

ST. LAWRENCE COUNTY, NEW YORK

Independent Auditor's Report

Financial Statements and  
Supplementary Information

Year Ended December 31, 2012



Whittemore, Downen & Ricciardelli, LLP  
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ST. LAWRENCE COUNTY, NEW YORK

Table of Contents

	Page
Independent Auditor's Report	1-2
Management Discussion Analysis	3-12
Basic Financial Statements:	
	Exhibit
Government-Wide Financial Statements:	
Statement of Net Position	A 13
Statement of Activities	B 14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	C 15
Reconciliation of Balance Sheet for Governmental Funds to the Statement of Net Position	D 16-17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E 18-19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F 20-21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	G 22
Statements of Net Position – Proprietary Funds	H 23
Statements of Revenues, Expenses and Changes in Net Position Proprietary Funds	I 24
Statements of Cash Flows – Proprietary Funds	J 25-26
Statements of Net Position – Fiduciary Funds	K 27
Statement of Changes in Fiduciary Net Position	L 28
Notes to Basic Financial Statements	29-54
Required Supplemental Information:	
Schedule of Funding Progress for Other Postemployment Benefits (Schedule 1)	55

Single Audit Reports:

Schedule of Expenditures of Federal Awards (Schedule 2)	56-58
Notes to Schedule of Expenditures of Federal Awards	59
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 <i>Government Auditing Standards</i>	60-61
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By OMB Circular A-133	62-63
Schedule of Findings and Questioned Costs (Schedule 3)	64-68
Schedule of Prior Year Findings and Questioned Costs (Schedule 4)	69



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## INDEPENDENT AUDITOR'S REPORT

To The Board of Legislators  
St. Lawrence County, New York

We have audited the accompanying 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 St. Lawrence 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 St. Lawrence County Industrial Development Agency, St. Lawrence County Industrial Development Agency - Local Development Corporation and Canton Human Services Initiatives, Inc., which together represent 15% percent, 97% percent, and 3% percent, respectively, compared to the assets, net position and revenues of the primary government. 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 for St. Lawrence County Industrial Development Agency, St. Lawrence County Industrial Development Agency - Local Development Corporation and Canton Human Services Initiatives, Inc. are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 reports 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 St. Lawrence 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 3-12, 22 and 55 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 the 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 the St. Lawrence 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 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 St. Lawrence 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 St. Lawrence 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

**COUNTY OF ST. LAWRENCE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2012**

St. Lawrence County, New York's (the "County") Management Discussion and Analysis ("MD&A") offers readers of the financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional data contained in the financial statements and notes to those statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded its' liabilities at the close of 2012 by \$29,755,484(*net position*). The unrestricted net position (deficit) for governmental activities was (\$75,364,122); for business-type activities (solid waste), the unrestricted net position (deficit) was (\$1,832,074). Restricted net position for governmental activities was \$6,874,077 at the close of 2012. Assets are restricted if they must be set aside for specific programs or purposes.
- The County's total net position for governmental activities decreased by \$16,857,755 primarily due to increases in governmental noncurrent liabilities due in more than one year.
- At the end of 2012, undesignated fund balance for the general fund was (\$893,471), or (.57%) of the general fund expenditures.
- The County's outstanding bonds payable decreased by \$875,000 (2.5%). Notes to Financial Statements, p. 41, have the County's total bonded indebtedness, as of December 31, 2012 at \$34,320,000.

**OVERVIEW OF FINANCIAL STATEMENTS**

The County's basic financial statements have three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. The *government-wide financial statements* present an overall picture of the County's financial position and results of operations. The *fund financial statements* present financial information on the fund basis. The *notes to the financial statements* provide additional information concerning the County's finances that are not disclosed in the government-wide or fund financial statements.

1. The **government-wide financial statements** are **the statement of net position and the statement of activities**. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities and the change in net position. Governmental activities are primarily supported by property taxes, sales taxes and federal and state grants. The County Solid Waste Department is an enterprise fund and has been self-supporting up until the implementation of GASB 45 concerning other post-employment benefits.

The **statement of net position** presents information on all assets and liabilities of the County, with the difference between assets and liabilities reported as net position. Net

**COUNTY OF ST. LAWRENCE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2012**

position is reported in three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Assets, liabilities and net position are reported for all governmental activities separate from the assets, liabilities and net position of business-type activities. The County's governmental activities include those accounted for within the General, Bridge and Road, Road Machinery, Special Grant, Capital Project and Internal Service Funds. The County's business-type activities include those accounted for in the Solid Waste Fund.

In addition, assets, liabilities and net position are reported for the County's component units: the St. Lawrence County Industrial Development Agency, the St. Lawrence County Industrial Development Agency – Local Development Corporation, the St. Lawrence County Soil and Water Conservation District and the Canton Human Services Initiatives, Inc. These component units are reported in separate columns, except for Canton Human Services Initiatives, Inc., which is a blended component unit.

The **statement of activities** presents information on all revenues and expenses of the County and the change in net position. Expenses and revenues are reported by major functions. In addition, the statement presents the net cost of all functions provided by the County. To assist in understanding the County's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the County include Public Safety, Health Services, Transportation, Economic Assistance and Opportunity, Culture and Recreation, Home and Community Services, Education and General Government Services. Business-type activities for the Department of Solid Waste are financed primarily by tipping fee revenue. Again, expenses and revenues of the Department of Solid Waste are reported separately from the County's financial information.

2. **Fund Financial Statements** present financial information for governmental funds, proprietary funds, and a fiduciary fund. These statements provide financial information on a fund basis. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenue and expenses), and total economic resources.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all governmental funds. A statement of revenues, expenditures and changes in fund balance – budget and actual – major governmental funds, is provided for the County's General Fund.

Proprietary funds, which includes internal service funds in addition to business-type activities, a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows are presented.

**COUNTY OF ST. LAWRENCE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2012**

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.

The financial statements for governmental funds can be found in the Basic Financial Statements.

Fund financial statements provide more detailed information about the County's activities. Individual funds are established by the County to track revenues that are restricted to certain uses, comply with legal requirements or account for the use of State and Federal Grants.

The government-wide financial statements provide an overall picture of the County's financial standing, split between governmental activities and business-type activities. The statements are comparable to private sector companies and give a good understanding of the County's overall financial health and how the County paid for the various activities, or functions, provided by the County. All assets of the County, including buildings, land, roads and bridges are reported in the **statement of net position**. All liabilities, including principal outstanding on bonds and future employee benefits obligated but not paid by the County, are included. The **statement of activities** includes depreciation on all long lived assets of the County, but transactions between the different functions of the County have been eliminated in order to avoid "doubling up" the revenues and expenses.

The fund financial statements provide a picture of the major funds of the County and a column for all non-major funds. In the case of governmental activities, outlays for long-lived assets are reported as expenditures, and long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the fund financial statement to the government-wide financial statements, reconciliations are provided from the fund financial statements to the government-wide financial statements.

3. **Notes to the financial statements** provide additional detail concerning the financial balances of the County. Additional information about the accounting practices of the County, investments of the County, long-term debt and pension plans are some of the items included in the notes to the financial statements.

The Canton Human Service Initiatives, Inc., the St. Lawrence County Industrial Development Agency and the St. Lawrence County Industrial Development Agency – Local Development Corporation have separate audited financial statements.

**COUNTY OF ST. LAWRENCE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and Other Assets	\$ 94,983,494	\$ 89,204,591	\$ 980,756	\$ 848,813	\$ 95,964,250	\$90,053,404
Capital Assets, Net	133,116,062	132,260,726	1,562,567	1,607,242	134,678,629	133,867,968
<b>Total Assets</b>	<b>228,099,556</b>	<b>221,465,317</b>	<b>2,543,323</b>	<b>2,456,055</b>	<b>230,642,879</b>	<b>223,921,372</b>
<b>Liabilities:</b>						
Long-Term Liabilities	163,130,344	140,923,177	2,334,418	2,055,203	165,464,762	142,978,380
Other Liabilities	35,213,728	33,928,901	478,412	705,493	35,692,140	34,634,394
<b>Total Liabilities</b>	<b>198,344,072</b>	<b>174,852,078</b>	<b>2,812,830</b>	<b>2,760,696</b>	<b>201,156,902</b>	<b>177,612,774</b>
<b>Net Position:</b>						
Invested in Capital Assets (net of debt)	98,245,529	97,065,725	1,562,567	1,607,242	99,808,096	98,672,967
Restricted	6,874,077	6,968,321	-	-	6,874,077	6,968,321
Unrestricted (Deficit)	(75,364,122)	(57,420,807)	(1,832,074)	(1,911,883)	(77,196,196)	(59,332,690)
<b>Total Net Position</b>	<b>\$29,755,484</b>	<b>\$46,613,239</b>	<b>\$ (269,507)</b>	<b>\$ (304,641)</b>	<b>\$29,485,977</b>	<b>\$46,308,598</b>

- The County governmental activity's total liabilities increased by \$23,491,994, mostly due to the 30 year amortization of the Other Post Employment Benefits (OPEB) of: \$16,321,184.
- At the end of the current fiscal year, the County is able to report positive balances in two of the three categories of net position.

**COUNTY OF ST. LAWRENCE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012**

**CHANGE IN NET POSITION**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for Services	\$ 24,748,983	\$ 24,851,888	\$ 3,837,998	\$ 3,742,264	\$ 28,586,981	\$ 28,594,152
Operating Grants and Contributions	51,155,995	50,808,888	-	-	51,155,995	50,808,888
Capital Grants and Contributions	2,672,409	2,168,325	-	-	2,672,409	2,168,325
<b>Total Program Revenues</b>	<b>78,577,387</b>	<b>77,829,101</b>	<b>3,837,998</b>	<b>3,742,264</b>	<b>82,415,385</b>	<b>81,571,365</b>
General Revenues:						
Property Taxes and Tax Items	48,380,290	45,394,908	-	-	48,380,290	45,394,908
Non-Property Taxes	43,667,172	42,841,132	-	-	43,667,172	42,841,132
Fines and Forfeitures	93,029	97,160	-	-	93,029	97,160
Misc. Local Sources	5,321,983	7,395,141	181,341	183,086	5,503,324	7,578,227
Sale of Property and Compensation for Loss	2,069,091	1,857,358	86,042	49,267	2,155,133	1,906,625
Transfers	-	-	-	-	-	-
Investment Earnings	94,636	106,954	3,971	4,298	98,607	111,252
<b>Total General Revenues</b>	<b>99,626,201</b>	<b>97,692,653</b>	<b>271,354</b>	<b>236,651</b>	<b>99,897,555</b>	<b>97,929,304</b>
<b>Total Program and General Revenues</b>	<b>178,203,588</b>	<b>175,521,754</b>	<b>4,109,352</b>	<b>3,978,915</b>	<b>182,312,940</b>	<b>179,500,669</b>
<b>Expenses:</b>						
Governmental Activities Expenses:						
General government support	46,993,449	45,084,317	-	-	46,993,449	45,084,317
Education	570,152	547,107	-	-	570,152	547,107
Public Safety	24,303,922	23,258,892	-	-	24,303,922	23,258,892
Health	23,595,086	24,279,679	-	-	23,595,086	24,279,679
Transportation	18,071,994	18,893,343	-	-	18,071,994	18,893,343
Economic Opportunity and Development	78,138,084	76,466,984	-	-	78,138,084	76,466,984
Culture and Recreation	304,379	364,046	-	-	304,379	364,046
Home and Community Services	2,297,519	3,434,083	4,074,218	4,219,505	6,371,737	7,653,588
Interest on Long Term Debt	1,707,149	1,621,549	-	-	1,707,149	1,621,549
<b>Total Expenses</b>	<b>195,981,734</b>	<b>193,950,000</b>	<b>4,074,218</b>	<b>4,219,505</b>	<b>200,055,952</b>	<b>198,169,505</b>
Total Government Activities						
Net Changes in Net Position	(17,778,146)	(18,428,246)	35,134	(240,590)	(17,743,012)	(18,668,836)
Net Position Beginning, Restated	47,533,630	65,041,485	(304,641)	(64,051)	47,228,989	64,977,434
<b>Net Assets Ending</b>	<b>\$ 29,755,484</b>	<b>\$ 46,613,239</b>	<b>\$ (269,507)</b>	<b>\$ (304,641)</b>	<b>\$ 29,485,977</b>	<b>\$ 46,308,598</b>

**COUNTY OF ST. LAWRENCE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012**

- Total revenue for 2012 increased by \$2,812,271. Significant changes involved mainly an increase in property tax of \$2,985,382 as well as increased grant funding of approximately \$851,191 and a decrease in local revenue of \$2,074,903
- Total expenses for 2012 increased by \$1,886,447, due mostly in part to slight increases in payroll and related fringe expenses.

