

WASHINGTON COUNTY, NEW YORK

Independent Auditor's Report

Financial Statements and  
Supplementary Information

December 31, 2012



Whittemore, Downen & Ricciardelli, LLP  
333 Aviation Road - Building B  
Queensbury, NY 12804

WASHINGTON COUNTY, NEW YORK

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WHITTEMORE, DOWEN & RICCIARDELLI, LLP  
Certified Public Accountants and Consultants

333 Aviation Road, Building B • Queensbury, NY 12804  
Phone: (518) 792-0918 • Fax: (518) 743-0882  
112 Spring Street, Suite 307 • Saratoga Springs, NY 12866  
Phone: (518) 584-0770  
[www.wdrcpa.com](http://www.wdrcpa.com)

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, New York, as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The Pleasant Valley Infirmary, the enterprise fund, which represents 6.5 percent, .5 percent, and 12.4 percent, respectively, of the assets, net position, and revenues of the primary government. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for The Pleasant Valley Infirmary, is based solely on the report of the other auditors. They conducted their audit in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, New York, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for other postemployment benefits on pages 3-11, 18 and 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington County, New York's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of the Washington County, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County, New York's internal control over financial reporting and compliance.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP  
Queensbury, New York

September 30, 2013

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

For the Year Ended December 31, 2012

As the management of County of Washington, New York, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ending on December 31, 2012.

**FINANCIAL HIGHLIGHTS**

The 2% tax cap for 2012, with the elimination of Federal stimulus funds and the increase in retirement costs, is making it hard to maintain services as they were done in the past. Washington County is looking at all areas of its operations to find ways to reduce costs and maintain all revenue sources. The County is also reviewing what services we provide and investigating whether or not it is economical for others to provide those services.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e.: uncollected taxes and earned but unused vacation leave).

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

**Component Units**

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

1. **Washington Tobacco Asset Securitization Corporation (WTASC).** The WTASC was incorporated in 2000 under the Not-for-Profit Law of the State of New York for the purpose of bonding the value of future receipts due Washington County, New York under the New York State Tobacco Settlement Agreement. WTASC sold bonds on December 7, 2000, and paid over the proceeds net of issuance costs to Washington County. The funds were used to build the County's Law Enforcement Center which includes the Sheriff's Offices and County jail facility. WTASC will pay off the bonds with future settlement payments and any residual amounts received under the settlement agreement.
2. **Washington County Local Development Corporation (WCLDC).** The WCLDC provides economic development services, Empire Zone information and general business information exclusively for the County. The WCLDC also manages a revolving loan program for local businesses.

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2012

3. **Washington County Soil and Water Conservation District (SWCD).** The SWCD was founded in 1945 to assist agricultural producers, rural landowners and municipalities with the management, conservation and best use of our natural resources. The County contributed \$140,000 to the SWCD operating budget for 2012.

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 eleven governmental funds: a general fund, car pool fund, county road fund, road machinery fund, solid waste management fund, self insurance fund for workers' compensation, employee health benefits fund, community development fund, capital projects, and two part-County sewer district funds. In addition, Washington Tobacco Asset Securitization Corporation, a blended component unit, is also included in the governmental funds. 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 ended December 31, 2012, which includes the General Fund, is reported in the "Statement of Revenues, Expenditures and Changes in Fund Balances– Budget and Actual General Fund" which is provided as required supplemental information following the Basic Financial Statements.

### **Proprietary Funds**

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

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2012

**Fiduciary funds**

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

**Notes to Financial Statements**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Washington County, assets exceed liabilities by \$68,294,743 at the close of the most recent fiscal year. By far, the largest portion of the County's net position reflects an investment in capital assets (i.e.: land, buildings, machinery and equipment), less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Washington County - Net Position**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and Other Assets	\$ 76,382,781	\$ 68,819,914	\$ 5,495,082	\$ 6,393,323	\$ 81,877,863	\$ 75,213,237
Capital Assets Net	83,559,911	82,917,857	3,773,130	4,113,087	87,333,041	87,030,944
<b>Total Assets</b>	<b>159,942,692</b>	<b>151,737,771</b>	<b>9,268,212</b>	<b>10,506,410</b>	<b>169,210,904</b>	<b>162,244,181</b>
<b>Liabilities:</b>						
Other Liabilities	41,760,101	40,558,780	928,033	1,098,268	42,688,134	41,657,048
Bonds and Other Long-Term Liabilities	50,249,576	39,356,605	7,978,451	7,641,321	58,228,027	46,997,926
<b>Total Liabilities</b>	<b>92,009,677</b>	<b>79,915,385</b>	<b>8,906,484</b>	<b>8,739,589</b>	<b>100,916,161</b>	<b>88,654,974</b>
<b>Net Position:</b>						
Invested in Capital Assets (net of related debt)	71,321,204	64,488,086	2,029,837	2,146,623	73,351,041	66,634,709
Restricted	6,787,550	8,164,269	-	-	6,787,550	8,164,269
Unrestricted	(10,175,739)	(829,969)	(1,668,109)	(379,802)	(11,843,848)	(1,209,771)
<b>Total Net Position</b>	<b>\$ 67,933,015</b>	<b>\$ 71,822,386</b>	<b>\$ 361,728</b>	<b>\$ 1,766,821</b>	<b>\$ 68,294,743</b>	<b>\$ 73,589,207</b>

The total net position of the County declined by \$5,294,464. The breakdown of the County's 2012 net position is as follows: The County-operated nursing home had a net loss of \$1,405,093. The remaining decline of \$3,889,371, within Governmental Activities, was due primarily to 2012 OPEB liabilities.

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2012

**Washington County - Changes in Net Position**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for Services	\$ 10,217,050	\$ 11,116,224	\$ 9,362,050	\$ 9,431,667	\$ 19,579,100	\$ 20,547,891
Operating Grants and Contributions	22,192,087	25,874,565	-	-	22,192,087	25,874,565
Capital Grants and Contributions	1,161,969	1,017,751	-	-	1,161,969	1,017,751
<b>Total Program Revenues:</b>	<b>33,571,106</b>	<b>38,008,540</b>	<b>9,362,050</b>	<b>9,431,667</b>	<b>42,933,156</b>	<b>47,440,207</b>
General Revenues:						
Property Taxes and Tax Items	30,916,320	30,569,425	-	-	30,916,320	30,569,425
Non-Property Taxes	19,099,915	18,128,002	-	-	19,099,915	18,128,002
Miscellaneous and Intergovernmental Transfers	4,305,985	4,660,900	3,103,754	1,580,541	7,409,739	6,241,441
Investment Earnings	22,025	117,882	2,673	11,505	24,698	129,387
Transfers	-	-	-	-	-	-
<b>Total General Revenues:</b>	<b>54,344,245</b>	<b>53,476,209</b>	<b>3,106,427</b>	<b>1,592,046</b>	<b>57,450,672</b>	<b>55,068,255</b>
<b>Total Program and General Revenues</b>	<b>87,915,351</b>	<b>91,484,749</b>	<b>12,468,477</b>	<b>11,023,713</b>	<b>100,383,828</b>	<b>102,508,462</b>
<b>Expenses:</b>						
Governmental Activities Expenses:						
General Government Support	10,752,728	10,391,011	-	-	10,752,728	10,391,011
Education	2,774,491	2,230,141	-	-	2,774,491	2,230,141
Public Safety	15,236,036	15,017,714	-	-	15,236,036	15,017,714
Health	12,447,453	16,855,346	-	-	12,447,453	16,855,346
Transportation	11,300,014	11,495,098	-	-	11,300,014	11,495,098
Economic Opportunity and Development	31,502,276	31,716,300	-	-	31,502,276	31,716,300
Culture and Recreation	917,023	934,841	-	-	917,023	934,841
Home and Community Services	5,931,701	6,090,814	-	-	5,931,701	6,090,814
Interest on Long-Term Debt	926,603	907,092	-	-	926,603	907,092
Amortization of Bond Cost	16,397	16,397	-	-	16,397	16,397
<b>Total Expenses:</b>	<b>91,804,722</b>	<b>95,654,754</b>	<b>-</b>	<b>-</b>	<b>91,804,722</b>	<b>95,654,754</b>
Business-type Activities						
Nursing Home	-	-	13,873,570	13,466,859	13,873,570	13,466,859
<b>Total Primary Government Activities</b>	<b>91,804,722</b>	<b>95,654,754</b>	<b>13,873,570</b>	<b>13,466,859</b>	<b>105,678,292</b>	<b>109,121,613</b>
Net Changes in Net Position	(3,889,371)	(4,170,005)	(1,405,093)	(2,443,146)	(5,294,464)	(6,613,151)
Net Position, Beginning of	71,822,386	75,992,391	1,766,821	4,209,967	73,589,207	80,202,358
<b>Net Position, Ending</b>	<b>\$ 67,933,015</b>	<b>\$ 71,822,386</b>	<b>\$ 361,728</b>	<b>\$ 1,766,821</b>	<b>\$ 68,294,743</b>	<b>\$ 73,589,207</b>

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2012

**GOVERNMENTAL ACTIVITIES**

**Revenues**

The total Governmental Activities revenues for 2012 were \$87,915,351 a decrease of \$3,569,398 from 2011. Charges for services decreased by \$899,174. This was primarily due to the decline in case loads in Public Health Home Care Services.

Operating grants and contributions were \$3,682,478 lower in 2012 than 2011. In 2012, there was a change in the method the County uses to recognize Mental Health payments from the State. Starting in 2012, the County shows 100% of the advanced amount as current year revenue.

The capital grants and contributions were higher in 2012 than in 2011 by \$144,218. The County continues to receive approximately the same funding for grants in 2012.

General revenues for 2012 were \$54,344,245 representing 61.81% of the total revenue. In 2011, the same revenues were \$53,476,209. The 2011 revenues represented 58.45% of the total overall County revenue. This shows the County was more reliant on general revenue sources to fund County operations in 2012. This trend is the same for all counties within New York State and shows the shift of funding from State and Federal sources to local governments.

Real property taxes and tax items showed an increase of \$346,895. The increase in the property tax levy for 2012 accounted for \$412,863 of this increase. The difference is due to a reduction in interest and penalty revenues from 2011 to 2012.

In 2012, non-property taxes increased by \$971,913 primarily from the County's sales tax which was \$951,544 higher than in 2011.

Miscellaneous and intergovernmental transfers decreased in 2012 by \$354,915. This was mainly due to the IGT received in connection with the County-operated nursing home.

Investment earnings decreased by \$95,857 in 2012. Despite the increase in cash balance available, the decline in interest rates led to the decrease in returns on investments for 2012.

