

ST. LAWRENCE COUNTY, NEW YORK

Independent Auditor's Report

Financial Statements and
Supplementary Information

Year Ended December 31, 2014



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, 2014 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, 77% percent, and 1% percent, respectively, of the assets and deferred outflows of resources, net position and revenues of the total primary government and discretely presented component units. 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, 2014, 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 October 1, 2015 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

October 1, 2015

COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

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, 2014. 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 2014 by \$6,620,300 (*net position*). The unrestricted net position (deficit) for governmental activities was (\$102,532,238); for business-type activities (solid waste), the unrestricted net position (deficit) was (\$2,598,524). Restricted net position for governmental activities was \$5,763,937 at the close of 2014. 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 \$9,710,632 primarily due to increases in governmental noncurrent liabilities due in more than one year.
- At the end of 2014, unassigned fund balance (deficit) for the general fund was (\$2,890,188), or (1.7%) of the general fund expenditures.
- The County's outstanding bonds payable decreased by \$1,005,000 (2.96%). Notes to Financial Statements, p. 43, have the County's total bonded indebtedness, as of December 31, 2014 at \$32,945,000.

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, 2014

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.

For proprietary funds, which include 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, 2014

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, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

| | Governmental Activities | | Business Type Activities | | Total | |
|--|--------------------------------|---------------------|---------------------------------|--------------------|---------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Assets: | | | | | | |
| Current and Other Assets | \$ 88,683,116 | \$88,138,551 | \$ 827,210 | \$1,033,587 | \$ 89,510,326 | \$89,172,138 |
| Capital Assets Net | 140,528,295 | 135,030,065 | 2,477,673 | 1,681,781 | 143,005,968 | 136,711,846 |
| Total Assets | 229,211,411 | 223,168,616 | 3,304,883 | 2,715,368 | 232,516,294 | 225,883,984 |
| Deferred Outflows of Resources | | | | | | |
| | 161,107 | 169,738 | - | - | 161,107 | 169,738 |
| Liabilities: | | | | | | |
| Long-Term Liabilities | 193,694,312 | 179,173,057 | 2,868,973 | 2,620,248 | 196,563,285 | 181,793,305 |
| Other Liabilities | 27,626,474 | 26,751,722 | 556,761 | 363,931 | 28,183,235 | 27,115,653 |
| Total Liabilities | 221,320,786 | 205,924,779 | 3,425,734 | 2,984,179 | 224,746,520 | 208,908,958 |
| Deferred Inflows of Resources | | | | | | |
| | 1,431,432 | 1,082,643 | - | - | 1,431,432 | 1,082,643 |
| Net Position: | | | | | | |
| Invested in Capital Assets (net of debt) | 103,388,601 | 100,642,970 | 2,477,673 | 1,681,781 | 105,866,274 | 102,324,751 |
| Restricted | 5,763,937 | 7,731,676 | - | - | 5,763,937 | 7,731,676 |
| Unrestricted (Deficit) | (102,532,238) | (92,043,714) | (2,598,524) | (1,950,592) | (105,130,762) | (93,994,306) |
| Total Net Position | \$ 6,620,300 | \$16,330,932 | \$(120,851) | \$(268,811) | \$ 6,499,449 | \$16,062,121 |

- The County governmental activity's total liabilities increased by \$15,396,007, mostly due to an increase in the 30 year amortization of the Other Post-Employment Benefits (OPEB) of \$13,660,940.
- At the end of the current fiscal year, the County is able to report positive balances in two of the three categories of net position.

COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014

CHANGES IN NET POSITION

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|----------------------|---------------------------------|---------------------|---------------------|----------------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for Services | \$ 18,812,876 | \$ 21,506,321 | \$ 3,979,920 | \$ 3,614,396 | \$ 22,792,796 | \$ 25,120,717 |
| Operating Grants and Contributions | 48,713,164 | 51,592,589 | 150,515 | - | 48,863,679 | 51,592,589 |
| Capital Grants and Contributions | 3,070,366 | 2,792,234 | - | - | 3,070,366 | 2,792,234 |
| Total Program Revenues | 70,596,406 | 75,891,144 | 4,130,435 | 3,614,396 | 74,726,841 | 79,505,540 |
| General Revenues: | | | | | | |
| Property Taxes and Tax Items | 46,901,301 | 54,850,474 | - | - | 46,901,301 | 54,850,474 |
| Non-Property Taxes | 58,478,528 | 45,155,027 | - | - | 58,478,528 | 45,155,027 |
| Fines and Forfeitures | 192,657 | 127,835 | - | - | 192,657 | 127,835 |
| Misc. Local Sources | 4,763,820 | 3,584,899 | 105,840 | 273,939 | 4,869,660 | 3,858,838 |
| Sale of Property and Compensation for Loss | 2,000,901 | 1,363,668 | 63,059 | 50,775 | 2,063,960 | 1,414,443 |
| Transfers | - | - | - | - | - | - |
| Investment Earnings | 87,829 | 111,113 | 268 | 1,093 | 88,097 | 112,206 |
| Total General Revenues | 112,425,036 | 105,193,016 | 169,167 | 325,807 | 112,594,203 | 105,518,823 |
| Total Program and General Revenues | 183,021,442 | 181,084,160 | 4,299,602 | 3,940,203 | 187,321,044 | 185,024,363 |
| Expenses: | | | | | | |
| Governmental Activities | | | | | | |
| Expenses: | | | | | | |
| General Government Support | 49,669,170 | 47,713,912 | - | - | 49,669,170 | 47,713,912 |
| Education | 792,206 | 639,618 | - | - | 792,206 | 639,618 |
| Public Safety | 25,519,196 | 25,465,519 | - | - | 25,519,196 | 25,465,519 |
| Health | 18,292,780 | 21,163,509 | - | - | 18,292,780 | 21,163,509 |
| Transportation | 15,729,136 | 15,059,781 | - | - | 15,729,136 | 15,059,781 |
| Economic Opportunity and Development | 77,062,291 | 79,648,748 | - | - | 77,062,291 | 79,648,748 |
| Culture and Recreation | 243,266 | 212,929 | - | - | 243,266 | 212,929 |
| Home and Community Services | 4,063,253 | 2,291,456 | 4,151,642 | 3,939,507 | 8,214,895 | 6,230,963 |
| Interest on Long-Term Debt and Debt Service Costs | 1,360,776 | 2,021,758 | - | - | 1,360,776 | 2,021,758 |
| Total Expenses | 192,732,074 | 194,217,230 | 4,151,642 | 3,939,507 | 196,883,716 | 198,156,737 |
| Total Government Activities | | | | | | |
| Net Changes in Net Position | (9,710,632) | (13,133,070) | 147,960 | 696 | (9,562,672) | (13,132,374) |
| Net Position Beginning | 16,330,932 | 29,464,002 | (268,811) | (269,507) | 16,062,121 | 29,194,495 |
| Net Position Ending | \$ 6,620,300 | \$ 16,330,932 | \$ (120,851) | \$ (268,811) | \$ 6,499,449 | \$ 16,062,121 |

**COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014**

- Total governmental activities revenue for 2014 increased by \$1,937,282 while total expenses decreased by \$1,485,156. Significant changes involved an increase in the sales tax rate collected while decreasing property taxes simultaneously.

CAPITAL ASSETS, NET OF DEPRECIATION AT YEAR END

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|----------------------------|--------------------------------|-----------------------|---------------------------------|---------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 2,405,830 | \$ 2,405,830 | \$ 156,050 | \$ 156,050 | \$ 2,561,880 | \$ 2,561,880 |
| Not Depreciated: | | | | | | |
| Construction in Progress | 2,320,174 | 2,048,167 | - | - | 2,320,174 | 2,048,167 |
| Depreciated: | | | | | | |
| Infrastructure | 96,744,260 | 91,047,865 | - | - | 96,744,260 | 91,047,865 |
| Land Improvements | - | - | 879,693 | 922,854 | 879,693 | 922,854 |
| Buildings and Improvements | 34,368,895 | 35,881,416 | - | - | 34,368,895 | 35,881,416 |
| Machinery | 4,185,429 | 3,219,703 | 1,441,930 | 602,877 | 5,627,359 | 3,822,580 |
| Software | 503,707 | 427,084 | - | - | 503,707 | 427,084 |
| Total | \$ 140,528,295 | \$ 135,030,065 | \$ 2,477,673 | \$ 1,681,781 | \$ 143,005,968 | \$ 136,711,846 |

- 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, 2014, amounted to \$143,005,968 (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 increase in Capital Assets from 2013 was mostly in infrastructure and equipment.

**COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014**

OUTSTANDING DEBT

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|--|--------------------------------|-----------------------|---------------------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Bonds Payable | \$ 32,945,000 | \$ 33,950,000 | \$ - | \$ - |
| Revenue Anticipation Notes | 10,000,000 | 10,000,000 | - | - |
| Bond Anticipation Notes | 3,895,000 | - | | |
| Capital Lease | 299,694 | 437,095 | | |
| Workers Comp | 28,802,799 | 30,953,403 | - | - |
| OPEB Liability | 114,618,484 | 100,957,544 | 2,513,581 | 2,234,160 |
| Landfill Post-Closure Compensated Absences | - | - | 355,392 | 386,088 |
| | 3,133,335 | 2,875,015 | - | - |
| Total | \$ 193,694,312 | \$ 179,173,057 | \$ 2,868,973 | \$ 2,620,248 |

- The County governmental activities' outstanding debt increased from the prior year by 8.1% (\$14,521,255) largely due to the OPEB liability and the issuance of Bond Anticipation Notes.

