10,520,297
Pleasant Valley						
OPEB liability	1,082,363	1,179,584	-	2,256,131	-	2,256,131
Pleasant Valley						
debt	2,631,098	-	(220,732)	2,410,366	221,341	2,189,025
Pleasant Valley						
workers'						
compensation	996,092	-	(125,227)	870,865	-	870,865

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Indebtedness – Continued

Bonds, Notes and Long-Term Liabilities – Continued

	Payable at January 1, 2009	Additions	Payments and Defeas- ments	Payable at December 31, 2009	Due Within One Year	Due in More Than One Year
State loans payable	422,000	-	(71,000)	351,000	71,000	280,000
General obligations and serial bonds	5,608,902	-	(734,268)	4,874,634	743,659	4,130,975
WTASC bonds	14,150,000	-	(295,000)	13,855,000	110,000	13,745,000
Total	\$33,098,747	\$8,851,589	\$(2,849,227)	\$39,095,293	\$5,103,000	\$33,992,293

Bond Anticipation Notes Payable

B.A.N. issued December 24, 2009 due December 23, 2010 with interest at 3.23% to finance three Sewer Infrastructure Improvement Projects	\$ 547,000
B.A.N. issued May 22, 2009 due May 21, 2010 with interest at 1.81% to finance construction at Adirondack Community College	1,250,000
B.A.N. issued May 21, 2009 due May 21, 2010 with interest at 1.8% to finance microwave equipment at Colfax Mountain	210,000
B.A.N. issued March 25, 2009 due March 25, 2010 with interest at 1.95% to finance Service District #2's long-term control plan and UV improvements	950,000
B.A.N. issued May 21, 2009 due May 21, 2010 with interest at 1.68% to finance a county roads Capital Project	500,000
B.A.N. issued May 21, 2009 due May 21, 2010 with interest at 1.6% to finance a county roads Capital Project	500,000
Total bond anticipation notes payable	\$ 3,957,000

State Loans Payable

\$787,335 in revenue bonds issued by the New York State Environmental Facilities Corporation for the State Water Pollution Control Revolving Fund, payable in annual principal payments ranging from \$31,335 to \$46,000 on March 15 of each year through 2010 with semi-annual interest payments ranging from 5.9% to 7.5% due on March 15 and September 15 of each year.	\$ 46,000
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WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Indebtedness – Continued

State Loans Payable – Continued

\$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.

305,000

Total State Loans Payable

\$ 351,000

General Obligation and Serial Bonds

\$1,700,000 Sewer District #2 and public improvement serial bonds, due in annual installments as follows with interest at 6.375%:

2010-2011	100,000	\$ 200,000
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\$3,500,000 County Office Building public improvement serial bonds, due in annual installments as follows with interest at 6.375%:

2010-2011	200,000	400,000
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\$2,500,000 Court House Building public improvement serial bonds, due in annual installments as follows with interest at 6.375%:

2010-2011	150,000	300,000
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\$2,400,000 County Office Building public improvement serial bonds, due in annual installments as follows with interest at 6.3%:

2010-2011	145,000	290,000
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\$1,800,000 Court House Building public improvement serial bonds, due in annual installments as follows with interest at 6.3%:

2010-2011	120,000	240,000
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\$2,875,000 Transfer Station public improvement serial bonds, due in annual installments as follows with interest at 6.3%:

2009-2011	175,000	350,000
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\$1,000,000 Kingsbury Transfer Station public improvement serial bonds, due in annual installments as follows with interest at 6.3%:

2010-2011	60,000	120,000
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WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Indebtedness – Continued

General Obligation and Serial Bonds – Continued

\$6,000,000 Public Improvement serial bonds, due in annual installments ranging from \$245,000 to \$375,000 through 2023 with interest ranging from 4.07% to 4.25%; \$500,000 of the bonds are recorded on Pleasant Valley's Balance Sheet

	<u>3,964,634</u>
Total	5,864,634
Less: defeased bonds	<u>(990,000)</u>
Total general obligation and serial bonds	<u>\$ 4,874,634</u>

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

	<u>Principal</u>	<u>Interest</u>
2010	\$ 814,659	\$ 221,101
2011	782,439	179,007
2012	341,829	148,336
2013	315,610	134,612
2014	325,000	121,901
2015-2019	1,655,975	402,740
2020-2024	<u>990,122</u>	<u>102,962</u>
Total	<u>\$ 5,225,634</u>	<u>\$ 1,310,659</u>