**Expenses**

The Governmental Activities expenses were \$91,804,722 in 2012. This is a \$3,850,032 decrease from 2011. The County experienced a decline of \$3,889,371 in net position (Revenue of \$87,915,351 – Expenses \$91,804,722).

Listed below is a line-by-line overview of the major changes in each Governmental Activities expense category between 2012 and 2011.

**General Government Support** – Costs increased by \$361,717 over 2011, due mainly to increased personnel, pension and health insurance costs.

**Education** – Costs increased by \$544,350 in 2012. Washington County and one of our neighboring counties are joint sponsors of a community college. The amount the County pays for County residents attending other community colleges, our charge back expenses, were higher by \$31,001 over 2011. The remaining increase is from additional capital projects which were paid for in 2012.

**Public Safety** – Expenses increased by \$218,322 over 2011. This was mainly due to increased staffing in the Sheriff's Department and Public Safety Department (911 dispatching).

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2012

**Health** – Expenses decreased by \$4,407,893 over 2011. A change in the way the Mental Health expenses and the cost of the handicapped children’s program accounted for the decrease in this category.

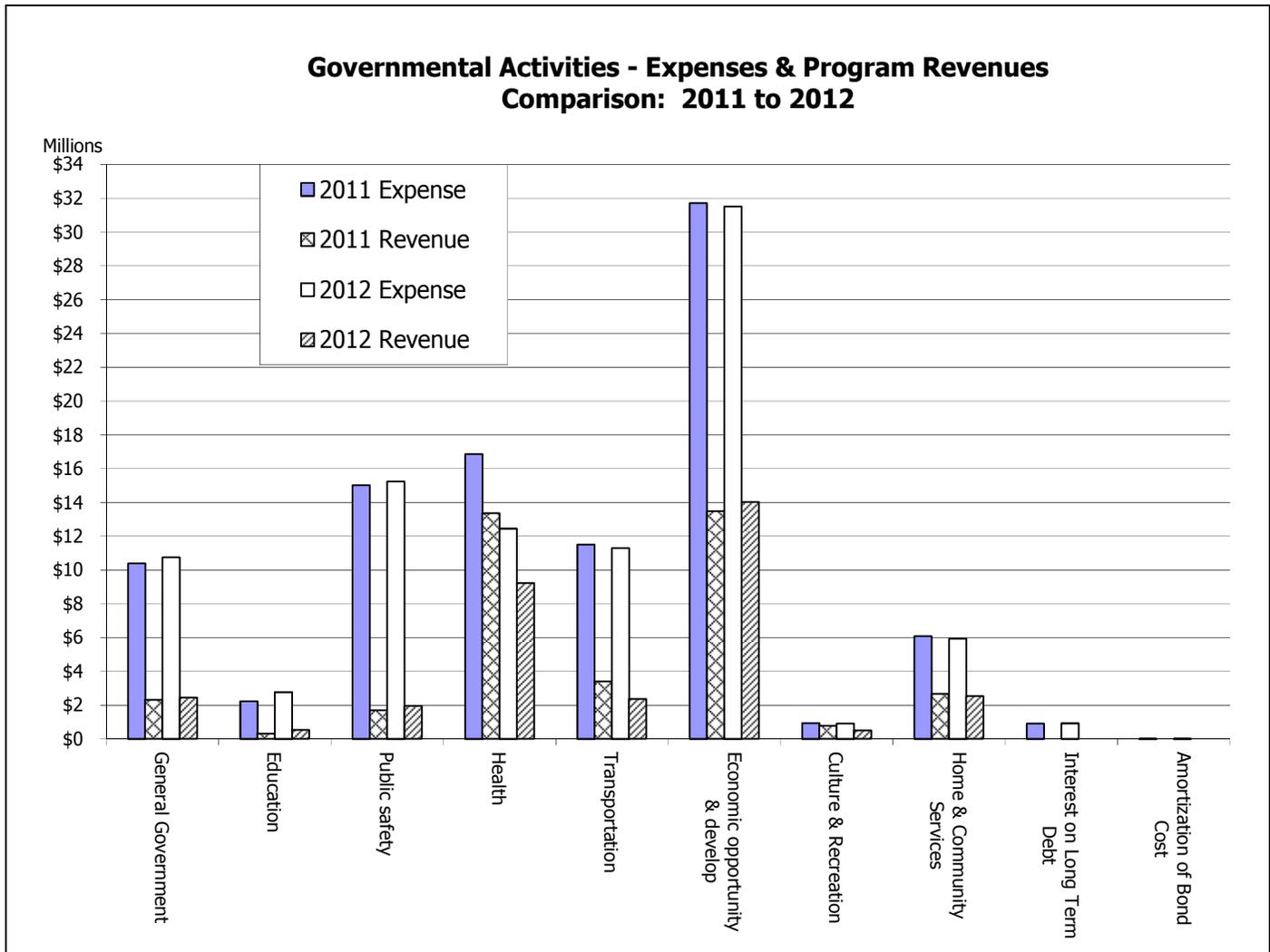
**Transportation** – The 2012 decrease in this category was \$195,084 due to several road and bridge projects funded by Federal and State aid being completed in 2011.

**Economic Opportunity and Development** – This category shows the largest single obligation at 34.31% of the County’s total Government Activities expenditures. The County expenses in this category were \$214,024 lower in 2012 than in 2011. Medicaid increased by \$394,576, however, various Department of Social Services expenses declined by \$608,000.

**Culture and Recreation** – This category reflects a \$17,818 decrease in 2012. Spending was down for the snowmobile trails and youth programs in 2012.

**Home and Community Services** – Gross expenses declined by \$159,113. The County-operated transfer station volume declined in 2012, which resulted in a decrease in operating expenses.

**Interest on Long-Term Debt** – The \$19,511 increase in 2012 expenses is the effect of the bond schedule (see long-term liabilities).



**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2012

**BUSINESS TYPE ACTIVITIES**

**Revenues**

Intergovernmental transfer (IGT) received in 2012 totaled \$1,523,213. The County's operating revenues declined in 2012 by \$69,617 due mainly to a reduction of State aid and the house census declined by 136 bed days, from 39,244 bed days in 2011 to 39,108 bed days in 2012.

**Expenses**

There was an overall increase in operating expenses in 2012 totaling \$406,711. It should be noted that the nursing services increased by \$473,566 while the fringe benefit cost actually decreased by \$183,470. Ancillary services increased by \$109,017, in order to maximize reimbursements.

**ANALYSIS OF THE COUNTY BUDGET AND FUND BASIS FINANCES IN 2012**

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 decreased by \$807,905 in 2012. Despite the increase of \$486,811 in employee benefits, the following line items were lower than in 2011: Public Health Services was lower by \$567,979; Public Safety by \$163,871; Cost of the Department of Social Services by \$430,639; and Debt Service by \$641,342. Revenues increased by \$195,403 even with a property tax levy increase of \$412,863 and the County's sales tax increase of \$951,545, state aid decreased by \$612,238 and departmental income decreased by \$500,626..

The unknown availability of State and Federal aid, along with future Medicaid costs and fringe benefits, are of great concern to the County. During 2013, the County will be looking for ways to reduce operating costs to remain under the new 2% tax cap imposed by the State of New York. The fund balance is approximately 13.43% of the next year's operating budget, of which \$2,640,972 was appropriated. The 2013 appropriation is a \$9,972 increase over the 2012 appropriation.

**Non-Major Funds**

Based upon available funds, the County was able to provide maintenance funding for its road and bridge projects and to resurface fourteen miles of road in 2012. In order to maintain a twelve-year paving project schedule, we must resurface twenty-three miles of road per year.

**BUDGETARY HIGHLIGHTS**

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

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2012

Exhibit E, p. 18, outlines the variance from 2012 budget to actual. Revenues were lower than budget by \$926,744 and the expenditures were lower than budget by \$6,611,687. The actual net increase in fund balance was \$2,107,795.

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

**CAPITAL ASSETS**

At the end of 2012, the County had \$87.33 million invested in a broad range of capital assets, including the County Municipal Center, Nursing Home, highway infrastructures and equipment (see table below). This amount represents a net increase of \$302,097 over last year. (including additions and reductions).

**Capital Assets Net of Depreciation**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land and Improvements	\$ 1,691,229	\$ 1,691,229	\$ 645,623	\$ 661,346	\$ 2,336,852	\$ 2,352,575
Buildings and Improvements	26,542,602	27,697,975	2,472,222	2,729,862	29,014,824	30,427,837
Construction in Progress	3,133,583	253,574	71,136	144,023	3,204,719	397,597
Bridges	24,224,186	24,309,761	-	-	24,224,186	24,309,761
Roads	12,860,319	13,015,873	-	-	12,860,319	13,015,873
Infrastructure	6,840,850	7,099,931	-	-	6,840,850	7,099,931
Machinery and Equipment	8,267,142	8,849,514	584,149	577,856	8,851,291	9,427,370
<b>Total Net Position</b>	<b>\$ 83,559,911</b>	<b>\$ 82,917,857</b>	<b>\$ 3,773,130</b>	<b>\$ 4,113,087</b>	<b>\$ 87,333,041</b>	<b>\$ 87,030,944</b>

**Long-Term Debt**

**Bonds and Other Long Term Liabilities**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Bonds and Notes						
General Obligation Bonds and Notes	\$ 5,156,707	\$ 5,561,536	\$ 1,743,293	\$ 1,966,464	\$ 6,900,000	\$ 7,528,000
Bond Anticipation Notes	7,312,000	-	-	-	7,312,000	-
WTASC Bonds	13,590,000	13,675,000	-	-	13,590,000	13,675,000
<b>Subtotal</b>	<b>26,058,707</b>	<b>19,236,536</b>	<b>1,743,293</b>	<b>1,966,464</b>	<b>27,802,000</b>	<b>21,203,000</b>
OPEB Liability	24,190,869	20,120,069	4,844,402	4,040,908	29,035,271	24,160,977
Pleasant Valley Workers' Compensation	-	-	1,390,756	1,633,949	1,390,756	1,633,949
<b>Subtotal</b>	<b>24,190,869</b>	<b>20,120,069</b>	<b>6,235,158</b>	<b>5,674,857</b>	<b>30,426,027</b>	<b>25,794,926</b>
<b>Total</b>	<b>\$ 50,249,576</b>	<b>\$ 39,356,605</b>	<b>\$ 7,978,451</b>	<b>\$ 7,641,321</b>	<b>\$ 58,228,027</b>	<b>\$ 46,997,926</b>

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

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

For the Year Ended December 31, 2012

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 2012 computation was \$4,815,306,083. The Constitutional Tax Limit (2.0% x \$4,815,306,086 is \$96,306,112 - a 5.67% increase.

The constitutional tax margin for fiscal year ending December 31, 2012, is \$69,609,023 (\$96,306,122 tax limit less \$26,697,099, 2012 tax levy subject to tax limit).

