

**COUNTY OF JEFFERSON,
NEW YORK**

*Basic Financial Statements, Required
Supplementary Information, Supplemental
Schedules and Federal Assistance Information
for the Year Ended December 31, 2013 and
Independent Auditors' Reports*

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FINANCIAL SECTION

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable County Executive and County Legislature
County of Jefferson, 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 County of Jefferson, New York (the "County") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jefferson County Community College and Jefferson County Industrial Development Agency, which are shown as discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 the County, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, 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 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 County's basic financial statements. The Supplemental Information, as listed in the table of contents, and the accompanying Schedule of Expenditures of Federal, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2014 on our consideration of the County'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 the County's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Duescher & Malachi LLP". The signature is written in a cursive, flowing style.

July 29, 2014

COUNTY OF JEFFERSON, NEW YORK
Management's Discussion and Analysis
Year Ended December 31, 2013

As management of the County of Jefferson (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information contained in the financial statements and notes to the financial statements. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities at December 31, 2013 by \$70,570,893 (net position) compared to \$92,505,363 at December 31, 2012. The County anticipates net position to continue to decrease due to the effect of recognizing the other postemployment benefits liability.
- The County's total net position decreased by \$21,934,470. Governmental Activities decreased the County's net position by \$21,806,172, while the net position of the County's Business-type Activities decreased \$128,298.
- As of December 31, 2013, the County's Governmental Funds reported combined fund balances of \$48,205,063, a decrease of \$1,946,037 in comparison with the prior year. General Fund fund balance of \$3,491,521 is available to meet the County's current and future needs (unassigned fund balance).
- The General Fund recorded a decrease of \$3,399,487 for the year ended December 31, 2013 and ended the year with a fund balance of \$33,725,049. Of this, \$7,513,863 is considered nonspendable, \$2,743,736 is restricted, and \$19,975,929 is assigned for other specified purposes by County management.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish function of the County that principally are supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation and home and community services. The business-type activities include solid waste management.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Community College and an Industrial Development Agency for which the County is financially accountable. Financial information presented for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and the fiduciary fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund, County Road Fund, Road Machinery Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund, which is considered a major fund, to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds. The County maintains one proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses an enterprise fund to account for its Solid Waste Facility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of the funds are not available to support the County's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The County maintains one type of fiduciary funds. The Agency Fund reports resources held by the County in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statement can be found on page 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's budgetary comparison schedule for the General Fund and postemployment benefits obligation. Required supplementary information can be found on pages 57-59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. The additional required supplementary information can be found on pages 60-61 of this report.

The Federal Awards section presents the County's Schedule of Expenditures of Federal Awards. This section can be found on pages 62-75 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities of the primary government by \$70,570,893 at the close of the most recent fiscal year.

The County's combined net position for fiscal year ended December 31, 2013 decreased from \$92,505,363 to \$70,570,893. By far, the largest portion of the County's net position, \$129,544,962, reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$3,401,268, represents resources subject to external restrictions on how they may be used and are reported as restricted net position. The remaining category of total net position, \$62,375,337, is considered to be an unrestricted net deficit.

Our analysis below focuses on the net position (Table 1), of the County's Governmental and Business-type Activities.

Table 1—Condensed Statements of Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2011
Current assets	\$ 78,765,224	\$ 84,148,299	\$ 638,062	\$ 912,425	\$ 79,403,286	\$ 85,060,724
Noncurrent assets	1,152,573	1,415,110	-	-	1,152,573	1,415,110
Capital assets	<u>136,130,010</u>	<u>135,404,488</u>	<u>3,324,952</u>	<u>3,322,599</u>	<u>139,454,962</u>	<u>138,727,087</u>
Total assets	<u>216,047,807</u>	<u>220,967,897</u>	<u>3,963,014</u>	<u>4,235,024</u>	<u>220,010,821</u>	<u>225,202,921</u>
Deferred outflows of resources	<u>1,263,434</u>	<u>1,385,746</u>	<u>-</u>	<u>-</u>	<u>1,263,434</u>	<u>1,385,746</u>
Current liabilities	23,214,083	25,249,718	107,475	157,139	23,321,558	25,406,857
Noncurrent liabilities	<u>126,339,932</u>	<u>107,540,527</u>	<u>1,041,872</u>	<u>1,135,920</u>	<u>127,381,804</u>	<u>108,676,447</u>
Total liabilities	<u>149,554,015</u>	<u>132,790,245</u>	<u>1,149,347</u>	<u>1,293,059</u>	<u>150,703,362</u>	<u>134,083,304</u>
Net position:						
Net investment in capital assets	126,220,010	123,374,488	3,324,952	3,322,599	129,544,962	126,697,087
Restricted	3,067,893	3,137,510	333,375	332,995	3,401,268	3,470,505
Unrestricted	<u>(61,530,677)</u>	<u>(36,948,600)</u>	<u>(844,660)</u>	<u>(713,629)</u>	<u>(62,375,337)</u>	<u>(37,662,229)</u>
Total net position	<u>\$ 67,757,226</u>	<u>\$ 89,563,398</u>	<u>\$ 2,813,667</u>	<u>\$ 2,941,965</u>	<u>\$ 70,570,893</u>	<u>\$ 92,505,363</u>

Table 2, presented below, shows the changes in net position for the years ended December 31, 2013 and December 31, 2012.