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 2014:

**COUNTY OF ST. LAWRENCE, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014**

Fiscal Year 2014

| Programs | Net Expense per Statement of Activities | GASB 45 Expenses | Net Expenses Excluding GASB 45 | FY 2013 Net Expense per Statement of Activities |
|---|--|-----------------------------|---|--|
| General Government | \$ 36,521,835 | \$ 2,737,017 | \$ 33,784,818 | \$ 35,309,704 |
| Education | 232,019 | - | 232,019 | 95,575 |
| Public Safety | 18,880,723 | 3,445,101 | 15,435,622 | 19,547,638 |
| Health | 10,001,882 | 1,361,700 | 8,640,182 | 10,060,731 |
| Transportation | 10,079,106 | 1,511,487 | 8,567,619 | 9,852,820 |
| Economic Opportunity and Development | 41,598,721 | 4,425,545 | 37,173,176 | 40,134,203 |
| Culture and Recreation | 151,565 | 27,214 | 124,351 | 140,719 |
| Home and Community Services | 3,309,041 | 108,936 | 3,200,105 | 1,162,938 |
| Interest on Long-Term Debt and Debt Service Cost | 1,360,776 | - | 1,360,776 | 2,021,758 |
| Total | \$ 122,135,668 | \$ 13,617,000 | \$ 108,518,668 | \$ 118,326,086 |
| Total OPEB Liability per Armory Associates Report | | \$ 13,940,362 | | |
| Less Solid Waste Full Accrual Enterprise Fund | | 279,421 | | |
| Less Worker's Compensation Internal Service Fund Full Accrual | | 43,941 | | |
| GASB 45 Expenses | | \$ 13,617,000 | | |

BUDGET VERSUS ACTUAL RESULTS FOR 2014

- Schedule G, p. 24, outlines variances from the 2014 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 an overall budget variance shortfall of \$1,166,939 expenses over revenues, largely due to the final reconciliation, and subsequent write-off of uncollectible receivables in the now closed Certified Home Health Care program in Public Health. Additionally, for the first time in a number of years, the County recognized a decrease in sales tax collections. While there were a number of revenues that fell short, there were also the corresponding reductions in expenses. Because of the Federal interest rates, interest income continues to remain dismal.
- 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, 2014

OTHER KEY FINANCIAL ANALYSIS

- As of December 31, 2014, total assets of the County governmental activities (Exhibit A), exceeded total liabilities by \$7,890,625. In addition, total deferred inflows of resources, primarily deferred revenue, exceeded deferred outflows of resources by \$1,270,325. The net of assets over liabilities of \$7,890,625 less the \$1,270,325 results in net position of \$6,620,300. The unrestricted net deficit for governmental activities was (\$102,532,238); for business-type activities, the net unrestricted deficit was (\$2,598,524), which includes long-term post closure liabilities for landfills of \$355,392. 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 \$3,379,520, which includes \$2,896,920 that belongs to the County's Risk Retention Fund. The balance of restricted net position includes restrictions for capital projects of \$1,901,817. Net assets invested in capital assets (land, buildings, roads, bridges, machinery), net of accumulated depreciation and related debt, accounts for \$103,388,601. This total represents 1,562% of the total net position.
- Unassigned fund balance (deficit) for the General Fund (Exhibit C) was \$(2,890,188) as of the close of the 2014 fiscal year. This is a decrease of \$2,310,172 from the 2013 amount. No amounts were appropriated from the 2014 fund balance towards the 2015 budget. Total equity of all governmental funds at the close of the 2014 fiscal year was \$9,685,772. This is a decrease of \$3,711,035 from the 2013 total fund equity.
- As of December 31, 2014 total liabilities of the County (Exhibit D), including Canton Human Services Initiatives, Inc. were \$72,099,159. This is an increase of \$669,490 over the total liabilities as of December 31, 2013.
- The Worker's Compensation Fund/Internal Service Fund deficit (Exhibit H) decreased by \$557,611 from \$4,764,438 on December 31, 2013. The debt due beyond one year in the Worker's Compensation Fund was \$28,802,799 as of December 31, 2014.

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 in the last year have increased due to the increase in the sales tax rate. The sales tax rate for St. Lawrence County increased to 4% as of the first of December 2013.
- 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, it was used to decrease property taxes, so the County is 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 2015 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, 2014**

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, 2014

| ASSETS | Primary Government | | | Component Units | | |
|---|-------------------------|--------------------------|---------------|-------------------------------|---|--------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Industrial Development Agency | Industrial Development Agency Local Development Corporation | Soil and Water Conservation District |
| Cash and cash equivalents | \$ 13,558,295 | \$ 732,816 | \$ 14,291,111 | \$ 4,140,947 | \$ 334,922 | \$ 888,681 |
| Investments | 7,236,813 | - | 7,236,813 | - | - | - |
| Taxes receivable (net of allowance for uncollectable accounts of \$400,000) | 18,911,532 | - | 18,911,532 | - | - | - |
| Receivables, net (net of allowance for uncollectable accounts of \$147,382) | 21,315,800 | 228,836 | 21,544,636 | 180,654 | - | 939 |
| Internal balances | 320,431 | (320,431) | - | - | - | - |
| Due from other governments | 21,707,427 | 150,515 | 21,857,942 | - | - | - |
| Prepaid expenses | 2,253,298 | 35,474 | 2,288,772 | 90,195 | - | 5,476 |
| Restricted Assets: | | | | | | |
| Cash | 3,379,520 | - | 3,379,520 | - | 12,516,451 | - |
| Receivables | - | - | - | - | 5,155,328 | - |
| Capital assets, net | - | - | - | - | 1,369,766 | - |
| Capital assets, net | 140,528,295 | 2,477,673 | 143,005,968 | 4,414,145 | - | - |
| Total Assets | 229,211,411 | 3,304,883 | 232,516,294 | 8,825,941 | 19,376,467 | 895,096 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred amount from debt refunding | 161,107 | - | 161,107 | - | - | - |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statement of Net Position

December 31, 2014

| LIABILITIES | Primary Government | | | Component Units | | |
|--|-------------------------|--------------------------|---------------------|-------------------------------|---|--------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Industrial Development Agency | Industrial Development Agency Local Development Corporation | Soil and Water Conservation District |
| | | | | | | |
| Accounts payable | 6,788,354 | 199,774 | 6,988,128 | - | 1,380 | 1,353 |
| Accrued liabilities | 3,121,274 | 356,987 | 3,478,261 | 55,761 | - | 21,452 |
| Due to other governments | 16,471,419 | - | 16,471,419 | - | - | - |
| Internal balances | - | - | - | - | - | - |
| Other liabilities | 1,245,427 | - | 1,245,427 | 5,692 | - | - |
| Noncurrent Liabilities: | | | | | | |
| Due within one year | 17,100,611 | 32,230 | 17,132,841 | 122,023 | - | - |
| Due in more than one year | 176,593,701 | 2,836,743 | 179,430,444 | 2,201,894 | - | - |
| Total Liabilities | 221,320,786 | 3,425,734 | 224,746,520 | 2,385,370 | 1,380 | 22,805 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred revenue | 1,349,771 | - | 1,349,771 | - | 2,437 | 758,074 |
| Deferred amount from debt refunding | 81,661 | - | 81,661 | - | - | - |
| Total Deferred Inflows of Resources | 1,431,432 | - | 1,431,432 | - | 2,437 | 758,074 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 103,388,601 | 2,477,673 | 105,866,274 | 2,754,746 | 1,369,766 | - |
| Restricted For: | | | | | | |
| Debt service | 482,600 | - | 482,600 | - | - | - |
| Other purposes | 5,281,337 | - | 5,281,337 | - | 17,667,962 | - |
| Unrestricted (deficit) | (102,532,238) | (2,598,524) | (105,130,762) | 3,685,825 | 334,922 | 114,217 |
| Total Net Position (Deficit) | \$ 6,620,300 | \$ (120,851) | \$ 6,499,449 | \$ 6,440,571 | \$ 19,372,650 | \$ 114,217 |

ST. LAWRENCE COUNTY, NEW YORK

Statement of Activities

Year Ended December 31, 2014

| FUNCTIONS/PROGRAMS | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets | | | Component Units | | | |
|---|------------------|----------------------|------------------------------------|--|-------------------------|--------------------------|-----------------|-------------------------------|-----------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Industrial Development Agency | IDA-Local Development Corp. | Soil and Water |
| | | | | | Governmental Activities | Business-Type Activities | Total | | | |
| Primary Government: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 49,669,170 | \$ 10,855,279 | \$ 2,292,056 | \$ - | \$ (36,521,835) | \$ - | \$ (36,521,835) | \$ - | \$ - | \$ - |
| Education | 792,206 | 560,187 | - | - | (232,019) | - | (232,019) | - | - | - |
| Public safety | 25,519,196 | 552,324 | 6,086,149 | - | (18,880,723) | - | (18,880,723) | - | - | - |
| Health | 18,292,780 | 1,333,694 | 6,957,204 | - | (10,001,882) | - | (10,001,882) | - | - | - |
| Transportation | 15,729,136 | 2,686,739 | 250,386 | 2,712,905 | (10,079,106) | - | (10,079,106) | - | - | - |
| Economic opportunity and development | 77,062,291 | 2,664,467 | 32,799,103 | - | (41,598,721) | - | (41,598,721) | - | - | - |
| Culture and recreation | 243,266 | - | 91,701 | - | (151,565) | - | (151,565) | - | - | - |
| Home and community services | 4,063,253 | 160,186 | 236,565 | 357,461 | (3,309,041) | - | (3,309,041) | - | - | - |
| Interest on long-term debt | 1,360,776 | - | - | - | (1,360,776) | - | (1,360,776) | - | - | - |
| Total Governmental Activities | 192,732,074 | 18,812,876 | 48,713,164 | 3,070,366 | (122,135,668) | - | (122,135,668) | - | - | - |
| Business-Type Activities: | | | | | | | | | | |
| Solid waste | 4,151,642 | 3,979,920 | 150,515 | - | - | (21,207) | (21,207) | - | - | - |
| Total Primary Government | \$ 196,883,716 | \$ 22,792,796 | \$ 48,863,679 | \$ 3,070,366 | (122,135,668) | (21,207) | (122,156,875) | \$ - | \$ - | \$ - |
| Component Units: | | | | | | | | | | |
| Industrial Development Agency | \$ 1,752,305 | \$ 495,128 | \$ 30,725 | \$ - | - | - | - | \$ (1,226,452) | \$ - | \$ - |
| IDA - Local Develop Corp | 992,700 | 410,674 | - | - | - | - | - | - | (582,026) | - |
| Soil and Water District | 435,649 | 36,723 | 223,174 | - | - | - | - | - | - | (175,752) |
| Total Component Units | \$ 3,180,654 | \$ 942,525 | \$ 253,899 | \$ - | - | - | - | (1,226,452) | (582,026) | (175,752) |
| General Revenues: | | | | | | | | | | |
| Real property taxes and tax items | | | | | 46,901,301 | - | 46,901,301 | - | - | - |
| Non-property taxes | | | | | 58,478,528 | - | 58,478,528 | - | - | - |
| Fines and forfeitures | | | | | 192,657 | - | 192,657 | - | - | - |
| Miscellaneous local sources | | | | | 4,763,820 | 105,840 | 4,869,660 | 755,390 | 2,800 | 64,657 |
| Sale of property and compensation for loss | | | | | 2,000,901 | 63,059 | 2,063,960 | (212,472) | - | - |
| Allocation from County | | | | | - | - | - | - | - | 101,918 |
| Investment earnings | | | | | 87,829 | 268 | 88,097 | 14,514 | 154,592 | 264 |
| Total General Revenues | | | | | 112,425,036 | 169,167 | 112,594,203 | 557,432 | 157,392 | 166,839 |
| Change in Net Position | | | | | (9,710,632) | 147,960 | (9,562,672) | (669,020) | (424,634) | (8,913) |
| Net Position (Deficit) at Beginning of Year | | | | | 16,330,932 | (268,811) | 16,062,121 | 7,109,591 | 19,797,284 | 123,130 |
| Net Position (Deficit) at End of Year | | | | | \$ 6,620,300 | \$ (120,851) | \$ 6,499,449 | \$ 6,440,571 | \$ 19,372,650 | \$ 114,217 |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Balance Sheet - Governmental Funds