The debt limit for fiscal year ending December 31, 2012, is \$337,071,426 (five year average full valuation \$4,815,306,083 x 7%). As of the end of 2012, Washington County has a total of \$6,900,000 in County debt outstanding in the form of general obligation bonds and notes.

**ECONOMIC FACTORS: Future Prospects for Washington County's Finances**

The trend of declining revenues that began in mid-2008 has continued through 2012. Despite the County's sales tax increasing by 5.5%, mortgage tax revenues and return on investments continue to decline. The County also experienced a mid-year reduction of State funding due to the State of New York's fiscal problems.

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

It must be noted that the County's overall property value has declined by 2.97% percent. This decline has continued for two years in a row. Property value is down by 5.02% from its highest level in 2010. This is a direct factor of the slowdown in the real estate market. Small decreases are likely to continue for the next few years.

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

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

**REQUESTS FOR INFORMATION**

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

WASHINGTON COUNTY, NEW YORK

Statement of Net Position

December 31, 2012

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Washington	Soil
	Activities	Activities		County	and
ASSETS			Local	Water	Conservation
			Development	Conservation	District
			Corporation		
Cash and cash equivalents	\$ 24,813,078	\$ 442,729	\$ 25,255,807	\$ 1,361,588	\$ -
Receivables, net	33,334,382	1,757,960	35,092,342	152	-
Internal balances	1,684,651	(1,674,740)	9,911	-	-
Due from state and federal governments	9,466,570	-	9,466,570	-	-
Due from other governments	448,458	4,492,385	4,940,843	-	-
Loans receivable	-	-	-	2,116,925	-
Inventories	785,344	161,935	947,279	-	-
Prepaid expenses	1,670,026	209,754	1,879,780	-	-
Bond issuance costs, net	535,367	-	535,367	-	-
Restricted Assets:					
Cash	3,556,273	105,059	3,661,332	61,371	204,450
Receivables, net	88,632	-	88,632	6,749	-
Loans receivable	-	-	-	499,381	-
Capital assets, net	83,559,911	3,773,130	87,333,041	-	-
<b>Total Assets</b>	<b>159,942,692</b>	<b>9,268,212</b>	<b>169,210,904</b>	<b>4,046,166</b>	<b>204,450</b>
<b>LIABILITIES</b>					
Accounts payable	3,632,983	352,820	3,985,803	-	-
Accrued liabilities	4,533,068	294,823	4,827,891	-	-
Due to other governments	9,498,083	175,331	9,673,414	-	-
Deferred revenue	22,988,703	-	22,988,703	-	-
Other liabilities	116,883	105,059	221,942	-	-
Payables From Restricted Assets:					
Accounts payable	-	-	-	1,142	-
Accrued liabilities	782	-	782	-	-
Due to other governments	-	-	-	-	281
Deferred revenues	989,599	-	989,599	-	-
Noncurrent Liabilities:					
Due within one year	7,862,610	249,390	8,112,000	10,523	-
Due in more than one year	42,386,966	7,729,061	50,116,027	170,784	-
<b>Total Liabilities</b>	<b>92,009,677</b>	<b>8,906,484</b>	<b>100,916,161</b>	<b>182,449</b>	<b>281</b>
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	71,321,204	2,029,837	73,351,041	-	-
Restricted For:					
Debt service	953,131	-	953,131	-	-
Other purposes	5,834,419	-	5,834,419	385,052	204,169
Unrestricted (deficit)	(10,175,739)	(1,668,109)	(11,843,848)	3,478,665	-
<b>Total Net Position</b>	<b>\$ 67,933,015</b>	<b>\$ 361,728</b>	<b>\$ 68,294,743</b>	<b>\$ 3,863,717</b>	<b>\$ 204,169</b>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Statement of Activities

Year Ended December 31, 2012

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Local Develop Corporation	Soil and Water
Primary Government:									
Governmental Activities:									
General government	\$ 10,752,728	\$ 1,490,274	\$ 798,696	\$ 150,353	\$ (8,313,405)	\$ -	\$ (8,313,405)	\$ -	\$ -
Education	2,774,491	-	-	530,635	(2,243,856)	-	(2,243,856)	-	-
Public safety	15,236,036	860,477	887,952	198,799	(13,288,808)	-	(13,288,808)	-	-
Health	12,447,453	4,260,809	4,962,981	-	(3,223,663)	-	(3,223,663)	-	-
Transportation	11,300,014	405,924	1,679,549	282,182	(8,932,359)	-	(8,932,359)	-	-
Economic opportunity and develop	31,502,276	638,596	13,383,903	-	(17,479,777)	-	(17,479,777)	-	-
Cultural and recreation	917,023	22,598	479,006	-	(415,419)	-	(415,419)	-	-
Home and community services	5,931,701	2,538,372	-	-	(3,393,329)	-	(3,393,329)	-	-
Interest on long-term debt	926,603	-	-	-	(926,603)	-	(926,603)	-	-
Amortization of bond cost	16,397	-	-	-	(16,397)	-	(16,397)	-	-
Total Governmental Activities	<u>91,804,722</u>	<u>10,217,050</u>	<u>22,192,087</u>	<u>1,161,969</u>	<u>(58,233,616)</u>	<u>-</u>	<u>(58,233,616)</u>	<u>-</u>	<u>-</u>
Business-Type Activities:									
Nursing home	13,873,570	9,362,050	-	-	-	(4,511,520)	(4,511,520)	-	-
Total Primary Government	<u>\$ 105,678,292</u>	<u>\$ 19,579,100</u>	<u>\$ 22,192,087</u>	<u>\$ 1,161,969</u>	<u>(58,233,616)</u>	<u>(4,511,520)</u>	<u>(62,745,136)</u>	<u>-</u>	<u>-</u>
Component Units:									
Local Development Corporation	\$ 213,689	\$ 7,549	\$ 116,500	\$ -	-	-	-	(89,640)	-
Soil and Water District	589,298	30,823	425,942	-	-	-	-	-	(132,533)
Total Component Units	<u>\$ 802,987</u>	<u>\$ 38,372</u>	<u>\$ 542,442</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,640)</u>	<u>(132,533)</u>
General Revenues:									
Real property taxes and tax items					30,916,320	-	30,916,320	-	-
Non-property taxes					19,099,915	-	19,099,915	-	-
Miscellaneous and intergovernmental transfer					4,305,985	3,103,754	7,409,739	35,423	158,354
Investment earnings					22,025	2,673	24,698	127,523	10,287
Total General Revenues and Transfers					<u>54,344,245</u>	<u>3,106,427</u>	<u>57,450,672</u>	<u>162,946</u>	<u>168,641</u>
Change in net position					(3,889,371)	(1,405,093)	(5,294,464)	73,306	36,108
Net Position-Beginning					<u>71,822,386</u>	<u>1,766,821</u>	<u>73,589,207</u>	<u>3,790,411</u>	<u>168,061</u>
Net Position-Ending					<u>\$ 67,933,015</u>	<u>\$ 361,728</u>	<u>\$ 68,294,743</u>	<u>\$ 3,863,717</u>	<u>\$ 204,169</u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Exhibit C

Balance Sheet  
Governmental Funds  
December 31, 2012

ASSETS	General Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 10,570,249	\$ 92,842	\$ 5,077,906	\$ 9,072,081	\$ 24,813,078
Taxes receivable (net of allowance for uncollectibles of \$500,000)	9,034,722	-	-	-	9,034,722
Accounts receivable (net of allowance for uncollectibles of \$575,500)	664,306	22,645,549	-	989,805	24,299,660
State and federal receivables	7,368,405	-	-	2,098,165	9,466,570
Due from other funds	3,410,930	-	-	888,796	4,299,726
Due from other governments	5,026	-	-	443,432	448,458
Inventories, at cost	8,556	-	-	776,788	785,344
Prepaid expenses	1,131,779	-	-	538,247	1,670,026
Restricted Assets:					
Cash	-	908,124	-	2,648,149	3,556,273
Other receivables	-	-	-	88,632	88,632
<b>Total Assets</b>	<b>\$ 32,193,973</b>	<b>\$ 23,646,515</b>	<b>\$ 5,077,906</b>	<b>\$ 17,544,095</b>	<b>\$ 78,462,489</b>
LIABILITIES					
Accounts payable	\$ 2,583,891	\$ -	\$ 262,010	\$ 787,082	\$ 3,632,983
Accrued liabilities	644,251	-	-	223,157	867,408
Other liabilities	116,276	-	-	607	116,883
Due to other funds	733,737	-	45,007	1,836,119	2,614,863
Due to other governments	9,475,422	-	-	22,661	9,498,083
Deferred revenues	2,713,663	22,645,549	-	343,154	25,702,366
BANS payable	-	-	6,650,000	662,000	7,312,000
Payables From Restricted Assets:					
Accrued liabilities	-	-	-	782	782
Due to other funds	-	-	-	212	212
Deferred revenues	-	-	-	989,599	989,599
<b>Total Liabilities</b>	<b>16,267,240</b>	<b>22,645,549</b>	<b>6,957,017</b>	<b>4,865,373</b>	<b>50,735,179</b>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Exhibit C, Continued

Balance Sheet  
Governmental Funds  
December 31, 2012

FUND EQUITY	General Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
Fund Balances:					
Nonspendable	1,140,335	-	-	1,315,035	2,455,370
Assigned	3,109,275	92,842	-	7,727,846	10,929,963
Restricted	902,113	908,124	-	4,977,313	6,787,550
Unassigned	10,775,010	-	(1,879,111)	(1,341,472)	7,554,427
Total Fund Equity	<u>15,926,733</u>	<u>1,000,966</u>	<u>(1,879,111)</u>	<u>12,678,722</u>	<u>27,727,310</u>
Commitments and Contingencies					
Total Liabilities and Fund Equity	<u>\$ 32,193,973</u>	<u>\$ 23,646,515</u>	<u>\$ 5,077,906</u>	<u>\$ 17,544,095</u>	<u>\$ 78,462,489</u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Exhibit D