Table 2—Condensed Statements of Changes in Net Position—Primary Government

	Governmental activities		Business-type activities		Total	
	Years Ended December 31,		Years Ended December 31,		Years Ended December 31,	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues	\$ 67,186,816	\$ 71,611,483	\$ 2,674,596	\$ 2,732,028	69,861,412	74,343,511
General revenues	<u>132,065,060</u>	<u>128,512,773</u>	<u>41,674</u>	<u>53,319</u>	<u>132,106,734</u>	<u>128,566,092</u>
Total revenues	<u>199,251,876</u>	<u>200,124,256</u>	<u>2,716,270</u>	<u>2,785,347</u>	<u>201,968,146</u>	<u>202,909,603</u>
Total expenses	<u>221,058,048</u>	<u>219,310,301</u>	<u>2,844,568</u>	<u>2,662,735</u>	<u>223,902,616</u>	<u>281,498,545</u>
Change in net position	(21,806,172)	(19,186,045)	(128,298)	122,612	(21,934,470)	(78,588,942)
Net position—beginning, as previously stated	89,563,398	108,199,486	2,941,965	2,819,353	92,505,363	111,018,839
Restatement	<u>-</u>	<u>549,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,957</u>
Net position—beginning, as restated	<u>89,563,398</u>	<u>108,749,443</u>	<u>2,941,965</u>	<u>2,819,353</u>	<u>92,505,363</u>	<u>111,568,796</u>
Net position—ending	<u>\$ 67,757,226</u>	<u>\$ 89,563,398</u>	<u>\$ 2,813,667</u>	<u>\$ 2,941,965</u>	<u>\$ 70,570,893</u>	<u>\$ 92,505,363</u>

Governmental activities decreased the County's net position by \$21,806,172. The decrease is 13.7% greater than the decrease experienced for the year ended December 31, 2012. The decrease in net position is primarily due to the accrual of OPEB as required by GASB Statement No. 45. Operations of the business-type activity decreased the County's net position by \$128,298 for the year ended December 31, 2013.

A summary of sources of revenues for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 3.

Table 3—Summary of Sources of Revenues—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2013	2012	Dollars	Percent
Charges for services	\$ 14,680,005	\$ 21,565,796	\$ (6,885,791)	(31.9)
Operating and capital grants	44,725,417	41,579,259	3,146,158	7.6
Capital grants and contributions	7,781,394	8,466,428	(685,034)	(8.1)
Property taxes and tax items	52,206,082	50,597,289	1,608,793	3.2
Non-property taxes	72,003,621	73,156,358	(1,152,737)	(1.6)
Other general revenues	7,855,357	4,759,126	3,096,231	65.1
Total revenues	<u>\$ 199,251,876</u>	<u>\$ 200,124,256</u>	<u>\$ (872,380)</u>	(0.4)

The most significant source of revenues is non-property taxes, which accounts for \$72,003,621, or 36.1 percent, of total governmental activities revenues, for the year ended December 31, 2013, and \$73,156,358, or 36.6 percent, of total governmental activities revenues, for the year ended December 31, 2012. The next largest source of revenue is property taxes and items, which comprises 26.2 percent and 25.3 percent of total governmental activities revenues for the years ended December 31, 2013 and 2012, respectively.

Revenues during the year ended December 31, 2013 decreased by 0.4 percent from the year ended December 31, 2012. Variances in revenues were largely due to the following:

- Charges for services for public health decreased by \$5.5 million. These were offset in part by increases in public health operating grants of \$3.9 million.
- Property tax and tax items increased \$1.6 million, due to an increase in the property tax levy.
- Non-property tax revenues decreased by \$1.2 million largely due to a decrease in sales tax collections.

As presented in Table 4 on the following page, the County's significant expense items for governmental activities were economic assistance and opportunity of \$75,680,329 or 34.2 percent, of total governmental activities expenses, general government support of \$60,511,857 or 27.4 percent, of total governmental activities expenses, public safety of \$32,435,301 or 14.7 percent, of total governmental activities expenses, transportation of \$20,943,470, or 9.5 percent, of total governmental activities expenses, and public health of \$16,967,770 or 7.7 percent of total governmental activities expenses for the year ended December 31, 2013. Similarly, for the year ended December 31, 2012 significant expense items were economic assistance and opportunity of \$76,189,652, or 34.7 percent, of total governmental activities expenses, general government support of \$60,895,783, or 27.8 percent, of total governmental activities expenses, public safety of \$31,013,774, or 14.1 percent, of total governmental activities expenses,

transportation of \$18,757,689, or 8.6 percent, of total governmental activities expenses, and public health of \$15,887,253, or 7.2 percent, of total governmental activities expenses for the year ended December 31, 2012.