**CAPITAL ASSETS, NET OF DEPRECIATION AT YEAR END**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$2,405,830	\$2,405,830	\$156,050	\$156,050	\$2,561,880	\$2,561,880
<b>Not Depreciated:</b>						
<b>Construction in Progress</b>	3,148,189	3,075,412	-	-	3,148,189	3,075,412
<b>Depreciated:</b>						
Infrastructure	85,870,985	84,280,559	-	-	85,870,985	84,280,559
Land Improvements	-	-	1,010,538	1,042,128	1,010,538	1,042,128
Buildings and Improvements	37,393,938	37,913,940	-	-	37,393,938	37,913,940
Machinery	3,436,192	4,279,284	395,979	409,064	\$3,832,171	4,688,348
Software	569,446	-	-	-	569,446	-
Bond Financing Costs	291,482	305,701	-	-	\$291,482	\$305,701
<b>Total</b>	<b>\$133,116,062</b>	<b>\$132,260,726</b>	<b>\$1,562,567</b>	<b>\$1,607,242</b>	<b>\$134,678,629</b>	<b>\$133,867,968</b>

- In accordance with GASB 34, the County has recorded depreciation expense associated with all of its capital assets, including infrastructure. The County's investment in capital assets for its governmental and business type activities as of December 31, 2012, amounted to \$134,678,629 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress.
- There was just a slight increase in Capital Assets from 2011.

**COUNTY OF ST. LAWRENCE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012**

**OUTSTANDING DEBT**

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
Bonds Payable	\$ 34,320,000	\$ 35,195,000	\$ -	\$ -
Revenue Anticipation Notes	12,000,000	8,500,000	-	-
Capital lease	550,533	-	-	-
Workers Comp	29,902,834	27,200,000	-	-
OPEB Liability	83,614,999	67,245,256	1,847,668	1,472,583
Landfill Post-Closure	-	-	486,750	582,620
Compensated Absences	2,741,978	2,782,921	-	-
<b>Total</b>	<b>\$ 163,130,344</b>	<b>\$ 140,923,177</b>	<b>\$ 2,334,418</b>	<b>\$ 2,055,203</b>

- The County's outstanding debt increased from the prior year by 13.4% (\$22,486,382) largely due to the OPEB liability and the issuance of a Revenue Anticipation Note.

**OTHER POST-EMPLOYMENT BENEFITS**

The County implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions in fiscal year 2007. GASB No. 45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers. Postemployment benefits are part of an exchange of current salaries and benefits for employee services rendered. Prior to GASB No. 45, most OPEB Plans were reported on a pay-as-you-go basis and a government's financial statements did not report the financial effects of these postemployment benefits until paid.

GASB No. 45 requires the financial reports of governments to provide a systematic, accrual-basis measurement of an annual OPEB cost. The following schedule displays the effect of the GASB No. 45 on the County's net expenses as they appear in the Statement of Activities for fiscal year 2012:

**COUNTY OF ST. LAWRENCE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012**

**Fiscal Year 2012**

<b>Programs</b>	<b>Net Expense per Statement of Activities</b>	<b>GASB 45 Expenses</b>	<b>Net Expenses Excluding GASB 45</b>	<b>FY 2012 Net Expenses per Statement of Activities</b>
General Government.	\$ 33,877,074	\$ 2,954,134	\$ 30,922,940	\$ 30,340,721
Education	(201,459)	-	(201,459)	(314,503)
Public Safety	18,406,227	3,917,084	14,489,143	18,019,187
Health	8,274,041	2,366,572	5,907,469	10,583,534
Transportation	13,305,884	1,762,688	11,543,196	14,815,686
Economic Opportunity and Development.	39,916,452	5,141,173	34,775,279	38,111,222
Culture and Recreation	252,483	32,642	219,841	302,224
Home and Community Services	1,866,496	146,891	1,719,605	2,641,279
Interest on Long-Term Debt	1,707,149	-	1,707,149	1,621,549
<b>Total</b>	<b>\$ 117,404,347</b>	<b>\$ 16,321,184</b>	<b>\$ 101,083,163</b>	<b>\$ 116,120,899</b>
Total OPEB Liability per Armory Associates Report				\$ 16,744,828
Less Solid Waste Full Accrual Enterprise Fund				375,085
Less Worker's Compensation				48,559
<b>GASB 45 Expenses</b>				<b>\$ 16,321,184</b>

**BUDGET VERSUS ACTUAL RESULTS FOR 2012**

- Schedule G, p. 22, outlines variances from the 2012 Budget to Actual Results for the General Fund, the County's major Governmental Fund. County Departments were careful to keep expenditures within budgeted amounts, the County experienced slight increases in Real Property tax (both categories) of \$756,474, sales tax increase of \$746,585. However the county experienced reductions of Federal, State and departmental income against budget of \$3,494,987; \$2,403,959; and \$3,067,676 respectively.
- Because of the Federal interest rates, interest income continues to remain dismal as it was in 2011.
- Miscellaneous revenues and employee benefit costs show sizeable variances. This is due to the County's indirect cost allocation in which fringe benefits – including health insurance and retirement – are allocated to each department in the operating budget. The fringe benefits are paid out of line items in the Treasurer's operating budget. As noted above, the fringe benefits are also listed in each department's budget, with an offsetting revenue account in the Treasurer's budget. Each payroll period, fringe benefits are charged to each department, with an offsetting credit to the Treasurer's revenue account. These are inter-

**COUNTY OF ST. LAWRENCE, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012**

departmental charges which permit departments to charge fringe benefits as part of their administrative costs. The actual revenue received from New York State is recognized by each department as part of their operating income.

**OTHER KEY FINANCIAL ANALYSIS**

- As of December 31, 2012, total assets of the County (Exhibit A), excluding component units, exceeded total liabilities by \$29,485,977. The unrestricted net deficit for governmental activities was (\$75,364,122); for business-type activities, the net unrestricted deficit was (\$1,832,074), which includes long term post closure liabilities for landfills of \$486,750. Assets are restricted if they must be set aside for specific programs or purposes. There were no restricted assets for the business-type activities (Solid Waste). Restricted assets (cash) for governmental activities of \$2,318,345 belong to the County's Risk Retention Fund. The balance of restricted net position includes restrictions for capital projects of \$4,555,732. Net assets invested in capital assets (land, buildings, roads, bridges, machinery), net of accumulated depreciation and related debt, accounts for \$99,808,096. This total represents 338.49% of the total net position.
- Unassigned fund balance for the General Fund (Exhibit C) was \$(893,471) as of the close of the 2012 fiscal year. This is an increase of \$838,125 from the 2011 amount. No amounts were appropriated from the 2012 fund balance towards the 2013 budget. Total equity of all governmental funds at the close of the 2012 fiscal year was \$11,719,418. This is a decrease of \$1,648,971 from the 2011 total fund equity.
- As of December 31, 2012 total liabilities of the County (Exhibit D), including Canton Human Services Initiatives, Inc. were \$90,299,337. This is an increase of \$6,901,056 over the total liabilities as of December 31, 2011.
- The Worker's Compensation Fund deficit (Exhibit I) decreased by \$359,882. The debt due beyond one year in the Worker's Compensation Fund was \$29,902,834 as of December 31, 2012.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- St. Lawrence County continues to remain stable in many areas such as employment, population, and housing markets. That stability, though being a depressed area, prevents much of the fluctuations seen in many other parts of the country.
- Sales tax collections over the past couple years have seen close to a 1.9% increase due largely to the impact of the Canadian dollar. It has become close to par with the American dollar, and being on the border of Canada, this has resulted in a large number of Canadians purchasing goods in the County. The sales tax rate for St. Lawrence County continues to remain at 3%. If New York State permits the

**COUNTY OF ST. LAWRENCE, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2012**

- County to raise this percentage in the future, to a level of many other counties, this will improve the financial picture for St. Lawrence County.
- St. Lawrence County, like many other counties, is not without its challenges. Fund balance remains low, health insurance and retirement are still on the rise, although retire costs are slowing, and revenues are down largely due to New York State cutting the funding of mandates.
  - With the current fund balance level, little is able to be appropriated to offset the tax levy. This resulted in a property tax increase of roughly 19.03% in the 2013 budget, exceeding the adjusted tax cap of about 4.8%. Due to the fund balance level, we were unable to use fund balance against the 2013 budget. The County continues to struggle with a minimal fund balance.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County of St. Lawrence finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: County Treasurer, St. Lawrence County, 48 Court Street, Canton, NY 13617.

## ST. LAWRENCE COUNTY, NEW YORK

## Statement of Net Position

December 31, 2012

ASSETS	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Industrial Development Agency	Industrial Development Agency Local Corporation	Soil and Water Conservation District
Cash and cash equivalents	\$ 9,369,114	\$ 955,805	\$ 10,324,919	\$ 2,132,601	\$ 261,715	\$ 312,995
Investments	11,097,413	-	11,097,413	-	-	-
Taxes receivable (net of allowance for uncollectable accounts of \$400,000)	18,106,301	-	18,106,301	-	-	-
Receivables, net (net of allowance for uncollectable accounts of \$42,959)	24,245,608	233,289	24,478,897	93,073	-	1,034
Internal balances	246,831	(249,964)	(3,133)	-	-	-
Due from other governments	27,324,168	-	27,324,168	-	-	-
Prepaid expenses	2,275,714	41,626	2,317,340	102,638	-	3,543
Restricted Assets:						
Cash	2,318,345	-	2,318,345	2,000,000	14,460,017	-
Security deposits	-	-	-	-	34,024	-
Receivables	-	-	-	-	4,471,931	-
Capital assets, net	-	-	-	-	1,278,645	-
Capital assets, net	133,116,062	1,562,567	134,678,629	4,784,034	-	-
<b>Total Assets</b>	<b>228,099,556</b>	<b>2,543,323</b>	<b>230,642,879</b>	<b>9,112,346</b>	<b>20,506,332</b>	<b>317,572</b>
<b>LIABILITIES</b>						
Accounts payable	14,238,787	80,205	14,318,992	-	2,377	515
Accrued liabilities	3,021,125	398,207	3,419,332	18,020	-	17,860
Due to other governments	15,535,087	-	15,535,087	-	-	-
Deferred revenues	1,072,311	-	1,072,311	-	-	173,127
Other liabilities	1,346,418	-	1,346,418	31,931	34,024	-
Noncurrent Liabilities:						
Due within one year	14,943,438	100,662	15,044,100	64,202	-	-
Due in more than one year	148,186,906	2,233,756	150,420,662	739,208	-	-
<b>Total Liabilities</b>	<b>198,344,072</b>	<b>2,812,830</b>	<b>201,156,902</b>	<b>853,361</b>	<b>36,401</b>	<b>191,502</b>
<b>NET POSITION</b>						
Invested in capital assets, net of debt	98,245,529	1,562,567	99,808,096	4,394,120	1,278,645	-
Restricted For:						
Capital projects	4,555,732	-	4,555,732	-	-	-
Other purposes	2,318,345	-	2,318,345	2,000,000	20,208,216	-
Unrestricted (deficit)	(75,364,122)	(1,832,074)	(77,196,196)	1,864,865	(1,016,930)	126,070
<b>Total Net Position (Deficit)</b>	<b>\$ 29,755,484</b>	<b>\$ (269,507)</b>	<b>\$ 29,485,977</b>	<b>\$ 8,258,985</b>	<b>\$ 20,469,931</b>	<b>\$ 126,070</b>

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statement of Activities

Year Ended December 31, 2012

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Industrial Development Agency	IDA-Local Development Corp.	Soil and Water
					Governmental Activities	Business-Type Activities	Total			
<b>Primary Government:</b>										
<b>Governmental Activities:</b>										
General government	\$ 46,993,449	\$ 11,485,619	\$ 1,630,756	\$ -	\$ (33,877,074)	\$ -	\$ (33,877,074)	\$ -	\$ -	\$ -
Education	570,152	771,611	-	-	201,459	-	201,459	-	-	-
Public safety	24,303,922	719,412	5,178,283	-	(18,406,227)	-	(18,406,227)	-	-	-
Health	23,595,086	6,469,398	8,851,647	-	(8,274,041)	-	(8,274,041)	-	-	-
Transportation	18,071,994	2,222,663	-	2,543,447	(13,305,884)	-	(13,305,884)	-	-	-
Economic opportunity and development	78,138,084	3,064,433	35,157,199	-	(39,916,452)	-	(39,916,452)	-	-	-
Culture and recreation	304,379	-	51,896	-	(252,483)	-	(252,483)	-	-	-
Home and community services	2,297,519	15,847	286,214	128,962	(1,866,496)	-	(1,866,496)	-	-	-
Interest on long-term debt	1,707,149	-	-	-	(1,707,149)	-	(1,707,149)	-	-	-
<b>Total Governmental Activities</b>	<b>195,981,734</b>	<b>24,748,983</b>	<b>51,155,995</b>	<b>2,672,409</b>	<b>(117,404,347)</b>	<b>-</b>	<b>(117,404,347)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-Type Activities:</b>										
Solid waste	4,074,218	3,837,998	-	-	-	(236,220)	(236,220)	-	-	-
<b>Total Primary Government</b>	<b>\$ 200,055,952</b>	<b>\$ 28,586,981</b>	<b>\$ 51,155,995</b>	<b>\$ 2,672,409</b>	<b>(117,404,347)</b>	<b>(236,220)</b>	<b>(117,640,567)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Component Units:</b>										
Industrial Development Agency	\$ 1,111,370	\$ 189,098	\$ 17,827	\$ -	-	-	-	\$ (904,445)	\$ -	\$ -
IDA - Local Develop Corp	3,499,913	2,498,573	-	-	-	-	-	-	(1,001,340)	-
Soil and Water District	662,607	33,703	537,847	-	-	-	-	-	-	(91,057)
<b>Total Component Units</b>	<b>\$ 5,273,890</b>	<b>\$ 2,721,374</b>	<b>\$ 555,674</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(904,445)</b>	<b>(1,001,340)</b>	<b>(91,057)</b>
<b>General Revenues:</b>										
Real property taxes and tax items					48,380,290	-	48,380,290	-	-	-
Non-property taxes					43,667,172	-	43,667,172	-	-	-
Fines and forfeitures					93,029	-	93,029	-	-	-
Miscellaneous local sources					5,321,983	181,341	5,503,324	1,289,139	5,747	33,132
Sale of property and compensation for loss					2,069,091	86,042	2,155,133	-	-	-
Allocation from County					-	-	-	-	-	111,163
Investment earnings					94,636	3,971	98,607	28,148	209,514	141
<b>Total General Revenues</b>					<b>99,626,201</b>	<b>271,354</b>	<b>99,897,555</b>	<b>1,317,287</b>	<b>215,261</b>	<b>144,436</b>
<b>Change in Net Position</b>					<b>(17,778,146)</b>	<b>35,134</b>	<b>(17,743,012)</b>	<b>412,842</b>	<b>(786,079)</b>	<b>53,379</b>
<b>Net Position (Deficit) at Beginning of Year</b>					<b>46,613,239</b>	<b>(304,641)</b>	<b>46,308,598</b>	<b>7,689,896</b>	<b>3,138,072</b>	<b>72,691</b>
<b>Prior Period Adjustment</b>					<b>920,391</b>	<b>-</b>	<b>920,391</b>	<b>156,247</b>	<b>18,117,938</b>	<b>-</b>
<b>Net Position (Deficit) at Beginning of Year, Restated</b>					<b>47,533,630</b>	<b>(304,641)</b>	<b>47,228,989</b>	<b>7,846,143</b>	<b>21,256,010</b>	<b>72,691</b>
<b>Net Position (Deficit) at End of Year</b>					<b>\$ 29,755,484</b>	<b>\$ (269,507)</b>	<b>\$ 29,485,977</b>	<b>\$ 8,258,985</b>	<b>\$ 20,469,931</b>	<b>\$ 126,070</b>