The Pleasant Valley Infirmary 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 infirmary's books as long-term debt and are due in annual installments with interest at 4.75-4.85% as follows:

2010-2012	\$200,000	
2013-2015	225,000	
2016-2018	250,000	
Total principal due		\$ 2,025,000

In 2003, the County issued \$500,000 public improvement serial bonds to finance the construction of improvements made to Pleasant Valley's septic system. The bonds are payable annually on August 15th of each year, with various maturities from 2004 to 2023. Interest on the bonds, ranging from 4% to 4.25%, is payable semi-annually in February and August of each year. The bonds are secured by the full faith and credit of the County of Washington, New York

	<u>385,366</u>
Total	2,410,366
Less: current portion	<u>(221,341)</u>
Total Pleasant Valley General Obligation Serial Bonds	<u>\$ 2,189,025</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Indebtedness – Continued

General Obligation and Serial Bonds – Continued

Long-term debt maturities for Pleasant Valley as of December 31, 2009 are as follows:

2010	\$ 221,341
2011	222,561
2012	223,171
2013	249,390
2014	250,000
Thereafter	<u>1,243,903</u>
 Total	 <u>\$ 2,410,366</u>

Total interest expense for Pleasant Valley was \$116,025 for the year ended December 31, 2009.

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 current balance on the defeased 2000 Bonds is \$9,050,000.

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>
2010	\$ 110,000	\$ 700,325	\$ 810,325
2011	120,000	695,438	815,438
2012	125,000	690,231	815,231
2013	135,000	684,706	819,706
2014	145,000	678,756	823,756
2015-2019	920,000	3,292,525	4,212,525
2020-2024	1,385,000	3,034,845	4,419,845
2025-2029	1,765,000	2,661,469	4,426,469
2030-2034	2,265,000	2,161,875	4,426,875
2035-2039	2,905,000	1,518,875	4,423,875
2040-2044	3,725,000	693,125	4,418,125
2045-2046	<u>255,000</u>	<u>21,000</u>	<u>276,000</u>
 Total	 <u>\$ 13,855,000</u>	 <u>\$ 16,833,170</u>	 <u>\$ 30,688,170</u>

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 \$978,706 as compared to its tobacco settlement revenues of \$985,571. 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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Indebtedness – Continued

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, 2009, the Corporation has drawn down \$300,000 and has made eight loans. The terms are as follows:

Installment contract to the U.S. Department of Agriculture payable in annual installments of \$12,339, including interest at 1%, through November 2028.	\$ 212,203
Less: current portion	<u>(10,214)</u>
Long-term debt, net of current portion	<u>\$ 201,989</u>

Maturities of long-term debt are as follows:

Years ending	
December 31,	
2010	\$ 10,214
2011	10,316
2012	10,419
2013	10,523
2014	10,629
Thereafter	<u>160,102</u>
	<u>\$ 212,203</u>

Postemployment Health Care Benefits – 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, 2009

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 Cost – Fiscal Year Ended December 31, 2009	County	Nursing Home	Total
Normal cost	\$ 3,861,500	\$ 831,600	\$ 4,693,100
Past service cost	2,733,900	583,800	3,317,700
Annual Required Contribution (ARC)	6,595,400	1,415,400	8,010,800
Interest on OPEB obligation	200,300	43,300	243,600
Adjustments to ARC	(188,800)	(40,800)	(229,600)
OPEB expense	<u>\$ 6,606,900</u>	<u>\$ 1,417,900</u>	<u>\$ 8,024,800</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