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

Year Ended December 31, 2012

REVENUES	General Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
Real property taxes and tax items	\$ 30,377,188	\$ -	\$ -	\$ 491,400	\$ 30,868,588
Non-property taxes	19,099,915	-	-	-	19,099,915
Departmental income	6,529,052	-	-	2,548,889	9,077,941
Intergovernmental charges	784,529	-	-	10,425,914	11,210,443
Use of money and property	256,390	419	8,615	33,284	298,708
Licenses and permits	-	-	-	42,190	42,190
Fines and forfeitures	189,995	-	-	-	189,995
Sale of property and compensation for loss	65,243	-	-	665,441	730,684
Miscellaneous local sources	285,749	793,021	-	1,790,907	2,869,677
Interfund revenues	723,698	-	-	2,008,041	2,731,739
State aid	10,621,802	-	-	2,456,280	13,078,082
Federal aid	8,344,158	-	-	1,138,795	9,482,953
<b>Total Revenues</b>	<b>77,277,719</b>	<b>793,440</b>	<b>8,615</b>	<b>21,601,141</b>	<b>99,680,915</b>
<b>EXPENDITURES</b>					
Current:					
General government support	7,720,748	19,871	-	1,577,048	9,317,667
Education	1,713,221	-	-	1,061,270	2,774,491
Public safety	9,402,287	-	-	507,684	9,909,971
Health	10,183,187	-	-	-	10,183,187
Transportation	-	-	-	10,454,936	10,454,936
Economic opportunity and development	27,381,365	-	-	717,388	28,098,753
Cultural and recreation	648,435	-	-	-	648,435
Home and community services	1,198,886	-	1,887,726	3,504,983	6,591,595
Employee benefits	10,963,589	-	-	10,139,661	21,103,250
Debt Service:					
Principal retirement	184,024	85,000	-	220,805	489,829
Interest	93,559	668,343	-	191,396	953,298
<b>Total Expenditures</b>	<b>69,489,301</b>	<b>773,214</b>	<b>1,887,726</b>	<b>28,375,171</b>	<b>100,525,412</b>
Excess (Deficit) of Revenues Over (Under) Expenditures	7,788,418	20,226	(1,879,111)	(6,774,030)	(844,497)

See Independent Auditor's Report and Notes

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

Year Ended December 31, 2012

	General Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Operating transfers in	922,939	-	-	6,604,178	7,527,117
Operating transfers out	(6,603,562)	-	-	(923,555)	(7,527,117)
Premium on bond anticipation note	-	-	-	45,007	45,007
Total Other Financing Sources (Uses)	(5,680,623)	-	-	5,725,630	45,007
Net Changes in Fund Balances	2,107,795	20,226	(1,879,111)	(1,048,400)	(799,490)
Fund Balances (Deficit) at Beginning of Year	13,818,938	980,740	-	13,727,122	28,526,800
Fund Balances (Deficit) at End of Year	<u>\$ 15,926,733</u>	<u>\$ 1,000,966</u>	<u>\$ (1,879,111)</u>	<u>\$ 12,678,722</u>	<u>\$ 27,727,310</u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2012

REVENUES	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Real property taxes and tax items	\$ 30,386,716	\$ 30,386,716	\$ 30,377,188	\$ (9,528)
Non-property taxes	17,713,000	17,713,000	19,099,915	1,386,915
Departmental income	7,764,792	7,764,792	6,529,052	(1,235,740)
Intergovernmental charges	546,338	557,159	784,529	227,370
Use of money and property	219,555	227,055	256,390	29,335
Fines and forfeitures	107,000	123,460	189,995	66,535
Sale of property and compensation for loss	143,170	143,170	65,243	(77,927)
Miscellaneous local sources	110,000	110,000	285,749	175,749
Interfund revenues	742,375	742,375	723,698	(18,677)
State aid	11,095,893	11,970,256	10,621,802	(1,348,454)
Federal aid	8,232,741	8,466,480	8,344,158	(122,322)
<b>Total Revenues</b>	<b>77,061,580</b>	<b>78,204,463</b>	<b>77,277,719</b>	<b>(926,744)</b>
<b>EXPENDITURES</b>				
Current:				
General government support	8,344,595	8,409,418	7,774,793	634,625
Education	1,688,928	1,716,928	1,713,221	3,707
Public safety	9,617,218	10,058,703	9,573,600	485,103
Health	12,031,012	12,464,160	10,193,202	2,270,958
Economic opportunity and development	28,524,380	29,696,589	27,433,278	2,263,311
Cultural and recreation	793,114	792,149	648,630	143,519
Home and community services	536,937	1,294,315	1,198,886	95,429
Employee benefits	11,849,236	11,678,623	10,963,589	715,034
Debt Service:				
Principal retirement	184,024	184,024	184,024	-
Interest	93,560	93,560	93,559	1
<b>Total Expenditures</b>	<b>73,663,004</b>	<b>76,388,469</b>	<b>69,776,782</b>	<b>6,611,687</b>
Excess of Revenues Over Expenditures	3,398,576	1,815,994	7,500,937	5,684,943
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	922,939	922,939
Operating transfers out	(6,029,597)	(6,603,562)	(6,603,562)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(6,029,597)</b>	<b>(6,603,562)</b>	<b>(5,680,623)</b>	<b>922,939</b>
Net Change in Fund Balance - Budget Basis	\$ (2,631,021)	\$ (4,787,568)	1,820,314	\$ 6,607,882
Encumbrances Included in Actual			287,481	
Net Change in Fund Balance			2,107,795	
Fund Balance at Beginning of Year			13,818,938	
Fund Balance at End of Year			<u>\$ 15,926,733</u>	

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Statements of Net Position  
Proprietary and Fiduciary Funds

December 31, 2012

ASSETS	Business-Type Activity Enterprise Fund	Fiduciary Fund Type Agency Fund
Current Assets:		
Cash and cash equivalents	\$ 442,729	\$ 736,659
Restricted cash	105,059	143,480
Patient accounts receivable, net of estimated allowance for doubtful accounts of \$400,000	1,757,960	-
Due from other funds	265,594	-
Other receivables	-	92,635
Supplies	161,935	-
Due from third-party payors	4,492,385	-
Prepaid expenses	209,754	-
	<hr/>	<hr/>
Total Current Assets	7,435,416	972,774
Capital Assets, Net	3,773,130	-
	<hr/>	<hr/>
Total Assets	11,208,546	972,774
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities:		
Current portion of long-term debt	249,390	-
Accounts payable, trade	352,820	-
Accrued payroll and related benefits	275,664	-
Accrued interest	19,159	-
Due to third-party payors	175,331	-
Due to other funds	1,940,334	-
Other liabilities	105,059	972,774
	<hr/>	<hr/>
Total Current Liabilities	3,117,757	972,774
	<hr/>	<hr/>
Noncurrent Liabilities:		
Long-term debt, net of current portion	1,493,903	-
Workers' compensation claims and judgments payable	1,390,756	-
Postemployment health benefits	4,844,402	-
	<hr/>	<hr/>
Total Noncurrent Liabilities	7,729,061	-
	<hr/>	<hr/>
Total Liabilities	10,846,818	972,774
	<hr/>	<hr/>
NET POSITION		
Invested in capital assets, net of related debt	2,029,837	-
Unrestricted deficit	(1,668,109)	-
	<hr/>	<hr/>
Total Net Position	\$ 361,728	\$ -
	<hr/>	<hr/>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2012

	Business-Type Activity <u>Enterprise Fund</u>
Operating Revenues:	
Net resident revenue	\$ 9,357,154
Other operating revenue	<u>4,896</u>
Total Operating Revenues	<u>9,362,050</u>
Operating Expenses:	
Nursing services	5,140,530
Ancillary services	922,131
Dietary	921,470
Housekeeping	359,927
Laundry service	275,014
Maintenance	689,681
Administrative and business office	998,365
Insurance	26,801
Employee benefits	3,343,705
Cash receipts assessment	471,720
Depreciation	539,323
Provision for bad debts	<u>100,000</u>
Total Operating Expenses	<u>13,788,667</u>
Operating Loss	<u>(4,426,617)</u>
Nonoperating Revenues (Expenses):	
Intergovernmental transfers	3,086,880
Interest income	2,673
Interest expense	(84,903)
Other revenue	<u>16,874</u>
Total Nonoperating Revenues (Expenses)	<u>3,021,524</u>
Change in Net Position	(1,405,093)
Net Position at Beginning of Year	<u>1,766,821</u>
Net Position at End of Year	<u><u>\$ 361,728</u></u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Statement of Cash Flows  
Proprietary Fund

Year Ended December 31, 2012

	Business-Type Activity <u>Enterprise Fund</u>
Cash Flows From Operating Activities:	
Receipts from patient services	\$ 5,783,087
Payments to suppliers for goods and services	(3,075,970)
Payments to employees for services	(8,067,296)
Other operating revenues	<u>4,896</u>
Net Cash Provided (Used) by Operating Activities	<u>(5,355,283)</u>
Cash Flows From Noncapital Financing Activities:	
Intergovernmental transfer	3,086,880
Contributions and other revenue	<u>16,874</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,103,754</u>
Cash Flows Used By Capital and Related Financing Activities:	
Principal payments on serial bonds	(223,171)
Interest payments on serial bonds	(87,230)
Purchases of property and equipment	<u>(199,366)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(509,767)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>2,673</u>
Net Cash Provided (Used) by Investing Activities	<u>2,673</u>
Net Decrease In Cash and Cash Equivalents	(2,758,623)
Cash and Cash Equivalents at Beginning of Year	<u>3,201,352</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 442,729</u></u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Statement of Cash Flows  
Proprietary Fund

Year Ended December 31, 2012

	<u>Business-Type Activity Enterprise Fund</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Operating Loss	\$ (4,426,617)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	539,323
Bad debts	100,000
Decrease (Increase) in Assets:	
Residents accounts receivable	(346,399)
Due to/from Washington County	1,616,630
Supplies	16,254
Prepaid expense	(35,654)
Increase (Decrease) in Liabilities:	
Accounts payable	(179,699)
Accrued items	28,246
Due to/from third-party payors	(3,227,668)
Workers' compensation claims and judgments payable	(243,193)
Change in OPEB liability	803,494
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,355,283)</u>

## Supplemental Disclosure of Cash Flow Information:

Included in accounts payable at December 31, 2012 is \$58,471 for the purchase of capital assets.