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

## Balance Sheet - Governmental Funds

December 31, 2012

	General Fund	Non-Major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 473,090	\$ 7,403,759	\$ 7,876,849
Investments	6,696,230	-	6,696,230
Accounts receivable, (net of allowance or uncollectable accounts of \$42,989)	4,673,671	27,182	4,700,853
Delinquent taxes receivable (net of uncollectable accounts of \$400,000)	13,069,180	-	13,069,180
School taxes receivable	5,037,121	-	5,037,121
Due from other governments	26,049,277	1,274,891	27,324,168
Prepaid expenses	2,275,714	-	2,275,714
Due from other funds	1,718,844	579,721	2,298,565
Restricted cash	2,318,345	-	2,318,345
<b>Total Assets</b>	<b>\$ 62,311,472</b>	<b>\$ 9,285,553</b>	<b>\$ 71,597,025</b>
LIABILITIES			
Accounts payable	\$ 13,996,961	\$ 241,454	\$ 14,238,415
Accrued liabilities	2,611,559	256,480	2,868,039
Revenue anticipation notes payable	12,000,000	-	12,000,000
Due to school districts	8,924,392	-	8,924,392
Due to cities, towns and villages	1,447,402	-	1,447,402
Due to other governments	5,163,293	-	5,163,293
Deferred revenue	11,747,999	198,529	11,946,528
Other liabilities	1,346,418	-	1,346,418
Due to other funds	473,781	1,469,339	1,943,120
<b>Total Liabilities</b>	<b>57,711,805</b>	<b>2,165,802</b>	<b>59,877,607</b>
FUND BALANCES			
Nonspendable	2,275,714	-	2,275,714
Restricted	2,318,345	4,555,732	6,874,077
Committed	-	-	-
Assigned	899,079	2,564,019	3,463,098
Unassigned (Deficit)	(893,471)	-	(893,471)
<b>Total Fund Balances</b>	<b>4,599,667</b>	<b>7,119,751</b>	<b>11,719,418</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 62,311,472</b>	<b>\$ 9,285,553</b>	<b>\$ 71,597,025</b>

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

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

December 31, 2012

ASSETS	Total Governmental Funds and Activities(1)	Long-term Assets, Liabilities(2)	Reclasses and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	\$ 9,369,114	\$ -	\$ -	\$ 9,369,114
Investments	11,097,413	-	-	11,097,413
Taxes receivable (net)	18,106,301	-	-	18,106,301
Accounts receivable (net)	24,245,607	-	1	24,245,608
Due from other funds	2,298,565	-	(2,051,734)	246,831
Due from other governments	27,324,168	-	-	27,324,168
Prepaid expenses	2,275,714	-	-	2,275,714
Capital assets, net	-	133,116,062	-	133,116,062
Restricted cash	2,318,345	-	-	2,318,345
<b>Total Assets</b>	<b><u>\$ 97,035,227</u></b>	<b><u>\$ 133,116,062</u></b>	<b><u>\$ (2,051,733)</u></b>	<b><u>\$ 228,099,556</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 14,238,793	\$ -	\$ (6)	\$ 14,238,787
Accrued liabilities	2,868,039	153,086	-	3,021,125
Other liabilities	1,346,418	-	-	1,346,418
Revenue anticipation notes	12,000,000	-	(12,000,000)	-
Due to other funds	2,051,733	-	(2,051,733)	-
Due to other governments	15,535,087	-	-	15,535,087
Deferred revenues	11,948,721	(10,876,410)	-	1,072,311
Debt due within one year	-	2,943,438	12,000,000	14,943,438
Debt due in more than one year	30,310,546	117,876,360	-	148,186,906
<b>Total Liabilities</b>	<b><u>90,299,337</u></b>	<b><u>110,096,474</u></b>	<b><u>(2,051,739)</u></b>	<b><u>198,344,072</u></b>
<b>FUND BALANCES/NET POSITION</b>				
Nonspendable	2,275,714	-	(2,275,714)	-
Restricted	6,874,077	-	-	6,874,077
Committed	-	-	-	-
Assigned	3,463,098	-	(3,463,098)	-
Unassigned (deficit)	(893,471)	-	893,471	-
Invested in capital assets, net of debt	-	98,245,529	-	98,245,529
Unreserved:				
Undesignated (deficit)	(4,983,528)	(75,225,941)	4,845,347	(75,364,122)
<b>Total Fund Balances/Net Position</b>	<b><u>6,735,890</u></b>	<b><u>23,019,588</u></b>	<b><u>6</u></b>	<b><u>29,755,484</u></b>
<b>Total Liabilities and Fund Balances/Net Position</b>	<b><u>\$ 97,035,227</u></b>	<b><u>\$ 133,116,062</u></b>	<b><u>\$ (2,051,733)</u></b>	<b><u>\$ 228,099,556</u></b>

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

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

December 31, 2012

(1) County-wide statements combine the Governmental Funds with the Internal Service Fund to present total categories as follows:

	Governmental Funds per Exhibit C	Internal Service Fund per Exhibit H	Total Governmental Funds and Activities per Exhibit D
Total Assets	\$ 71,597,025	\$ 25,438,202	\$ 97,035,227
Total Liabilities	<u>59,877,607</u>	<u>30,421,730</u>	<u>90,299,337</u>
Total Fund Balances/New Position (Deficit)	<u>\$ 11,719,418</u>	<u>\$ (4,983,528)</u>	<u>\$ 6,735,890</u>

(2) Details for the above adjustments are as follows:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs 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	\$ 220,439,385
Accumulated depreciation	<u>(87,323,323)</u>
Total	<u>\$ 133,116,062</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 Revenue	<u>\$ (10,876,410)</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 notes payable	\$ 34,320,000
Capital leases	550,533
OPEB liability	83,207,287
Compensated absences	<u>2,741,978</u>
	120,819,798
Due in One Year	<u>(2,943,438)</u>
Due in More Than One Year	<u>\$ 117,876,360</u>
Related Accrued Bond Interest Payable	<u>\$ 153,086</u>

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

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

Year Ended December 31, 2012

	General	Non-Major	Total
REVENUES	Fund	Funds	Governmental Funds
Real property taxes	\$ 45,749,122	\$ -	\$ 45,749,122
Real property tax items	3,100,380	-	3,100,380
Non-property tax items	43,667,172	-	43,667,172
Departmental income	18,425,603	2,393	18,427,996
Federal aid	25,196,433	3,585,119	28,781,552
State aid	21,323,644	3,723,208	25,046,852
Intergovernmental revenues	1,534,301	2,220,270	3,754,571
Use of money and property	48,823	43,492	92,315
Fines and forfeitures	93,029	-	93,029
Licenses and permits	26,250	-	26,250
Sale of property and compensation for loss	1,764,296	309,619	2,073,915
Interfund revenues	448,067	2,912,835	3,360,902
Miscellaneous revenue	4,798,072	38,442	4,836,514
	<u>166,175,192</u>	<u>12,835,378</u>	<u>179,010,570</u>
Total Revenues			
EXPENDITURES			
General government	40,608,151	24,168	40,632,319
Public Safety	18,590,673	723,492	19,314,165
Transportation	147,083	20,113,951	20,261,034
Health	21,158,368	-	21,158,368
Economic assistance and opportunity	71,815,341	1,443,170	73,258,511
Culture and recreation	271,351	-	271,351
Education	570,183	-	570,183
Home and community services	1,914,438	104,039	2,018,477
Employee benefits - unallocated	646,122	-	646,122
Principal and interest	2,056,438	526,688	2,583,126
	<u>157,778,148</u>	<u>22,935,508</u>	<u>180,713,656</u>
Total Expenditures			

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

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

Year Ended December 31, 2012

	General Fund	Non-Major Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	<u>8,397,044</u>	<u>(10,100,130)</u>	<u>(1,703,086)</u>
OTHER FINANCING SOURCES (USES)			
Premium on revenue anticipation note	23,590	-	23,590
Interfund transfers in	-	14,689,347	14,689,347
Interfund transfers out	<u>(10,702,869)</u>	<u>(3,986,478)</u>	<u>(14,689,347)</u>
Total Other Financing Sources (Uses)	<u>(10,679,279)</u>	<u>10,702,869</u>	<u>23,590</u>
Net Change in Fund Balances	<u>(2,282,235)</u>	<u>602,739</u>	<u>(1,679,496)</u>
Fund Balances - Beginning of Year	6,881,902	6,486,487	13,368,389
Prior Period Adjustment	-	<u>30,525</u>	<u>30,525</u>
Fund Balances - Beginning of Year, Restated	<u>6,881,902</u>	<u>6,517,012</u>	<u>13,398,914</u>
Fund Balances - End of Year	<u>\$ 4,599,667</u>	<u>\$ 7,119,751</u>	<u>\$ 11,719,418</u>

See Independent Auditor's Report and Notes

## ST. LAWRENCE 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 and other financing sources 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 differences are described below.

Total Revenues and Other Financing Sources of the Governmental Funds per Exhibit E	\$ 179,034,160
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; they are recognized as current revenue in the statement of activities.	(469,212)
Interfunds revenues are used to charge the costs of certain activities, such as equipment rentals to individual funds. These interfund revenues are reported with governmental activities, but eliminated for the statement of activities.	(5,154,843)
An Internal Service Fund is used by management to charge the costs of workers' compensation. The activities of the Internal Service Fund are included in the County-wide governmental statement of activities.	<u>4,793,483</u>
Total	<u><u>\$ 178,203,588</u></u>

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

Charges for services	\$ 24,748,983
Operating grants and contributions	51,155,995
Capital grants and contributions	2,672,409
General revenues	<u>99,626,201</u>
Total Revenues of Governmental Activities per Exhibit B	<u><u>\$ 178,203,588</u></u>

See Independent Auditor's Report and Notes

## ST. LAWRENCE 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 and other financing uses 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 Expenditure of the Governmental Funds per Exhibit E	\$ 180,713,656
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 which depreciation (\$4,552,377) exceeded net capital expenditures (\$3,806,043) in the current period.	746,334
Interfund expenditures are eliminated against the respective interfund revenues.	(5,154,843)
Repayment of bond principal and capital leases are 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 position and do not result in an expense in the statement of activities.	(1,036,275)
Internal Service Fund expenditures are recognized in the County-wide financial statements.	4,433,601
Accrued interest is not recognized in the governmental funds statement of revenues and expenditures, but is recognized in the County-wide statement of activities.	(981)
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.	16,321,184
To recognize compensated absences expense for current year change in liability.	<u>(40,942)</u>
Total Expenses of Governmental Activities per Exhibit B	<u><u>\$ 195,981,734</u></u>