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, 2009:			
Net OPEB obligation at the beginning of the year	\$ 5,008,292	\$ 1,082,363	\$ 6,090,655
OPEB expense	6,606,900	1,417,900	8,024,800
Net OPEB contributions made during the fiscal year	<u>(1,094,895)</u>	<u>(244,132)</u>	<u>(1,339,027)</u>
Net OPEB obligation at the end of the year	<u>\$10,520,297</u>	<u>\$ 2,256,131</u>	<u>\$12,776,428</u>
Percentage of expense contributed	16.5%	17.2%	16.7%
<u>Reconciliation of Net OPEB Obligation</u>	<u>County</u>	<u>Nursing Home</u>	<u>Total</u>
AT December 31, 2008:			
Net OPEB obligation at the beginning of the year	\$ -	\$ -	\$ -
OPEB expense	6,249,200	1,342,400	7,591,600
Net OPEB contributions made during the fiscal year	<u>(1,240,908)</u>	<u>(260,037)</u>	<u>(1,500,945)</u>
Net OPEB obligation at the end of the year	<u>\$ 5,008,292</u>	<u>\$ 1,082,363</u>	<u>\$ 6,090,655</u>
Percentage of expense contributed	19.9%	19.4%	19.8%
<u>Schedule of Funding Process – Actuarial Valuation Date November 1, 2009</u>	<u>County</u>	<u>Nursing Home</u>	<u>Total</u>
Actuarial accrued liability	\$72,513,100	\$15,484,800	\$87,997,900
Actuarial value of assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	<u>\$72,513,100</u>	<u>\$15,484,800</u>	<u>\$87,997,900</u>
Funded Ratio (Act. accrued liability/Act. value of assets)	0%	0%	0%

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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Other Postemployment Benefits (OPEB) – Continued

Actuarial Methods and Assumptions – Continued

As of November 1, 2008, the most recent (initial) actuarial valuation, the liabilities were computed using the projected unit credit method with a thirty year amortization. The actuarial assumptions utilized a 4% discount rate. The valuation assumes a variable healthcare cost trend inflation rate ranging from 18.4% down to 4% and a post retirement benefit increase of 3% for contract migration.

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.

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, 2009, the total amount of claims incurred but not paid until 2010 was \$197,616. This liability is reflected in accounts payable on the balance sheet and statement of net assets.

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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Contingent Liabilities – Continued

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 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 2009 expenditures approximated \$468,000. 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 47 participants at December 31, 2009. 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 \$2,585,921. Of this, \$1,715,056 is reported in the County's accrued liabilities. A provision has been made for \$870,865 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, 2009. Claims and judgments calculated for 2009 totaled \$1,300,165.

The cases in which the County has been named a defendant have been determined not to significantly affect the County's finances or are currently being defended by the County's insurance carriers or by the Attorney General's Office of the State of New York under contract.

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 6% and 78%, respectively, of the Home's net patient service revenue for the year ended December 31, 2009. 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 2009 net patient service revenue increased approximately \$663,000 as a result of the final settlements in excess of amounts previously estimated.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

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. While no outstanding regulatory actions exist at December 31, 2009 for the Home, compliance with these laws and regulations is subject to future government review, interpretation or actions which are unknown and unasserted at this time.

Medical Malpractice Insurance

The Home is covered by professional liability insurance on an occurrence basis. For the year ended December 31, 2009, 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 deductions 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, 2009.

Operating Leases

The Home leases office equipment under operating leases and charges the costs to expense as incurred. The amount charged to expense for the year ended December 31, 2009 was \$4,467. Aggregate future minimum rentals under all operating leases at December 31, are as follows:

2010	\$	4,011
2011		4,813
2012		4,813
2013		2,808

Hudson Falls Resource Recovery Facility

Hudson Falls Resource Recovery Facility is a 510 ton-per-day waste-to-energy facility, which began commercial operation in 1992 under a service agreement with Foster Wheeler Corporation. Warren and Washington counties are obligated to deliver all waste generated within both counties to the facility and to make service payments to the Warren-Washington County Industrial Development Agency (IDA) equal to debt service plus operating expenses less out-of-county tip fees and revenue from the Niagara Mohawk energy sales contracts. The facility has not met initial projections of self-sufficiency, which called for out-of-county tip fees to subsidize in-county waste disposal. Regional landfill capacity in excess of original projections has resulted in lower tip fees and less volume than originally projected. County opposition to the greater than anticipated financial burden manifested itself in a series of lawsuits, now settled, and a general reticence in making timely payments. However, all County obligations were honored, averaging \$4.6 million per year, with a peak of \$7.6 million in 2000. On October 2, 2003, the IDA terminated their Installment Sale Agreement with Foster Wheeler resulting in the issuer becoming the beneficiary owner of the facility. The partnership reassigned its interest in the amended and restated agreement to Wheelabrator Hudson Falls, LLC, a wholly owned subsidiary of Waste Management, Inc., pursuant to a general assignment and bill of sale dated October 2, 2003. This resulted in the project being operated and maintained by Wheelabrator Hudson Falls, LLC. As part of this process, both Washington and Warren counties and the IDA have settled all outstanding litigation involving Foster Wheeler and obtained a more favorable service agreement.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