December 31, 2014

| ASSETS | General Fund | Non-Major Funds | Total Governmental Funds |
|--|----------------------|----------------------|--------------------------------|
| Cash and cash equivalents | \$ 1,668,571 | \$ 10,153,328 | \$ 11,821,899 |
| Investments | 2,234,008 | - | 2,234,008 |
| Accounts receivable, (net of allowance for uncollectable accounts of \$147,382) | 2,778,649 | 26,151 | 2,804,800 |
| Delinquent taxes receivable (net of uncollectable accounts of \$400,000) | 13,251,954 | - | 13,251,954 |
| School taxes receivable | 5,659,578 | - | 5,659,578 |
| Due from other governments | 20,491,249 | 1,216,178 | 21,707,427 |
| Prepaid expenses | 2,252,713 | 585 | 2,253,298 |
| Due from other funds | 773,140 | 960,811 | 1,733,951 |
| Restricted cash | 2,896,920 | 482,600 | 3,379,520 |
| Total Assets | <u>\$ 52,006,782</u> | <u>\$ 12,839,653</u> | <u>\$ 64,846,435</u> |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Balance Sheet - Governmental Funds

December 31, 2014

| LIABILITIES | General Fund | Non-Major Funds | Total Governmental Funds |
|---|----------------------|----------------------|--------------------------------|
| Accounts payable | \$ 6,178,958 | \$ 498,925 | \$ 6,677,883 |
| Accrued liabilities | 2,768,725 | 207,299 | 2,976,024 |
| Revenue anticipation notes payable | 10,000,000 | - | 10,000,000 |
| Bond anticipation notes payable | - | 3,895,000 | 3,895,000 |
| Due to school districts | 9,660,528 | - | 9,660,528 |
| Due to cities, towns and villages | 1,349,705 | - | 1,349,705 |
| Due to other governments | 5,461,186 | - | 5,461,186 |
| Other liabilities | 1,245,427 | - | 1,245,427 |
| Due to other funds | 114,087 | 1,262,291 | 1,376,378 |
| Total Liabilities | 36,778,616 | 5,863,515 | 42,642,131 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue | 12,273,098 | 245,434 | 12,518,532 |
| FUND BALANCES | | | |
| Nonspendable | 2,252,713 | 585 | 2,253,298 |
| Restricted | 2,896,920 | 2,867,017 | 5,763,937 |
| Committed | - | - | - |
| Assigned | 695,623 | 3,863,102 | 4,558,725 |
| Unassigned (Deficit) | (2,890,188) | - | (2,890,188) |
| Total Fund Balances | 2,955,068 | 6,730,704 | 9,685,772 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 52,006,782 | \$ 12,839,653 | \$ 64,846,435 |

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, 2014

| ASSETS | Total Governmental Funds and Activities(1) | Long-term Assets, Liabilities(2) | Reclasses and Eliminations | Statement of Net Position Totals |
|--|---|--|----------------------------------|--|
| Cash and cash equivalents | \$ 13,558,295 | \$ - | \$ - | \$ 13,558,295 |
| Investments | 7,236,813 | - | - | 7,236,813 |
| Taxes receivable (net) | 18,911,532 | - | - | 18,911,532 |
| Accounts receivable (net) | 21,315,800 | - | - | 21,315,800 |
| Due from other funds | 1,733,951 | - | (1,413,520) | 320,431 |
| Due from other governments | 21,707,427 | - | - | 21,707,427 |
| Prepaid expenses | 2,253,298 | - | - | 2,253,298 |
| Capital assets, net | - | 140,528,295 | - | 140,528,295 |
| Restricted cash | 3,379,520 | - | - | 3,379,520 |
| Total Assets | 90,096,636 | 140,528,295 | (1,413,520) | 229,211,411 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amount from debt refunding | - | 161,107 | - | 161,107 |
| Total Assets and Deferred Outflows of Resources | \$ 90,096,636 | \$ 140,689,402 | \$ (1,413,520) | \$ 229,372,518 |
| LIABILITIES | | | | |
| Accounts payable | \$ 6,788,358 | \$ - | \$ (4) | \$ 6,788,354 |
| Accrued liabilities | 2,976,024 | 145,250 | - | 3,121,274 |
| Other liabilities | 1,245,427 | - | - | 1,245,427 |
| Revenue anticipation notes payable | 10,000,000 | - | (10,000,000) | - |
| Bond anticipation notes payable | 3,895,000 | - | (3,895,000) | - |
| Due to other funds | 1,413,520 | - | (1,413,520) | - |
| Due to other governments | 16,471,419 | - | - | 16,471,419 |
| Debt due within one year | - | 3,205,611 | 13,895,000 | 17,100,611 |
| Debt due in more than one year | 29,309,411 | 147,284,290 | - | 176,593,701 |
| Total Liabilities | 72,099,159 | 150,635,151 | (1,413,524) | 221,320,786 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue | 12,518,532 | (11,168,761) | - | 1,349,771 |
| Deferred amount from debt refunding | - | 81,661 | - | 81,661 |
| Total Deferred Inflows of Resources | 12,518,532 | (11,087,100) | - | 1,431,432 |
| FUND BALANCES/NET POSITION | | | | |
| Nonspendable | 2,253,298 | - | (2,253,298) | - |
| Restricted | 5,763,937 | - | - | 5,763,937 |
| Committed | - | - | - | - |
| Assigned | 4,558,725 | - | (4,558,725) | - |
| Unassigned (deficit) | (2,890,188) | - | 2,890,188 | - |
| Net investment in capital assets | - | 103,388,601 | - | 103,388,601 |
| Unreserved: | | | | |
| Undesignated (deficit) | (4,206,827) | (102,247,250) | 3,921,839 | (102,532,238) |
| Total Fund Balances/Net Position | 5,478,945 | 1,141,351 | 4 | 6,620,300 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position | \$ 90,096,636 | \$ 140,689,402 | \$ (1,413,520) | \$ 229,372,518 |

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, 2014

(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 | \$ 64,846,435 | \$ 25,250,201 | \$ 90,096,636 |
| Total Liabilities | 42,642,131 | 29,457,028 | 72,099,159 |
| Total Deferred Inflows of Resources | <u>12,518,532</u> | <u>-</u> | <u>12,518,532</u> |
| Total Fund Balances/New Position (Deficit) | <u>\$ 9,685,772</u> | <u>\$ (4,206,827)</u> | <u>\$ 5,478,945</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 | \$ 235,778,995 |
| Accumulated depreciation | <u>(95,250,700)</u> |
| Total | <u>\$ 140,528,295</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>\$ (11,168,761)</u> |
|--------------------------------|------------------------|

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

| | |
|--|-----------------------|
| Bonds and notes payable | \$ 32,945,000 |
| Capital leases | 299,694 |
| OPEB liability | 114,111,872 |
| Compensated absences | <u>3,133,335</u> |
| | 150,489,901 |
| Due in One Year | <u>(3,205,611)</u> |
| Due in More Than One Year | <u>\$ 147,284,290</u> |
| Related Accrued Bond Interest Payable | <u>\$ 145,250</u> |
| Deferred outflow of resources from debt refunding | <u>\$ 161,107</u> |
| Deferred inflow of resources from debt refunding | <u>\$ 81,661</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, 2014

| | General Fund | Non-Major Funds | Total Governmental Funds |
|--|--------------------|--------------------|--------------------------------|
| REVENUES | | | |
| Real property taxes | \$ 43,534,658 | \$ - | \$ 43,534,658 |
| Real property tax items | 2,625,546 | - | 2,625,546 |
| Non-property tax items | 58,478,528 | - | 58,478,528 |
| Departmental income | 13,153,492 | 16,157 | 13,169,649 |
| Federal aid | 22,747,610 | 2,053,852 | 24,801,462 |
| State aid | 19,678,197 | 6,415,847 | 26,094,044 |
| Intergovernmental revenues | 1,593,502 | 2,670,582 | 4,264,084 |
| Use of money and property | 43,444 | 49,148 | 92,592 |
| Fines and forfeitures | 192,657 | - | 192,657 |
| Licenses and permits | 30,000 | - | 30,000 |
| Sale of property and compensation for loss | 1,973,295 | 27,606 | 2,000,901 |
| Interfund revenues | 473,279 | 3,296,380 | 3,769,659 |
| Miscellaneous revenue | 3,971,792 | 264,139 | 4,235,931 |
| | <u>168,496,000</u> | <u>14,793,711</u> | <u>183,289,711</u> |
| Total Revenues | | | |
| EXPENDITURES | | | |
| General government | 43,961,608 | 1,860,904 | 45,822,512 |
| Public Safety | 17,619,351 | 628,261 | 18,247,612 |
| Transportation | 224,704 | 23,190,271 | 23,414,975 |
| Health | 13,867,174 | - | 13,867,174 |
| Economic assistance and opportunity | 68,267,966 | 1,484,740 | 69,752,706 |
| Culture and recreation | 197,566 | - | 197,566 |
| Education | 792,242 | - | 792,242 |
| Home and community services | 1,631,245 | 8,416 | 1,639,661 |
| Employee benefits - unallocated | 10,763,393 | - | 10,763,393 |
| Debt Service: | | | |
| Principal and interest | 2,022,742 | 480,163 | 2,502,905 |
| | <u>159,347,991</u> | <u>27,652,755</u> | <u>187,000,746</u> |
| Total Expenditures | | | |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