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

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

Year Ended December 31, 2012

REVENUES	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual Budgetary Basis	
	Original	Final		
Real property taxes	\$ 46,381,515	\$ 45,655,928	\$ 45,749,122	\$ 93,194
Real property tax items	2,437,100	2,437,100	3,100,380	663,280
Non-property taxes items	41,855,000	42,920,587	43,667,172	746,585
Departmental income	18,321,698	21,493,279	18,425,603	(3,067,676)
Federal aid	22,614,148	28,691,420	25,196,433	(3,494,987)
State aid	16,925,311	23,727,603	21,323,644	(2,403,959)
Intergovernmental revenue	1,010,146	1,781,537	1,534,301	(247,236)
Use of money and property	69,400	69,400	48,823	(20,577)
Fines and forfeitures	2,500	2,500	93,029	90,529
Licenses and permits	25,500	25,500	26,250	750
Sale of property and compensation for loss	1,693,680	1,693,680	1,764,296	70,616
Interfund revenues	448,538	448,538	448,067	(471)
Miscellaneous local sources	37,428,382	37,876,817	4,798,072	(33,078,745)
<b>Total Revenues</b>	<b>189,212,918</b>	<b>206,823,889</b>	<b>166,175,192</b>	<b>(40,648,697)</b>
<b>EXPENDITURES</b>				
General government	42,541,729	43,417,098	40,637,385	2,779,713
Public safety	16,531,081	18,923,222	18,701,239	221,983
Transportation	379,737	344,737	147,083	197,654
Health	21,478,779	22,436,066	21,158,387	1,277,679
Economic assistance and opportunity	75,821,929	76,821,738	71,843,518	4,978,220
Cultural and recreation	284,941	293,727	271,351	22,376
Education	853,211	853,211	570,183	283,028
Home and community services	1,173,632	2,161,739	1,914,438	247,301
Employee benefits - unallocated	33,380,575	33,380,575	646,122	32,734,453
Principal and interest	2,056,438	2,056,438	2,056,438	-
<b>Total Expenditures</b>	<b>194,502,052</b>	<b>200,688,551</b>	<b>157,946,144</b>	<b>42,742,407</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(5,289,134)</b>	<b>6,135,338</b>	<b>8,229,048</b>	<b>2,093,710</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Premium on revenue anticipation note	-	12,201	23,590	11,389
Interfund transfers out	(10,852,569)	(10,852,569)	(10,702,869)	149,700
<b>Total Other Financing Sources (Uses)</b>	<b>(10,852,569)</b>	<b>(10,840,368)</b>	<b>(10,679,279)</b>	<b>161,089</b>
<b>Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis</b>	<b>\$ (16,141,703)</b>	<b>\$ (4,705,030)</b>	<b>(2,450,231)</b>	<b>\$ 2,254,799</b>
Encumbrances Included in Actual			167,996	
Net Change in Fund Balances			(2,282,235)	
Fund Balances at Beginning of Year			6,881,902	
Fund Balances at End of Year			<b>\$ 4,599,667</b>	

ST. LAWRENCE COUNTY, NEW YORK

Statements of Net Position  
Proprietary Funds

December 31, 2012

ASSETS	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity Internal Service Fund
Cash and cash equivalents	\$ 955,805	\$ 1,492,265
Investments	-	4,401,183
Receivables (net of allowance for uncollectible accounts of \$2,000)	233,289	19,544,754
Prepaid expenses	41,626	-
Due from other funds	3,663	-
Capital assets - net of accumulated depreciation	<u>1,562,567</u>	<u>-</u>
 Total Assets	 <u>2,796,950</u>	 <u>25,438,202</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable	80,205	378
Accrued liabilities	398,207	-
Due to other funds	253,627	108,613
Deferred revenue	<u>-</u>	<u>2,193</u>
 Total Current Liabilities	 <u>732,039</u>	 <u>111,184</u>
Non-Current Liabilities:		
OPEB liability	1,847,668	407,712
Due within one year	100,662	-
Due beyond one year	<u>386,088</u>	<u>29,902,834</u>
 Total Non-Current Liabilities	 <u>2,334,418</u>	 <u>30,310,546</u>
 Total Liabilities	 <u>3,066,457</u>	 <u>30,421,730</u>
 NET POSITION (DEFICIT)		
Invested in capital assets-net of related debt	1,562,567	-
Unrestricted (deficit)	<u>(1,832,074)</u>	<u>(4,983,528)</u>
 Total Net Position (Deficit)	 <u>\$ (269,507)</u>	 <u>\$ (4,983,528)</u>

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

Statements of Revenues, Expenses and Changes in Net Position  
Proprietary Funds

Year Ended December 31, 2012

	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity Internal Service Fund
Operating Revenues:		
Charges for services	\$ 3,837,998	\$ -
Intergovernmental revenues	-	4,350,000
Sale of property and compensation for loss	86,042	-
Miscellaneous revenues	181,341	441,162
Total Operating Revenues	<u>4,105,381</u>	<u>4,791,162</u>
Operating Expenses:		
General government	-	4,433,601
Home and community services	3,897,451	-
Depreciation	176,767	-
Total Operating Expenses	<u>4,074,218</u>	<u>4,433,601</u>
Operating Income	31,163	357,561
Nonoperating Revenues:		
Use of money and property	<u>3,971</u>	<u>2,321</u>
Change in Net Position	35,134	359,882
Net Position (Deficit) at Beginning of Year	<u>(304,641)</u>	<u>(5,343,410)</u>
Net Position (Deficit) at End of Year	<u>\$ (269,507)</u>	<u>\$ (4,983,528)</u>

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

## Statements of Cash Flows - Proprietary Funds

Year Ended December 31, 2012

	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity Internal Service Fund
Cash Flows From Operating Activities:		
Cash received for services	\$ 3,767,680	\$ 4,350,000
Cash paid to suppliers for goods and services	(1,926,250)	(965,329)
Cash paid to employees for services	(1,669,128)	(114,170)
Cash received from (paid to) other funds-net	90,291	(2,196)
Cash paid for workers' compensation benefits	-	(2,956,991)
Other operating revenue	267,383	298,569
	<u>529,976</u>	<u>609,883</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase of property and equipment	(132,094)	-
Reduction of long-term liability	(95,869)	-
	<u>(227,963)</u>	<u>-</u>
Cash Flows From Investing Activities:		
Interest and dividends received	3,971	2,321
Sales (purchases) of investments	-	(1,183)
	<u>3,971</u>	<u>1,138</u>
Net Change in Cash and Cash Equivalents	305,984	611,021
Cash and Cash Equivalents at Beginning of Year	649,821	881,244
Cash and Cash Equivalents at End of Year	<u>\$ 955,805</u>	<u>\$ 1,492,265</u>

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

## Statements of Cash Flows - Proprietary Funds

Year Ended December 31, 2012

	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity Internal Service Fund
	<u>                    </u>	<u>                    </u>
Reconciliation of Operating Income to Net		
Cash Provided (Used) by Operating Activities:		
Operating Income	\$ 31,163	\$ 357,561
	<u>                    </u>	<u>                    </u>
Adjustments to Reconcile Operating Income to Net		
Cash Provided (Used) by Operating Activities:		
Depreciation	176,767	-
Change in workers' compensation long-term liability	-	2,702,834
Change in OPEB liability	375,086	48,560
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	(70,317)	(2,394,754)
Prepaid expenses	(7,689)	-
Due from other funds	(1,580)	-
Increase (Decrease) in:		
Accounts payable	(10,495)	(1,921)
Accrued liabilities	(53,250)	(2,362)
Due to other funds	90,291	(2,196)
Deferred revenue	-	(97,839)
	<u>                    </u>	<u>                    </u>
Total Adjustments	498,813	252,322
	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 529,976</u>	<u>\$ 609,883</u>

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

## Statements of Net Position - Fiduciary Funds

December 31, 2012

ASSETS	Agency	Expendable Trust
Cash and cash equivalents	\$ 927,834	\$ 32,677
Due from other funds	7,848	-
Total Assets	935,682	32,677
LIABILITIES		
Accounts payable	-	-
Due to other governments	46,120	-
Other liabilities	884,846	-
Due to other funds	4,716	-
Total Liabilities	935,682	-
NET POSITION		
Restricted net position	\$ -	\$ 32,677

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK  
Statement of Changes in Fiduciary Net Position  
Year Ended December 31, 2012

	<u>Expendable Trust</u>
Additions:	
New York Power Authority deposits	\$ 2,000,000
Interest earned	<u>110</u>
Total Additions	<u>2,000,110</u>
Deductions:	
Transfers to other entities	2,000,000
Fees	<u>300</u>
Total Deductions	<u>2,000,300</u>
Change in Net Position	(190)
Net Position at Beginning of Year	<u>32,867</u>
Net Position at End of Year	<u><u>\$ 32,677</u></u>

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**L Summary of Significant Accounting Policies**

The basic financial statements of St. Lawrence County, New York (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 County's accounting policies are described below.

Financial Reporting Entity

The County is governed by County Law, other general laws of the State of New York, and various local laws and ordinances. The County Board of Legislators (the "Board"), which is a legislative body responsible for overall operation of the County, consists of fifteen legislators. The County Administrator serves as chief administrative officer and the County Treasurer serves as chief fiscal officer of the County.

The County provides the following basic services: highway construction and maintenance, economic assistance and opportunity, cultural and recreational programs, public safety and law enforcement and public health.

The financial reporting entity consists of (a) the primary government, (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 their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial reporting is in accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. This statement became effective for the year ended December 31, 2004 and provided additional guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

Discretely Presented Component Units

The following organizations are included within the reporting entity as discretely presented component units. These component units are reported in separate columns to emphasize that they are legally separate from the County:

**The St. Lawrence County Industrial Development Agency ("IDA")** - IDA is a public benefit corporation created by state legislation to promote the economic welfare, opportunities, and property of the County's inhabitants. Members of the IDA are appointed by the County Board of Legislators. IDA revenues are generated by bonds secured by the assets acquired for the related project. The County is not liable for any IDA indebtedness. Separate financial statements for the IDA may be obtained by contacting the IDA directly, which is located in Canton, New York.

**The St. Lawrence County Industrial Development Agency – Local Development Corporation (Consolidated) ("IDA-LDC")** - IDA-LDC is a public benefit corporation established by the St. Lawrence County Industrial Development Agency to collect loan repayments from Community Development Block Grant Projects, and establish a county-wide revolving loan fund. The separately issued financial statements of the IDA-LDC include the Greater Massena Economic Development Fund (GMEDF) and the St. Lawrence River Valley Redevelopment Agency (SLRVRA).

Members of IDA-LDC are appointed by the County Board of Legislators. IDA-LDC revenues are generated from the collection of interest on loans made from Community Development Block Projects. The County is not liable for any IDA-LDC indebtedness.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Discretely Presented Component Units – Continued

The GMEDF was established in 1987 with a \$1,000,000 grant from the New York Power Authority to be used to provide loans to certain business enterprises for the establishment, maintenance or expansion of plants, facilities or operations in the Town of Massena and the County of St. Lawrence. Initially, the New York Job Development Authority assumed administrative responsibility for the GMEDF. It was subsequently transferred to the St. Lawrence County IDA-LDC.

The SLRVRA is a joint action agency formed on June 2, 2010 to make use of certain New York Power Authority assets for the purposes of economic development in the St. Lawrence Valley and surrounding communities. The New York Power Authority made certain assets available consisting of \$16 million and 20 megawatts of electrical power generation from hydro-electric facilities situated on the St. Lawrence River. There is an agreement between the SLRVRA and the SLCIDA-LDC for the administration of these assets.

Separate audited financial statements of the IDA-LDC may be obtained by contacting the IDA-LDC directly, which is located in Canton, New York.

**The St. Lawrence County Soil and Water Conservation District (“the District”)** - the District was established by the County Board of Legislators on January 21, 1957. The District is responsible for the conservation of soil and water resources and control and prevention of soil erosion and prevention of floodwater and sediment damages. The County Board of Legislators appoints seven members to the District and appropriates funds for the operation of the Soil and Water Conservation District. The District does not have separate audited financial statements but financial information may be obtained by contacting the District directly which is located in Canton, New York.

Blended Component Unit

The following component unit is a legally separate entity from the County but is, in substance, part of the County's operations and therefore data from this unit is combined with data of the primary government.

Canton Human Service Initiatives, Inc. (“CHSI”) is a not-for-profit corporation that was established in 2001 to finance, build and rent a health service facility to the County. Although legally separate and independent of the County, CHSI is considered an affiliated organization under GASB Statement No. 39 for determining whether certain organizations are component units and is reported as a blended component unit of the County. Therefore, rental income and rent expense of \$537,600 have been eliminated from the statement of activities.

Separate audited financial statements of CHSI may be obtained by contacting CHSI in Syracuse, New York.

Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all the nonfiduciary activities of the County. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of governmental activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses have been included as part of the program expenses reported for the various functional activities. Program revenues include (1) charges to those who purchase, use or

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Government-Wide and Fund Financial Statements-Continued

directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when the underlying exchange transaction has occurred and the resources are available. For this purpose, the County considers revenues to be available if the County has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. There were no significant revenues considered as not subject to accrual.

Revenues from Federal, State or other grants designated for payment of specific County expenditures, are recognized when the related expenditures are incurred. At fiscal year-end, excess receipts over expenditures are recorded as deferred revenue. Any excess expenditures over receipts are recorded as accounts receivable.

The County considers the following governmental fund as a major fund:

General Fund – This fund is the principal operating fund of the County and is used to account for all financial resources except those required to be accounted for in other funds.

The County has one Enterprise Fund as follows:

Solid Waste Fund – This fund is used to account for operations which provide goods or services to the general public. These ongoing activities are similar to those found in the private sector; therefore, the determination of net income is necessary to sound financial administration. The County maintains an enterprise fund to account for its solid waste operations.

