

ST. LAWRENCE COUNTY, NEW YORK

Independent Auditor's Report

Financial Statements and
Supplementary Information

Year Ended December 31, 2013



WHITTEMORE, DOWEN
& RICCIARDELLI, LLP

ST. LAWRENCE COUNTY, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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 13% percent, 60% percent, and 1% percent, respectively, compared to the assets and deferred outflows of resources, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for other postemployment benefits on pages 3-12, 24 and 57 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 24, 2014 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 24, 2014

COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013

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, 2013. 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 2013 by \$16,330,932 (*net position*). The unrestricted net position (deficit) for governmental activities was (\$92,043,714); for business-type activities (solid waste), the unrestricted net position (deficit) was (\$1,950,592). Restricted net position for governmental activities was \$7,731,676 at the close of 2013. 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 \$13,424,552 primarily due to increases in governmental noncurrent liabilities due in more than one year.
- At the end of 2013, unassigned fund balance (deficit) for the general fund was (\$580,016), or (.30%) of the general fund expenditures.
- The County's outstanding bonds payable decreased by \$370,000 (1.08%). Notes to Financial Statements, p. 43, have the County's total bonded indebtedness, as of December 31, 2013 at \$33,950,000.

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** provides the reader with a snapshot in time of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources and resulting net position (or equity as stated with private sector reporting) of the County. Over time, increases or decreases in the net position of the County may provide an indicator of the trend in the County's financial condition. The County's governmental activities include those accounted for within the General, 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

COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013

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.

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.

COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013

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, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Assets:						
Current and Other Assets	\$ 88,138,551	\$ 94,983,494	\$1,033,587	\$ 980,756	\$ 89,172,138	\$ 95,964,250
Capital Assets, Net	135,030,065	133,116,062	1,681,781	1,562,567	136,711,846	134,678,629
Total Assets	223,168,616	228,099,556	2,715,368	2,543,323	225,883,984	230,642,879
Deferred outflows of resources	169,738	-	-	-	169,738	-
Liabilities:						
Long-Term Liabilities	179,173,057	163,130,344	2,620,248	2,334,418	181,793,305	165,464,762
Other Liabilities	26,751,722	34,141,417	363,931	478,412	27,115,653	34,619,829
Total Liabilities	205,924,779	197,271,761	2,984,179	2,812,830	208,908,958	200,084,591
Deferred inflows of resources	1,082,643	1,072,311	-	-	1,082,643	1,072,311
Net Position:						
Invested in Capital Assets (net of debt)	100,642,970	98,245,529	1,681,781	1,562,567	102,324,751	99,808,096
Restricted	7,731,676	6,874,077	-	-	7,731,676	6,874,077
Unrestricted (Deficit)	(92,043,714)	(75,364,122)	(1,950,592)	(1,832,074)	(93,994,306)	(77,196,196)
Total Net Position	\$16,330,932	\$29,755,484	\$ (268,811)	\$ (269,507)	\$16,062,121	\$29,485,977

- The 2012 presentation was restated to reflect the adoption of Government Accounting Standards Board Statement no. 65, *Items Previously Reported As Assets and Liabilities*, which requires the use of the terms Deferred Outflows of Resources and Deferred Inflows of Resources and the elimination of recording bond issuance costs as an asset. Those costs are now expensed when incurred.
- The County governmental activity's total liabilities increased by \$8,653,018, mostly due to increase in the 30 year amortization of the Other Post Employment Benefits (OPEB) of \$17,342,545 and a reduction in accounts payable by \$8,527,911
- 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.
- The 2013 prior period adjustment includes a GASB 65 pronouncement that requires bond costs incurred in prior years and carried on the statement of net position as a capital asset be removed from the capital assets. The amount of this change was \$291,482. The 2012 statement of changes in net position was not restated because it would result in the management discussion and analysis figures not being comparable to the financial statements.

**COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013**

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for Services	\$ 21,506,321	\$ 24,748,983	\$ 3,614,396	\$ 3,837,998	\$ 25,120,717	\$ 28,586,981
Operating Grants and Contributions	51,592,589	51,155,995	-	-	51,592,589	51,155,995
Capital Grants and Contributions	2,792,234	2,672,409	-	-	2,792,234	2,672,409
Total Program Revenues	75,891,144	78,577,387	3,614,396	3,837,998	79,505,540	82,415,385
General Revenues:						
Property Taxes and Tax Items	54,850,474	48,380,290	-	-	54,850,474	48,380,290
Non-Property Taxes	45,155,027	43,667,172	-	-	45,155,027	43,667,172
Fines and Forfeitures	127,835	93,029	-	-	127,835	93,029
Misc. Local Sources	3,584,899	5,321,983	273,939	181,341	3,858,838	5,503,324
Sale of Property and Compensation for Loss	1,363,668	2,069,091	50,775	86,042	1,414,443	2,155,133
Transfers	-	-	-	-	-	-
Investment Earnings	111,113	94,636	1,093	3,971	112,206	98,607
Total General Revenues	105,193,016	99,626,201	325,807	271,354	105,518,823	99,897,555
Total Program and General Revenues	181,084,160	178,203,588	3,940,203	4,109,352	185,024,363	182,312,940
Expenses:						
Governmental Activities Expenses:						
General government support	47,713,912	46,993,449	-	-	47,713,912	46,993,449
Education	639,618	570,152	-	-	639,618	570,152
Public Safety	25,465,519	24,303,922	-	-	25,465,519	24,303,922
Health	21,163,509	23,595,086	-	-	21,163,509	23,595,086
Transportation	15,059,781	18,071,994	-	-	15,059,781	18,071,994
Economic Opportunity and Development	79,648,748	78,138,084	-	-	79,648,748	78,138,084
Culture and Recreation	212,929	304,379	-	-	212,929	304,379
Home and Community Services	2,291,456	2,297,519	3,939,507	4,074,218	6,230,963	6,371,737
Interest on Long Term Debt and Debt Service Costs	2,021,758	1,707,149	-	-	2,021,758	1,707,149
Total Expenses	194,217,230	195,981,734	3,939,507	4,074,218	198,156,737	200,055,952
Total Government Activities						
Net Changes in Net Position	(13,133,070)	(17,778,146)	696	35,134	(13,132,374)	(17,743,012)
Net Position Beginning, Restated	29,464,002	47,533,630	(269,507)	(304,641)	29,184,495	47,228,989
Net Assets Ending	\$ 16,330,932	\$ 29,755,484	\$ (268,811)	\$ (269,507)	\$ 16,062,121	\$ 29,485,977

**COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013**

- Total revenue for 2013 increased by \$2,711,423. Significant changes involved mainly an increase in property tax of \$6,470,184 and an increase of non-property tax of \$1,487,855 and a decrease in charges for services and miscellaneous local revenues of \$5,110,750.
- Total expenses for 2013 decreased by \$1,899,215, due mostly in part to slight decreases in payroll and related fringe expenses.

CAPITAL ASSETS, NET OF DEPRECIATION AT YEAR END

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Land	\$2,405,830	\$2,405,830	\$156,050	\$156,050	\$2,561,880	\$2,561,880
Not Depreciated:						
Construction in Progress	2,048,167	3,148,189	-	-	2,048,167	3,148,189
Depreciated:						
Infrastructure	91,047,865	85,870,985	-	-	91,047,865	85,870,985
Land Improvements	-	-	922,854	1,010,538	922,854	1,010,538
Buildings and Improvements	35,881,416	37,393,938	-	-	35,881,416	37,393,938
Machinery	3,219,703	3,436,192	602,877	395,979	3,822,580	3,832,171
Software	427,084	569,446	-	-	427,084	569,446
Total	\$135,030,065	\$132,824,580	\$1,681,781	\$1,562,567	\$136,711,846	\$134,387,147

- The 2012 presentation was restated to reflect the adoption of Government Accounting Standards Board Statement no. 65, *Items Previously Reported As Assets and Liabilities*, which requires the use of the terms Deferred Outflows of Resources and Deferred Inflows of Resources and the elimination of recording bond issuance costs as an asset. Those costs are now expensed when incurred.
- 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, 2013, amounted to \$136,711,846 (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 2012.

**COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013**

OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Bonds Payable	\$ 33,950,000	\$ 34,320,000	\$ -	\$ -
Revenue Anticipation Notes	10,000,000	12,000,000	-	-
Capital lease	437,095	550,533	-	-
Workers Comp	30,953,403	29,902,834	-	-
OPEB Liability	100,957,544	83,614,999	2,234,160	1,847,668
Landfill Post-Closure	-	-	386,088	486,750
Compensated Absences	2,875,015	2,741,978	-	-
Total	\$ 179,173,057	\$ 163,130,344	\$ 2,620,248	\$ 2,334,418

- The County's outstanding debt increased from the prior year by 9.87% (\$16,328,543) 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 2013:

**COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013**

Fiscal Year 2013

Programs	Net Expense per Statement of Activities	GASB 45 Expenses	Net Expenses Excluding GASB 45	FY 2012 Net Expenses per Statement of Activities
General Government.	\$ 35,309,704	\$ 3,301,929	\$ 32,007,775	\$ 33,877,074
Education	95,575	-	95,575	(201,459)
Public Safety	19,547,638	4,235,459	15,312,179	18,406,227
Health	10,060,731	2,039,935	8,020,796	8,274,041
Transportation	9,852,820	1,918,922	7,933,898	13,305,884
Economic Opportunity and Development.	40,134,203	5,618,464	34,515,739	39,916,452
Culture and Recreation	140,719	34,575	106,144	252,483
Home and Community Services	1,162,938	138,301	1,024,637	1,866,496
Interest on Long-Term Debt and Debt Service Cost	2,021,758	-	2,021,758	1,707,149
Total	\$ 118,326,086	\$ 17,287,585	\$ 101,038,501	\$ 117,404,437
Total OPEB Liability per Armory Associates Report				\$ 17,729,037
Less Solid Waste Full Accrual Enterprise Fund				386,493
Less Worker's Compensation				54,960
GASB 45 Expenses				\$ 17,287,585

BUDGET VERSUS ACTUAL RESULTS FOR 2013

- Schedule G, p. 24, outlines variances from the 2013 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 a slight decrease in Real Property tax (both categories) of \$56,279, and sales tax increase of \$1,325,137. However the County experienced reductions of Federal, State and departmental income against budget of \$3,747,020; \$1,485,121; and \$1,168,344 respectively.
- Because of the Federal interest rates, interest income continues to remain dismal as it was in 2011 and 2012.
- 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-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.

COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013

OTHER KEY FINANCIAL ANALYSIS

- As of December 31, 2013, total assets of the County (Exhibit A), excluding component units, exceeded total liabilities by \$17,243,837. In addition, total deferred inflows of resources, primarily deferred revenue, exceeded deferred outflows of resources by \$912,905. The net of assets over liabilities of \$17,243,837 less the \$912,905 results in net position of \$16,330,932. The unrestricted net deficit for governmental activities was (\$92,043,714); for business-type activities, the net unrestricted deficit was (\$1,950,592), which includes long term post closure liabilities for landfills of \$386,088. 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 was \$3,088,371, which includes \$2,605,771 that belongs to the County's Risk Retention Fund. The balance of restricted net position includes restrictions for capital projects of \$4,643,305. Net assets invested in capital assets (land, buildings, roads, bridges, machinery), net of accumulated depreciation and related debt, accounts for \$100,642,970. This total represents 616% of the total net position.
- Unassigned fund balance (deficit) for the General Fund (Exhibit C) was \$(580,016) as of the close of the 2013 fiscal year. This is an increase of \$313,455 from the 2012 amount. No amounts were appropriated from the 2013 fund balance towards the 2013 budget. Total equity of all governmental funds at the close of the 2013 fiscal year was \$13,396,807. This is a increase of \$1,677,389 from the 2012 total fund equity.
- As of December 31, 2013 total liabilities of the County (Exhibit D), including Canton Human Services Initiatives, Inc. were \$71,429,669. This is a decrease of \$18,869,668 over the total liabilities as of December 31, 2012.
- The Worker's Compensation Fund deficit (Exhibit I) decreased by \$219,090. The debt due beyond one year in the Worker's Compensation Fund was \$30,953,403 as of December 31, 2013.

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 increased to 4% as of the first of December 2013. Because of the increase, we expect at least a 25% increase in the amount of sales tax collected. 2014 will provide a clearer picture for us.
- St. Lawrence County, like many other counties, is not without its challenges. Fund balance remains low, health insurance is on the rise and retirement costs are stabilizing. 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. Although there was a sales tax increase, we were still not able to apply any to fund balance. Once again, due to the fund balance level, we were unable to use fund balance against the 2014 budget. The County continues to struggle with a minimal fund balance.

**COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2013**

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, 2013

	Primary Government		Total	Component Units			
	Governmental Activities	Business-Type Activities		Industrial Development Agency	Industrial Development Agency Local Development Corporation	Soil and Water Conservation District	
ASSETS							
Cash and cash equivalents	\$ 9,054,849	\$ 1,405,718	\$ 10,460,567	\$ 1,556,270	\$ 311,958	\$ 815,612	
Investments	7,919,613	-	7,919,613	-	-	-	
Taxes receivable (net of allowance for uncollectable accounts of \$400,000)	18,000,397	-	18,000,397	-	-	-	
Receivables, net (net of allowance for uncollectable accounts of \$30,956)	24,326,092	172,620	24,498,712	130,959	-	1,669	
Internal balances	1,064,998	(669,594)	395,404	-	-	-	
Due from other governments	22,364,649	84,027	22,448,676	-	-	-	
Prepaid expenses	2,319,582	40,816	2,360,398	92,416	-	8,599	
Restricted Assets:							
Cash	3,088,371	-	3,088,371	2,000,000	14,342,989	-	
Receivables	-	-	-	-	3,747,261	-	
Capital assets, net	-	-	-	-	1,395,076	-	
Capital assets, net	135,030,065	1,681,781	136,711,846	4,191,178	-	-	
Total Assets	223,168,616	2,715,368	225,883,984	7,970,823	19,797,284	825,880	
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amount from debt refunding	169,738	-	169,738	-	-	-	

ST. LAWRENCE COUNTY, NEW YORK

Statement of Net Position
December 31, 2013

LIABILITIES	Primary Government		Total	Component Units			
	Governmental Activities	Business-Type Activities		Industrial Development Agency	Industrial Development Agency Local Corporation	Soil and Water Conservation District	
Accounts payable	5,710,876	6,814	5,717,690	-	-	-	519
Accrued liabilities	3,490,538	357,117	3,847,655	4,567	-	-	17,803
Due to other governments	16,151,969	-	16,151,969	-	-	-	-
Other liabilities	1,398,339	-	1,398,339	5,692	-	-	-
Noncurrent Liabilities:							
Due within one year	13,142,401	30,696	13,173,097	66,313	-	-	-
Due in more than one year	166,030,656	2,589,552	168,620,208	784,660	-	-	-
Total Liabilities	205,924,779	2,984,179	208,908,958	861,232	-	-	18,322
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	996,607	-	996,607	-	-	-	684,428
Deferred amount from debt refunding	86,036	-	86,036	-	-	-	-
Total Deferred Inflows of Resources	1,082,643	-	1,082,643	-	-	-	684,428
NET POSITION							
Net investment in capital assets	100,642,970	1,681,781	102,324,751	3,865,466	1,395,076	-	-
Restricted For:							
Debt service	482,600	-	482,600	-	-	-	-
Other purposes	7,249,076	-	7,249,076	2,000,000	18,090,250	-	-
Unrestricted (deficit)	(92,043,714)	(1,950,592)	(93,994,306)	1,244,125	311,958	-	123,130
Total Net Position (Deficit):	\$ 16,330,932	\$ (268,811)	\$ 16,062,121	\$ 7,109,591	\$ 19,797,284	\$	\$ 123,130

ST. LAWRENCE COUNTY, NEW YORK
Statement of Activities
Year Ended December 31, 2013