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

Year Ended December 31, 2014

| | General Fund | Non-Major Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------------|
| Excess (Deficiency) of Revenues Over Expenditures | <u>9,148,009</u> | <u>(12,859,044)</u> | <u>(3,711,035)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Interfund transfers in | - | 13,368,233 | 13,368,233 |
| Interfund transfers out | <u>(11,023,294)</u> | <u>(2,344,939)</u> | <u>(13,368,233)</u> |
| Total Other Financing Sources (Uses) | <u>(11,023,294)</u> | <u>11,023,294</u> | <u>-</u> |
| Net Change in Fund Balances | (1,875,285) | (1,835,750) | (3,711,035) |
| Fund Balances - Beginning of Year | <u>4,830,353</u> | <u>8,566,454</u> | <u>13,396,807</u> |
| Fund Balances - End of Year | <u>\$ 2,955,068</u> | <u>\$ 6,730,704</u> | <u>\$ 9,685,772</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, 2014

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 | \$ 196,657,944 |
| 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. | 677,755 |
| Interfund revenues are used to charge the costs of certain activities, such as equipment rentals to individual funds. These interfund revenues are reported with governmental activities, but eliminated for the statement of activities. | (5,451,650) |
| To eliminate interfund transfers. | (13,368,233) |
| 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>4,505,626</u> |
| Total | <u>\$ 183,021,442</u> |

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

| | |
|---|-----------------------|
| Charges for services | \$ 18,812,876 |
| Operating grants and contributions | 48,713,164 |
| Capital grants and contributions | 3,070,366 |
| General revenues | <u>112,425,036</u> |
| Total Revenues of Governmental Activities per Exhibit B | <u>\$ 183,021,442</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, 2014

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 | \$ 200,368,979 |
| 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 (\$10,197,563) exceeded depreciation (\$4,699,333) in the current period. | (5,498,230) |
| Interfund expenditures are eliminated against the respective interfund revenues. | (5,451,650) |
| To eliminate interfund transfers. | (13,368,233) |
| 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. | (1,142,401) |
| Internal Service Fund expenditures are recognized in the County-wide financial statements. | 3,948,015 |
| 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. | 274 |
| 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. | 13,617,000 |
| To recognize compensated absences expense for current year change in liability. | <u>258,320</u> |
| Total Expenses of Governmental Activities per Exhibit B | <u><u>\$ 192,732,074</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, 2014

| REVENUES | General Fund | | | Variance with Final Budget Favorable (Unfavorable) |
|--|--------------------|---------------------|------------------------------|---|
| | Budgeted Amounts | | Actual Budgetary Basis | |
| | Original | Final | | |
| Real property taxes | \$ 45,862,431 | \$ 44,645,232 | \$ 43,534,658 | \$ (1,110,574) |
| Real property tax items | 2,859,950 | 2,859,950 | 2,625,546 | (234,404) |
| Non-property taxes items | 59,305,000 | 60,522,199 | 58,478,528 | (2,043,671) |
| Departmental income | 15,692,260 | 15,764,526 | 13,153,492 | (2,611,034) |
| Federal aid | 23,897,869 | 25,609,307 | 22,747,610 | (2,861,697) |
| State aid | 21,298,141 | 22,369,175 | 19,678,197 | (2,690,978) |
| Intergovernmental revenue | 1,474,802 | 1,540,887 | 1,593,502 | 52,615 |
| Use of money and property | 28,400 | 28,400 | 43,444 | 15,044 |
| Fines and forfeitures | 2,500 | 2,500 | 192,657 | 190,157 |
| Licenses and permits | 27,000 | 27,000 | 30,000 | 3,000 |
| Sale of property and compensation for loss | 1,411,663 | 1,411,663 | 1,973,295 | 561,632 |
| Interfund revenues | 477,017 | 477,017 | 473,279 | (3,738) |
| Miscellaneous local sources | 26,809,161 | 27,017,161 | 3,971,792 | (23,045,369) |
| Total Revenues | 199,146,194 | 202,275,017 | 168,496,000 | (33,779,017) |
| EXPENDITURES | | | | |
| General government | 46,026,970 | 46,021,643 | 43,987,861 | 2,033,782 |
| Public safety | 16,206,723 | 17,643,338 | 17,724,333 | (80,995) |
| Transportation | 225,480 | 225,480 | 224,704 | 776 |
| Health | 15,902,610 | 15,956,452 | 13,876,391 | 2,080,061 |
| Economic assistance and opportunity | 72,401,924 | 72,904,475 | 68,309,573 | 4,594,902 |
| Cultural and recreation | 171,530 | 204,986 | 197,566 | 7,420 |
| Education | 553,166 | 803,166 | 792,242 | 10,924 |
| Home and community services | 993,150 | 1,639,269 | 1,631,245 | 8,024 |
| Employee benefits - unallocated | 34,720,481 | 34,720,481 | 10,763,393 | 23,957,088 |
| Principal and interest | 2,027,938 | 2,022,838 | 2,022,742 | 96 |
| Total Expenditures | 189,229,972 | 192,142,128 | 159,530,050 | 32,612,078 |
| Excess of Revenues Over Expenditures | 9,916,222 | 10,132,889 | 8,965,950 | (1,166,939) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers out | (9,916,222) | (11,023,294) | (11,023,294) | - |
| Total Other Financing Sources (Uses) | (9,916,222) | (11,023,294) | (11,023,294) | - |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis | \$ - | \$ (890,405) | (2,057,344) | \$ (1,166,939) |
| Encumbrances Included in Actual | | | 182,059 | |
| Net Change in Fund Balances | | | (1,875,285) | |
| Fund Balances at Beginning of Year | | | 4,830,353 | |
| Fund Balances at End of Year | | | <u>2,955,068</u> | |

ST. LAWRENCE COUNTY, NEW YORK

Statements of Net Position
Proprietary Funds

December 31, 2014

| ASSETS | Business-Type Activity Enterprise Fund Solid Waste | Governmental Activity Internal Service Fund |
|--|---|--|
| Cash and cash equivalents | \$ 732,816 | \$ 1,736,396 |
| Investments | - | 5,002,805 |
| Receivables (net of allowance for uncollectible accounts of \$27,710) | 228,836 | 18,511,000 |
| Prepaid expenses | 35,474 | - |
| Due from other funds | 18,457 | - |
| Due from other governments | 150,515 | - |
| Capital assets - net of accumulated depreciation | <u>2,477,673</u> | <u>-</u> |
| Total Assets | <u>3,643,771</u> | <u>25,250,201</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | 199,774 | 110,475 |
| Accrued liabilities | 356,987 | - |
| Due to other funds | <u>338,888</u> | <u>37,142</u> |
| Total Current Liabilities | <u>895,649</u> | <u>147,617</u> |
| Non-Current Liabilities: | | |
| OPEB liability | 2,513,581 | 506,612 |
| Due within one year | 32,230 | - |
| Due beyond one year | <u>323,162</u> | <u>28,802,799</u> |
| Total Non-Current Liabilities | <u>2,868,973</u> | <u>29,309,411</u> |
| Total Liabilities | <u>3,764,622</u> | <u>29,457,028</u> |
| NET POSITION (DEFICIT) | | |
| Net investment in capital assets | 2,477,673 | - |
| Unrestricted (deficit) | <u>(2,598,524)</u> | <u>(4,206,827)</u> |
| Total Net Position (Deficit) | <u>\$ (120,851)</u> | <u>\$ (4,206,827)</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, 2014

| | Business-Type Activity Enterprise Fund Solid Waste | Governmental Activity Internal Service Fund |
|---|---|--|
| Operating Revenues: | | |
| Charges for services | \$ 3,979,920 | \$ - |
| Intergovernmental revenues | - | 4,200,000 |
| Sale of property and compensation for loss | 63,059 | - |
| Miscellaneous revenues | 105,840 | 304,795 |
| Total Operating Revenues | <u>4,148,819</u> | <u>4,504,795</u> |
| Operating Expenses: | | |
| General government | - | 3,948,015 |
| Home and community services | 3,868,418 | - |
| Depreciation | 283,224 | - |
| Total Operating Expenses | <u>4,151,642</u> | <u>3,948,015</u> |
| Operating Income (Loss) | <u>(2,823)</u> | <u>556,780</u> |
| Nonoperating Revenues: | | |
| Grants | 150,515 | - |
| Use of money and property | 268 | 831 |
| Total Nonoperating Revenues | <u>150,783</u> | <u>831</u> |
| Change in Net Position | 147,960 | 557,611 |
| Net Position (Deficit) at Beginning of Year | <u>(268,811)</u> | <u>(4,764,438)</u> |
| Net Position (Deficit) at End of Year | <u>\$ (120,851)</u> | <u>\$ (4,206,827)</u> |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statements of Cash Flows - Proprietary Funds