Additionally, the County reports three Special Revenue type funds:

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

Road Machinery Fund – This fund is used to account for the purchase, repair, maintenance and storage of highway machinery, tools and equipment pursuant to Section 133 of the Highway Law.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Special Grant Fund – This fund is used to account for the use of federal monies received under the Workforce Investment Act.

Capital Project Funds – These funds are used to account for financial resources to be used for the acquisition or construction of capital facilities and equipment other than those financed by the Enterprise Fund.

Internal Service Fund – This fund is used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis.

The County maintains the following internal service fund:

Self Insurance Fund - This fund is used to account for the County's self-insurance program for workers' compensation benefits.

The County maintains two fiduciary funds:

Agency Fund - This fund is used to account for assets held by the County as an agent for other governments or other funds, such as payroll withholdings.

Expendable Trust Fund – This fund accounts for New York Power Authority Grants.

The proprietary fund activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board ("APB") Opinion and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to residents for services. Operating expenses for the enterprise and internal service funds include the cost of the services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

The County's annual procedures in establishing the budgetary data reflected in the basic financial statements are as follows:

- Prior to October 15<sup>th</sup> of the year, the County Administrator/Budget Officer, submits to the Board of Legislators a tentative budget for the fiscal year commencing the following January 1<sup>st</sup>.
- The tentative budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments.
- The Board of Legislators acts on the tentative budget prior to December 20<sup>th</sup>.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Budgets and Budgetary Accounting – Continued

- The County Administrator is authorized to approve all budget transfer requests \$2,185 or less except for personal service transfers and interdepartmental and interfund transfers, which must be approved by the Board of Legislators.
- Formal annual budgetary accounts are adopted and employed for control of all governmental funds except for capital project funds. Budgetary control over individual capital projects is provided by Legislative approval or bond authorizations and provision of bond indebtedness.
- Total expenditures for each object may not legally exceed the total appropriations for that object. Encumbrances outstanding at year-end are accounted for by a reservation of fund balance.
- These budgets are adopted on a basis consistent with GAAP except that encumbrances are treated as budgetary expenditures in the year of occurrence of the commitment to purchase. Open encumbrances authorized by appropriation from the previous year's budget, after review and approval by the County Treasurer, are added to the current year's budget approved by the Board of Legislators. All unencumbered appropriations lapse at the end of the fiscal year. Budgetary comparisons presented in this report are on the budgetary basis and represent the budget as modified.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances since they do not constitute expenditures or liabilities.

Cash and Investments

Investments are stated at fair value. Cash and cash equivalents include amounts in demand deposits and money market funds, as well as short-term investments with a maturity date within three months of the date acquired by the County. During 2012, the County limited its investments to certificates of deposit and money market funds.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g. roads, bridges, culverts and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as an asset with an initial individual cost of more than \$10,000 and 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 at 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 incurred.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Capital Assets, Continued

Buildings	40 years
Building improvements	20 years
Land improvements	20 years
Infrastructure:	
Bridges and culverts	70 years
Roads	60 years
Traffic control systems	40 years
Machinery and Equipment:	
Office equipment and furniture	10 years
Heavy equipment:	10 years
Other	5 years
Vehicles	5-7 years
Computers	3 years

Property Tax Revenue Recognition

The County-wide property tax is levied by the County Legislature effective January 1<sup>st</sup> of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on January 1<sup>st</sup> of the year for which they are levied. In the fund financial statements, property tax is only recognized as revenue in the year for which the property tax is made and to the extent that such taxes are received within the reporting period or sixty days thereafter.

Compensated Absences

According to various union contracts, County employees are entitled to personal leave, sick leave and vacations annually as follows:

- All employees hired before January 1, 1998 shall accrue vacation leave, up to 400 hours, based on the number of years employed up to 104 hours for 1-5 years of service, 136 hours for 6-10 years of service, 152 hours for 11-19 years of service and 200 hours for 20 or more years of service. Upon separation of service, the employee may elect to receive the value of that accumulated unused vacation time.
- All employees hired after January 1, 1998, shall accrue vacation leave based on the number of years employed up to 70 hours for 1-5 years of service, 136 hours for 6-10 years of service, 152 hours for 11-19 years of service and 200 hours for 20 or more years of service. Those employees who leave County employment for any reason before their first anniversary lose all vacation accruals.
- In case of death, the employer shall pay the value of the decedent's accumulated unused vacation time to the employee's beneficiaries as designated on the employee's group life insurance card.
- All County employees hired before January 1, 1998 shall earn sick leave credit at five hours per payroll period accumulated to 2,000 hours. All employees hired on or after January 1, 1998 shall accrue sick leave credit at three hours per payroll during the first five years of employment. After five years of employment they shall receive five hours per payroll to a maximum of 2,000 hours.
- Personal time will be credited with twenty-four hours of personal leave per year. Personal leave is non-accumulative and unused time will terminate on anniversary dates.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Compensated Absences - Continued

- Accordingly, liabilities for compensated balances of \$2,741,978 are recorded in long-term debt in the government-wide financial statements. These payments are also budgeted annually without accrual and an expenditure will be recorded when paid.

Insurance

The County assumes the liability for most risk including, but not limited to, workers' compensation. Asserted and incurred but not reported claims and judgments are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Such recording is consistent with the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.

Governmental fund type estimated current contingent liabilities (i.e., those to be liquidated with available financial resources in the ensuing year) for property damage and personal injury liability are recorded in the General Fund. The long-term portion (i.e., liabilities to be paid from future resources) is recorded in the general long-term debt in the government-wide financial statements.

Reserves

Portions of the governmental fund equity are reserved for specific purposes, and are therefore not available as spendable resources.

Pensions

Nearly all County employees are members of various New York State retirement systems. The County is invoiced annually by the systems for its share of the costs.

Interfund Revenues

The County allocates general fund costs incurred in the general administration of the County to other funds based on their proportionate benefit of the total costs allocated. In 2012, the County has reported interfund revenues in the general fund of \$446,570 which represents an allocation of casualty and liability insurance charges to various other funds. The amounts are reported as general government support expenditures in the general fund as well as in the benefitting funds. In 2012, the County has reported interfund revenues in the road and machinery fund of \$2,375,235 which represents an allocation of machinery and equipment rental and repair to various other funds. The amounts for the county road and road machinery fund are reported as transportation expenditures in the funds.

Use of Estimates

The preparation of the financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

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.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Summary of Significant Accounting Policies – Continued**

Fund Balance Classifications - Continued

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 Legislators.

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 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.

**Cash and Investments**

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. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the US Treasury and US government agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations which

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Cash and Investments - Continued**

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.

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

Total on deposit	\$ 27,173,446
Insured by FDIC	(8,216,065)
Collateralized by pledged securities held by the financial institutions	<u>(18,957,381)</u>
Uninsured and uncollateralized	<u><u>\$ -</u></u>

Other non-major governmental funds include cash and cash equivalents of CHSI in the amount of \$905,620. CHSI deposits were insured up to FDIC limits; the remaining amounts were uncollateralized at December 31, 2012.

Industrial Development Agency Component Unit – Cash and cash equivalents totaled \$4,132,601. Collateral is required for demand and time deposits and certificates of deposits not covered by FDIC insurance.

Industrial Development Agency – Local Development Corporation Component Unit – Cash and cash equivalents totaled \$14,721,732 at various banks and were insured up to FDIC limits. Any balances in excess of FDIC insurance were uncollateralized at December 31, 2012.

Soil and Water Conservation District Component Unit – Deposits totaled \$313,256, of which \$62,941 was not covered by FDIC insurance at December 31, 2012.

**Restricted Cash**

The County's policy is to first apply budgeted unrestricted resources for expenditures before applying restricted cash.

General Fund cash of \$2,318,345 has been restricted for risk retention liabilities involving unemployment and general liability insurance risks.

Industrial Development Agency – Local Development Corporation Component Unit has restricted cash of \$14,460,017 for revolving loans and is also related to a \$16,000,000 grant from the New York Power Authority.

The St. Lawrence County Industrial Development Agency has restricted cash of \$2,000,000 for a special reserve.

**Accounts Receivable**

\$19,544,754 of the accounts receivable totaling \$24,478,897 for the primary government is comprised of amounts recorded in the Workers' Compensation (Internal Service) Fund, which is due from other participating municipalities to cover their share of the actuarially computed workers' compensation benefits liability; see "Risk Management" note.

Receivables reported by the Industrial Development Agency- Local Development Corporation for the year

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Accounts Receivable - Continued**

ended December 31, 2012 totaled \$4,350,018 which represent restricted mortgages and notes receivable with varying maturities and bearing interest from 0.00% to 5.25%.

**Capital Assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance 01/01/12	Additions	Reclass- ifications and Retirements	Balance 12/31/12
Governmental Activities:				
Capital Assets – not being depreciated:				
Land	\$ 2,405,830	\$ -	\$ -	\$ 2,405,830
Construction-in- process	3,075,412	2,980,392	(2,907,615)	3,148,189
Total capital assets –not being depreciated	5,481,242	2,980,392	(2,907,615)	5,554,019
Capital Assets – being depreciated:				
Infrastructure	141,219,636	586,567	2,907,615	144,713,818
Buildings and improvements	54,612,278	-	-	54,612,278
Machinery and equipment	14,073,013	239,082	80,367	14,392,462
Software	-	711,808	-	711,808
Bond financing costs	455,000	-	-	455,000
Total capital assets – being depreciated	210,359,927	1,537,457	2,987,982	214,885,366
Accumulated Depreciation for:				
Infrastructure	56,939,077	1,901,634	2,122	58,842,833
Buildings and improvements	16,698,338	1,512,521	(992,519)	17,218,340
Machinery and equipment	9,793,729	981,641	180,900	10,956,270
Software	-	142,362	-	142,362
Bond financing costs	149,299	14,219	-	163,518
Total accumulated depreciation	83,580,443	4,552,377	(809,497)	87,323,323
Total capital assets - being depreciated - net	126,779,484	(3,014,920)	3,797,479	127,562,043
Total governmental activities capital assets - net	\$ 132,260,726	\$ (34,528)	\$ 889,864	\$ 133,116,062

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Capital Assets-Continued**

	Balance 01/01/12	Additions	Reclass- ifications and Retirements	Balance 12/31/12
Business-Type Activities (Solid Waste):				
Capital Assets – not being depreciated:				
Land	\$ 156,050	\$ -	\$ -	\$ 156,050
Capital Assets – being depreciated:				
Land improvements	3,440,897	56,094	-	3,496,991
Buildings and Improvements	9,272	-	-	9,272
Machinery and Equipment	1,961,992	75,998	-	2,037,990
Total capital assets - being depreciated	5,412,161	132,092	-	5,544,253
Accumulated Depreciation for:				
Land improvements	2,398,769	87,684	-	2,486,453
Buildings and improvements	9,272	-	-	9,272
Machinery and equipment	1,552,928	89,083	-	1,642,011
Total accumulated depreciation	3,960,969	176,767	-	4,137,736
Total capital assets - being depreciated – net	1,451,192	(44,675)	-	1,406,517
Total business – type activities capital assets - net	\$ 1,607,242	\$ (44,675)	\$ -	\$ 1,562,567

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Capital Assets –Continued**

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General governmental support	\$ 770,334
Public safety	1,111,932
Transportation	2,421,116
Economic assistance and opportunity	192,685
Health and sanitation	56,310
	<hr/>
Total depreciation expense – governmental activities	\$ 4,552,377
Business-Type Activities:	
Solid waste	\$ 176,767
	<hr/>
Governmental Activities Asset Purchases in 2012 were as follows:	
General government support	\$ 711,808
Public safety	89,077
Transportation	3,666,427
Economic assistance and opportunity	50,537
	<hr/>
Total	\$ 4,517,849
	<hr/>

Discretely Presented Component Units Capital Assets – A summary of discretely presented component unit capital assets by major classification follows:

Industrial Development Agency:	
Land and land improvements	\$ 329,353
Buildings and improvements	3,563,214
Automotive equipment	95,291
Office equipment and furnishings	33,676
Construction in progress	1,884,336
	<hr/>
Total capital assets	5,905,870
Less: accumulated depreciation	1,121,836
	<hr/>
Total	\$ 4,784,034
	<hr/>

Depreciation expense for the Industrial Development Agency for the year ended December 31, 2012 was \$98,359.