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

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

December 31, 2012

ASSETS	Total Governmental Funds	Long-term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	\$ 24,813,078	\$ -	\$ -	\$ 24,813,078
Taxes receivable (net)	9,034,722	-	(9,034,722)	-
Accounts receivable (net)	24,299,660	-	9,034,722	33,334,382
Internal balances	-	-	1,684,651	1,684,651
State and federal receivables	9,466,570	-	-	9,466,570
Due from other funds	4,299,726	-	(4,299,726)	-
Due from other governments	448,458	-	-	448,458
Inventories, at cost	785,344	-	-	785,344
Prepaid expenses	1,670,026	-	-	1,670,026
Restricted Assets:				
Cash	3,556,273	-	-	3,556,273
Other receivables	88,632	-	-	88,632
Bond issue cost	-	535,367	-	535,367
Capital assets, net	-	83,559,911	-	83,559,911
<b>Total Assets</b>	<b><u>\$ 78,462,489</u></b>	<b><u>\$ 84,095,278</u></b>	<b><u>\$ (2,615,075)</u></b>	<b><u>\$ 159,942,692</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,632,983	\$ -	\$ -	\$ 3,632,983
Accrued liabilities	867,408	3,665,660	-	4,533,068
Other liabilities	116,883	-	-	116,883
Due to other funds	2,614,863	-	(2,614,863)	-
Due to other governments	9,498,083	-	-	9,498,083
Deferred revenues	25,702,366	(2,713,663)	-	22,988,703
BANS payable	7,312,000	(7,312,000)	-	-
Payables From Restricted Assets:				
Accrued liabilities	782	-	-	782
Due to other funds	212	-	(212)	-
Deferred revenues	989,599	-	-	989,599
Noncurrent Liabilities:				
Due within one year	-	7,862,610	-	7,862,610
Due in more than one year	-	42,386,966	-	42,386,966
<b>Total Liabilities</b>	<b><u>50,735,179</u></b>	<b><u>43,889,573</u></b>	<b><u>(2,615,075)</u></b>	<b><u>92,009,677</u></b>
<b>FUND EQUITY/NET POSITION</b>				
Invested in capital assets, net of debt	-	-	71,321,204	71,321,204
Restricted For:				
Debt Service	-	-	953,131	953,131
Other Purposes	-	-	5,834,419	5,834,419
Unrestricted	-	40,205,705	(50,381,444)	(10,175,739)
Nonspendable	2,455,370	-	(2,455,370)	-
Assigned	10,929,963	-	(10,929,963)	-
Restricted	6,787,550	-	(6,787,550)	-
Unassigned	7,554,427	-	(7,554,427)	-
<b>Total Fund Equity</b>	<b><u>27,727,310</u></b>	<b><u>40,205,705</u></b>	<b><u>-</u></b>	<b><u>67,933,015</u></b>
<b>Total Liabilities and Fund Equity/Net Position</b>	<b><u>\$ 78,462,489</u></b>	<b><u>\$ 84,095,278</u></b>	<b><u>\$ (2,615,075)</u></b>	<b><u>\$ 159,942,692</u></b>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

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

December 31, 2012

## (1) Explanations of above adjustments:

Bond issue cost is recognized as an asset for the statement of net position, but reported as an expenditure in governmental funds	<u>\$ 535,367</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 position includes those capital assets among the assets of the County as a whole:

Cost of capital assets	\$ 150,737,172
Less: accumulated depreciation	<u>(67,177,261)</u>
	<u>\$ 83,559,911</u>

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

Landfill closing cost	\$ 234,326
Compensated absences	871,370
Workers' compensation	2,435,804
Accrued interest	<u>124,160</u>
	<u>\$ 3,665,660</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>\$ (2,713,663)</u>
---------------------------------	-----------------------

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

Bonds and Loans Payable	\$ 18,746,707
OPEB Liability	<u>24,190,869</u>
	<u>\$ 42,937,576</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, 2012

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)	\$ 99,725,922
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.	47,732
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.	(2,970,726)
To eliminate interfund revenues of self insurance funds for workers' compensation and health insurance premiums, as well as payments received from the Washington Tobacco Asset Securitization Corporation.	(8,886,901)
To recognize the loss on disposition of capital assets.	<u>(676)</u>
	<u>\$ 87,915,351</u>

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

Charges for services	\$ 10,217,050	
Operating grants and contributions	22,192,087	
Capital grants and contributions	1,161,969	
General revenues and transfers	<u>54,344,245</u>	
Total Revenues of Governmental Activities (Exhibit B)		<u>\$ 87,915,351</u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2012

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)	\$ 100,525,412
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital expenditures (\$6,372,179) exceeded depreciation (\$5,729,449).	(642,730)
The recording of the County's actuarially calculated liability for retiree health insurance benefits (OPEB expense) is not recognized in the governmental funds, but is recognized in the County-wide financial statements.	4,070,800
Interfund expenditures are eliminated against the respective interfund revenues.	(2,970,726)
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.	(489,829)
To eliminate interfund expenditures for workers' compensation and health insurance premiums, as well as payments from Washington County Tobacco Asset Securitization Corporation.	(8,886,901)
To recognize compensated absences expense for current year change in liability.	(11,905)
To recognize landfill closing costs for current year change in liability.	(9,900)
To recognize current year effect of change in workers' compensation liability.	230,799
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.	(10,298)
Total Expenses of Governmental Activities (Exhibit B)	<u>\$ 91,804,722</u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**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 Nos. 14 and 39 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 22% 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, 2012

**Summary of Significant Accounting Policies – Continued**

Included in the Reporting Entity – Continued

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

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

Administrative offices:

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

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

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

Basis of Presentation

1. County-Wide statements:

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

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

2. Fund financial statements:

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Basis of Presentation – Continued

The County Reports the Following Major Governmental Funds:

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

The County Reports the Following Non-Major Governmental Funds:

Special Revenue Funds

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

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Basis of Presentation – Continued

Special Revenue Funds - Continued

h. County Road Fund

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

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 of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund

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

Component Units

Used to report the activities of the following entities:

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

See pages 38, 39, 45-46 and 52-53 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, 2012

**Summary of Significant Accounting Policies – Continued**

Capital Assets – Continued

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

Assets

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

Measurement Focus and Basis of Accounting

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

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

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

1. General Budget Process

The County employs the following budgetary procedures:

- a. In September, department heads receive budget forms and submit their requests to the budget officer.
- b. No later than November 15, the budget officer submits a tentative budget to the Clerk of the Board of Supervisors for the fiscal year commencing the following January 1. The tentative 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, 2012

**Summary of Significant Accounting Policies – Continued**

Measurement Focus and Basis of Accounting – Continued

General Budget Process – 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 assigned fund balances since the commitments do not constitute expenditures or liabilities.

3. Budget Basis of Accounting

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

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

	<u>General Fund Expenditures</u>
Total funds included in budget comparison (Exhibit E)	\$ 69,776,782
Less: encumbrances recorded in budget comparison (not GAAP)	<u>(287,481)</u>
GAAP Basis (Exhibit D)	<u>\$ 69,489,301</u>

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

Cash and Cash in Time Deposits

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Cash and Cash in Time Deposits - Continued

The County's December 31, 2012 bank balances were collateralized and insured as follows:

Total on deposit	\$ 29,923,675
Insured by FDIC	(500,000)
Collateralized by pledged securities held by the financial institutions	<u>(29,423,675)</u>
Uninsured and uncollateralized	<u>\$ -</u>

Washington Tobacco Asset Securitization Corporation, a component unit has \$91,842 on deposit at a local bank on December 31, 2012, which was fully insured by the FDIC.

Washington County Local Development Corporation, a component unit had the following on deposit at December 31, 2012:

Total on deposit	\$ 1,423,923
Insured by FDIC	(500,000)
Collateralized by pledged securities held by the financial institutions	<u>(923,923)</u>
Uninsured and uncollateralized	<u>\$ -</u>

The Soil and Water Conservation District, a component unit, had \$219,882 on deposit at local banks on December 31, 2012, which was fully insured by the FDIC.

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 nonspendable fund balance.

Capital Assets

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

No interest on construction in progress has been capitalized.

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Capital Assets - Continued

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

Vacation and Sick Leave and Compensated Absences

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

Payment of vacation and compensated absences recorded in 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 compensated absences when such payments become due.

Postretirement Benefits

In addition to providing pension benefits, Washington County provides health insurance coverage and survivor benefits for 392 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 \$1,535,045 as an expenditure during 2012.

Restricted Net Assets

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

Revenue Recognition, Property Taxes

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

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

Collection of County property taxes are as follows:

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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Revenue Recognition, Property Taxes - Continued

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, 2012 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 <sup>st</sup>
Lien date	August 1 <sup>st</sup>
Levy date	January 1 <sup>st</sup>
Date taxes due	January 31 <sup>st</sup>
Date penalty periods begin	February 1 <sup>st</sup>
In reim procedure (Article 11 Tax Sale Enforcement)	January 1 <sup>st</sup>

Non-Property Taxes

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

Retirement Plans

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

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

Concentrations of Credit Risk

Financial instruments which potentially expose the primary government to concentrations of credit risk, as defined by Governmental Accounting Standards Board Statement No. 40, consist primarily of taxes receivable and tax sale certificates which are secured by property values throughout the County.

Pleasant Valley Infirmarary's patient census includes a large number of patients who are eligible for federal and state assistance under the Medicare and Medicaid programs. Although the nursing home is directly affected by the financial well-being of the state and federal health care reimbursement programs, management does not believe significant credit risk exists at December 31, 2012.

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

Medicare	26%
Medicaid	53%
Private Pay	21%

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Concentrations of Credit Risk - Continued

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, 2012.

Fund Balance Classifications

During the year ended December 31, 2011, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which requires the County to change its fund balance classifications for governmental funds. The classifications are as follows:

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

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

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

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

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

Order of use of fund balance:

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

Adoption of New Accounting Pronouncement

During the year ended December 31, 2012, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Out Flows of Resources, Deferred Inflows of Resources and Net Position*. The pronouncement requires that "Net Assets" now be referred to as "Net Position."

Future Impacts of Accounting Pronouncements

The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statement No. 14 and No. 34*; GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*; GASB

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Future Impacts of Accounting Pronouncements - Continued

Statement No. 66, *Technical Corrections-2012*; GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB 69, *Government Combinations and Disposals of Government Operations* and GASB No. 70, *Nonexchange Financial Guarantees*. These pronouncements were not effective as of December 31, 2012. The County is, therefore, unable to disclose the impact that adopting these pronouncements will have on the financial position and results of operations in the future.

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

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

- A. Total fund balances of governmental funds vs. net position of governmental activities:  
Total fund balances of the County's governmental funds differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheet.
  
- B. Statement of revenues, expenditures and changes in fund balances vs. statement of activities:  
Differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities fall into one of three broad categories. The amounts shown below represent:
  - i) Long-term revenue differences:  
Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.
  
  - ii) Capital related differences:  
Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.
  
  - iii) Long-term debt transaction differences:  
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Stewardship, Compliance and Accountability**

Compliance with finance related legal and contractual provisions are discussed in a separate "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*".

Deficit Fund Balances - The following funds had a deficit fund balance at December 31, 2012:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Washington Tobacco Asset Securitization Corporation (on its accrual basis financial statements)	\$ 12,110,726
Capital Project – Help America Vote	74,856
Capital Project – Northeast Rail #2	211
Capital Project – Snowplow routing efficiency study	3,315
Capital Project – Fort Edward Sewer lines	572,487
	<hr/>
Total	<u>\$ 12,761,595</u>

These deficits will be relieved as follows:

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

**Restricted Assets**

Restricted assets are as follows:

	Cash Checking and Savings	Loans and Other Receivables
	<hr/>	<hr/>
Special revenue	\$ 1,540,784	\$ 88,632
Capital projects	1,107,365	-
Agency	143,480	-
Enterprise	105,059	-
Local Development Corporation	61,371	506,130
Soil and Water District	204,450	-
Washington Tobacco Asset Securitization Corporation	908,124	-
	<hr/>	<hr/>
Total	<u>\$ 4,070,633</u>	<u>\$ 594,762</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Restricted Assets - Continued**

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 includes an estimate of the present value of future tobacco settlement receipts in the amount of \$ 22,645,549 in accordance with Government Accounting Standards Board Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." This receivable is offset by an equal amount included in deferred revenue.