Year Ended December 31, 2014

| | Business-Type Activity Enterprise Fund Solid Waste | Governmental Activity Internal Service Fund |
|--|---|--|
| Cash Flows From Operating Activities: | | |
| Cash received for services | \$ 3,923,704 | \$ 4,200,000 |
| Cash paid to suppliers for goods and services | (1,988,769) | (299,933) |
| Cash paid to employees for services | (1,468,544) | (226,364) |
| Cash received from (paid to) other funds-net | (349,163) | 874,193 |
| Cash paid for workers' compensation benefits | - | (3,431,433) |
| Other operating revenue | 168,899 | 304,795 |
| Net Cash Provided (Used) by Operating Activities | <u>286,127</u> | <u>1,421,258</u> |
| Cash Flows From Noncapital Financing Activities: | | |
| Grants | <u>150,515</u> | <u>-</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>150,515</u> | <u>-</u> |
| Cash Flows From Capital and Related Financing Activities: | | |
| Purchase of property and equipment | (1,079,116) | - |
| Reduction of long-term liability | <u>(30,696)</u> | <u>-</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(1,109,812)</u> | <u>-</u> |
| Cash Flows From Investing Activities: | | |
| Interest and dividends received | 268 | 831 |
| Sales (purchases) of investments | <u>-</u> | <u>(1,000,831)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>268</u> | <u>(1,000,000)</u> |
| Net Change in Cash and Cash Equivalents | (672,902) | 421,258 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,405,718</u> | <u>1,315,138</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$ 732,816</u></u> | <u><u>\$ 1,736,396</u></u> |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statements of Cash Flows - Proprietary Funds

Year Ended December 31, 2014

| | Business-Type Activity Enterprise Fund Solid Waste | Governmental Activity Internal Service Fund |
|--|---|--|
| | <u> </u> | <u> </u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating Income (Loss) | \$ (2,823) | \$ 556,780 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 283,224 | - |
| Change in workers' compensation long-term liability | - | (2,100,000) |
| Change in OPEB liability | 279,421 | 43,940 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in: | | |
| Accounts receivable | (56,216) | 1,982,000 |
| Prepaid expenses | 5,342 | - |
| Due from other governments | (66,488) | - |
| Due from other funds | 159,729 | 1,020,633 |
| Increase (Decrease) in: | | |
| Accounts payable | 192,960 | 66,347 |
| Accrued liabilities | (130) | (2,002) |
| Due to other funds | (508,892) | (146,440) |
| Total Adjustments | <u>288,950</u> | <u>864,478</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 286,127</u> | <u>\$ 1,421,258</u> |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Statements of Net Position - Fiduciary Funds

December 31, 2014

| ASSETS | <u>Agency</u> | <u>Expendable Trust</u> |
|---------------------------|--------------------|-----------------------------|
| Cash and cash equivalents | <u>\$ 817,094</u> | <u>\$ 110,504</u> |
| Total Assets | <u>817,094</u> | <u>110,504</u> |
| LIABILITIES | | |
| Due to other governments | 27,290 | - |
| Other liabilities | <u>789,804</u> | <u>-</u> |
| Total Liabilities | <u>817,094</u> | <u>-</u> |
| NET POSITION | | |
| Restricted net position | <u><u>\$ -</u></u> | <u><u>\$ 110,504</u></u> |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2014

| | Expendable Trust |
|-----------------------------------|--------------------------|
| Additions: | |
| New York Power Authority deposits | \$ 2,000,000 |
| Interest earned | <u>29</u> |
| Total Additions | <u>2,000,029</u> |
| Deductions: | |
| Transfers to other entities | 2,000,000 |
| Fees | <u>25,100</u> |
| Total Deductions | <u>2,025,100</u> |
| Change in Net Position | (25,071) |
| Net Position at Beginning of Year | <u>135,575</u> |
| Net Position at End of Year | <u><u>\$ 110,504</u></u> |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

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 Statements No. 39, *Determining Whether Certain Organizations are Component Units* and No. 61, *The Financial Reporting Entity*. These statements became effective for the year ended December 31, 2004 and for periods beginning after June 15, 2012, respectively. They provided additional guidance in determining whether certain organizations 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, 2014

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 \$505,023 have been eliminated from the statement of activities.

Separate audited financial statements of CHSI may be obtained by contacting CHSI in Canton, 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.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Summary of Significant Accounting Policies – Continued

Government-Wide and Fund Financial Statements-Continued

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 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.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Summary of Significant Accounting Policies – Continued

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

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.

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.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Summary of Significant Accounting Policies – Continued

Budgets and Budgetary Accounting – Continued

- The Board of Legislators acts on the tentative budget prior to December 20th.
- 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 2014, 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, 2014

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 equipment | 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.

Currently, New York State law limits the amount local governments can increase property taxes each year to the lower of 2% of the prior year's tax levy or the rate of inflation, unless they officially override the tax levy limitation by a 60% vote.

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 may accrue total vacation leave up to 400 hours. The amounts accrued per year of service are as follows: up to 104 hours for years 1-5, 136 hours for years 6-10, 152 hours for years 11-19 and 200 hours for years 20 on. 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, may accrue total vacation leave up to 400 hours. The amounts accrued per year of service are as follows: up to 70 hours for years 1-5, 136 hours for years 6-10, 152 hours for years 11-19 and 200 hours for years 20 on. 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.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Summary of Significant Accounting Policies – Continued

Compensated Absences - Continued

- 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 24 hours of personal leave per year. Personal leave is non-accumulative and unused time will terminate on anniversary dates.
- Accordingly, liabilities for compensated balances of \$3,133,335 are recorded in long-term debt in the government-wide financial statements. In the fund financial statements, these payments are budgeted annually without accrual and an expenditure is 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 2014, the County has reported interfund revenues in the general fund of \$461,761, 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 2014, the County has reported interfund revenues in the road and machinery fund of \$2,791,357 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. In 2014, the County also reported workers' compensation premiums of \$1,693,509 with offsetting revenue in the internal service fund.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Summary of Significant Accounting Policies – Continued

Fund Balance Classifications

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

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

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

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

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

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 Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* and GASB Statement No. 72, *Fair Value Measurement and Application*. These pronouncements were not effective as of December 31, 2014. 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, 2014

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, 2014 bank balances were collateralized and insured as follows:

| | |
|---|---------------------|
| Total on deposit | \$ 29,621,980 |
| Insured by FDIC | (687,575) |
| Collateralized by pledged securities held by the financial institutions | <u>(28,934,405)</u> |
| Uninsured and uncollateralized | <u>\$ -</u> |

Other non-major governmental funds include cash and cash equivalents of CHSI in the amount of \$257,961. CHSI deposits were insured up to FDIC limits; the remaining amounts were uncollateralized at December 31, 2014.

Industrial Development Agency Component Unit – Cash and cash equivalents totaled \$4,140,947. 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 \$12,851,373 at various banks and were insured up to FDIC limits. Any balances in excess of FDIC insurance were uncollateralized at December 31, 2014.

Soil and Water Conservation District Component Unit – Deposits at December 31, 2014, totaled \$888,581, of which \$250,000 is covered by FDIC insurance and the remaining balance of \$638,581 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 \$2,896,920 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 \$12,516,451 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

\$18,511,000 of the accounts receivable totaling \$21,544,636 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, 2014

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, 2014 totaled \$5,155,328, which include restricted mortgages and notes receivable of \$5,093,497, with varying maturities and bearing interest from 0% to 5.25%.

Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

| | Balance 01/01/14 | Additions | Reclass- ifications and Retirements | Balance 12/31/14 |
|--|---------------------|--------------|--|---------------------|
| Governmental Activities: | | | | |
| Capital Assets – not being depreciated: | | | | |
| Land | \$ 2,405,830 | \$ - | \$ - | \$ 2,405,830 |
| Construction-in- process | 2,048,167 | 4,549,327 | (4,277,320) | 2,320,174 |
| Total capital assets –not being depreciated | 4,453,997 | 4,549,327 | (4,277,320) | 4,726,004 |
| Capital Assets – being depreciated: | | | | |
| Infrastructure | 151,784,492 | 3,436,776 | 4,277,320 | 159,498,588 |
| Buildings and improvements | 54,612,278 | - | - | 54,612,278 |
| Machinery and equipment | 14,562,200 | 1,937,729 | (543,343) | 15,956,586 |
| Software | 711,808 | 273,731 | - | 985,539 |
| Total capital assets – being depreciated | 221,670,778 | 5,648,236 | 3,733,977 | 231,052,991 |
| Accumulated Depreciation: | | | | |
| Infrastructure | 60,736,627 | 2,017,701 | - | 62,754,328 |
| Buildings and improvements | 18,730,862 | 1,512,521 | - | 20,243,383 |
| Machinery and equipment | 11,342,497 | 972,003 | (543,343) | 11,771,157 |
| Software | 284,724 | 197,108 | - | 481,832 |
| Total accumulated depreciation | 91,094,710 | 4,699,333 | (543,343) | 95,250,700 |
| Total capital assets - being depreciated - net | 130,576,068 | 948,903 | 4,277,320 | 135,802,291 |
| Total governmental activities capital assets - net | \$ 135,030,065 | \$ 5,498,230 | \$ - | \$ 140,528,295 |

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Capital Assets-Continued

| | <u>Balance 01/01/14</u> | <u>Additions</u> | <u>Reclass- ifications and Retirements</u> | <u>Balance 12/31/14</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 | 44,931 | - | 3,541,922 |
| Buildings and Improvements | 9,272 | - | - | 9,272 |
| Machinery and Equipment | <u>2,354,542</u> | <u>1,034,185</u> | <u>(84,240)</u> | <u>3,304,487</u> |
| Total capital assets - being depreciated | <u>5,860,805</u> | <u>1,079,116</u> | <u>(84,240)</u> | <u>6,855,681</u> |
| Accumulated Depreciation for: | | | | |
| Land improvements | 2,574,137 | 88,092 | - | 2,662,229 |
| Buildings and improvements | 9,272 | - | - | 9,272 |
| Machinery and equipment | <u>1,751,665</u> | <u>195,132</u> | <u>(84,240)</u> | <u>1,862,557</u> |
| Total accumulated depreciation | <u>4,335,074</u> | <u>283,224</u> | <u>(84,240)</u> | <u>4,534,058</u> |
| Total capital assets - being depreciated – net | <u>1,525,731</u> | <u>795,892</u> | <u>-</u> | <u>2,321,623</u> |
| Total business – type activities capital assets - net | <u>\$ 1,681,781</u> | <u>\$ 795,892</u> | <u>\$ -</u> | <u>\$ 2,477,673</u> |