Industrial Development Agency – Local Development Corporation:	
Land	\$ 30,000
Buildings and improvements	1,443,523
	<hr/>
Total capital assets	1,473,523
Less: accumulated depreciation	194,878
	<hr/>
Total	\$ 1,278,645
	<hr/>

Depreciation expense for the Industrial Development Agency - Local Development Corporation for the year ended December 31, 2012 was \$29,297.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Long-Term Liabilities and Revenue Anticipation Note**

The following is a summary of changes in general long-term liabilities:

Primary Government:

	Balance 01/01/12	Increase/ Accretions	Decrease/ Payments	Balance 12/31/12	Due In One Year	Due Beyond One Year
Bonds payable	\$ 35,195,000	\$ -	\$ (875,000)	\$ 34,320,000	\$ 910,000	\$ 33,410,000
Revenue anticipation notes	8,500,000	12,000,000	(8,500,000)	12,000,000	12,000,000	-
Capital lease	-	711,808	(161,275)	550,533	113,438	437,095
Workers' Compensation	27,200,000	6,009,825	(3,306,991)	29,902,834	-	29,902,834
OPEB liability	67,245,256	20,168,529	(3,798,786)	83,614,999	-	83,614,999
Compensated absences	2,782,921	1,880,190	(1,921,133)	2,741,978	1,920,000	821,978
Subtotal – Primary Government	<u>140,923,177</u>	<u>40,770,352</u>	<u>(18,563,185)</u>	<u>163,130,344</u>	<u>14,943,438</u>	<u>148,186,906</u>
Business-Type Activity Enterprise Fund (Solid Waste):						
Landfill post-closure OPEB liability	582,620	-	(95,870)	486,750	100,662	386,088
	<u>1,472,583</u>	<u>462,127</u>	<u>(87,042)</u>	<u>1,847,668</u>	<u>-</u>	<u>1,847,668</u>
Subtotal – Enterprise Fund	<u>2,055,203</u>	<u>462,127</u>	<u>(182,912)</u>	<u>2,334,418</u>	<u>100,662</u>	<u>2,233,756</u>
Total	<u>\$ 142,978,380</u>	<u>\$ 41,232,479</u>	<u>\$ (18,746,097)</u>	<u>\$ 165,464,762</u>	<u>\$ 15,044,100</u>	<u>\$ 150,420,662</u>

Interest expense for the year ended December 31, 2012 totaled \$1,707,149.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Long-Term Liabilities and Revenue Anticipation Note - Continued**

Other Long-Term Liabilities

Other long-term liabilities consisted of liabilities related to compensated absences, judgments and claims for workers' compensation and landfill postclosure costs. As explained in the notes, the County records the value of governmental fund type compensated absences in the governmental activities. The payment of both compensated absences and judgments and claims is dependent on many factors and, therefore, cannot be reasonably estimated as to further timing of payment. The annual budgets of the operating funds provide for such as amounts become payable.

Bonds Payable

The following is an analysis of the Serial Bonds recorded in the governmental funds as of December 31, 2012:

Description	Original Amount	Balance 01/01/12	Issued	Payments	Balance 12/31/12	Due In One Year
Public Improvement – Jail, issued 05/15/07, interest at 4% from 2008-2011, 4.25% from 2012-2030, 4.5% from 2031-2035, maturing 05/15/2035	\$ 30,975,000	\$ 29,000,000	\$ -	\$ 700,000	\$ 28,300,000	\$ 725,000
Canton Human Service Initiatives, Inc. issued 09/01/01, interest at 5.7% from 2012-2024 and 5.75% from 2025-2032 maturing 09/01/2032	\$ 8,010,000	6,195,000	-	175,000	6,020,000	185,000
Total		<u>\$ 35,195,000</u>	<u>\$ -</u>	<u>\$ 875,000</u>	<u>\$ 34,320,000</u>	<u>\$ 910,000</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Long-Term Liabilities and Revenue Anticipation Note – Continued**

The following is a summary of the annual principal and interest requirements for the bonds listed above:

<u>Year</u>	<u>County Principal</u>	<u>CHSI Principal</u>	<u>Total Principal</u>
2013	\$ 725,000	\$ 185,000	\$ 910,000
2014	750,000	180,000	930,000
2015	800,000	190,000	990,000
2016	825,000	200,000	1,025,000
2017	875,000	210,000	1,085,000
2018-2022	4,950,000	1,255,000	6,205,000
2023-2027	6,175,000	1,650,000	7,825,000
2028-2032	7,700,000	2,150,000	9,850,000
2033-2036	5,500,000	-	5,500,000
Total	<u>\$ 28,300,000</u>	<u>\$ 6,020,000</u>	<u>\$ 34,320,000</u>

<u>Year</u>	<u>County Interest</u>	<u>CHSI Interest</u>	<u>Total Interest</u>
2013	\$ 1,209,281	\$ 345,608	\$ 1,554,889
2014	1,177,938	335,918	1,513,856
2015	1,145,000	325,658	1,470,658
2016	1,110,469	314,828	1,425,297
2017	1,074,344	303,428	1,377,772
2018-2022	4,770,875	1,321,912	6,092,787
2023-2027	3,595,219	921,267	4,516,486
2028-2032	2,117,156	389,849	2,507,005
2033-2036	389,125	-	389,125
Total	<u>\$ 16,589,407</u>	<u>\$ 4,258,468</u>	<u>\$ 20,847,875</u>

Revenue Anticipation Note

A revenue anticipation note in the amount of \$8,500,000 was issued on September 30, 2011, and was paid during 2012. Two additional revenue anticipation notes in the amount of \$7,000,000 and \$5,000,000 were issued on September 28, 2012 due August 30, 2013, with interest at 1.5% and 1.02%, respectively. The notes were incurred to cover operating expenses until state aid was received.

Capital Lease

The County has entered into a capital lease involving the acquisition of software for general County purposes. The commitment is expected to be funded by the County's general fund. Below is a schedule by years of future minimum lease payments under the capital lease as of December 31, 2012.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Long-Term Liabilities and Revenue Anticipation Note – Continued**

Capital Lease - Continued

Years ending December 31,

	<u>Governmental Activities</u>
2013	\$ 161,160
2014	161,160
2015	161,160
2016	<u>161,160</u>
Total Minimum Lease Payments	644,640
Less amount representing interest at 5.89%	<u>(94,107)</u>
Present Value of Net Minimum Lease Payments	550,533
Less: amount due within one year	<u>(113,438)</u>
Amount Due In More Than One Year	<u>\$ 437,095</u>

Interest expense for the year ended December 31, 2012 was \$115. Software purchased through a capital lease for governmental activities totaled \$711,808 during 2012. Accumulated depreciation on the asset totaled \$142,362 at December 31, 2012.

Long-Term Debt - Component Units

St. Lawrence County Industrial Development Agency - Long-term debt consisted of the following at December 31, 2012:

	<u>Original Amount</u>	<u>Balance 01/01/12</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/12</u>
Northern Advanced Technologies Corporation (NATCO), interest at 0% with an indefinite maturity date	\$ 145,000	\$ 145,000	\$ -	\$ 145,000	\$ -
Greater Massena Economic Development Fund, interest at 3.375% maturing 12/01/2019	\$ 600,000	357,516	-	39,573	317,943
St. Lawrence County IDA-LDC, interest at 3% maturing 12/01/2015	\$ 217,204	94,557	-	22,586	71,971
OPEB Liability		143,317	79,277	-	222,594
Compensated Absences		<u>156,929</u>	<u>33,973</u>	<u>-</u>	<u>190,902</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Long-Term Liabilities and Revenue Anticipation Note – Continued**

Long-Term Debt - Component Units – Continued

Principal and interest payments due on the outstanding balances of the IDA's long-term debts are as follows and will primarily be made from revenue received when the related buildings are productively leased or sold.

	<u>Principal</u>	<u>Interest</u>
2013	\$ 64,202	\$ 12,430
2014	66,313	10,328
2015	68,501	8,158
2016	45,284	6,103
2017	46,836	4,550
2018 - 2019	<u>98,778</u>	<u>4,225</u>
Total	<u>\$ 389,914</u>	<u>\$ 45,794</u>

Interest expense for the year ended December 31, 2012 for the St. Lawrence Industrial Development Agency was \$13,986.

Landfill Closure and Postclosure Care Costs

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

It has been estimated the County may be responsible for \$486,750 in landfill closure and postclosure care costs at Canton, Massena and Ogdensburg. This amount is based on engineering estimates and an annual escalation of 5% of each year. Actual costs may be higher due to inflation, changes in technology, changes in regulations or an inflation rate different than assumed. This liability is recorded in the Solid Waste Enterprise Fund. There were no closure or postclosure care expenditures recognized during 2012.

**Lease Agreements and Bond Risk**

In 2001, the County and CHSI, Inc., a blended component unit, entered into an operating lease agreement under which the County would lease the health services facility constructed and owned by CHSI through September 2032. Monthly rent approximates \$43,000 throughout the remaining lease term and calls for modifications in the rent should the annual debt service requirements be reduced on the Series 2001 Bonds. The monthly rent approximated \$43,000 for 2012. The County is responsible for maintenance and insurance costs on the facility. The lease agreement is an obligation of the County only to the extent of monies appropriated and available. The success of the health services facility depends on economic conditions in the County. Should the County suffer an adverse financial impact, there can be no assurance that there will be sufficient monies to fund the debt service on the Series 2001 Bonds.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Operating Leases and Commitments**

Operating lease obligations are primarily for rental space and equipment. The County has also contracted with Info Quick Solutions, Inc. to provide County Clerk software installation, training and support services for the sum of \$9,725 per month for five years. Lease and service contract expenditures for the year were approximately \$202,000. The future minimum rental payments required by the primary government for noncancellable operating leases and the service contract are:

2013	\$	203,457
2014		203,457
2015		203,457
2016		203,457
2017		196,245
Thereafter		<u>24,000</u>
Total	\$	<u>1,034,073</u>

**Pension Plan**

The County participates in the New York State and Local Employees' Retirement System ("ERS"), and Public Employees' Group Life Insurance Plan (collectively, the "Systems"). This is a cost sharing, multiple-public employer retirement system. The Systems provide retirement benefits as well as death and disability benefits. 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 (the "Comptroller") serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue 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 Systems, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined the System after July 27, 1976 who contribute 3% of their salary. Employee contributions are deducted by employers from employees' paychecks and sent to the System. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed as proportions of payroll of members, which shall be used in computing the employers' contributions required to be made by employers to the pension accumulation fund.

The County is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

2012	\$	7,365,800
2011		6,106,845
2010		4,529,403

The County's contributions made to the Systems in 2012, 2011, and 2010 were equal to 100% of the contributions required for each year.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Risk Management**

The County assumes the liability for most risk including, but not limited to workers' compensation, property damage and personal injury liability. The Workers' Compensation Program is recorded in the Internal Service Fund. Risk management related to general liability is reported in the General Fund and risk related to the Series 2001 Bonds is reported in the Long-Term Liabilities note.

**Workers' Compensation Fund**

The County has a workers' compensation plan pursuant to Article 5 of the Workers' Compensation Law. This plan includes County employees, and any town, village, city, school district or district corporation wishing to participate. The County's liability for workers' compensation is included in the Internal Service Fund and has been discounted using an interest rate of 3%.

	<u>Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability End Of Year</u>
2012	\$ 27,200,000	\$ 6,009,825	\$ (3,306,991)	\$ 29,902,834
2011	27,500,000	2,418,434	(2,718,434)	27,200,000

**General Liability Program**

The County also self insures for unemployment, as well as certain non-highway vehicle and Sheriff's Department risks. In addition, the County is the defendant in several litigation claims. No estimates of loss have been established because management considers such liability estimates to be immaterial.

**Other**

The County participates in a number of federally assisted grant programs. These programs are subject to compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

**Postemployment Benefits**

In addition to providing pension benefits, the County provides certain health care and life insurance benefits for retired employees. Retiring employees must meet age and retirement criteria to be eligible for the benefits. Accordingly, retired employees receive varying levels of coverage upon retirement.

To be eligible, retirees must meet both of the following criteria. The first is that the employee has completed a minimum of five years of service for the County. The second is that an employee must either be qualified for retirement, be a member of a retirement system administered by the State of New York or one of its civil divisions; or the employee must be at least 55 years of age. The County recognized the cost of providing benefits by recording its share of insurance costs of approximately \$6,2565,000 as an expenditure during 2012.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Other Postemployment Benefits (OPEB)**

Plan Description

The County provides continuation of medical insurance coverage to employees that retire under the New York Retirement Systems at the same time they end their service to the County. Based on collective bargaining agreements, the retiree and his or her beneficiaries receive this coverage for the life of the retiree. Healthcare benefits for non-union employees are similar to those of union employees.

Currently, St. Lawrence County offers one medical plan through a Self-Insured Medical Plan administered by Resolve Health Plan Administrators of Albany, NY.

The St. Lawrence County Medical Plan operates as a single defined benefit Municipality Benefits Plan. The Plan is ERISA exempt and, being a self-insured plan, is not subject to State mandates.

The benefits available under the Plan are described in a detailed Plan Document. The Premium Equivalent Rates (PERs) are established by the County on an annual basis. The PER's are subject to annual increases or decreases based on the actual experience of the Plan for the previous year. The PER's of the Plan are used primarily for assessing the employees contribution to the PER's and the calculation of COBRA rates. This analysis will be based on the actual expenses of the Plan rather than the PER's set by the Plan.

The coverage under the St. Lawrence County Plan is a Managed Care Plan that utilizes co-payments for preferred providers with basic hospital, medical/surgical and major medical coverage. The in-network benefits have a minimal co-payment with no deductible and no out-of-pocket maximum for in-network preferred providers. If out-of-network providers are utilized, the Plan will pay 80% and the member is responsible for the remaining 20% and has a \$200 individual deductible with a maximum out of pocket of \$800. The family policy has a \$600 deductible with a maximum out of pocket of \$2,400.