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	Governmental Activities	Primary Government Business-Type Activities	Total	Industrial Development Agency	IDA-Local Development Corp.	Soil and Water
Primary Government:										
Governmental Activities:										
General government	\$ 47,713,912	\$ 10,944,182	\$ 1,460,026	\$ -	\$ (35,309,704)	\$ -	\$ (35,309,704)	\$ -	\$ -	\$ -
Education	639,618	544,043	-	-	(95,575)	-	(95,575)	-	-	-
Public safety	25,465,519	674,821	5,243,060	-	(19,547,638)	-	(19,547,638)	-	-	-
Health	21,163,509	3,989,075	7,113,703	-	(10,060,731)	-	(10,060,731)	-	-	-
Transportation	15,059,781	2,480,041	221,841	2,505,079	(9,852,820)	-	(9,852,820)	-	-	-
Economic opportunity and development	79,648,748	2,796,189	36,718,356	-	(40,134,203)	-	(40,134,203)	-	-	-
Culture and recreation	212,929	-	72,210	-	(140,719)	-	(140,719)	-	-	-
Home and community services	2,291,456	77,970	763,393	287,155	(1,162,938)	-	(1,162,938)	-	-	-
Debt service costs	689,949	-	-	-	(689,949)	-	(689,949)	-	-	-
Interest on long-term debt	1,331,809	-	-	-	(1,331,809)	-	(1,331,809)	-	-	-
Total Governmental Activities	194,217,230	21,506,321	51,592,589	2,792,234	(118,326,086)	-	(118,326,086)	-	-	-
Business-Type Activities:										
Solid waste	3,939,507	3,614,396	-	-	-	(325,111)	(325,111)	-	-	-
Total Primary Government	\$ 198,156,737	\$ 25,120,717	\$ 51,592,589	\$ 2,792,234	(118,326,086)	(325,111)	(118,651,197)	\$ -	\$ -	\$ -
Component Units:										
Industrial Development Agency	\$ 1,385,934	\$ 93,849	\$ 3,022	\$ -	-	-	-	\$ (1,289,063)	\$ (844,242)	\$ -
IDA - Local Develop Corp	1,394,472	550,230	-	-	-	-	-	-	-	-
Soil and Water District	577,472	38,921	361,262	-	-	-	-	-	-	(177,289)
Total Component Units	\$ 3,357,878	\$ 683,000	\$ 364,284	\$ -	-	-	-	(1,289,063)	(844,242)	(177,289)
General Revenues:										
Real property taxes and tax items			54,850,474				54,850,474			
Non-property taxes			45,155,027				45,155,027			
Fines and forfeitures			127,835				127,835			
Miscellaneous local sources			3,584,899			273,939	3,858,838	705,373	4,499	74,149
Sale of property and compensation for loss			1,363,668			50,775	1,414,443	451,750	-	100,047
Allocation from County			-			-	-	-	-	-
Investment earnings			111,113			1,093	112,206	20,439	167,096	153
Total General Revenues			105,193,016			325,807	105,518,823	1,177,562	171,595	174,349
Change in Net Position			(13,133,070)			696	(13,132,374)	(111,501)	(672,647)	(2,940)
Net Position (Deficit) at Beginning of Year			29,755,484			(269,507)	29,485,977	8,258,985	20,469,931	126,070
Prior Period Adjustment			(291,482)			-	(291,482)	(1,037,893)	-	-
Net Position (Deficit) at Beginning of Year, Restated			29,464,002			(269,507)	29,194,495	7,221,092	20,469,931	126,070
Net Position (Deficit) at End of Year			\$ 16,330,932			\$ (268,811)	\$ 16,062,121	\$ 7,109,591	\$ 19,797,284	\$ 123,130

ST. LAWRENCE COUNTY, NEW YORK

Exhibit C

Balance Sheet - Governmental Funds

December 31, 2013

ASSETS

	General Fund	Non-Major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 127,567	\$ 7,612,144	\$ 7,739,711
Investments	3,917,639	-	3,917,639
Accounts receivable, (net of allowance for uncollectable accounts of \$30,956)	3,813,729	19,363	3,833,092
Delinquent taxes receivable (net of uncollectable accounts of \$400,000)	12,493,905	-	12,493,905
School taxes receivable	5,506,492	-	5,506,492
Due from other governments	21,293,171	1,071,478	22,364,649
Prepaid expenses	2,319,582	-	2,319,582
Due from other funds	2,000,958	1,454,508	3,455,466
Restricted cash	2,605,771	482,600	3,088,371
Total Assets	\$ 54,078,814	\$ 10,640,093	\$ 64,718,907

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Exhibit C, Continued

Balance Sheet - Governmental Funds

December 31, 2013

LIABILITIES

	General Fund	Non-Major Funds	Total Governmental Funds
Accounts payable	\$ 5,502,876	\$ 212,479	\$ 5,715,355
Accrued liabilities	3,036,560	304,744	3,341,304
Revenue anticipation notes payable	10,000,000	-	10,000,000
Due to school districts	9,511,586	-	9,511,586
Due to cities, towns and villages	1,447,632	-	1,447,632
Due to other governments	5,192,751	-	5,192,751
Other liabilities	1,398,339	-	1,398,339
Due to other funds	1,837,381	1,390,138	3,227,519
Total Liabilities	37,927,125	1,907,361	39,834,486

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	11,321,336	166,278	11,487,614
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FUND BALANCES

Nonspendable	2,319,582	-	2,319,582
Restricted	2,605,771	5,125,905	7,731,676
Committed	-	-	-
Assigned	485,016	3,440,549	3,925,565
Unassigned (Deficit)	(580,016)	-	(580,016)
Total Fund Balances	4,830,353	8,566,454	13,396,807
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 54,078,814	\$ 10,640,093	\$ 64,718,907

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, 2013

ASSETS	Total Governmental Funds and Activities(1)	Long-term Assets, Liabilities(2)	Reclasses and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	\$ 9,054,849	\$ -	\$ -	\$ 9,054,849
Investments	7,919,613	-	-	7,919,613
Taxes receivable (net)	18,000,397	-	-	18,000,397
Accounts receivable (net)	24,326,092	-	-	24,326,092
Due from other funds	4,476,099	-	(3,411,101)	1,064,998
Due from other governments	22,364,649	-	-	22,364,649
Prepaid expenses	2,319,582	-	-	2,319,582
Capital assets, net	-	135,030,065	-	135,030,065
Restricted cash	3,088,371	-	-	3,088,371
Total Assets	91,549,652	135,030,065	(3,411,101)	223,168,616
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount from debt refunding	-	169,738	-	169,738
Total Assets and Deferred Outflows of Resources	\$ 91,549,652	\$ 135,199,803	\$ (3,411,101)	\$ 223,338,354
LIABILITIES				
Accounts payable	\$ 5,710,881	\$ -	\$ (5)	\$ 5,710,876
Accrued liabilities	3,341,304	149,234	-	3,490,538
Other liabilities	1,398,339	-	-	1,398,339
Revenue anticipation notes	10,000,000	-	(10,000,000)	-
Due to other funds	3,411,101	-	(3,411,101)	-
Due to other governments	16,151,969	-	-	16,151,969
Debt due within one year	-	3,142,401	10,000,000	13,142,401
Debt due in more than one year	31,416,075	134,614,581	-	166,030,656
Total Liabilities	71,429,669	137,906,216	(3,411,106)	205,924,779
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	11,487,614	(10,491,007)	-	996,607
Deferred amount from debt refunding	-	86,036	-	86,036
Total Deferred Inflows of Resources	11,487,614	(10,404,971)	-	1,082,643
FUND BALANCES/NET POSITION				
Nonspendable	2,319,582	-	(2,319,582)	-
Restricted	7,731,676	-	-	7,731,676
Committed	-	-	-	-
Assigned	3,925,565	-	(3,925,565)	-
Unassigned (deficit)	(580,016)	-	580,016	-
Net investment in capital assets	-	100,642,970	-	100,642,970
Unreserved:				
Undesignated (deficit)	(4,764,438)	(92,944,412)	5,665,136	(92,043,714)
Total Fund Balances/Net Position	8,632,369	7,698,558	5	16,330,932
Total Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position	\$ 91,549,652	\$ 135,199,803	\$ (3,411,101)	\$ 223,338,354

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, 2013

(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	\$ 64,718,907	\$ 26,830,745	\$ 91,549,652
Total Liabilities	39,834,486	31,595,183	71,429,669
Total Deferred Inflows of Resources	<u>11,487,614</u>	<u>-</u>	<u>11,487,614</u>
Total Fund Balances/New Position (Deficit)	<u>\$ 13,396,807</u>	<u>\$ (4,764,438)</u>	<u>\$ 8,632,369</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	\$ 226,124,775
Accumulated depreciation	<u>(91,094,710)</u>
Total	<u>\$ 135,030,065</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>\$ (10,491,007)</u>
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Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Bonds and notes payable	\$ 33,950,000
Capital leases	437,095
OPEB liability	100,494,872
Compensated absences	<u>2,875,015</u>
	137,756,982
Due in One Year	<u>(3,142,401)</u>
Due in More Than One Year	<u>\$ 134,614,581</u>
Related Accrued Bond Interest Payable	<u>\$ 149,234</u>
Deferred outflow of resources from debt refunding	<u>\$ 169,738</u>
Deferred inflow of resources from debt refunding	<u>\$ 86,036</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, 2013