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Capital Assets –Continued

Depreciation expense was charged to functions as follows:

Governmental Activities:

| | |
|-------------------------------------|------------|
| General governmental support | \$ 769,185 |
| Public safety | 1,188,687 |
| Transportation | 519,481 |
| Economic assistance and opportunity | 169,971 |
| Health and sanitation | 2,052,009 |
| | <hr/> |

| | |
|--|--------------|
| Total depreciation expense – governmental activities | \$ 4,699,333 |
|--|--------------|

Business-Type Activities:

| | |
|-------------|------------|
| Solid waste | \$ 283,224 |
| | <hr/> |

Governmental Activities Asset Purchases in 2014 were as follows:

| | |
|-------------------------------------|--------------|
| General Government | \$ 2,007,665 |
| Public Safety | 357,253 |
| Transportation | 7,765,289 |
| Economic assistance and opportunity | 67,356 |
| | <hr/> |

| | |
|-------|---------------|
| Total | \$ 10,197,563 |
|-------|---------------|

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 | \$ 281,353 |
| Buildings and improvements | 4,079,499 |
| Automotive equipment | 39,578 |
| Office equipment and furnishings | 27,096 |
| Construction in progress | 550,974 |
| | <hr/> |

| | |
|----------------------|-----------|
| Total capital assets | 4,978,500 |
|----------------------|-----------|

| | |
|--------------------------------|---------|
| Less: accumulated depreciation | 564,355 |
| | <hr/> |

| | |
|-------|--------------|
| Total | \$ 4,414,145 |
|-------|--------------|

Depreciation expense for the Industrial Development Agency for the year ended December 31, 2014 was \$111,238.

Industrial Development Agency – Local Development Corporation:

| | |
|----------------------------|-----------|
| Land | \$ 30,000 |
| Buildings and improvements | 1,443,523 |
| Construction in progress | 149,715 |
| | <hr/> |

| | |
|----------------------|-----------|
| Total capital assets | 1,623,238 |
|----------------------|-----------|

| | |
|--------------------------------|---------|
| Less: accumulated depreciation | 253,472 |
| | <hr/> |

| | |
|-------|--------------|
| Total | \$ 1,369,766 |
|-------|--------------|

Depreciation expense for the Industrial Development Agency - Local Development Corporation for the year ended December 31, 2014 was \$29,297.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Long-Term Liabilities, Revenue Anticipation Note and Bond Anticipation Notes

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

Primary Government:

| | Balance 01/01/14 | Increase/ Accretions | Decrease/ Payments | Balance 12/31/14 | Due In One Year | Due Beyond One Year |
|---|-----------------------|-------------------------|------------------------|-----------------------|----------------------|------------------------|
| Bonds payable | \$ 33,950,000 | \$ - | \$ (1,005,000) | \$ 32,945,000 | \$ 1,060,000 | \$ 31,885,000 |
| Revenue anticipation notes | 10,000,000 | 10,000,000 | (10,000,000) | 10,000,000 | 10,000,000 | - |
| Bond anticipation notes | - | 3,895,000 | - | 3,895,000 | 3,895,000 | - |
| Capital lease Workers' Compensation | 437,095 | - | (137,401) | 299,694 | 145,611 | 154,083 |
| OPEB liability | 30,953,403 | 1,045,828 | (3,196,432) | 28,802,799 | - | 28,802,799 |
| Compensated absences | 100,957,544 | 19,571,541 | (5,910,601) | 114,618,484 | - | 114,618,484 |
| | <u>2,875,015</u> | <u>3,036,126</u> | <u>(2,777,806)</u> | <u>3,133,335</u> | <u>2,000,000</u> | <u>1,133,335</u> |
| Subtotal – Primary Government | <u>179,173,057</u> | <u>37,548,495</u> | <u>(23,027,240)</u> | <u>193,694,312</u> | <u>17,100,611</u> | <u>176,593,701</u> |
| Business-Type Activity Enterprise Fund (Solid Waste): | | | | | | |
| Landfill post-closure OPEB liability | 386,088 | - | (30,696) | 355,392 | 32,230 | 323,162 |
| | <u>2,234,160</u> | <u>400,316</u> | <u>(120,895)</u> | <u>2,513,581</u> | <u>-</u> | <u>2,513,581</u> |
| Subtotal – Enterprise Fund | <u>2,620,248</u> | <u>400,316</u> | <u>(151,591)</u> | <u>2,868,973</u> | <u>32,230</u> | <u>2,836,743</u> |
| Total | <u>\$ 181,793,305</u> | <u>\$ 37,948,811</u> | <u>\$ (23,178,831)</u> | <u>\$ 196,563,285</u> | <u>\$ 17,132,841</u> | <u>\$ 179,430,444</u> |

Interest expense for the year ended December 31, 2014 totaled \$1,360,776.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Long-Term Liabilities, Revenue Anticipation Note and Bond Anticipation Notes - 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, 2014:

| Description | Original Amount | Balance 01/01/14 | Issued | Payments/ Refunding | Balance 12/31/14 | 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 | \$ 27,575,000 | \$ - | \$ 750,000 | \$ 26,825,000 | \$ 800,000 |
| 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 | 6,375,000 | - | 255,000 | 6,120,000 | 260,000 |
| Total | | <u>\$ 33,950,000</u> | <u>\$ -</u> | <u>\$ 1,005,000</u> | <u>\$ 32,945,000</u> | <u>\$ 1,060,000</u> |

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Long-Term Liabilities, Revenue Anticipation Note and Bond Anticipation Notes – Continued

As a result of the debt refunding of the Canton Human Service Initiatives, Inc. bond in 2013, the County has deferred outflows of resources, the balance of which is \$161,107 at December 31, 2014, net of accumulated amortization of \$11,508. 2014 amortization included in interest expense was \$8,631. In addition, the County has deferred inflows of resources from the same debt refunding, the balance of which is \$81,661 at December 31, 2014, net of accumulated amortization of \$5,833. 2014 amortization included in interest expense was \$4,375. The deferred outflows of resources and the deferred inflows of resources are being amortized over 20 years, the life of the new bonds.

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> |
|-------------|-----------------------------|---------------------------|----------------------------|
| 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 | 950,000 | 290,000 | 1,240,000 |
| 2020-2024 | 5,400,000 | 1,580,000 | 6,980,000 |
| 2025-2029 | 6,750,000 | 1,915,000 | 8,665,000 |
| 2030-2034 | 8,400,000 | 1,255,000 | 9,655,000 |
| 2035-2036 | 1,925,000 | - | 1,925,000 |
| Total | <u>\$ 26,825,000</u> | <u>\$ 6,120,000</u> | <u>\$ 32,945,000</u> |

| <u>Year</u> | <u>County Interest</u> | <u>CHSI Interest</u> | <u>Total Interest</u> |
|-------------|----------------------------|--------------------------|---------------------------|
| 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 | 997,313 | 192,006 | 1,189,319 |
| 2020-2024 | 4,331,000 | 807,650 | 5,138,650 |
| 2025-2029 | 3,046,438 | 486,400 | 3,532,838 |
| 2030-2034 | 1,407,688 | 98,400 | 1,506,088 |
| 2035-2036 | 43,313 | - | 43,313 |
| Total | <u>\$ 14,192,190</u> | <u>\$ 2,420,855</u> | <u>\$ 16,613,045</u> |

Revenue Anticipation Note

Two 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. A new revenue anticipation note in the amount of \$10,000,000 was issued on September 26, 2014 and is due on August 28, 2015, with interest at 1.5%. They were incurred to cover operating expenses until state aid was received. The revenue anticipation note was paid prior to its due date.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Long-Term Liabilities, Revenue Anticipation Note and Bond Anticipation Notes – Continued

Bond Anticipation Notes

Two bond anticipation notes (BANS) were issued on April 10, 2014, in the amount of \$995,000 and on July 25, 2014, in the amount of \$2,900,000, representing short-term financing for multiple capital projects. The notes are due one year from their issue dates and carry interest rates of 1.25% and 1.1%, respectively. Both BANS were renewed in 2015.

Capital Leases

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, 2014.

Years ending December 31,

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2015 | \$ 161,160 |
| 2016 | <u>161,160</u> |
| Total Minimum Lease Payments | 322,320 |
| Less amount representing interest at 5.89% | <u>(22,626)</u> |
| Present Value of Net Minimum Lease Payments | 299,694 |
| Less: amount due within one year | <u>(145,611)</u> |
| Amount Due In More Than One Year | <u><u>\$ 154,083</u></u> |

Interest expense for the year ended December 31, 2014 was \$23,759. Software purchased through a capital lease for governmental activities was capitalized for \$711,808 during 2012. Accumulated depreciation on the asset totaled \$427,095 at December 31, 2014.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Long-Term Liabilities, Revenue Anticipation Note and Bond Anticipation Notes - Continued

Long-Term Debt - Component Units

St. Lawrence County Industrial Development Agency - Long-term debt consisted of the following at December 31, 2014:

| | <u>Original Amount</u> | <u>Balance 01/01/14</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance 12/31/14</u> | <u>Due In One Year</u> |
|---|----------------------------|-----------------------------|---------------------|------------------|-----------------------------|----------------------------|
| Greater Massena Economic Development Fund, interest at 3.375% maturing 12/01/2019 | \$ 600,000 | \$ 277,014 | \$ - | \$ 42,333 | \$ 234,681 | \$ 43,857 |
| St. Lawrence County IDA-LDC, interest at 3% maturing 12/01/2015 | \$ 217,204 | 48,698 | - | 23,980 | 24,718 | 24,718 |
| St. Lawrence County IDA-SIRVA Interest at 1% Maturing 11/2021 | \$ 700,000 | - | 700,000 | - | 700,000 | 31,776 |
| St. Lawrence County IDA-LLC | \$ 700,000 | - | 700,000 | - | 700,000 | 21,682 |
| OPEB Liability | | 336,729 | 121,986 | - | 458,715 | - |
| Compensated Absences | | 188,532 | 17,271 | - | 205,803 | - |
| Totals | | <u>\$ 850,973</u> | <u>\$ 1,539,257</u> | <u>\$ 66,313</u> | <u>\$ 2,323,917</u> | <u>\$ 122,033</u> |

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Long-Term Liabilities, Revenue Anticipation Note and Bond Anticipation Notes – 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> |
|-----------|---------------------|-------------------|
| 2015 | \$ 122,023 | \$ 18,481 |
| 2016 | 99,255 | 15,980 |
| 2017 | 101,148 | 13,996 |
| 2018 | 103,189 | 11,953 |
| 2019 | 105,523 | 9,852 |
| 2020-2024 | 650,085 | 23,111 |
| 2025-2029 | 115,082 | 10,548 |
| 2030-2034 | 117,994 | 7,633 |
| 2035-2039 | 120,981 | 4,648 |
| 2040-2044 | <u>124,119</u> | <u>1,581</u> |
| Total | <u>\$ 1,659,399</u> | <u>\$ 117,783</u> |

Interest expense for the year ended December 31, 2014 for the St. Lawrence Industrial Development Agency was \$10,342.