**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 \$400,000 at December 31, 2012.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Changes in Capital Assets**

A summary of changes in capital assets is as follows:

	Balance January 1, 2012	Additions	Retirements/ Reclass- ifications	Balance December 31, 2012
<b>Governmental Funds:</b>				
Land	\$ 1,691,229	\$ -	\$ -	\$ 1,691,229
Buildings	46,217,092	-	-	46,217,092
Construction in progress	253,574	3,204,242	(324,233)	3,133,583
Improvements	474,994	-	-	474,994
Bridges	28,057,369	218,109	267,170	28,542,648
Roads	30,944,354	1,913,832	-	32,858,186
Infrastructure	12,954,067	-	-	12,954,067
Machinery and equipment	24,707,133	1,035,996	(877,756)	24,865,373
<b>Total cost</b>	<b>145,299,812</b>	<b>6,372,179</b>	<b>(934,819)</b>	<b>150,737,172</b>
<b>Less: accumulated depreciation:</b>				
Buildings	(18,918,538)	(1,125,383)	-	(20,043,921)
Improvements	(75,573)	(29,990)	-	(105,563)
Bridges	(3,747,608)	(570,854)	-	(4,318,462)
Roads	(17,928,481)	(2,069,386)	-	(19,997,867)
Infrastructure	(5,854,136)	(259,081)	-	(6,113,217)
Machinery and equipment	(15,857,619)	(1,674,755)	934,143	(16,598,231)
<b>Total accumulated depreciation</b>	<b>(62,381,955)</b>	<b>(5,729,449)</b>	<b>934,143</b>	<b>(67,177,261)</b>
<b>Total cost, net</b>	<b>\$ 82,917,857</b>	<b>\$ 642,730</b>	<b>\$ (676)</b>	<b>\$ 83,559,911</b>

Depreciation was charged to governmental funds as follows:

General Government	\$ 507,433
Public Safety	877,406
Health and Sanitation	78,513
Transportation	3,312,554
Economic Assistance	83,852
Culture and Recreation	10,084
Home and Community	859,607
<b>Total</b>	<b>\$ 5,729,449</b>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Changes in Capital Assets - Continued**

	Balance January 1, 2012	Net Additions (Deletions)	Balance December 31, 2012
Enterprise Fund:			
Land improvements	\$ 1,396,959	\$ 25,459	\$ 1,422,418
Buildings and improvements	8,959,483	91,125	9,050,608
Fixed equipment	685,247	42,412	727,659
Moveable equipment	2,560,768	113,258	2,674,026
Construction in progress	144,023	(72,887)	71,136
	<hr/>	<hr/>	<hr/>
Total cost	13,746,480	199,367	13,945,847
	<hr/>	<hr/>	<hr/>
Less: accumulated depreciation	(9,633,393)	(539,324)	(10,172,717)
	<hr/>	<hr/>	<hr/>
Total cost, net	<u>\$ 4,113,087</u>	<u>\$ (339,957)</u>	<u>\$ 3,773,130</u>

**Interfund Transactions**

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

Individual interfund receivable and payable balances at December 31, 2012 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	<u>\$ 3,410,930</u>	<u>\$ 733,737</u>
Non-Major Funds:		
Special Revenue Funds:		
Car Pool	81,005	20,995
County Road	-	286,182
Road Machinery	321,147	22,528
Sewer District #1	-	2,317
Sewer District #2	64,120	4,045
Solid Waste Management	-	10,576
Self-Insurance – Workers' Compensation	390,525	212
Special Grant	-	1,424
Capital Projects Funds	31,999	1,533,059
Total Non-Major Funds	<hr/> 888,796	<hr/> 1,881,338
Enterprise Fund	<hr/> 255,682	<hr/> 1,940,333
Total	<u>\$ 4,555,408</u>	<u>\$ 4,555,408</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Interfund Transactions - Continued**

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

Interfund transfers during the year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 922,939	\$ 6,603,562
Non-Major Funds:		
Special Revenue Funds:		
County Road	6,083,105	-
County Road Machinery	139,576	-
Sewer District #2	39	-
Solid Waste Management	355,392	-
Capital Project Funds	26,066	923,555
Total Non-Major Funds	<u>6,604,178</u>	<u>923,555</u>
 Total	 <u>\$ 7,527,117</u>	 <u>\$ 7,527,117</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, 2012

**Indebtedness - Continued**

Funding Policy - Continued

	<u>County</u>	<u>Nursing Home</u>	<u>Total ERS</u>
2012	\$ 4,388,571	\$ 803,363	\$ 5,191,934
2011	3,642,003	664,744	4,306,747
2010	2,875,161	544,831	3,419,992

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, 2012 as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Due to other counties	\$ 255,298	\$ -	\$ 247
Due to New York State	1,050,328	-	1,111
Due to special districts	17,700	-	-
Due to central school districts	6,951,509	-	-
Due to villages and towns	1,200,587	21,303	-
 Total	 <u>\$ 9,475,422</u>	 <u>\$ 21,303</u>	 <u>\$ 1,358</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 \$871,370 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 position as an accrued liability. Compensated absences for Pleasant Valley Infirmary totaled \$101,769.

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, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Payable at December 31, 2012</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Bond anticipation notes payable	\$ -	\$ 7,312,000	\$ -	\$ 7,312,000	\$ 7,312,000	\$ -
OPEB liability	20,120,069	5,961,500	(1,890,700)	24,190,869	-	24,190,869
Pleasant Valley OPEB liability	4,040,908	1,047,400	(243,906)	4,844,402	-	4,844,402
Pleasant Valley Debt	1,966,464	-	(223,171)	1,743,293	249,390	1,493,903
Pleasant Valley workers' compensation	1,633,949	-	(243,193)	1,390,756	-	1,390,756

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Indebtedness – Continued**

**Bonds, Notes and Long-Term Liabilities – Continued**

	Payable at January 1, 2012	Additions	Payments	Payable at December 31, 2012	Due Within One Year	Due in More Than One Year
State loans payable	255,000	-	(25,000)	230,000	25,000	205,000
General obligations and serial bonds	5,306,536	-	(379,829)	4,926,707	390,610	4,536,097
WTASC bonds	13,675,000	-	(85,000)	13,590,000	135,000	13,455,000
Total	<u>\$ 46,997,926</u>	<u>\$14,320,900</u>	<u>\$ (3,090,799)</u>	<u>\$58,228,027</u>	<u>\$8,112,000</u>	<u>\$ 50,116,027</u>

**Bond Anticipation Notes**

Bond anticipation notes, (BANS) as of December 31, 2012 represented short-term financing arrangements for two capital projects at interest rates ranging from .875% to 1.25%.

**State Loans Payable**

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

\$ 230,000

**General Obligation and Serial Bonds**

\$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

\$ 3,056,707

\$1,933,000 Public Improvement serial bonds, due in annual installments ranging from \$63,000 to \$160,000 through 2027 with interest ranging from 2.25% to 4.00%.

1,870,000

Total general obligation and serial bonds

\$4,926,707

Total interest expense for Washington County was \$926,603 for the year ended December 31, 2012.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Indebtedness – Continued**

General Obligation and Serial Bonds - Continued

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 415,610	\$ 195,400
2014	425,000	180,251
2015	443,780	164,309
2016	458,171	147,387
2017	467,561	129,982
2018-2022	1,965,731	402,264
2023-2027	980,854	85,924
Total	<u>\$ 5,156,707</u>	<u>\$ 1,305,517</u>

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

2013-2015	225,000	
2016-2018	250,000	
Total principal due		\$ 1,425,000

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 15<sup>th</sup> 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>318,293</u>
Total	1,743,293
Less: current portion	<u>(249,390)</u>
Total Pleasant Valley General Obligation Serial Bonds	<u>\$ 1,493,903</u>

Long-term debt maturities for Pleasant Valley as of December 31, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>
2013	\$ 249,390	\$ 76,209
2014	250,000	64,490
2015	251,220	52,690
2016	276,829	40,241
2017	277,439	27,106
2018-2022	404,269	33,007
2023	34,146	1,451
Total	<u>\$ 1,743,293</u>	<u>\$ 295,194</u>

Total interest expense for Pleasant Valley was \$84,903 for the year ended December 31, 2012.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Indebtedness – Continued**

Washington Tobacco Asset Securitization Corporation (WTASC)

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

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>
2013	\$ 135,000	\$ 684,706	\$ 819,706
2014	145,000	678,756	823,756
2015	150,000	672,488	822,488
2016	145,000	666,219	811,219
2017	145,000	660,056	805,056
2018-2022	1,270,000	3,153,500	4,423,500
2023-2027	1,600,000	2,824,576	4,424,576
2028-2032	2,050,000	2,377,500	4,427,500
2033-2037	2,630,000	1,795,500	4,425,500
2038-2042	3,380,000	1,048,250	4,428,250
2043-2045	1,940,000	185,625	2,125,625
	<u>\$ 13,590,000</u>	<u>\$ 14,747,176</u>	<u>\$ 28,337,176</u>
Total			

WTASC has pledged, as security for the above bonds, its future tobacco settlement revenues pursuant to the New York State Tobacco Settlement Agreement. For the current year, principal and interest paid by WTASC totaled \$753,343 as compared to its tobacco settlement revenues of \$793,021. To estimate the present value of the receivable for future tobacco settlement revenues, an average bond interest rate of 4.625% was used, compounded annually through the year 2042.

Total interest expense for Washington Tobacco Asset Securitization Corporation was \$667.883 for the year ended December 31, 2012.

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, 2012, the Corporation has drawn down \$300,000 and has made four loans. The terms are as follows:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Indebtedness – Continued**

Intermediary Relending Program Loan Payable - Continued

Installment contract to the U.S. Department of Agriculture payable in annual installments of \$12,339, including interest at 1%, through November 2028.