	General Fund	Non-Major Funds	Total Governmental Funds
REVENUES			
Real property taxes	\$ 52,373,114	-	\$ 52,373,114
Real property tax items	2,862,763	-	2,862,763
Non-property tax items	45,155,027	-	45,155,027
Departmental income	15,419,880	20,860	15,440,740
Federal aid	24,108,740	3,351,709	27,460,449
State aid	21,722,804	4,521,342	26,244,146
Intergovernmental revenues	1,387,823	2,459,181	3,847,004
Use of money and property	47,792	62,580	110,372
Fines and forfeitures	127,835	-	127,835
Licenses and permits	27,000	-	27,000
Sale of property and compensation for loss	1,461,653	70,902	1,532,555
Interfund revenues	483,727	2,691,023	3,174,750
Miscellaneous revenue	3,558,325	69,453	3,627,778
Total Revenues	168,736,483	13,247,050	181,983,533
EXPENDITURES			
General government	39,480,254	263,722	39,743,976
Public Safety	18,046,998	671,184	18,718,182
Transportation	222,732	19,967,010	20,189,742
Health	16,229,869	-	16,229,869
Economic assistance and opportunity	70,324,013	1,249,061	71,573,074
Culture and recreation	163,645	-	163,645
Education	639,652	-	639,652
Home and community services	1,554,386	50,375	1,604,761
Employee benefits - unallocated	8,855,113	-	8,855,113
Debt Service:			
Principal and interest	2,077,864	194,816	2,272,680
Fiscal agent fees	-	689,949	689,949
Total Expenditures	157,594,526	23,086,117	180,680,643

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, 2013

	General Fund	Non-Major Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	11,141,957	(9,839,067)	1,302,890
OTHER FINANCING SOURCES (USES)			
Premium on revenue anticipation note	8,920	-	8,920
Proceeds from bond refunding	-	6,475,000	6,475,000
Discount on bond sales	-	(172,615)	(172,615)
Payment to refunded bond escrow agent	-	(5,932,506)	(5,932,506)
Interfund transfers in	57,852	14,151,267	14,209,119
Interfund transfers out	(10,978,043)	(3,235,376)	(14,213,419)
Total Other Financing Sources (Uses)	(10,911,271)	11,285,770	374,499
Net Change in Fund Balances	230,686	1,446,703	1,677,389
Fund Balances - Beginning of Year	4,599,667	7,119,751	11,719,418
Fund Balances - End of Year	<u>\$ 4,830,353</u>	<u>\$ 8,566,454</u>	<u>\$ 13,396,807</u>

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, 2013

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	\$ 202,676,572
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.	(385,405)
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.	(4,811,134)
To eliminate fund revenue for new bond proceeds recorded as long-term debt for the statement of net position.	(6,475,000)
To eliminate interfund transfers.	(14,213,419)
To recognize the loss on disposition of capital assets.	(168,887)
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>4,461,433</u>
Total	<u><u>\$ 181,084,160</u></u>

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

Charges for services	\$ 21,506,321
Operating grants and contributions	51,592,589
Capital grants and contributions	2,792,234
General revenues	<u>105,193,016</u>
Total Revenues of Governmental Activities per Exhibit B	<u><u>\$ 181,084,160</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, 2013

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	\$ 200,999,183
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 net capital expenditures (\$6,892,759) exceeded depreciation (\$4,518,387) in the current period.	(2,374,372)
Interfund expenditures are eliminated against the respective interfund revenues.	(4,811,134)
To eliminate interfund transfers.	(14,213,419)
Repayment of bond principal and capital leases are reported as an expenditure in governmental funds, including the payment to the escrow agent for defeased debt. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.	(6,870,944)
Internal Service Fund expenditures are recognized in the County-wide financial statements.	4,242,343
Accrued interest is not recognized in the governmental funds statement of revenues and expenditures, but is recognized in the County-wide statement of activities, along with the amortization of bond refunding costs.	(2,433)
To recognize discount on bond refunding as deferred outflows of resources.	(172,615)
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.	17,287,584
To recognize compensated absences expense for current year change in liability.	<u>133,037</u>
Total Expenses of Governmental Activities per Exhibit B	<u><u>\$ 194,217,230</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, 2013

REVENUES	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual Budgetary Basis	
	Original	Final		
Real property taxes	\$ 52,342,926	\$ 52,353,426	\$ 52,373,114	\$ 19,688
Real property tax items	2,938,730	2,938,730	2,862,763	(75,967)
Non-property taxes items	42,745,000	43,829,890	45,155,027	1,325,137
Departmental income	16,514,931	16,588,224	15,419,880	(1,168,344)
Federal aid	26,118,137	27,855,760	24,108,740	(3,747,020)
State aid	21,717,755	23,207,925	21,722,804	(1,485,121)
Intergovernmental revenue	1,277,344	1,336,819	1,387,823	51,004
Use of money and property	58,895	58,895	47,792	(11,103)
Fines and forfeitures	2,500	2,500	127,835	125,335
Licenses and permits	26,250	26,250	27,000	750
Sale of property and compensation for loss	1,747,901	1,769,416	1,461,653	(307,763)
Interfund revenues	481,065	481,065	483,727	2,662
Miscellaneous local sources	36,017,219	37,172,251	3,558,325	(33,613,926)
Total Revenues	201,988,653	207,621,151	168,736,483	(38,884,668)
EXPENDITURES				
General government	40,827,096	42,169,758	39,529,195	2,640,563
Public safety	17,201,914	18,704,294	18,046,998	657,296
Transportation	223,195	226,795	222,732	4,063
Health	19,475,855	19,623,823	16,229,869	3,393,954
Economic assistance and opportunity	75,546,204	77,382,392	70,324,013	7,058,379
Cultural and recreation	163,049	166,444	163,645	2,799
Education	628,241	668,241	639,652	28,589
Home and community services	969,762	1,606,477	1,554,386	52,091
Employee benefits - unallocated	34,993,088	34,993,088	8,855,113	26,137,975
Principal and interest	2,054,282	2,054,282	2,077,864	(23,582)
Total Expenditures	192,082,686	197,595,594	157,643,467	39,952,127
Excess of Revenues Over Expenditures	9,905,967	10,025,557	11,093,016	1,067,459
OTHER FINANCING SOURCES (USES)				
Premium on revenue anticipation note	-	-	8,920	8,920
Interfund transfers in	-	57,852	57,852	-
Interfund transfers out	(11,461,892)	(10,978,041)	(10,978,043)	(2)
Total Other Financing Sources (Uses)	(11,461,892)	(10,920,189)	(10,911,271)	8,918
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	\$ (1,555,925)	\$ (894,632)	181,745	\$ 1,076,377
Encumbrances Included in Actual			48,941	
Net Change in Fund Balances			230,686	
Fund Balances at Beginning of Year			4,599,667	
Fund Balances at End of Year			\$ 4,830,353	

ST. LAWRENCE COUNTY, NEW YORK

Statements of Net Position
Proprietary Funds

December 31, 2013

ASSETS	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity Internal Service Fund
Cash and cash equivalents	\$ 1,405,718	\$ 1,315,138
Investments	-	4,001,974
Receivables (net of allowance for uncollectible accounts of \$2,000)	172,620	20,493,000
Prepaid expenses	40,816	-
Due from other funds	178,186	1,020,633
Due from other governments	84,027	-
Capital assets - net of accumulated depreciation	<u>1,681,781</u>	<u>-</u>
Total Assets	<u>3,563,148</u>	<u>26,830,745</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	6,814	(4,474)
Accrued liabilities	357,117	-
Due to other funds	<u>847,780</u>	<u>183,582</u>
Total Current Liabilities	<u>1,211,711</u>	<u>179,108</u>
Non-Current Liabilities:		
OPEB liability	2,234,160	462,672
Due within one year	30,696	-
Due beyond one year	<u>355,392</u>	<u>30,953,403</u>
Total Non-Current Liabilities	<u>2,620,248</u>	<u>31,416,075</u>
Total Liabilities	<u>3,831,959</u>	<u>31,595,183</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	1,681,781	-
Unrestricted (deficit)	<u>(1,950,592)</u>	<u>(4,764,438)</u>
Total Net Position (Deficit)	<u>\$ (268,811)</u>	<u>\$ (4,764,438)</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, 2013