Pleasant Valley Contingent Liabilities – Continued

Hudson Falls Resource Recovery Facility – Continued

On May 1, 2004, the IDA issued \$48 million refunding revenue bonds Series 2004-C. These bonds are secured by a perfected first lien mortgage and security interest in the Hudson Falls Resource Recovery Facility and security interest in the trust estate. This was the final step in a multi-phased restructuring of both facility operations and debt obligations. The proceeds of this issue refunded all outstanding facility debt, which is comprised of Series 1989A-C and 1991A revenue bonds for a net present value savings approximately 12% of refunded principal. As part of the restructuring, Washington and Warren Counties have pledged a portion of their sales tax revenue up to the annual debt payment (approximately \$7.8 million annually). Each County share is based on that County's tonnage delivered to the plant. In 2009, tonnage was 35% for Washington County and 65% for Warren County.

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, 2009

Total assets	\$ 45,178,586
Total liabilities	25,263,938
Joint equity	19,914,648
Total revenues	29,988,860
Total expenditures	31,134,597

Joint Venture Equity consists of the following:

Restricted net assets	\$ 3,033,479
Unrestricted net assets	636,694
Investments in capital assets net of related debt	<u>16,244,475</u>
Total	<u>\$ 19,914,648</u>

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, 2009

Commitments

Waste-to-Energy Plant Facility

The Warren-Washington Industrial Development Agency has issued bonds for the construction of a burn plant for solid waste. Washington County has entered into a waste disposal contract by which it has agreed to pay disposal fees to the Warren-Washington Industrial Development Agency if disposal services are provided or made available to the County. The disposal fees are to be calculated in such a manner to cover all debt service on the Industrial Development Bonds that were issued for the construction of the burn plant plus operation and maintenance costs. The total original debt service on these bonds is approximately \$82,000,000. The December 31, 2009 principal balance on the bonds was \$14,795,000. On May 1, 2004, the IDA refinanced these bonds with Warren and Washington Counties pledging sales tax equal to the amount of the annual debt payment. The County will benefit from the lower interest rates and improved conditions and terms in the revised contracts.

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.

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 post closure monitoring commenced in the year 2000 and will continue until 2029 (30 years total).

\$150,716 is reported as landfill closure and postclosure care in accrued liabilities at the Easton Landfill at December 31, 2009 and represents the estimated costs of future monitoring for 20 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 20 years.

\$116,523 is reported as postclosure care in accrued liabilities for the Fort Ann Landfill on December 31, 2008 and represents the estimated costs of future monitoring for 20 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 20 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 2009.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2009

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 8, 2010, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.

WASHINGTON COUNTY, NEW YORK
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U.S. Department of Labor</u>			
E.O.C/Employment and Training Program			
Passed Through Saratoga County, New York:			
*WIA Cluster:			
WIA Adult Program	17.258	\$ 105,295	
ARRA-WIA Adult Program	17.258	26,887	
WIA Dislocated Workers	17.260	177,527	
ARRA-WIA Dislocated Workers	17.260	43,968	
WIA Youth Activities	17.259	96,412	
ARRA-WIA Youth Activities	17.274	<u>58,096</u>	
Total WIA Cluster			508,185
<u>U.S. Federal Emergency Management Agency</u>			
U.S. Department of Homeland Security			
Passed Through NYS Office of Homeland Security:			
Law Enforcement Terrorist Prevention Program	97.067	19,711	
Passed Through State Emergency Management Office:			
State And Local Homeland Security Training Program	97.005	35,676	
Hazard Mitigation Grant	97.039	101,627	
Homeland Security Grant Program	97.067	<u>11,329</u>	
			168,343
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Health:			
Supplemental Food W.I.C.	10.557	<u>359,649</u>	
Passed Through State Office of Temporary and Disability Assistance:			
SNAP Cluster:			
Food Stamps	10.551	9,732,723	
ARRA-Food Stamps	10.561	69,395	
Supplemental Nutrition Assistance Program	10.561	<u>476,070</u>	
Total SNAP Cluster		<u>10,278,188</u>	
Rural Development Intermediary Relending Program	10.767	<u>112,419</u>	
			10,750,256
<u>U.S. Federal Highway Administration</u>			
Passed Through NYS Dept. of Transportation:			
Highway Construction Program	20.205	312,449	
ARRA-Highway Construction Program	20.205	<u>472,031</u>	
Total Highway Construction Program		<u>784,480</u>	
<u>Department of Transportation</u>			
National Traffic Safety Board Administration			
Passed Through NYS Traffic Safety Board:			
Speed & Seatbelt Compliance Grant	20.600	15,754	
Child Passenger Safety Seat Grant	20.602	<u>4,144</u>	
			804,378

*Subrecipient is Washington County Economic Opportunity Council, Inc.