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 \$355,392 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 2014.

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 \$40,000 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 was approximately \$40,000 for 2014. 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. The lease agreement shall be an obligation of the County only to the extent of monies appropriated and available. Neither the full faith and credit nor the taxing power of the County is pledged to the payment of any amounts due under the lease agreement.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Operating Leases and Commitments

Operating lease obligations are primarily for rental space and equipment. The County has contracted with various third parties for lease of building space for a total of \$15,394 per month, office equipment leases totaling \$1,561 per month and a burn simulator for fire training at \$855 per month. Lease and service contract expenditures for the year were approximately \$207,000. 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:

| | |
|-----------|-------------------|
| 2015 | \$ 213,712 |
| 2016 | 213,712 |
| 2017 | 210,106 |
| 2018 | 194,980 |
| 2019 | 34,255 |
| 2020-2024 | <u>47,856</u> |
| Total | <u>\$ 914,621</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 and the St. Lawrence County Industrial Development Agency (a discretely presented component unit) are required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

| | <u>The County</u> | <u>SLC IDA</u> |
|------|-------------------|----------------|
| 2014 | \$ 6,990,001 | \$ 81,609 |
| 2013 | 7,451,870 | 83,571 |
| 2012 | 7,365,800 | 100,277 |

The County's and the SLC IDA's contributions made to the Systems in 2014, 2013, and 2012 were equal to 100% of the contributions required for each year.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

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> |
|------|--|--|---------------------------|--------------------------------------|
| 2014 | \$ 30,953,403 | \$ 1,045,828 | \$ (3,196,432) | \$ 28,802,799 |
| 2013 | 29,902,834 | 4,245,815 | (3,195,246) | 30,953,403 |

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.

Other Postemployment Benefits (OPEB)

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 \$6,635,000 as an expenditure during 2014.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Other Postemployment Benefits (OPEB) - Continued

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, if any, 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 for other postemployment benefits 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, 2014

Other Postemployment Benefits (OPEB) – Continued

Other Disclosure Information - Continued

| Annual OPEB Cost – Fiscal Year Ended December 31, 2014 | <u>County</u> | <u>Solid Waste</u> | <u>Internal Service</u> | <u>Total</u> |
|---|--------------------------|-------------------------|-----------------------------|---------------------------|
| Normal cost | \$ 3,510,843 | \$ 72,043 | \$ 11,329 | \$ 3,594,215 |
| Past service cost | <u>12,973,804</u> | <u>266,222</u> | <u>41,865</u> | <u>13,281,891</u> |
| Annual Required Contribution (ARC) | 16,484,647 | 338,265 | 53,194 | 16,876,106 |
| Interest on OPEB obligation adjustments to ARC | <u>3,023,942</u> | <u>62,051</u> | <u>9,758</u> | <u>3,095,751</u> |
| OPEB expense | <u>\$ 19,508,589</u> | <u>\$ 400,316</u> | <u>\$ 62,952</u> | <u>\$ 19,971,857</u> |
| Reconciliation of Net OPEB Obligation – Fiscal Year Ended December 31, 2014 | <u>County</u> | <u>Solid Waste</u> | <u>Internal Service</u> | <u>Total</u> |
| Net OPEB obligation at the beginning of the year | \$100,494,872 | \$ 2,234,160 | \$ 462,672 | \$ 103,191,704 |
| OPEB expense | 19,508,589 | 400,316 | 62,952 | 19,971,857 |
| Net OPEB contributions made during the fiscal year | <u>(5,891,590)</u> | <u>(120,895)</u> | <u>(19,011)</u> | <u>(6,031,496)</u> |
| Net OPEB obligation at the end of the year | <u>\$114,111,871</u> | <u>\$ 2,513,581</u> | <u>\$ 506,613</u> | <u>\$ 117,132,065</u> |
| Percentage of expense contributed | | | | 30% |
| 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% |

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

Other Postemployment Benefits (OPEB) – Continued

Other Disclosure Information - Continued

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%

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, 2014, the most recent interim actuarial valuation, the liabilities were computed using the projected unit credit method with a 24 year amortization. The actuarial assumptions utilized a 4% discount rate. The valuation assumes a variable medical trend rate ranging from 6.1% down to 4.29% and a postretirement health premium trend rate ranging from 1% to 6.1% per year.

See the separately issued financial statements of the St. Lawrence County Industrial Development Agency for details related to its annual OPEB and net OPEB obligation.

ST. LAWRENCE COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2014

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, 2014 arising from these transactions:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|------------------------|----------------------------------|-------------------------------|
| General | \$ 773,140 | \$ 114,087 |
| Non-Major governmental | 960,811 | 1,262,291 |
| Enterprise | 18,457 | 338,888 |
| Internal Service | - | 37,142 |
| | <hr/> | <hr/> |
| Total | <u>\$ 1,752,408</u> | <u>\$ 1,752,408</u> |

The County made the following transfers during 2014:

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 | \$ - | \$ 11,023,294 |
| County Road | 9,491,741 | 2,344,939 |
| Road Machinery | 1,078,481 | - |
| Capital Projects Funds | 2,798,011 | - |
| | <hr/> | <hr/> |
| Total | <u>\$ 13,368,233</u> | <u>\$ 13,368,233</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, 2014

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 \$182,059 and non-major fund encumbrances totaled \$44,052 for the year ended December 31, 2014.

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 \$513,564

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, 2014:

| | |
|---|---------------------|
| Enterprise Fund (Solid Waste) | \$ 120,851 |
| Internal Service Fund (Workers' Compensation) | <u>4,206,827</u> |
| Total | <u>\$ 4,327,678</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 \$19,037,728, 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, 2014

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, 2014. 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 October 1, 2015, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Funding Progress for Other Postemployment Benefits

Year Ended December 31, 2014

| 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, 2014 | December 31, 2014 | - | \$ 224,936,023 | \$ 224,936,023 | 0% | \$ 38,391,956 | 586% |
| 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% |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2014

| 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 Assistance: | | | | |
| SNAP Cluster: | | | | |
| State Administrative Matching Grant- | | | | |
| Food Stamp Program | 10.561 | | \$ 1,861,686 | |
| Total - SNAP Cluster | | | <u>1,861,686</u> | 1,861,686 |
| Wetlands Reserve Program | 10.072 | | | 11,649 |
| Environmental Quality Incentives Program | 10.912 | | 21,784 | |
| Environmental Quality Incentives Program - STC Signature | 10.912 | | <u>584</u> | |
| Total U.S. Department of Agriculture | | | <u>22,368</u> | 1,895,703 |
| <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 Cluster: | | | | |
| State's Program -DHAPXX | 14.228 | 1106HO142-12 | | 280,995 |
| DHAPNC | 14.228 | 1106CRF-HO1-13 | | 281,373 |
| Black Lake | 14.228 | 1106HR 54-13 | | <u>24,395</u> |
| Total U.S. Department of Housing and Urban Development | | | | 586,763 |
| <u>U.S. Department of Labor:</u> | | | | |
| Passed Through the National Council on Aging: | | | | |
| Senior Community Service Employment Title V | 17.235 | | | 11,035 |
| Passed Through the New York State | | | | |
| Department of Labor: | | | | |
| WIA Cluster: | | | | |
| WIA Adult Program | 17.258 | | 430,401 | |
| WIA Youth Activities | 17.259 | | 410,869 | |
| WIA Dislocated Worker Formula Grants | 17.278 | | <u>320,594</u> | |
| Total - WIA Cluster | | | <u>1,161,864</u> | |
| Total U.S. Department of Labor | | | | 1,172,899 |
| <u>U.S. Department of Transportation:</u> | | | | |
| Passed Through New York State | | | | |
| Department of Transportation: | | | | |
| Highway Planning and Construction | 20.205 | DO34243 | | <u>726,992</u> |
| Total U.S. Department of Transportation | | | | 726,992 |
| <u>U.S. Department of Education:</u> | | | | |
| Passed Through New York State | | | | |
| Department of Health: | | | | |
| Special Education-Grants for Infants and Families | 84.181 | | | <u>31,157</u> |
| Total U.S. Department of Education | | | | 31,157 |