	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity Internal Service Fund
Operating Revenues:		
Charges for services	\$ 3,614,396	\$ -
Intergovernmental revenues	-	4,125,000
Sale of property and compensation for loss	50,775	-
Miscellaneous revenues	273,939	331,342
Total Operating Revenues	<u>3,939,110</u>	<u>4,456,342</u>
Operating Expenses:		
General government	-	4,242,343
Home and community services	3,742,169	-
Depreciation	197,338	-
Total Operating Expenses	<u>3,939,507</u>	<u>4,242,343</u>
Operating Income (Loss)	<u>(397)</u>	<u>213,999</u>
Nonoperating Revenues:		
Transfers from other funds	-	4,300
Use of money and property	1,093	791
Total Nonoperating Revenues	<u>1,093</u>	<u>5,091</u>
Change in Net Position	696	219,090
Net Position (Deficit) at Beginning of Year	<u>(269,507)</u>	<u>(4,983,528)</u>
Net Position (Deficit) at End of Year	<u>\$ (268,811)</u>	<u>\$ (4,764,438)</u>

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statements of Cash Flows - Proprietary Funds

Year Ended December 31, 2013

	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity Internal Service Fund
Cash Flows From Operating Activities:		
Cash received for services	\$ 3,675,070	\$ 4,125,000
Cash paid to suppliers for goods and services	(2,386,513)	(716,982)
Cash paid to employees for services	(1,166,867)	(229,438)
Cash received from (paid to) other funds-net	419,630	(945,664)
Cash paid for workers' compensation benefits	-	(3,188,246)
Other operating revenue	324,714	373,903
	<u>866,034</u>	<u>(581,427)</u>
Cash Flows From Capital and Related Financing Activities:		
Subsidy from County	-	4,300
	<u>-</u>	<u>4,300</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase of property and equipment	(316,552)	-
Reduction of long-term liability	(100,662)	-
	<u>(417,214)</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(417,214)</u>	<u>-</u>
Cash Flows From Investing Activities:		
Interest and dividends received	1,093	791
Sales (purchases) of investments	-	399,209
	<u>1,093</u>	<u>400,000</u>
Net Cash Provided (Used) by Investing Activities	<u>1,093</u>	<u>400,000</u>
Net Change in Cash and Cash Equivalents	449,913	(177,127)
Cash and Cash Equivalents at Beginning of Year	<u>955,805</u>	<u>1,492,265</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,405,718</u>	<u>\$ 1,315,138</u>

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statements of Cash Flows - Proprietary Funds

Year Ended December 31, 2013

	Business-Type Activity Enterprise Fund Solid Waste	Governmental Activity Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income	\$ (397)	\$ 213,999
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	197,338	-
Change in workers' compensation long-term liability	-	1,000,000
Change in OPEB liability	386,493	54,960
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable	60,668	(948,246)
Prepaid expenses	810	-
Due from other governments	(84,027)	-
Due from other funds	(174,523)	(1,020,633)
Increase (Decrease) in:		
Accounts payable	(73,391)	43,750
Accrued liabilities	(41,090)	1,967
Due to other funds	594,153	(2,193)
Deferred inflows of resources	-	74,969
Total Adjustments	866,431	(795,426)
Net Cash Provided (Used) by Operating Activities	\$ 866,034	\$ (581,427)

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statements of Net Position - Fiduciary Funds

December 31, 2013

ASSETS	<u>Agency</u>	<u>Expendable Trust</u>
Cash and cash equivalents	\$ 1,202,139	\$ 135,575
Due from other funds	<u>-</u>	<u>-</u>
Total Assets	<u>1,202,139</u>	<u>135,575</u>
LIABILITIES		
Due to other governments	12,729	-
Other liabilities	794,006	-
Due to other funds	<u>395,404</u>	<u>-</u>
Total Liabilities	<u>1,202,139</u>	<u>-</u>
NET POSITION		
Restricted net position	<u>\$ -</u>	<u>\$ 135,575</u>

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2013

	Expendable Trust
Additions:	
New York Power Authority deposits	\$ 2,193,256
Interest earned	101
Total Additions	2,193,357
Deductions:	
Transfers to other entities	2,000,000
Fees	90,459
Total Deductions	2,090,459
Change in Net Position	102,898
Net Position at Beginning of Year	32,677
Net Position at End of Year	\$ 135,575

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

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, 2013

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 \$424,581 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 governmental activities in the statement of 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

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Summary of Significant Accounting Policies – Continued

Government-Wide and Fund Financial Statements-Continued

who purchase, use, or 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, 2013

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 15th 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 1st.
- 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 20th.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

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 2013, 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, 2013

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 1st of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on January 1st 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, 2013

Summary of Significant Accounting Policies – Continued

Compensated Absences - Continued

- Accordingly, liabilities for compensated balances of \$2,875,015 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 2013, the County has reported interfund revenues in the general fund of \$475,470, 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 2013, the County has reported interfund revenues in the road and machinery fund of \$2,266,442 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, 2013

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

Future Impacts of Accounting Pronouncements

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

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

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Cash and Investments - Continued

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 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, 2013 bank balances were collateralized and insured as follows:

Total on deposit	\$ 23,792,235
Insured by FDIC	(750,000)
Collateralized by pledged securities held by the financial institutions	<u>(23,042,235)</u>
Uninsured and uncollateralized	<u>\$ -</u>

Other non-major governmental funds include cash and cash equivalents of CHSI in the amount of \$264,252. CHSI deposits were insured up to FDIC limits; the remaining amounts were uncollateralized at December 31, 2013.

Industrial Development Agency Component Unit – Cash and cash equivalents totaled \$3,556,270. 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 \$14,654,947 at various banks and were insured up to FDIC limits. Any balances in excess of FDIC insurance were uncollateralized at December 31, 2013.

Soil and Water Conservation District Component Unit – Deposits at December 31, 2013, totaled \$815,861, of which \$250,000 is covered by FDIC insurance and the remaining balance of \$565,861 is collateralized.

Restricted Cash

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

General Fund cash of \$2,605,771 has been restricted for risk retention liabilities involving unemployment and general liability insurance risks. Canton Human Service Initiatives, Inc. cash of \$482,600 is restricted for debt service. Industrial Development Agency – Local Development Corporation Component Unit has restricted cash of \$14,342,989 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

\$20,493,000 of the accounts receivable totaling \$24,498,712 for the primary government is comprised of amounts recorded in the Workers' Compensation (Internal Service) Fund, which is due from other

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Accounts Receivable - Continued

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 ended December 31, 2013 totaled \$3,747,261, which represent restricted mortgages and notes receivable with varying maturities and bearing interest from 0% to 5.25%.

Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 01/01/13	Additions	Reclass- ifications and Retirements	Balance 12/31/13
Governmental Activities:				
Capital Assets – not being depreciated:				
Land	\$ 2,405,830	\$ -	\$ -	\$ 2,405,830
Construction-in- process	3,148,189	2,877,664	(3,977,686)	2,048,167
Total capital assets –not being depreciated	5,554,019	2,877,664	(3,977,686)	4,453,997
Capital Assets – being depreciated:				
Infrastructure	144,713,818	3,269,296	3,801,378	151,784,492
Buildings and improvements	54,612,278	-	-	54,612,278
Machinery and equipment	14,392,462	745,799	(576,061)	14,562,200
Software	711,808	-	-	711,808
Total capital assets – being depreciated	214,430,366	4,015,095	3,225,317	221,670,778
Accumulated Depreciation:				
Infrastructure	58,842,833	1,914,499	(20,705)	60,736,627
Buildings and improvements	17,218,340	1,512,522	-	18,730,862
Machinery and equipment	10,956,270	949,004	(562,777)	11,342,497
Software	142,362	142,362	-	284,724
Total accumulated depreciation	87,159,805	4,518,387	(583,482)	91,094,710
Total capital assets - being depreciated - net	127,270,561	(503,292)	3,808,799	130,576,068
Total governmental activities capital assets - net	<u>\$ 132,824,580</u>	<u>\$ 2,374,372</u>	<u>\$ (168,887)</u>	<u>\$ 135,030,065</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Capital Assets-Continued