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U.S. Department of Education</u>			
Passed Through State Board of Elections:			
Help America Vote Act Grant	90.401	4,725	
			4,725
<u>U.S. Dept. of Health and Human Services</u>			
Passed Through State Department of Health:			
Bio-Terrorism Grant	93.069	59,347	
Immunization Grant	93.268	7,842	
Medical Assistance Program	93.778	131,831	
ARRA-Medical Assistance Program	93.778	897,807	
Passed Through State Office of Children & Family Services:			
Child Care, Title IV-E	93.596	814,385	
Adoption Assistance	93.659	10,704	
ARRA-Adoption Assistance	93.659	32,810	
Passed Through Saratoga County, NY:			
Employment TANF Summer Youth	93.558	62,108	
Passed Through Office of Temporary and Disability Assistance:			
Foster Care	93.658	459,836	
ARRA-Foster Care	93.658	60,356	
Child Support Enforcement Title IV-D	93.563	193,769	
ARRA-Child Support Enforcement Title IV-D	93.563	38,775	
Assistance Payments / Maintenance (TANF)	93.558	3,970,377	
Safety Net	93.558	16,867	
Low Income Home Energy Assistance	93.568	4,713,517	
ARRA-Back to School	93.714	326,560	
Passed Through State Office of Aging:			
Aging Cluster:			
Special Programs for the Aging, Title III-C	93.045	136,773	
Special Programs for the Aging, Title III-B	93.044	66,054	
Nutrition Services Incentive Program	93.053	47,701	
Total Aging Cluster		250,528	
Special Programs for the Aging, Title III-D	93.043	713	
Title III-E	93.052	24,210	
Weatherization Referral and Packaging (W.R.A.P.)	93.568	33,552	
ARRA-Aging Home Delivered Nutrition Services	93.705	5,666	
ARRA-Aging Congregate Nutrition Services	93.707	11,528	
HIICAP	93.779	25,784	
Passed Through State Office of Alcoholism & Substance Abuse:			
Substance Abuse Prevention and Treatment Block Grant	93.959	245,871	
Passed Through State Office of Mental Health:			
Medicaid Salary Sharing	93.778	5,977	
Support Housing	93.958	56,922	
Passed Through Hudson Headwaters Health Network:			
Ryan White HIV Grant	93.924	4,000	

12,461,642

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U.S. Department of Housing and Urban Development</u>			
ARRA-Homelessness Prevention & Rapid Rehousing	14.257	<u>29,031</u>	29,031
<u>U.S. Department of Justice</u>			
Violence Against Women Grant	16.588	28,700	
Drug Enforcement Administration	16.580	12,939	
ARRA-Byrne Memorial JAP Grant Youth	16.804	<u>20,156</u>	61,795
<u>Environmental Protection Agency</u>			
Passed Through Health Central Administration:			
State Indoor Radon Grants	66.032	<u>4,310</u>	4,310
			<u>4,310</u>
Total			<u>\$ 24,792,665</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

December 31, 2009

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.



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**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 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, 2009 which collectively comprise Washington County, New York's basic financial statements and have issued our report thereon dated September 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (09-01 and 09-02). 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.

Compliance and Other Matters

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

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

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

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

September 8, 2010



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Certified Public Accountants and Consultants

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

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

Compliance

We have audited the compliance of Washington County, New York with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. Washington County, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule 2, findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Washington County, New York's management. Our responsibility is to express an opinion on Washington County, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in 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. Our audit does not provide a legal determination of Washington County, New York's compliance with those requirements.

In our opinion, Washington County, New York complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Washington County, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Washington County, New York's response, and accordingly, we express no opinion on it.

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

Whittemore, Dowen & Ricciardelli, LLP

Whittemore, Dowen & Ricciardelli, LLP

September 8, 2010

WASHINGTON COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2009

Section I - Summary of Auditor's Results

I. Financial Statements

- A. Type of auditors' report issued
 1. Unqualified.
- B. Internal control over financial reporting
 1. No material weaknesses were identified.
 2. Two significant deficiencies were identified that are not considered to be material weaknesses.
- C. No instances of noncompliance were noted.