At the time of the initial actuarial analysis, the County's medical plan offered a prescription drug card which includes a retail co-payment of \$5.00 for generic prescriptions and a \$15.00 co-payment for brand name drugs if a generic is available, or \$10.00 for a brand name drug if no generic is available. There is also a mail-order prescription drug option available to covered members under this plan which includes a \$2.00 co-payment for generic medication and a \$5.00 co-payment for brand name drugs.

One of the County's labor units converted to a different drug benefit. This new three-tiered co-payment plan has a \$7.00 co-payment for the generic drugs, a \$15.00 co-payment for preferred brand name drugs and a \$30.00 co-payment for the non-preferred brand name drugs. These retail co-pays are for a 30-day supply of prescription drugs. The mail-order portion of the Plan offers a 90-day supply of prescription drugs with a \$7.00 co-payment for generic drugs, a \$30.00 co-payment for the preferred brand name drugs, and a \$60.00 co-payment for the non-preferred brand name drugs.

Shortly after January 1, 2006, the County's largest labor unit, the CSEA, converted over to the new prescription co-payment plan. In addition to this traditional prescription drug plan, the CSEA Unit will also have access to a \$-0- co-payment plan using a firm called CanaRx.

While the time period involved with the actuarial analysis is based on the old Rx benefit, the cost efficiencies of the new drug plan are factored into the trending methodologies used in the analysis.

Funding Policy

The County currently pays for postemployment health care benefits on a pay-as-you-go basis. Although the County may study the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

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

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.

Amounts are allocated to the Enterprise (Solid Waste) and Internal Service Fund based on a percentage of current payroll dollars for each fund.

Annual OPEB Cost – Fiscal Year Ended December 31, 2012	County	Solid Waste	Internal Service	Total
Normal cost	\$ 7,531,340	\$ 173,081	\$ 22,408	\$ 7,726,829
Past service cost	9,898,188	227,475	29,450	10,155,113
Annual Required Contribution (ARC)	17,429,528	400,556	51,858	17,881,942
Interest on OPEB obligation adjustments to ARC	2,679,172	61,571	7,971	2,748,714
OPEB expense	<u>\$20,108,700</u>	<u>\$ 462,127</u>	<u>\$ 59,829</u>	<u>\$20,630,656</u>
Reconciliation of Net OPEB Obligation – Fiscal Year Ended December 31, 2012	County	Solid Waste	Internal Service	Total
Net OPEB obligation at the beginning of the year	\$66,886,103	\$ 1,472,583	\$ 359,153	\$68,717,839
OPEB expense	20,108,700	462,127	59,829	20,630,656
Net OPEB contributions made during the fiscal year	(3,787,516)	(87,042)	(11,270)	(3,885,828)
Net OPEB obligation at the end of the year	<u>\$83,207,287</u>	<u>\$ 1,847,668</u>	<u>\$ 407,712</u>	<u>\$85,462,667</u>
Percentage of expense contributed				19%

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

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

Other Disclosure Information - Continued

Reconciliation of Net OPEB Obligation – Fiscal Year Ended December 31, 2011	<u>County</u>	<u>Solid Waste</u>	<u>Internal Service</u>	<u>Total</u>
Net OPEB obligation at the beginning of the year	\$52,085,862	\$ 1,137,666	\$ 309,737	\$53,533,265
OPEB expense	19,417,178	439,395	64,830	19,921,403
Net OPEB contributions made during the fiscal year	<u>(4,616,937)</u>	<u>(104,478)</u>	<u>(15,414)</u>	<u>(4,736,829)</u>
Net OPEB obligation at the end of the year	<u>\$66,886,103</u>	<u>\$ 1,472,583</u>	<u>\$ 359,153</u>	<u>\$68,717,839</u>
Percentage of expense contributed				24%

Reconciliation of Net OPEB Obligation – Fiscal Year Ended December 31, 2010	<u>County</u>	<u>Solid Waste</u>	<u>Internal Service</u>	<u>Total</u>
Net OPEB obligation at the beginning of the year	\$38,097,453	\$ 860,825	\$ 254,825	\$39,213,103
OPEB expense	18,487,051	365,872	72,572	18,925,495
Net OPEB contributions made during the fiscal year	<u>(4,498,642)</u>	<u>(89,031)</u>	<u>(17,660)</u>	<u>(4,605,333)</u>
Net OPEB obligation at the end of the year	<u>\$52,085,862</u>	<u>\$ 1,137,666</u>	<u>\$ 309,737</u>	<u>\$53,533,265</u>
Percentage of expense contributed				24%

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 January 1, 2012, the most recent interim actuarial valuation, the liabilities were computed using the projected unit credit method with a 26 year amortization. The actuarial assumptions utilized a 4% discount rate. The valuation assumes a variable medical trend rate ranging from 6.4% down to 4.29% and a postretirement benefit increase ranging from 0% to 4.2% per year depending upon the retiree’s age.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

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

Annual Other Postemployment Benefit Cost

For the fiscal year ended December 31, 2012, the County's OPEB cost (expense) of \$20,630,656 was equal to the annual required contribution. The payment of current health insurance premiums, which totaled \$3,885,828 for 592 retirees and their beneficiaries, resulted in a net OPEB cost of \$16,744,828 for the year ended December 31, 2012. 19% of the total cost was contributed during 2012.

For the fiscal year ended December 31, 2011, the County's OPEB cost (expense) of \$19,921,403 was equal to the annual required contribution. The payment of current health insurance premiums, which totaled \$4,736,829 for 488 retirees and their beneficiaries, resulted in a net OPEB cost of \$15,184,574 for the year ended December 31, 2011. 24% of the total cost was contributed during 2011.

For the fiscal year ended December 31, 2010, the County's OPEB cost (expense) of \$18,925,425 was equal to the annual required contribution. The payment of current health insurance premiums, which totaled \$4,605,333 for 488 retirees and their beneficiaries, resulted in a net OPEB cost of \$14,320,162 for the year ended December 31, 2010. 24% of the total cost was contributed during 2010.

**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 as expenditures for other governmental funds and are sometimes made out of the general fund for payroll and related taxes and benefits until interfund balance payments may be processed.

The following schedule summarizes interfund receivables and payables by fund at December 31, 2012 arising from these transactions:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 1,718,844	\$ 473,781
Non-Major governmental	579,721	1,469,339
Enterprise	3,663	253,627
Internal Service	-	108,613
Agency	7,848	4,716
	<hr/>	<hr/>
Total	<u>\$ 2,310,076</u>	<u>\$ 2,310,076</u>

The County made the following transfers during 2012:

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 road machinery expenses including payroll and related taxes and benefits, as well as, materials.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Interfund Transactions - Continued**

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 10,702,869
County Road	10,702,869	3,986,478
Road Machinery	1,200,000	-
Capital Projects Funds	2,786,478	-
	<hr/>	<hr/>
Total	<u>\$ 14,689,347</u>	<u>\$ 14,689,347</u>

**Contingencies**

Certain Indian tribes have asserted land claims under federal common law, and under the federal Non-Intercourse Act of 1790 as amended. The effect of these claims thus far has created some uncertainty as to the title to millions of acres of New York State land. Various alleged representatives of the St. Regis Mohawk tribe have made these claims for land in St. Lawrence County. The County has joined with other affected counties in defending the claims, and has also joined in the claims against the State of New York indemnity and for the cost of defense of the Indian claims. The case will be heard in the U.S. District Court. The impact of a decision on lands in St. Lawrence County, and therefore on the County, is indirect and difficult to assess. If the claimants were to succeed fully in their demands, the impact on the County and some of its constituent towns and individual land owners would be extremely severe. The County's counsel is currently unable to appraise the possibility of success or failure.

There are various other claims and legal actions pending against the County, as well as the IDA for which no provision has been made in the financial statements. In the opinion of the County Attorney and other County officials, liabilities arising from these claims and legal actions, if any, either cannot be estimated at this time, or will not be significant.

**Fund Balances**

During the year ended December 31, 2011, the County implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type definitions. In the Government Fund Statements, as follows:

Nonspendable amounts represent prepaid expenses.

Restricted funds represent amounts held for risk retention liabilities involving unemployment and general liability insurance risks.

Assigned funds include the following:

Encumbrances, or commitments for expenditures. General fund encumbrances totaled \$167,996 and non-major fund encumbrances totaled \$148,498 for the year ended December 31, 2012.

Funds reserved by the Board of Supervisors for various purposes, including sheriff equitable sharing, drug enforcement agency, Fort La Presentation, and environmental remediation. The total assigned for miscellaneous purposes was \$731,083.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Deficit Fund Equity**

The following funds had an accumulated deficit as of December 31, 2012:

Enterprise Fund	\$ 269,507
Internal Service Fund (Workers' Compensation)	<u>4,983,528</u>
Total	<u>\$ 5,253,035</u>

The County does not have a formal plan to remedy these deficits.

**Restricted Assets**

Assets of \$2,000,000 are restricted in the Industrial Development Agency because of Federal Community Development Block Grant regulations over their expenditure.

The IDA-LDC has temporarily restricted assets of \$20,208,216 which represents the amount of Revolving Loan Funds created by St. Lawrence County to stimulate the growth of private sector employment by providing financial assistance to applicants that wish to expand and modernize their business facilities, as well as amounts from a New York State Power Authority grant.

**Prior Period Adjustments**

The prior period adjustments are as follows:

Governmental Activities (Non-major fund):

Adjustment of opening accounts receivable in county road fund of \$30,525.

Government-Wide Financial Statements:

Increase in Capital Assets, net of \$889,866 as a result of the implementation of new accounting software.

IDA (component unit)

Prior period adjustments totaling \$156,247, includes accounts payable and expense adjustments of \$11,247 and forgiveness of debt of \$145,000.

IDA – LDC (component unit):

To consolidate the financial statements and include the operations of the Greater Massena Economic Development Fund and the St. Lawrence River Valley Redevelopment Agency (component units of the IDA – LDC) which had not been provided in prior years. A description of these organizations is included on pages 29 and 30.

The effect of these adjustments on net position at the beginning of the year can be found on pg.14, Statement of Activities.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2012

**Conduit Debt Obligations**

At the date of these financial statements, the St. Lawrence County Industrial Development Agency had participated in fifty industrial revenue bond issues in the total original issue amount of \$755,610,700. The issues were made at various times between February, 1973 and December 31, 2012. These issues are not reflected in the financial statements since they are considered to be special obligations of the Agency having no claim on the general assets or general funds of the Agency.

**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 as follows:

Canton Human Services Initiatives, Inc. issued revenue refunding bonds in the amount of \$6,475,000 on January 23, 2013. These bonds were issued to provide funds for refunding prior to maturity of the \$6,020,000 outstanding bond principal of the Organization's 2001 facility revenue bonds. The County will continue to lease the organization's facilities and the rental payments will be used to pay the debt service on the 2013 bonds.

## ST. LAWRENCE 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
January 1, 2012	December 31, 2012	-	162,306,821	162,306,821	0%	\$ 38,891,201	417%
January 1, 2010	December 31, 2011	-	174,932,349	174,932,349	0%	40,301,791	434%
January 1, 2010	December 31, 2010	-	163,183,718	163,183,718	0%	38,712,023	422%

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Federal Grantor/ Program Title	Federal CFDA Number		Federal Expenditures
<u>U.S. Department of Agriculture:</u>			
Passed Through the New York State			
Office of Temporary and Disability:			
SNAP Cluster:			
State Administrative Matching Grant-			
Food Stamp Program	10.561	\$ 1,179,272	
Total - SNAP Cluster			1,179,272
Conservation Reserve Program	10.069		5,183
Wetlands Reserve Program	10.072		52,377
Environmental Quality Incentives Program	10.912		12,890
Total U.S. Department of Agriculture			1,249,722
<u>* U.S. Department. of Housing and Urban Development:</u>			
Passed Through the New York State Division			
of Housing and Community Renewal:			
Community Development Block Grant -			
State's Program	14.228		739,103
Total U.S. Department of Housing and Urban Development			739,103
<u>U.S. Department of Labor:</u>			
Passed Through the National Council on Aging:			
Senior Community Service Employment	17.235		36,777
Passed Through the New York State			
Department of Labor:			
WIA Cluster:			
WIA Adult Program	17.258	304,780	
WIA Youth Activities	17.259	436,578	
WIA Dislocated Worker Formula Grants	17.278	272,046	
Total - WIA Cluster			1,013,404
Wagner-Peyser Funded Activities	17.207		2,966
Total U.S. Department of Labor			1,053,147
<u>U.S. Department of Justice:</u>			
Passed Through the New York State			
Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588		40,013
Total U.S. Department of Justice			40,013

\* Sub-recipients are St. Lawrence County Housing Council, Inc. and  
St. Lawrence County Industrial Development Agency (component unit)