	<u>Balance 01/01/13</u>	<u>Additions</u>	<u>Reclass- ifications and Retirements</u>	<u>Balance 12/31/13</u>
Business-Type Activities (Solid Waste):				
Capital Assets – not being depreciated:				
Land	\$ 156,050	\$ -	\$ -	\$ 156,050
Capital Assets – being depreciated:				
Land improvements	3,496,991	-	-	3,496,991
Buildings and Improvements	9,272	-	-	9,272
Machinery and Equipment	<u>2,037,990</u>	<u>316,552</u>	<u>-</u>	<u>2,354,542</u>
Total capital assets - being depreciated	<u>5,544,253</u>	<u>316,552</u>	<u>-</u>	<u>5,860,805</u>
Accumulated Depreciation for:				
Land improvements	2,486,453	87,684	-	2,574,137
Buildings and improvements	9,272	-	-	9,272
Machinery and equipment	<u>1,642,011</u>	<u>109,654</u>	<u>-</u>	<u>1,751,665</u>
Total accumulated depreciation	<u>4,137,736</u>	<u>197,338</u>	<u>-</u>	<u>4,335,074</u>
Total capital assets - being depreciated – net	<u>1,406,517</u>	<u>119,214</u>	<u>-</u>	<u>1,525,731</u>
Total business – type activities capital assets - net	<u>\$ 1,562,567</u>	<u>\$ 119,214</u>	<u>\$ -</u>	<u>\$ 1,681,781</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Capital Assets –Continued

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General governmental support	\$ 750,886
Public safety	1,125,772
Transportation	1,963,500
Economic assistance and opportunity	494,260
Health and sanitation	183,969
	<hr/>
Total depreciation expense – governmental activities	\$ 4,518,387
Business-Type Activities:	
Solid waste	\$ 197,338
	<hr/>

Governmental Activities Asset Purchases in 2013 were as follows:

Public safety	\$ 745,799
Transportation	6,146,960
	<hr/>
Total	\$ 6,892,759
	<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	\$ 291,853
Buildings and improvements	4,471,269
Automotive equipment	39,578
Office equipment and furnishings	27,096
Construction in progress	8,400
	<hr/>
Total capital assets	4,838,196
Less: accumulated depreciation	647,018
	<hr/>
Total	\$ 4,191,178
	<hr/>

Depreciation expense for the Industrial Development Agency for the year ended December 31, 2013 was \$134,252.

Industrial Development Agency – Local Development Corporation:

Land	\$ 30,000
Buildings and improvements	1,443,523
Construction in progress	145,728
	<hr/>
Total capital assets	1,619,251
Less: accumulated depreciation	224,175
	<hr/>
Total	\$ 1,395,076
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Depreciation expense for the Industrial Development Agency - Local Development Corporation for the year ended December 31, 2013 was \$29,297.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Long-Term Liabilities and Revenue Anticipation Note

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

Primary Government:

	Balance 01/01/13	Increase/ Accretions	Decrease/ Payments	Balance 12/31/13	Due In One Year	Due Beyond One Year
Bonds payable	\$ 34,320,000	\$ 6,475,000	\$ (6,845,000)	\$ 33,950,000	\$ 1,005,000	\$ 32,945,000
Revenue anticipation notes	12,000,000	10,000,000	(12,000,000)	10,000,000	10,000,000	-
Capital lease Workers'	550,533	-	(113,438)	437,095	137,401	299,694
Compensation	29,902,834	4,245,815	(3,195,246)	30,953,403	-	30,953,403
OPEB liability	83,614,999	21,333,902	(3,991,357)	100,957,544	-	100,957,544
Compensated absences	2,741,978	3,098,900	(2,965,863)	2,875,015	2,000,000	875,015
Subtotal – Primary Government	163,130,344	45,153,617	(29,110,904)	179,173,057	13,142,401	166,030,656
Business-Type Activity Enterprise Fund (Solid Waste):						
Landfill post-closure OPEB liability	486,750	-	(100,662)	386,088	30,696	355,392
	1,847,668	475,444	(88,952)	2,234,160	-	2,234,160
Subtotal – Enterprise Fund	2,334,418	475,444	(189,614)	2,620,248	30,696	2,589,552
Total	\$ 165,464,762	\$ 45,629,061	\$ (29,300,518)	\$ 181,793,305	\$ 13,173,097	\$ 168,620,208

Interest expense for the year ended December 31, 2013 totaled \$1,331,809.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

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, 2013:

Description	Original Amount	Balance 01/01/13	Issued	Payments/Refunding	Balance 12/31/13	Due In One Year
Public Improvement – Jail, issued May 15, 2007, interest at 4% from 2008-2011, 4.25% from 2012-2030, 4.5% from 2031-2035, maturing May 15, 2035	\$ 30,975,000	\$ 28,300,000	\$ -	\$ 725,000	\$ 27,575,000	\$ 750,000
Canton Human Service Initiatives, Inc. issued September 1, 2001, interest at 5.7% from 2012-2024 and 5.75% from 2025-2032 maturing September 1, 2032	\$ 8,010,000	6,020,000	-	6,020,000	-	-
Canton Human Service Initiatives, Inc. debt incurred to refund 2001 bonds, issued January 23, 2013, at 2.5% to 4.0% maturing September 1, 2032	\$ 6,475,000	-	6,475,000	100,000	6,375,000	255,000
Total	\$ 34,320,000	\$ 34,320,000	\$ 6,475,000	\$ 6,845,000	\$ 33,950,000	\$ 1,005,000

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Long-Term Liabilities and Revenue Anticipation Note – Continued

On January 23, 2013, Canton Human Services Initiatives, Inc. issued \$6,475,000 of Series 2013 bonds with an average interest rate of 3.8% to refund \$6,020,000 of Series 2001 bonds. With an average interest rate of 5.74%. The net proceeds of \$5,932,506 (after payment of \$369,879 in fees) plus a cash contribution of \$320,070 were deposited with an escrow agent. The Organization completed the refunding to reduce its total debt service payments over the next 20 years by \$1 million and to obtain an economic gain of \$428,000, the difference between the present values of the old and new debt service payments. The bonds are secured by the assignment of the right to receive rental payments from property rented to the County. The Organization also granted to the trustee a mortgage on the project facility. The refinancing agreement also requires the Organization to maintain a debt service reserve funds totaling \$482,600.

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

Sources:

Bond Proceeds:

Par amount	\$ 6,475,000
Discount	(172,615)
	<u>6,302,385</u>

Other Sources of Funds:

Reserve transfer	564,297
Bond fund transfer	<u>238,373</u>

Total Sources	<u><u>\$ 7,105,055</u></u>
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Uses:

Refunding Escrow Deposits to escrow agent	<u>\$ 6,252,576</u>
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Refunding Escrow Deposits – restricted cash	<u>482,600</u>
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Delivery Date Expenses:

Cost of issuance	192,791
Underwriter's discount	123,579
Mortgage tax	<u>48,563</u>
Total delivery date expenses	<u>364,933</u>

Other Uses of Funds:

Additional Proceeds	<u>4,946</u>
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Total Uses	<u><u>\$ 7,105,055</u></u>
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As a result of the debt refunding, the County recognized deferred outflows of resources of \$169,738, the discount on the new bonds, net of amortization for 2013 of \$2,877. In addition, the County recognized deferred inflows of resources of \$86,036, the gain on refunding net of amortization for 2013 of \$1,458. These amounts are being amortized over 20 years, the life of the new bonds.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

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>
2014	\$ 750,000	\$ 255,000	\$ 1,005,000
2015	800,000	260,000	1,060,000
2016	825,000	265,000	1,090,000
2017	875,000	275,000	1,150,000
2018	900,000	280,000	1,180,000
2019-2023	5,175,000	1,535,000	6,710,000
2024-2028	6,450,000	1,840,000	8,290,000
2029-2033	8,050,000	1,665,000	9,715,000
2034-2036	3,750,000	-	3,750,000
Total	<u>\$ 27,575,000</u>	<u>\$ 6,375,000</u>	<u>\$ 33,950,000</u>

<u>Year</u>	<u>County Interest</u>	<u>CHSI Interest</u>	<u>Total Interest</u>
2014	\$ 1,177,938	\$ 227,031	\$ 1,404,969
2015	1,145,000	219,006	1,364,006
2016	1,110,469	212,506	1,322,975
2017	1,074,344	205,881	1,280,225
2018	1,036,625	199,006	1,235,631
2019-2023	4,555,719	859,457	5,415,176
2024-2028	3,326,938	560,000	3,886,938
2029-2033	1,772,094	165,000	1,937,094
2034-2036	181,000	-	181,000
Total	<u>\$ 15,380,127</u>	<u>\$ 2,647,887</u>	<u>\$ 18,028,014</u>

Revenue Anticipation Note

Two 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 paid during 2013. Two additional revenue anticipation notes in the amount of \$8,000,000 and \$2,000,000 were issued on September 27, 2013 due August 29, 2014, with interest at .91% and 1.0%, respectively. They were incurred to cover operating expenses until state aid was received.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Long-Term Liabilities and Revenue Anticipation Note – Continued

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, 2013.