II. Federal Awards

- A. Internal control over major programs
 1. No material weaknesses were identified.
 2. No significant deficiencies were identified.
- B. Type of auditors' report issued on compliance for major programs
 1. An unqualified opinion has been issued on the County of Washington, New York's compliance for major programs.
- C. No audit findings were disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133.
- D. Identification of major programs

<u>**CFDA Numbers</u>	<u>Name of Federal Program</u>
10.551 and 10.561 ARRA-10.551	Food Stamp Cluster, including ARRA – Food Stamps – Farmer Market Coupons
20.205 ARRA-20.205	Highway Construction Program ARRA – Highway Construction Program
93.596	Child Care and Development Fund Cluster
93.658 ARRA-93.658	Foster Care ARRA – Foster Care
93.558 ARRA-93.714	Temporary Assistance to Needy Families Cluster, including ARRA – Back to School

** CFDA numbers and determination of clusters based upon OMB Circular A-133 Compliance Supplement dated June 2010.

WASHINGTON COUNTY, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Section I - Summary of Auditor's Results – Continued

- E. The dollar threshold used to distinguish Type A and Type B programs was \$615,182.
- F. The auditee qualifies as a low-risk auditee.

WASHINGTON COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2009

Section II - Financial Statement Findings

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
09-01	<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 and 2008.</p> <p><u>Cause of Condition:</u> Oversight.</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
09-02	<p><u>Criteria:</u> Work in progress should be reclassified to the proper category of capital assets upon completion of each capital project.</p> <p><u>Condition:</u> Approximately \$11,300,000 in work in progress represented completed projects that were not correctly classified as a finished capital asset.</p> <p><u>Cause of Condition:</u> Oversight and lack of communication between departments.</p> <p><u>Effect of Condition:</u> The financial presentation was misleading in that construction in progress was overstated and completed capital assets were understated by approximately \$11,300,000.</p>	N/A

WASHINGTON COUNTY, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Section II - Financial Statement Findings – Continued

09-02,
Continued

Recommendation: The department that is responsible for the capital addition should notify the accounting department when a project is complete so that the project may be correctly presented in the accounting records.

Management Response: Departments with capital projects will be contacted prior to each year end to determine if any capital assets within their capital projects are substantially complete and operational. Assets found to be so will be added to the County's fixed asset inventory at that time.

WASHINGTON COUNTY, NEW YORK

Schedule of Status of Findings and Questioned Costs
From 2008 Report

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
08-01	<u>Controls Over Employee Time Records</u> : A Department of Social Services employee was terminated for making changes to her time clock records. <u>Status</u> : The situation was corrected by termination of the employee and no other occurrence was noted in 2009.	N/A
08-02	<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 2009 as #09-01.	N/A



**WASHINGTON COUNTY
OFFICE OF THE ADMINISTRATOR**

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To Whom It May Concern:

There were two findings reported for corrective action in Washington County's single audit of 12/31/09. These findings and County's responses are listed below:

- 1) Criteria: Risk should be assessed by an entity to assist with the establishment of relevant operating procedures and to ensure internal control.

Condition: 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 and 2008.

Cause of Condition: Oversight.

Effect of Condition: 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.

Recommendation: 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.

Management Response: 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.

- 2) Criteria: Work in progress should be reclassified to the proper category of capital assets upon completion of each capital project.

Condition: Approximately \$11,300,000 in work in progress represented completed projects that were not correctly classified as a finished capital asset.

Cause of Condition: Oversight and lack of communication between departments.

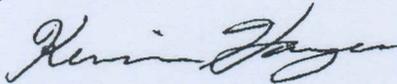
Effect of Condition: The financial presentation was misleading in that construction in progress was overstated and completed capital assets were understated by approximately \$11,300,000.

Recommendation: The department that is responsible for the capital addition should notify the accounting department when a project is complete so that the project may be correctly presented in the accounting records.

Management Response: Departments with capital projects will be contacted prior to each year end to determine if any capital assets within their capital projects are substantially complete and operational. Assets found to be so will be added to the County's fixed asset inventory at that time.

The County will be sending each finding and response to the appropriate committee to ensure proper follow-up occurs.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kevin Hayes".

Kevin Hayes
County Administrator