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

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

| Federal Grantor/ Program Title | Federal CFDA Number | Pass Through Agency Number | Federal Expenditures |
|---|---------------------------|----------------------------------|-------------------------|
| <u>U.S. Department of Health and Human Services:</u> | | | |
| Passed Through the New York State | | | |
| Office for the Aging: | | | |
| Aging Cluster: | | | |
| Aging - Title III Part B | 93.044 | | 125,624 |
| Aging - Title III Part C-1 | 93.045 | | 154,261 |
| Aging - Title III Part C-2 | 93.045 | | 69,515 |
| Nutrition Services Incentive Program | 93.053 | | 97,581 |
| Total - Aging Cluster | | | 446,981 |
| Aging - Title III Part D | 93.043 | | 10,259 |
| Title IV and Title II Discretionary Projects | 93.048 | | 31,871 |
| National Family Caregiver Support Title III, Part E | 93.052 | | 41,571 |
| Centers for Medicare and Medicaid Services Research | 93.779 | | 38,673 |
| Medicare Enrollment Assistance Program | 93.071 | | 11,254 |
| Passed Through the New York State | | | |
| Department of Health: | | | |
| Immunization Cooperative Agreements | 93.268 | | 64,360 |
| Maternal and Child Health Services Block Grant | 93.994 | | 23,403 |
| Passed Through Health Research, Inc. | | | |
| Public Health Emergency Preparedness | 93.069 | 1613-10 | 81,749 |
| Passed Through the New York State Office of Temporary | | | |
| and Disability Assistance: | | | |
| Child Support Enforcement | 93.563 | | 1,274,017 |
| Low-Income Home Energy Assistance | 93.568 | | 7,414,327 |
| Social Services Block Grant | 93.667 | | 963,956 |
| Medicaid Cluster: | | | |
| Medical Assistance Program - Federal Salary Sharing | 93.778 | | 61,704 |
| Medical Assistance Program - Medical | 93.778 | | 3,079,614 |
| Total Medicaid Cluster | | | 3,141,318 |
| TANF Cluster: | | | |
| Temporary Assistance for Needy Families | 93.558 | | 8,561,415 |
| Chafee Foster Care Independence Program | 93.674 | | 54,638 |
| Foster Care - Title IV-E | 93.658 | | 2,852,202 |
| Passed Through the New York State | | | |
| Office for Child and Family Services: | | | |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | 75,280 |
| Passed Through the New York State Office of | | | |
| Alcoholism and Substance Abuse Services: | | | |
| Block Grant for Prevention and | | | |
| Treatment of Substance Abuse | 93.959 | | 638,480 |
| Total U.S. Department of Health and Human Services | | | 25,725,754 |

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

| Federal Grantor/ Program Title | Federal CFDA Number | Pass Through Agency Number | Federal Expenditures |
|--|---------------------------|----------------------------------|-----------------------------|
| <u>U.S. Department of Homeland Security:</u> | | | |
| Passed Through New York State Office of Homeland Security: | | | |
| Homeland Security Cluster: | | | |
| Homeland Security Grant Program | | | |
| EMPG | 97.067 | T172045 | 47,246 |
| SICG | 97.067 | C198385 | 363,634 |
| PSAP | 97.067 | C198423 | 62,522 |
| FY 11 SHSP | 97.067 | C973510 | 114,616 |
| FY12 SHSP | 97.067 | C973520 | 103,500 |
| FY 13 | 97.067 | C973530 | <u>11,574</u> |
| Total Homeland Security Cluster | | | 703,092 |
| Passed Through New York State Division of Criminal Justice: | | | |
| State Homeland Security Program: | | | |
| Stonegarden | 97.073 | C172039 | 333,693 |
| LETPP | 97.073 | T973532 | 116,067 |
| Byrne Jag | 97.073 | T632451 | <u>31,586</u> |
| | | | 481,346 |
| Emergency Food and Shelter National Board Program | 97.024 | | 11,000 |
| Hazard Mitigation Grant | 97.039 | | <u>64,856</u> |
| Total U.S. Department of Homeland Security | | | <u>1,260,294</u> |
| Total | | | <u><u>\$ 31,399,562</u></u> |

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

See Independent Auditor's Report and Notes

ST. LAWRENCE COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

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 | \$ 586,763 |



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, 2014, 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 October 1, 2015. 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*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2014-002, 2014-003, 2014-004, 2014-005 and 2014-006).

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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs. (2014-001, 2014-002, 2014-003 and 2014-006).

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

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

Purpose of This Report

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

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

October 1, 2015

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, 2014. 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, 2014, because the entities engaged other auditors for the year ended December 31, 2014, 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, 2014.

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

October 1, 2015

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2014

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

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, 2014

Section I – Summary of Auditor’s Results – Continued

II. Federal Awards – Continued

D. The County’s major programs were:

| | <u>**CFDA Number</u> |
|--|--------------------------|
| <u>U.S. Department of Health and Human Services:</u> | |
| Passed Through the New York State Office of Temporary and Disability Assistance: | |
| TANF Cluster: | |
| Temporary Assistance for Needy Families | 93.558 |
| Low-Income Home Energy Assistance | 93.568 |
| Social Services Block Grant | 93.667 |

E. Dollar threshold used to distinguish between Type A and Type B programs is \$941,987.

F. The auditee does not qualify as a low-risk auditee.

**CFDA numbers and determination of clusters based upon OMB Circular A-133 Compliance Supplement dated March 2014.

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2014

Section II – Financial Statement Findings

| <u>Number/Finding/NonCompliance</u> | <u>Questioned Costs</u> |
|---|-----------------------------|
| No. 2014-001 | 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 2013.</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. 2014-002 | N/A |
| <p><u>Criteria:</u> Total expenditures per budget "object" (line item) may not exceed the budgeted amount without obtaining budget amendments approved by the board of legislators.</p> <p><u>Condition:</u> While performing a test of budget overruns to budget amendment approvals, it was noted that several budget overruns occurred which did not have an approved budget amendment. The aggregate of the budget overruns noted during testing was \$158,736.</p> <p><u>Cause of Condition:</u> Controls built into the computer system (MUNIS) do not permit a budget to be exceeded without it being intentionally overridden by an employee. Upon discussion with management, it was determined that a management employee had overridden the computer system to allow budget overruns.</p> <p><u>Effect of Condition:</u> By allowing budget overruns without prior approval, the County had the potential of overspending for 2014, which could have resulted in a significantly higher negative change in net position.</p> | |

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2014

Section II - Financial Statement Findings – Continued

Number/Finding/Non Compliance

Questioned
Costs

No. 2014-002 - Continued

Recommendation: It must be stressed within the treasurer's office, that budget amendments must be approved by the board of legislators prior to incurring an expenditure that will cause a budget line item to be exceeded. In addition, the ability to override the computer system should be locked, if possible, and require two management employees to approve an override and only then in an unusual circumstance.

Management Response: Management indicated that one management employee overrode the system. Employees will be advised to not override the system in the future.

No. 2014-003

N/A

Criteria: Office of the New York State Controller's Local Government Management Guide for Capital Assets indicates that every local government should have a complete up-to-date inventory of capital assets to ensure that physical control and accountability are maintained over capital assets.

Condition: It was noted that capital asset balances are not maintained in a control ledger.

Cause of Condition: Lack of a formal system to account for capital asset balances.

Effect of Condition: The lack of a system to track capital asset balances could result in an understatement of capital assets and/or the misappropriation of assets.

Recommendation: We recommend that the County begin to use a capital asset tracking program integrated with a tag system.

Management Response: Management agrees that an asset tracking system is needed and plans to implement one using the MUNIS computer system.

No. 2014-004

N/A

Criteria: Generally accepted accounting principles require the recording of compensated absences and that beginning balances in a liability account agree to the ending balance for the prior period.

Condition: It was noted during our 2014 audit procedures that the 2014 beginning balances for compensated absences did not agree to the 2013 ending balances.

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Findings and Questioned Costs

Year Ended December 31, 2014

Section II - Financial Statement Findings – ContinuedNumber/Finding/Non ComplianceQuestioned
Costs

No. 2014-004 - Continued

Cause of Condition: During 2013, the County changed computer programs, which resulted in errors in the transfer of accrued compensated absence hours from the previous software system in the amount of \$278,748, which were corrected by the treasurer's office in 2014.

Effect of Condition: The failure to agree the compensated absence balance from one year to the next could result in a potential misstatement of the liability.

Recommendation: The treasurer's office should review all compensated absence records for 2014 going forward to ensure their accuracy.

Management Response: The treasurer office will work with the human resources department to reconcile the balances to ensure accurate reporting.

No. 2014-005

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 \$483,334 in cash received for snow and ice removal in 2014 was recorded as 2014 revenue when it was already recorded as accounts receivable and revenue in 2013.

Cause of Condition: The cause of the condition was an oversight; however it is also similar to finding 2013-03 in 2013.

Effect of Condition: The assets and revenue for 2014 were overstated by \$483,334. An adjusting entry was made in 2014 to correct the balances.

Recommendation: Since the recording of revenue in the proper year continues to be an issue, we recommend that accounting personnel have a refresher training course in the modified accrual basis of accounting. In the future, revenue should be recorded upon submission of the Snow and Ice Report to New York State to avoid confusion when cash is received.

Management Response: County management agreed with the auditor's finding.

ST. LAWRENCE COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2014

Section II - Financial Statement Findings – Continued

Number/Finding/Non Compliance

Questioned
Costs

No. 2014-006

N/A

Criteria: Generally accepted accounting principles require that expenditures should be accrued if measurable and if the service has been performed.

Condition: During the 2014 search for unrecorded liabilities, it was noted that \$232,053 in accounts payable failed to be recorded during 2014. An adjusting journal entry was made to record the payable.

Cause of Condition: This is a repeat finding from 2012 and 2013.

Effect of Condition: The payables and expenses were understated by \$232,053.

Recommendation: A thorough review of invoices near the end of the year should be done to ensure that payables are recorded in proper period.

Management Response: The County Administrator will discuss the issue with the purchasing department.

ST. LAWRENCE COUNTY, NEW YORK

Schedule of Status of Findings and Questioned Costs

From 2013 Report

No. 2013-01

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 2014 (2014-001).

No. 2013-02

Condition: Bank reconciliations were not prepared timely.

Status: This practice was corrected in 2014.

No. 2013-03

Condition: All liabilities for the self-insurance fund were not recorded at year end.

Status: There is a similar finding in 2014 relating to a capital project account payable (No. 2014-006).

No. 2013-04

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

Status: This was a similar finding in 2014. (No. 2014-005).