Years ending December 31,

	<u>Governmental Activities</u>
2014	\$ 161,160
2015	161,160
2016	<u>161,160</u>
Total Minimum Lease Payments	483,480
Less amount representing interest at 5.89%	<u>(46,385)</u>
Present Value of Net Minimum Lease Payments	437,095
Less: amount due within one year	<u>(137,401)</u>
Amount Due In More Than One Year	<u>\$ 299,694</u>

Interest expense for the year ended December 31, 2013 was \$47,722. Software purchased through a capital lease for governmental activities totaled \$711,808 during 2012. Accumulated depreciation on the asset totaled \$284,724 at December 31, 2013.

Long-Term Debt - Component Units

St. Lawrence County Industrial Development Agency - Long-term debt consisted of the following at December 31, 2013:

	<u>Original Amount</u>	<u>Balance 01/01/13</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/13</u>	<u>Due In One Year</u>
Greater Massena Economic Development Fund, interest at 3.375% maturing 12/01/2019	\$600,000	\$317,943	\$ -	\$ 40,929	\$277,014	\$ 42,699
St. Lawrence County IDA-LDC, interest at 3% maturing 12/01/2015	\$217,204	71,971	-	23,273	48,698	23,614
OPEB Liability		222,594	114,135	-	336,729	-
Compensated Absences		<u>190,902</u>	<u>-</u>	<u>2,370</u>	<u>188,532</u>	<u>-</u>
Totals		<u>\$803,410</u>	<u>\$114,135</u>	<u>\$ 66,572</u>	<u>\$850,973</u>	<u>\$ 66,313</u>

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

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>
2014	\$ 66,313	\$ 10,342
2015	68,501	8,176
2016	45,284	6,103
2017	46,836	4,550
2018	48,442	2,943
2019	<u>50,336</u>	<u>1,282</u>
Total	<u>\$ 325,712</u>	<u>\$ 33,396</u>

Interest expense for the year ended December 31, 2013 for the St. Lawrence Industrial Development Agency was \$12,831.

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 \$386,088 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% 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 2013.

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 CSHI 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 ranged from \$32,000 to \$42,000 for 2013. 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 refinanced series 2013 bonds.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

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 and a burn simulator for fire training at \$855 per month. Lease and service contract expenditures for the year were approximately \$203,000. The future minimum rental payments required by the primary government for noncancellable operating leases and the service contracts excluding the building rent to CHSI (which is a blended component unit included in these financial statements) are:

2014	\$	206,875
2015		213,712
2016		213,712
2017		206,500
2018		34,255
2019-2023		51,275
2024-2028		6,837
		<hr/>
Total	\$	<u>933,166</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:

2013	\$	7,451,870
2012		7,365,800
2011		6,106,845

The County's contributions made to the Systems in 2013, 2012, and 2011 were equal to 100% of the contributions required for each year.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

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 2013 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>
2013	\$ 29,902,834	\$ 4,245,815	\$ (3,195,246)	\$ 30,953,403
2012	27,200,000	6,009,825	(3,306,991)	29,902,834

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 \$6,354,000 as an expenditure during 2013.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

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.

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.

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.

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.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Other Postemployment Benefits (OPEB) – Continued

Other Disclosure Information - Continued

Annual OPEB Cost – Fiscal Year Ended December 31, 2013	<u>County</u>	<u>Solid Waste</u>	<u>Internal Service</u>	<u>Total</u>
Normal cost	\$ 6,899,001	\$ 154,239	\$ 21,933	\$ 7,075,173
Past service cost	<u>11,033,905</u>	<u>246,681</u>	<u>35,079</u>	<u>11,315,665</u>
 Annual Required Contribution (ARC)	 17,932,906	 400,920	 57,012	 18,390,838
 Interest on OPEB obligation adjustments to ARC	 <u>3,333,387</u>	 <u>74,524</u>	 <u>10,597</u>	 <u>3,418,508</u>
 OPEB expense	 <u>\$ 21,266,293</u>	 <u>\$ 475,444</u>	 <u>\$ 67,609</u>	 <u>\$ 21,809,346</u>
 Reconciliation of Net OPEB Obligation – Fiscal Year Ended December 31, 2013	 <u>County</u>	 <u>Solid Waste</u>	 <u>Internal Service</u>	 <u>Total</u>
Net OPEB obligation at the beginning of the year	\$ 83,207,287	\$ 1,847,668	\$ 407,712	\$ 85,462,667
OPEB expense	21,266,293	475,444	67,609	21,809,346
Net OPEB contributions made during the fiscal year	<u>(3,978,708)</u>	<u>(88,952)</u>	<u>(12,649)</u>	<u>(4,080,309)</u>
 Net OPEB obligation at the end of the year	 <u>\$100,494,872</u>	 <u>\$ 2,234,160</u>	 <u>\$ 462,672</u>	 <u>\$ 103,191,704</u>
 Percentage of expense contributed				19%
 Reconciliation of Net OPEB Obligation – Fiscal Year Ended December 31, 2012	 <u>County</u>	 <u>Solid Waste</u>	 <u>Internal Service</u>	 <u>Total</u>
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	<u>(3,787,516)</u>	<u>(87,042)</u>	<u>(11,270)</u>	<u>(3,885,828)</u>
 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, 2013

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%

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, 2013

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, 2013 arising from these transactions:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 2,000,958	\$ 1,837,381
Non-Major governmental	1,454,508	1,390,138
Enterprise	178,186	847,780
Internal Service	1,020,633	183,582
Agency	-	395,404
	<hr/>	<hr/>
Total	<u>\$ 4,654,285</u>	<u>\$ 4,654,285</u>

The County made the following transfers during 2013:

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.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 57,852	\$ 10,978,043
County Road	10,730,642	3,177,524
Road Machinery	614,252	-
Capital Projects Funds	2,806,373	57,852
Internal Service Fund	4,300	-
	<hr/>	<hr/>
Total	<u>\$ 14,213,419</u>	<u>\$ 14,213,419</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

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Contingencies - Continued

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

The County has 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, as well as debt service payments. (See restricted cash note)

Assigned funds include the following:

Encumbrances, or commitments for expenditures. General fund encumbrances totaled \$48,941 and non-major fund encumbrances totaled \$125,626 for the year ended December 31, 2013.

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 \$436,075

The remaining assigned funds represent positive fund balances in the non-major funds.

Deficit Fund Equity/Net Position

The following funds had an accumulated deficit as of December 31, 2013:

Enterprise Fund (Solid Waste)	\$ 268,811
Internal Service Fund (Workers' Compensation)	<u>4,764,438</u>
Total	<u>\$ 5,033,249</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 \$19,485,26 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.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2013

Prior Period Adjustments

The prior period adjustments are as follows:

Governmental Activities (Non-major fund):

Change in accounting principle for the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*. Unamortized bond costs at December 31, 2012, in the amount of \$291,482, have been expensed.

IDA (component unit)

Prior period adjustments totaling \$1,037,893, primarily to convert rental income to a down payment for the sale of real estate.

The effect of these adjustments on net position at the beginning of the year can be found on page 15, statement of activities.

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, 2013. 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 24, 2014, 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:

IDA-LDC:

The St. Lawrence River Valley Redevelopment Agency authorized and committed itself to loan the St. Lawrence County IDA \$700,000 as financing towards the construction costs of the SLCIDA's new building. As of December 31, 2013, the agreement had not been executed.