See Independent Auditor's Report and Notes

## ST. LAWRENCE COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

Federal Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U.S. Department of Transportation:</u>			
Passed Through New York State			
Department of Transportation:			
Highway Planning and Construction	20.205	<u>2,141,324</u>	
Total U.S. Department of Transportation			2,141,324
<u>U.S. Department of Homeland Security:</u>			
Passed Through New York State Office of Homeland Security:			
Homeland Security Cluster:			
Homeland Security Grant Program	97.067		
NY Grant Number C835880		179,929	
NY Grant Number C835890		254,763	
NY Grant Number C835800		238,903	
NY Grant Number C973510		<u>5,105</u>	
Total Homeland Security Cluster			678,700
State Homeland Security Program-Bryne Jag	97.073	<u>31,582</u>	
Passed Through New York State Division of Criminal Justice			
State Homeland Security Program:			
Stonegarden	97.073	449,231	
LETPP		<u>74,161</u>	
Total State Homeland Security Program			554,974
SLC-Emergency Food and Shelter	97.024	<u>12,940</u>	
Total U.S. Department of Homeland Security			1,246,614
<u>U.S. Department of Health and Human Services:</u>			
Passed Through the New York State			
Office for the Aging:			
Aging Cluster:			
Aging - Title III Part B	93.044	125,194	
Aging - Title III Part C	93.045	224,823	
Nutrition Services Incentive Program	93.053	<u>98,233</u>	
Total - Aging Cluster			448,250
Aging - Title III Part D	93.043		5,611
Medicare Enrollment Assistance Program	93.071		10,555
National Family Caregiver Support Title III, Part E	93.052		56,147
Medicaid Services Research, Demonstrations and and Evaluations - Health Insurance	93.779		37,602
Passed Through the New York State			
Department of Health:			
Investigations and Technical Assistance	93.283		66,506
Public Health Emergency Preparedness	93.069		130,879

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2012

Federal Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Health and Human Services, Continued:</u>		
Passed Through the New York State Office of Temporary and Disability Assistance:		
Child Support Enforcement	93.563	1,264,122
ARRA-Child Support Enforcement	93.563	<u>149,520</u>
		1,413,642
Low-Income Home Energy Assistance	93.568	7,210,806
W.R.A.P.	93.568	<u>7,850</u>
		7,218,656
Foster Care - Title IV-E	93.658	2,080,245
Social Services Block Grant	93.667	2,226,607
Foster Care Independence Program	93.674	28,877
TANF Cluster:		
Temporary Assistance for Needy Families	93.558	<u>3,830,088</u>
Total TANF Cluster		3,830,088
Medicaid Cluster:		
Passed Through the New York State Office of Temporary and Disability Assistance:		
Medical Assistance Title XIX	93.778	3,720,473
Federal Salary Sharing	93.778	<u>1,974</u>
Total Medicaid Cluster		3,722,447
Passed Through the New York State Office of Alcoholism and Substance Abuse Services:		
Block Grant for Prevention and Treatment of Substance Abuse	93.959	<u>696,595</u>
Total U.S. Department of Health and Human Services		<u>21,972,707</u>
Total		<u>\$ 28,442,630</u>

Grants noted above are direct unless specifically noted  
as passthrough grants.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

**Basis of Accounting**

The schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources. Accruals are estimated for pending claims.

**Reporting Entity**

St. Lawrence County (the "County") for purposes of the schedule of expenditures of federal awards includes all the funds of the primary government. It does not include any component units of the County as follows:

- St. Lawrence County Industrial Development Agency (except as a sub-recipient as noted below)
- St. Lawrence County Industrial Development Agency – Local Development Corporation
- Canton Human Services Initiatives, Inc.
- St. Lawrence County Soil and Water Conservation District

These component units may also receive federal financial assistance, but separately satisfy the audit requirements of OMB Circular A-133.

The County administers certain federal awards programs through subrecipients. Those sub-recipients are also not considered part of the County reporting entity; however the federal funds passed through to such subrecipients are included in the schedule of expenditures of federal awards.

**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.S. Department of Housing and Urban Development: Passed Through the New York State Division of Housing and Community Renewal: Community Development Block Grant - State's Program to sub-recipients St. Lawrence County Housing Council, Inc.	14.228	\$ 733,377
St. Lawrence County Industrial Development Agency (Component Unit)	14.228	5,727



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 Board of Legislators  
St. Lawrence 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 St. Lawrence County, New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise St. Lawrence 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 St. Lawrence County Industrial Development Agency, St. Lawrence County Industrial Development Agency- Local Development Corporation and Canton Human Services Initiatives, Inc. Those statements were audited in accordance with *Government Auditing Standards*. The schedule of finding and questioned costs does not include any findings which may have been referenced by the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Lawrence 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 St. Lawrence County, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Lawrence 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2012-01, 2012-03, 2012-04 and 2012-05)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether St. Lawrence 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-02.

### **St. Lawrence County, New York's Response to Findings**

St. Lawrence County, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Lawrence 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



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

To The Board of Legislators  
St. Lawrence County, New York

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

We have audited St. Lawrence 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 St. Lawrence County, New York's major federal programs for the year ended December 31, 2012. St. Lawrence 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.

St. Lawrence County, New York's financial statements include the operations of St. Lawrence County Industrial Development Agency, St. Lawrence County Industrial Development Agency – Local Development Corporation and Canton Human Services Initiatives, Inc., which are component units. These entities may have received federal awards. Such awards, if any, were not included in the schedule of expenditures of federal awards for St. Lawrence County, New York, during the year ended December 31, 2012, because the entities 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 St. Lawrence 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 St. Lawrence 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 St. Lawrence County, New York's compliance.

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

In our opinion, St. Lawrence 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 St. Lawrence 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 St. Lawrence 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 St. Lawrence 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

ST. LAWRENCE 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 that we did not audit the financial statements of the St. Lawrence County Industrial Development Agency, St. Lawrence County Industrial Development Agency – Local Development Corporation and Canton Human Services Initiative, Inc. 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 for the St. Lawrence County Industrial Development Agency, St. Lawrence County Industrial Development Agency – Local Development Corporation and Canton Human Services Initiative, Inc. is based solely on the reports of the other auditors.

B. Internal control over financial reporting:

- |  |       |     |       |    |
|--|-------|-----|-------|----|
| 1. Material weaknesses identified?   | _____ | Yes | _X_   | No |
| 2. Significant deficiencies identified not considered to be material weaknesses? | _X_   | Yes | _____ | No |
| 3. Noncompliance material to financial statements noted?                         | _____ | Yes | _X_   | No |

II. Federal Awards

A. Internal control over major programs:

- |  |       |     |     |    |
|--|-------|-----|-----|----|
| 1. Material weaknesses identified?   | _____ | Yes | _X_ | No |
| 2. Significant deficiencies identified not considered to be material weaknesses? | _____ | Yes | _X_ | No |

B. Type of auditor's report issued on compliance for major programs:

Unqualified

- |   |       |     |     |    |
|---|-------|-----|-----|----|
| 1. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))? | _____ | Yes | _X_ | No |
|---|-------|-----|-----|----|

ST. LAWRENCE COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2012

Section I – Summary of Auditor’s Results – Continued

II. Federal Awards – Continued

C. The County’s major programs were:

	**CFDA Number
<u>Department of Labor :</u>	
Passed Through the New York State Department of Labor	
WIA Cluster:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Worker Formula Grants	17.278
 <u>U.S. Department of Agriculture:</u>	
Passed Through New York State Office of Temporary and Disability Assistance:	
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	10.561
 <u>U.S. Department of Health and Human Services:</u>	
Passed Through the New York State Office of Temporary and Disability Assistance:	
Child Support Enforcement	93.563
ARRA-Child Support Enforcement	93.563
Foster Care Title IV-E	93.658
Temporary Assistance for Needy Families	93.558

D. Dollar threshold used to distinguish between Type A and Type B programs is \$853,279.

E. The auditee qualifies as a low-risk auditee.

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

ST. LAWRENCE COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2012

Section II – Financial Statement Findings

<u>Number/Finding/NonCompliance</u>	<u>Questioned Costs</u>
No. 2012-01	N/A
<p><u>Criteria:</u> Risk of fraud and financial misstatement should be assessed by an entity to assist with the establishment of relevant operating procedures and to ensure sufficient internal controls.</p> <p><u>Condition:</u> It was noted that the County has no documented risk assessment in place.</p> <p><u>Cause of Condition:</u> This is a repeat finding from 2007 through 2011.</p> <p><u>Effect of Condition:</u> By not analyzing risk and not documenting the study, the County may not detect significant risks of misstatement of the financial statements or possible exposure to fraud.</p> <p><u>Recommendation:</u> Management and the Board of Legislators' audit committee should conduct a risk assessment regarding the County's financial operations. The assessment results should be in writing and maintained as part of the County's formal policies and procedures. It should be used to monitor adherence to internal controls and updated as systems and financial positions change over time.</p> <p><u>Management Response:</u> Management concurs with this recommendation and has, in fact documented such risk assessment. On March 23, 2013, the Board of Legislators approved and adopted the County's risk assessment.</p>	
No. 2012-02	N/A
<p><u>Criteria:</u> The New York System of Uniform Accounts requires that each approved capital project be accounted for in a separate fund.</p> <p><u>Condition:</u> All County capital projects are co-mingled and accounted for in one fund.</p> <p><u>Cause of Condition:</u> This is a repeat finding from 2007 through 2011.</p> <p><u>Effect of Condition:</u> This practice results in improper fund accounting for each project; also, large projects must be shown as a major fund in the County's financial statements, but the necessary information is not readily available to do so.</p> <p><u>Recommendation:</u> The Treasurer's Office should account for all capital projects in separate, individual funds and general ledgers.</p>	

ST. LAWRENCE COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2012

Section II - Financial Statement Findings – Continued

<u>Number/Finding/Non Compliance</u>	<u>Questioned Costs</u>
No. 2012-02 – Continued	
<u>Management Response:</u> The County has converted to a new Enterprise Resource Planning software system. The new system allows for a separation of capital projects through its project accounting module. This should satisfy the proper separation criteria.	
No. 2012-03	N/A
<u>Criteria:</u> Voided checks should be clearly marked “Void” and retained in the County’s files.	
<u>Condition:</u> During audit testing at the Office of the Aging, it was noted that a check was missing. After researching the discrepancy, it was determined that the missing check was voided and discarded.	
<u>Cause of Condition:</u> The cause of the condition appears to be that the County failed to maintain a policy that requires voided checks to be retained.	
<u>Effect of Condition:</u> Failing to account for all check numbers could result in misappropriation of cash that may not be readily detected.	
<u>Recommendation:</u> All departments in the County should be required to keep voided checks in their files as proof that they have been voided.	
<u>Management Response:</u> County management has agreed that all void checks will be stored electronically within the new financial system and marked void for future reference.	
No. 2012-04	N/A
<u>Criteria:</u> Expenditures pertaining to the current period should be accrued if measurable and if the service has been performed.	
<u>Condition:</u> While performing a search for unrecorded liabilities within the capital project fund, it was noted that two invoices totaling \$146,753 were not recorded in 2012, when in fact the services were performed during that year.	
<u>Cause of Condition:</u> This is a repeat finding from 2011.	

ST. LAWRENCE COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2012

Section II - Financial Statement Findings – Continued

<u>Number/Finding/Non Compliance</u>	<u>Questioned Costs</u>
No. 2012-04 – Continued	
<p><u>Effect of Condition:</u> Liabilities and expenditures for the capital project fund were understated. An adjusting journal entry has been made to correct the oversight.</p> <p><u>Recommendation:</u> A thorough review of all invoices near the end of the year under audit and the beginning of the next year should be done to ensure that payables are recorded in the correct period.</p> <p><u>Management Response:</u> Management indicated that a thorough review of potential payables will be done in the future. Departments will be further scrutinized for payables to be sure charges are recorded in the year they were incurred.</p>	
No. 2012-05	N/A
<p><u>Criteria:</u> Revenue should be recorded when the revenue is earned and it is reasonably expected that cash will be received during the first 60 days of the following year.</p> <p><u>Condition:</u> It was discovered that \$44,754 in invoices for the self insurance fund were recorded in 2013 instead of 2012, when the revenue was earned.</p> <p><u>Cause of Condition:</u> The cause of the condition appears to be an oversight.</p> <p><u>Effect of Condition:</u> Accounts receivable and revenue of the self insurance fund were understated.</p> <p><u>Recommendation:</u> A thorough review of all invoices should be performed near year end to ensure that all receivables are properly recorded.</p> <p><u>Management Response:</u> The County will thoroughly review potential receivables in the future to be sure revenues are recorded in the year they were earned.</p>	

ST. LAWRENCE COUNTY, NEW YORK  
Schedule Prior Year Findings and Questioned Costs  
From December 31, 2011 Report

No. 2011-01

Condition: The County did not have a documented risk assessment in place.

Status: This is a repeat finding in 2012 (No. 2012-01).

No. 2011-02

Condition: All County capital projects were co-mingled and accounted for in one fund in opposition to the New York State System of Uniform Accounts that requires that each approved Capital Project be accounted for in a separate fund.

Status: This is a repeat finding in 2012 (No. 2012-02).

No. 2011-03

Condition: Employee vacation hours can be adjusted upward by department supervisors without the approval of the Human Resources Department, which could result in more vacation hours owed than allowed by County personnel policies.

Status: This practice was corrected in 2012.

No. 2011-04

Condition: Accounts payable and expenses in the capital projects fund were understated.

Status: This is a repeat finding in 2012 (No. 2012-04).

No. 2011-05

Condition: The County did not properly inform the public that their annual report for 2010 was complete and available to the public to view.

Status: This situation did not recur in 2012.

No. 2011-06

Condition: Several capital assets were depreciated in excess of their net book value.

Status: The situation did not recur in 2012 because new software for accounting for capital assets was used.