\$ 181,307

Less: current portion

(10,523)

Long-term debt, net of current portion

\$ 170,784

Maturities of long-term debt are as follows:

Years ending December 31,	<u>Principal</u>	<u>Interest</u>
2013	\$ 10,523	\$ 1,816
2014	10,629	1,710
2015	10,735	1,604
2016	10,842	1,497
2017	10,951	1,388
2018-2022	55,418	5,277
2023-2027	72,209	2,399
	<u>\$ 181,307</u>	<u>\$ 15,691</u>

**Postemployment Healthcare Benefits – Prior Year Accounting Change**

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

**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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Other Postemployment Benefits (OPEB)**

Funding Policy - Continued

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.

<u>Annual OPEB Cost – Fiscal Year Ended December 31, 2012</u>	<u>County</u>	<u>Nursing Home</u>	<u>Total</u>
Normal cost	\$ 3,454,900	\$ 607,000	\$ 4,061,900
Past service cost	2,512,800	440,400	2,953,200
Annual Required Contribution (ARC)	5,967,700	1,047,400	7,015,100
Interest on OPEB obligation	704,200	141,400	845,600
Adjustments to ARC	(710,400)	(142,700)	(853,100)
OPEB expense	<u>\$ 5,961,500</u>	<u>\$ 1,046,100</u>	<u>\$ 7,007,600</u>
<u>Reconciliation of Net OPEB Obligation</u>	<u>County</u>	<u>Nursing Home</u>	<u>Total</u>
At December 31, 2012:			
Net OPEB obligation at the beginning of the year	\$ 20,120,069	\$ 4,040,908	\$24,160,977
OPEB expense	5,961,500	1,047,400	7,008,900
Net OPEB contributions made during the fiscal year	(1,890,700)	(243,906)	(2,134,606)
Net OPEB obligation at the end of the year	<u>\$ 24,190,869</u>	<u>\$ 4,844,402</u>	<u>\$29,035,271</u>
Percentage of expense contributed	31.7%	34.9%	32.2%
<u>Reconciliation of Net OPEB Obligation</u>	<u>County</u>	<u>Nursing Home</u>	<u>Total</u>
At December 31, 2011:			
Net OPEB obligation at the beginning of the year	\$ 15,198,521	\$ 3,124,815	\$18,323,336
OPEB expense	6,194,300	1,170,200	7,364,500
Net OPEB contributions made during the fiscal year	(1,272,752)	(254,107)	(1,526,859)
Net OPEB obligation at the end of the year	<u>\$ 20,120,069</u>	<u>\$ 4,040,908</u>	<u>\$24,160,977</u>
Percentage of expense contributed	20.5%	21.7%	20.7%

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Other Postemployment Benefits (OPEB) - Continued**

Other Disclosure Information - Continued

Reconciliation of Net OPEB Obligation	County	Nursing Home	Total
At December 31, 2010:			
Net OPEB obligation at the beginning of the year	\$10,520,297	\$ 2,256,131	\$ 12,776,428
OPEB expense	5,886,200	1,112,100	6,998,300
Net OPEB contribution made during the fiscal year	(1,207,976)	(243,416)	(1,451,392)
Net OPEB obligation at the end of the year	\$ 15,198,521	\$ 3,124,815	\$ 18,323,336
Percentage of expense contributed	20.5%	21.9%	20.7%

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

Actuarial Methods and Assumptions

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

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

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

**Intergovernmental Transfer Revenue (IGT)**

Included in due from third party payers are monies receivable through the Intergovernmental Transfer Program (IGT), which provides Medicaid rate enhancements to all non-state operated, publicly sponsored nursing facilities. Its continuation is subject to annual negotiations between New York State and the federal government. IGT revenues amounted to \$3,086,880 in the year ended December 31, 2012.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**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, 2012, the total amount of claims incurred but not paid until 2013 was \$1,490. This liability is reflected in accounts payable on the balance sheet and statement of net position.

A health insurance rate is established for the employee's and employer's portion of the monthly premium to provide for the budgeted/projected annual expense for the administrative costs plus claims. The employee's share of the monthly premium is withheld from the employee's first pay of the month and recorded within the County's Trust & Agency Fund. The employer's share of the monthly premiums is recorded as a liability within the fund that the employee's personal service expense/payroll expense is charged.

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

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

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

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Contingent Liabilities – Continued**

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

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

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

In 1994 the County joined NYMIR (New York Municipal Insurance Reciprocal) for its municipal property and casualty insurance. NYMIR is a consortium whose members are all municipalities. The subscribers pay a 25% capitalization fee that is based on each subscriber's annual premium and is paid over a five 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 2012 expenditures approximated \$443,000. 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 37 participants at December 31, 2012. 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 \$3,364,963. Of this, \$1,974,206 is reported in the County's accrued liabilities. A provision has been made for \$1,390,756 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, 2012. Claims and judgments calculated for 2012 totaled \$1,016,709.

Changes in the Workers' Compensation aggregate claims liabilities for the years ended December 31, 2012 and 2011 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2012	\$ 4,907,520	\$ 290,931	\$ (1,016,709)	\$ 4,181,742
2011	5,551,717	413,355	(1,057,552)	4,907,520

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**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 11% and 72%, respectively, of the Home's net patient service revenue for the year ended December 31, 2012. 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 2012 net patient service revenue decreased approximately \$68,000 as a result of the final settlements in excess of amounts previously estimated.

Regulatory

The Home is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased, resulting in fines and penalties for noncompliance by individual health care providers. During 2012, the Home, was notified that it was in violation of certain patient care regulations, and could be subject to unspecified fines and/or penalties. The Home is continuing negotiations with the applicable regulatory bodies to minimize the financial impact. It is not possible to estimate the final amount, if any, of fines and/or penalties that may be imposed.

Litigation

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

Medical Malpractice Insurance

The Home is covered by professional liability insurance on an occurrence basis. For the year ended December 31, 2012, per claim coverage was \$1,000,000 with an aggregate maximum annual coverage of \$3,000,000. Losses on medical malpractice claims are estimated based on deductibles and claims in excess of per claim or aggregate coverage and claims incurred but not reported during the claim year and represent the Home's best estimate of the ultimate costs of reported and unreported claims, using the Home's past experience, industry experience, and identified asserted claims and reported incidents. There were no estimated losses on medical malpractice claims for the year ended December 31, 2012.

**Fund Balances**

At December 31, 2012, Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type definitions in the Government Fund Statements are as follows:

Nonspendable amounts represent prepaid expenses and inventories.

Restricted funds represent amounts held for risk retention liabilities involving unemployment and general liability insurance risks, capital projects, and amounts restricted for the repayment of debt.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Fund Balances-Continued**

Assigned funds include the following:

Encumbrances, or commitments for expenditures:

General fund encumbrances totaled \$287,482 and non-major fund encumbrances totaled \$513,516 for the year ended December 31, 2012.

Subsequent year's expenditures:

The general fund has assigned \$2,640,972 and the non-major funds have assigned \$3,271,048 for appropriation to meet expenditure requirements for the 2013 year.

Funds reserved by the Board of Supervisors for various purposes, including insurance of \$180,821. In addition, assigned funds include positive fund balances in the Washington Tobacco Asset Securitization Corporation of \$92,842 and in the non-major funds of \$3,943,282.

**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, 2012

Total assets	\$ 39,272,564
Total liabilities	18,880,608
Joint equity	20,391,956
Total revenues	28,750,021
Total expenditures	30,345,415

Joint Venture Equity consists of the following:

Investments in capital assets net of related debt	\$ 25,285,772
Restricted net assets	360,000
Unrestricted net assets (deficit)	<u>(5,253,816)</u>
Total	<u>\$ 20,391,956</u>

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

**Commitments**

**Deferred Compensation Plan**

In October 1993 the County established for its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Commitments-Continued**

**Deferred Compensation Plan-Continued**

to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County will fund all amounts of compensation deferred under the Plan, at the direction of the covered employee. The County has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The County made no contribution and employees made \$371,694 in contributions to the deferred compensation plan for the year ended December 31, 2012.

**Landfill Closure and Postclosure Care Costs**

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

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

\$130,851 is reported as landfill closure and postclosure care in accrued liabilities at the Easton Landfill at December 31, 2012 and represents the estimated costs of future monitoring for 17 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 17 years.

\$103,475 is reported as postclosure care in accrued liabilities for the Fort Ann Landfill on December 31, 2012 and represents the estimated costs of future monitoring for 17 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 17 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 2012.

**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 30, 2013, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure, except for the following:

In February 2013, the County entered into an agreement with a company for the sale of the nursing home, adult home and adult day care assets, including the building, land, machinery and equipment. It is anticipated that the sale will be completed as early as December 31, 2013, or during the first quarter of 2014, subject to approval by the New York State Department of Health..

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Subsequent Events-Continued**

The County has entered into an asset purchase agreement with a third party for the sale of the County's Certified Home Health Care and Long-Term Home Health assets. In addition, the third party and the County have entered into a management agreement in which the third party would take over the services under a management contract until the time of the asset sale. The transition occurred in May, 2013. The County is operating hospice services until two local agencies get New York State approval to take over the services. This is expected to happen prior to the end of 2013.

The County has entered into a lease purchase agreement with a third party for the County run transfer stations in the Towns of Kingsbury, Granville, Greenwich, Whitehall and Jackson. Under the agreement, the company will have five years to lease the facilities with a purchase of assets to occur within the term of the lease. The third party took over the facilities in April of 2013.