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Funding Progress for Other Postemployment Benefits

Year Ended December 31, 2013

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, 2013	-	176,774,225	176,774,225	0%	\$ 37,898,905	466%
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%

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

Federal Grantor/ Program Title	Federal CFDA Number	Pass Through Agency 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	10.561		\$ 1,355,906	
Food Stamp Program				1,355,906
Total - SNAP Cluster				
Wetlands Reserve Program	10.072			51
Environmental Quality Incentives Program	10.912			15,149
Total U.S. Department of Agriculture				1,371,106
<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	110640142-12	585,288	
Total U.S. Department of Housing and Urban Development				585,288
<u>U.S. Department of Labor:</u>				
Passed Through the National Council on Aging Senior Community Service Employment				
	17.235			30,270
Passed Through the New York State Department of Labor:				
WIA Cluster:				
WIA Adult Program	17.258		266,383	
WIA Youth Activities	17.259		355,605	
WIA Dislocated Worker Formula Grants	17.278		253,013	
Total - WIA Cluster				875,001
Wagner-Peyser Funded Activities	17.207			989
Total U.S. Department of Labor				906,260
<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	C-501154	37,350	
Total U.S. Department of Justice				37,350

* Sub-recipients are St. Lawrence County Housing Council, Inc

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

Federal Grantor/ Program Title	Federal CFDA Number	Pass Through Agency Number	Federal Expenditures	
<u>U.S. Department of Transportation:</u>				
Passed Through New York State				
Department of Transportation:				
Highway Planning and Construction	20.205		1,709,540	
Highway Research and Development Program	20.200	D033698	400,000	
Total U.S. Department of Transportation				2,109,540
<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		C973510	43,345	
NY Grant Number		C835800	27,054	
NY Grant Number		C172035	45,119	
Total Homeland Security Cluster				115,518
Hazard Mitigation Grant	97.039			28,770
State Homeland Security Program:	97.073			
Stonegarden		C172009	269,395	
		C172019	64,298	
			333,693	
LETPP				
		C835882	17,563	
		C835892	25,625	
		C835802	52,351	
		C973512	14,445	
		T973522	6,082	
			116,066	
			449,759	
Passed Through New York State Division of Criminal Justice:				
State Homeland Security Program-Bryne Jag	97.073		30,000	
Total State Homeland Security Program				479,759
Total U.S. Department of Homeland Security				624,047
<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		120,480	
Aging - Title III Part C	93.045		220,664	
Nutrition Services Incentive Program	93.053		88,660	
Total - Aging Cluster				429,804
Aging - Title III Part D	93.043			5,619
Title IV and Title II Discretionary Projects	93.048			4,929
National Family Caregiver Support Title III, Part E	93.052			42,939
Medicaid Services Research, Demonstrations and and Evaluations - Health Insurance	93.779			42,229
Passed Through Health Research, Inc.:				
Intergrated Cancer Services Program	93.283	15-0672-01		97,061

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

Federal Grantor/ Program Title	Federal CFDA Number	Pass Through Agency Number	Federal Expenditures
<u>U.S. Department of Health and Human Services, Continued:</u>			
Passed Through the New York State Office of Temporary and Disability Assistance:			
Child Support Enforcement	93.563		1,337,789
Low-Income Home Energy Assistance	93.568		6,779,831
Foster Care - Title IV-E	93.658		2,989,081
Social Services Block Grant	93.667		1,197,803
Foster Care Independence Program	93.674		82,588
TANF Cluster:			
Temporary Assistance for Needy Families	93.558		4,319,749
Medicaid Cluster:			
Passed Through the New York State Office of Temporary and Disability Assistance:			
Medical Assistance Title XIX	93.778	3,633,506	
Federal Salary Sharing	93.778	<u>69,924</u>	
Total Medicaid Cluster			3,703,430
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>748,495</u>
Total U.S. Department of Health and Human Services			<u>21,781,347</u>
Total			<u>\$ 27,414,938</u>

Grants noted above are direct unless specifically noted
as pass through grants.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2013

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
- 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 sub-recipients. Those sub-recipients are also not considered part of the County reporting entity; however the federal funds passed through to such sub-recipients 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	\$ 585,288

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, 2013, 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 24, 2014. 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2013-02).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2013-03 and 2013-04).

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. (2013-01).

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 24, 2014

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

To The 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, 2013. 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, 2013, because the entities engaged other auditors for the year ended December 31, 2013, and they did not audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2013.

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 24, 2014

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2013

Section I - Summary of Auditor's Results

I. Financial Statements

A. Type of auditor's report issued:

1. Unmodified, with explanatory language relating to the fact 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? ___X___ Yes ___ No
2. Significant deficiencies identified not considered to be material weaknesses? ___X___ Yes ___ None reported
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___ None reported
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:

1. Unmodified

- C. 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, 2013

Section I – Summary of Auditor’s Results – Continued

II. Federal Awards – Continued

D. The County’s major programs were:

	**CFDA Number
<u>Department of Transportation :</u>	
Passed Through the New York State Department of Transportation Highway Planning and Construction	20.205
<u>U.S. Department of Health and Human Services:</u>	
Passed Through the New York State Office of Temporary and Disability Assistance:	
Foster Care Title IV-E	93.658
Medical Assistance Title XIX	93.778
Federal Salaried Sharing	93.778

E. Dollar threshold used to distinguish between Type A and Type B programs is \$822,448.

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

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

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2013

Section II – Financial Statement Findings

<u>Number/Finding/NonCompliance</u>	<u>Questioned Costs</u>
No. 2013-01	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 2012.</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> <p><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.</p>	
No. 2013-02	N/A
<p><u>Criteria:</u> Bank reconciliations should be prepared on a timely basis.</p> <p><u>Condition:</u> During audit testing in June 2014, it was determined that bank reconciliations were not completed for 2013 and early 2014.</p> <p><u>Cause of Condition:</u> The cause of the condition appears to be that the County did not have sufficient staff to cover all of the required workload.</p> <p><u>Effect of Condition:</u> Failing to reconcile bank accounts on a timely basis could result in cash overdrafts and errors not being corrected on a timely basis.</p> <p><u>Recommendation:</u> County staff should be required to prepare bank reconciliations timely, prior to receipt of the next month's statement.</p> <p><u>Management Response:</u> The County Treasurer's office has added additional staff to ensure that the bank reconciliations be completed on a monthly basis for each bank account that exists.</p>	

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2013

Section II - Financial Statement Findings – Continued

Number/Finding/Non Compliance

Questioned
Costs

No. 2013-03

N/A

Criteria: Expenditures pertaining to the current period should be accrued if measurable and if the service has been performed.

Condition: While performing a search for unrecorded liabilities within the self insurance fund, it was noted that invoices totaling \$48,602 were not recorded in 2013, when in fact the liability related to that year.

Cause of Condition: This is a repeat finding from 2012, involving a different fund.

Effect of Condition: Liabilities and expenditures for the self insurance fund were understated. An adjusting journal entry has been made to correct the oversight.

Recommendation: 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.

Management Response: Management, citing generally accepted accounting principles, discussed with staff that it is important to be sure that payments for expenses reflect the proper year in which the service has been provided. The Treasurer's office will monitor this to insure that omission does not recur.

No. 2013-04

N/A

Criteria: 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.

Condition: It was discovered that \$90,086 in invoices for the county road fund were recorded in 2014 instead of 2013, when the revenue was earned.

Cause of Condition: This is a repeat finding from 2012, involving a different fund.

Effect of Condition: Accounts receivable and revenue of the county road fund were understated; however an adjusting journal entry was made.

Recommendation: A thorough review of all invoices should be performed near year end to ensure that all receivables are properly recorded.

Management Response: The County will thoroughly review potential receivables in the future to be sure revenues are recorded in the year they were earned.

ST. LAWRENCE COUNTY, NEW YORK
Schedule of Status of Findings and Questioned Costs
From 2012 Report

No. 2012-01

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

Status: The County has performed a risk assessment.

No. 2012-02

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 2013 (No. 2013-01).

No. 2012-03

Condition: During audit testing, it was determined that a check was missing. It was determined that it was voided and discarded.

Status: This practice was corrected in 2013.

No. 2012-04

Condition: Certain invoices for 2012 services received after the year end were not accrued in 2012.

Status: This is a repeat finding in 2013 (No. 2013-03).

No. 2012-05

Condition: The County did not record revenue in the correct year.

Status: This is a repeat finding in 2013 (No. 2013.04).