## WASHINGTON COUNTY, NEW YORK

## Schedule of Funding Progress for Other Postemployment Benefits

Year Ended December 31, 2012

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
November 1, 2012	December 31, 2012	-	\$ 83,635,700	\$ 83,635,700	0%	\$ 30,092,887	278%
November 1, 2010	December 31, 2011	-	84,219,500	84,219,500	0%	30,098,648	280%
November 1, 2010	December 31, 2010	-	79,080,600	79,080,600	0%	30,549,456	259%

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number			Federal Expenditures
<u>U.S. Department of Labor</u>				
Employment and Training Program				
Passed Through Saratoga County, New York:				
WIA Cluster:				
WIA Adult Program	17.258	\$	104,019	
WIA Dislocated Workers	17.278		225,091	
WIA Youth Activities	17.259		<u>224,163</u>	
Total WIA Cluster				553,273
Trade Adjustment Assistance	17.245			40,457
Workforce Innovation Fund	17.283			<u>4,385</u>
Total U. S. Department of Labor				598,115
<u>U.S. Federal Emergency Management Agency</u>				
U.S. Department of Homeland Security				
Passed Through NYS Division of Homeland Security and Emergency Services:				
Law Enforcement Terrorist Prevention Program	97.067			
New York Contract T837692			37,348	
New York Contract T837602			15,381	
New York Contract C837690			4,849	
New York Contract C837680			<u>289</u>	
				57,867
State and Local Homeland Security Training Program	97.005			20,707
Federal Disaster Assistance	97.039			<u>17,950</u>
Total U.S. Federal Emergency Management Agency				96,524
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Office of Temporary and Disability Assistance:				
Supplemental Nutrition Assistance Program	10.561			499,808
Passed Through New York State Department of Health:				
Supplemental Food W.I.C.	10.557		451,594	
Passed Through New York Office of Temporary and Disability Assistance:				
Special Supplemental Nutrition for WIC	10.557		<u>1,192,237</u>	
				1,643,831
Passed through New York State Education Department Child Nutrition Program	10.555			8,368
Rural Development Intermediary Relending Program (Through Washington County LDC-Component Unit)	10.767			<u>52,339</u>
Total U.S. Department of Agriculture				2,204,346

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U. S. Department of Transportation</u>			
Passed Through New York State Dept. of Transportation:			
Highway Planning and Construction Cluster:			
Highway Construction Program	20.205	256,274	
ARRA-Highway Construction Program	20.205	<u>31,529</u>	
Total Highway Planning and Construction Cluster			287,803
National Traffic Safety Board Administration			
Passed Through New York State Traffic Safety Board Administration:			
Highway Safety Cluster:			
Speed & Seatbelt Compliance Grant	20.600	13,920	
Buckle Up New York Program Grant	20.600	1,591	
Child Passenger Safety Seat Grant	20.602	<u>6,187</u>	
Total Highway Safety Cluster			<u>21,698</u>
Total U. S. Department of Transportation			309,501
<u>U.S. Department of Education</u>			
Passed Through New York State Board of Elections:			
Help America Vote Act Grant	90.401	<u>73,752</u>	
Total U.S. Department of Education			73,752
<u>U.S. Department of Health and Human Services</u>			
Passed Through New York State Department of Health:			
Bio-Terrorism Grant	93.069	53,738	
Immunization Grant	93.268	17,422	
Medicaid Cluster:			
Passed Through New York State Department of Health:			
Medical Assistance Program	93.778	1,012,902	
Passed Through New York State Office of Mental Health:			
Medicaid Salary Sharing	93.778	40,371	
Passed Through New York State Office of Alcoholism and Substance Abuse Services:			
Medicaid Salary Sharing	93.778	<u>7,239</u>	
Total Medicaid Cluster			1,060,512

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Health and Human Services (continued)</u>		
TANF Cluster:		
Passed Through Saratoga County, New York:		
Employment TANF Summer Youth	93.558	60,157
Passed Through Office of Temporary and Disability Assistance:		
Assistance Payments / Maintenance (TANF)	93.558	3,762,795
Safety Net	93.558	<u>22,693</u>
Total TANF Cluster		3,845,645
Passed Through Office of Temporary and Disability Assistance:		
Foster Care	93.658	886,854
ARRA-Foster Care	93.658	<u>521</u>
Total Foster Care		887,375
Adoption Assistance	93.659	357,271
Child Support Enforcement Title IV-D	93.563	260,866
ARRA-Child Support Enforcement Title IV-D	93.563	<u>86,437</u>
Total Child Support Enforcement Title IV-D		347,303
Passed Through Office of Temporary and Disability Assistance:		
Low Income Home Energy Assistance	93.568	3,590,477
Passed Through New York State Office of Aging:		
Weatherization Referral and Packaging (W.R.A.P.)	93.568	<u>17,639</u>
Total Energy Assistance and Weatherization		3,608,116
Passed Through New York State Office of Aging:		
Aging Cluster:		
Special Programs for the Aging, Title III-C	93.045	104,759
Special Programs for the Aging, Title III-B	93.044	61,427
Nutrition Services Incentive Program	93.053	<u>60,989</u>
Total Aging Cluster		227,175
Special Programs for the Aging, Title III-D	93.043	16,386
Title III-E	93.052	35,553
HIICAP	93.779	30,517
M.I.P.P.A	93.518	10,973

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U.S. Department of Health and Human Services (continued):</u>			
Passed Through New York State Office of Alcoholism and Substance Abuse:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	221,642	
Passed Through Hudson Headwaters Health Network:			
Adolescent Pregnancy Prevention Grant	93.297	6,715	
Ryan White HIV Grants	93.924	<u>4,000</u>	
Total U.S. Department of Health and Human Services			10,730,343
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through New York State Department of Homes and Community Renewal:			
CDBG Sprinkler System Grant	14.225	<u>43,150</u>	
Total U. S. Department of Housing and Urban Development			43,150
<u>U.S. Department of Justice</u>			
Violence Against Women Grant	16.588	32,511	
Drug Enforcement Administration	16.580	12,974	
ARRA-Byrne Video Teleconferencing	16.803	<u>4,566</u>	
Total U. S. Department of Justice			50,051
<u>U.S. Environmental Protection Agency</u>			
Passed Through NYS Department of Health:			
Radon Grant	66.032	<u>5,125</u>	5,125
<u>Corporation for National and Community Service</u>			
Americorps	94.006	<u>1,227</u>	
Total Corporation for National and Community Service			<u>1,227</u>
Total Federal Expenditures			<u>\$ 14,112,134</u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

December 31, 2012

**General**

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

**Basis of Accounting**

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

**Sub-Recipients**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided Sub-recipients</u>	
<u>U.S. Department of Labor</u>			
To Washington County Economic Opportunity Council, Inc./Employment and Training Program:			
WIA:			
WIA Adult Program	17.258 **	\$ 104,019	
WIA Dislocated Workers	17.278 **	225,091	
WIA Youth Activities	17.259 **	<u>224,163</u>	
Total WIA Funds			\$ 553,273
Trade Adjustment Assistance	17.245 **		40,457
Workforce Innovation Fund	17.283		<u>4,385</u>
Total U.S. Department of Labor			<u>\$ 598,115</u>

\*\* These programs were audited as major programs by the subrecipient's auditor for the year ended March 31, 2012. Reference should be made to the subrecipient's audit report for information related to that audit.



WHITTEMORE, DOWEN & RICCIARDELLI, LLP  
Certified Public Accountants and Consultants

333 Aviation Road, Building B • Queensbury, NY 12804  
Phone: (518) 792-0918 • Fax: (518) 743-0882  
112 Spring Street, Suite 307 • Saratoga Springs, NY 12866  
Phone: (518) 584-0770  
[www.wdrcpa.com](http://www.wdrcpa.com)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Washington County, New York's basic financial statements and have issued our report thereon dated September 30, 2013. Our report includes a reference to other auditors who audited the financial statements of The Pleasant Valley Infirmary, the enterprise fund, as described in our report on Washington County, New York's financial statements. These financial statements of The Pleasant Valley Infirmary were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (2012-01).

### **Compliance and Other Matters**

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

### **Washington County, New York's Response to Findings**

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

### **Purpose of this Report**

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

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP  
Queensbury, New York

September 30, 2013



WHITTEMORE, DOWEN & RICCIARDELLI, LLP  
Certified Public Accountants and Consultants

333 Aviation Road, Building B • Queensbury, NY 12804  
Phone: (518) 792-0918 • Fax: (518) 743-0882  
112 Spring Street, Suite 307 • Saratoga Springs, NY 12866  
Phone: (518) 584-0770  
[www.wdr CPA.com](http://www.wdr CPA.com)

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Washington County, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Washington County, New York's major federal programs for the year ended December 31, 2012. Washington County, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Washington County, New York's financial statements include the operations of The Pleasant Valley infirmary, a component unit. This entity may have received federal awards. Such awards, if any, were not included in the schedule of expenditures of federal awards for Washington County, New York, during the year ended December 31, 2012, because the entity engaged other auditors for the year ended December 31, 2012, and they did not audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Washington County, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Washington County, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of Washington County, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington County, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington County, New York's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP  
Queensbury, New York

September 30, 2013

WASHINGTON COUNTY, NEW YORK  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2012

Section I - Summary of Auditor's Results

I. Financial Statements

- A. Type of auditor's report issued
  - 1. Unqualified, with explanatory language relating to the fact we did not audit the financial statements of Pleasant Valley Infirmary. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in Pleasant Valley Infirmary is based solely on the reports of the other auditors.
- B. Internal control over financial reporting
  - 1. No material weaknesses were identified.
  - 2. One significant deficiency was identified that is not considered to be a material weakness.
- 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 auditor's 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.

WASHINGTON COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2012

II. Federal Awards – Continued

D. Identification of major programs

<u>**CFDA Numbers</u>	<u>Name of Federal Program</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
17.258 17.278 17.259	WIA Cluster: WIA Adult Program WIA Dislocated Workers WIA Youth Activities
20.205	Highway Construction Program
93.558 93.558 93.558	TANF Cluster: <i>Employment TANF Summer Youth Assistance Payments/Maintenance (TANF)</i> <i>Safety Net</i>
93.568 93.568	Weatherization Referral and Packaging (W.R.A.P.) Low Income Home Energy Assistance
93.658	Foster Care-Title IV-E

\*\* CFDA numbers and determination of clusters based upon OMB Circular A-133 Compliance Supplement dated June 2012.

- E. The dollar threshold used to distinguish Type A and Type B programs was \$423,364.
- F. The auditee does not qualify as a low-risk auditee.

WASHINGTON COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2012

Section II - Financial Statement Findings

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2012-01	<p><u>Criteria:</u> Risk should be assessed by an entity to assist with the establishment of relevant operating procedures and to ensure sufficient internal control.</p> <p><u>Condition:</u> Management nor the Board of Supervisors of Washington County have documented any form of risk assessment over the financial operations of the County. This is a repeat finding from 2007 through 2011.</p> <p><u>Cause of Condition:</u> The County has not completed a risk assessment.</p> <p><u>Effect of Condition:</u> By not studying risks and not documenting the study, the County is taking a chance that a significant risk of misappropriation and/or misstatement of the financial statements exists and is not being considered in the preparation of its financial statements.</p> <p><u>Recommendation:</u> Management and the Board Audit Committee should conduct a risk assessment regarding the County's financial operations. The assessment should be documented and maintained as part of the County's formal policies and procedures.</p> <p><u>Management Response:</u> The County will develop a formal risk assessment of financial operations to be approved by the Board of Supervisors. The assessment will be reviewed and updated by the Finance Committee of the Board of Supervisors.</p>	N/A

## WASHINGTON COUNTY, NEW YORK

Schedule of Status of Findings and Questioned Costs  
From 2011 Report

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2011-01	<p><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.</p> <p><u>Status:</u> The finding was repeated in 2012 as 2012-01.</p>	N/A
2011-2	<p><u>Failure of The Washington Tobacco Asset Securitization Corporation to file their annual report timely.</u></p> <p><u>Status:</u> The report was timely filed in 2012.</p>	N/A
2011-3	<p><u>Failure of County to File its Data Collection Form Timely.</u></p> <p><u>Status:</u> The form was filed timely in 2012 for the year ended December 31, 2011.</p>	N/A