Table 4—Summary of Program Expenses—Governmental Activities

	Year Ended December 31,		Increase/(decrease)	
	2013	2012	Dollars	Percent
General government support	\$ 60,511,887	\$ 60,895,783	\$ (383,896)	(0.6)
Education	10,722,133	11,995,865	(1,273,732)	(10.6)
Public safety	32,435,301	31,013,774	1,421,527	4.6
Public health	16,967,770	15,887,253	1,080,517	6.8
Transportation	20,943,470	18,757,689	2,185,781	11.7
Economic assistance and opportunity	75,680,329	76,189,652	(509,323)	(0.7)
Culture and recreation	364,198	363,764	434	0.1
Home and community services	2,885,475	3,582,192	(696,717)	(19.4)
Interest on long-term debt	547,485	624,329	(76,844)	(12.3)
Total program expenses	<u>\$ 221,058,048</u>	<u>\$ 219,310,301</u>	<u>\$ 1,747,747</u>	0.8

Significant changes in the County's expenses from 2012 to 2013 are identified as follows:

- Transportation expenses increased \$2.2 million partially due to increased fuel costs and rising employee costs.
- Expenses for public safety increased by \$1.4 million or 4.5%. There were multiple factors; personal services increased due to contractual obligations, several years of contracts were resolved and back pay and the accompanying benefits were paid. There was a significant increase in overtime in 2013 as well. The cost of outboarding prisoners to other facilities due to overcrowding was another factor in this increase.

Business-type Activity. Its business-type activity decreased the County's net position by \$128,298 due to normal operations. Table 5, as presented below, shows the changes in net position for the years ended December 31, 2013 and December 31, 2012.

Table 5—Condensed Statement of Revenues, Expenses and changes in Net Position —Business-type Activity

	Year Ended December 31,		Increase/(decrease)	
	2013	2012	Dollars	Percent
Revenues:				
Program revenues	\$ 2,674,596	\$ 2,732,028	\$ (57,432)	(2.1)
General revenues (expenses)	41,674	53,319	(11,645)	(21.8)
Total revenues	<u>2,716,270</u>	<u>2,785,347</u>	<u>(69,077)</u>	(2.5)
Total expenses	<u>2,844,568</u>	<u>2,662,735</u>	<u>181,833</u>	6.8
Change in net assets	(128,298)	122,612	(250,910)	n/a
Net assets—beginning	<u>2,941,965</u>	<u>2,819,353</u>	<u>122,612</u>	4.3
Net assets—ending	<u>\$ 2,813,667</u>	<u>\$ 2,941,965</u>	<u>\$ (128,298)</u>	(4.4)

Revenues relating to the County’s business-type activity decreased by 2.5 percent and expenses increased 6.8 percent for the year ended December 31, 2013, from the year ended December 31, 2012.

A summary of sources of revenues and expenditures for the County’s business-type activity for the years ended December 31, 2013 and December 31, 2012 is presented below in Table 6.

Table 6—Summary of Sources of Revenues and Expenditures—Business-type Activity

	Year Ended December 31,		Increase/(decrease)	
	2013	2012	Dollars	Percent
Charges for services	\$ 2,594,596	\$ 2,640,032	\$ (45,436)	(1.7)
Operating grants and contributions	80,000	91,996	(11,996)	(13.0)
General revenues (expenses)	41,674	53,319	(11,645)	(21.8)
Total program revenues	<u>\$ 2,716,270</u>	<u>\$ 2,785,347</u>	<u>\$ (69,077)</u>	(2.5)
Solid waste management expenditures	<u>\$ 2,844,568</u>	<u>\$ 2,662,735</u>	<u>\$ 181,833</u>	6.8

Financial Analysis of the Government’s Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the County’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the County’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the County Legislature.

As of the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of \$48,205,063, a decrease of \$1,946,037 in comparison with the prior year. *Unassigned fund balance* is \$3,491,521 or approximately 1.7 percent of total governmental expenditures. Additionally, the County’s *assigned fund balances* total \$34,265,885 or 16.8 percent of total governmental expenditures. Together, *unassigned* and *assigned fund balance* represents \$37,757,406, or 17.1 percent of total governmental expenditures. *Restricted fund balance* of \$2,752,783 represent resources that’s spending is restricted for a special purpose. *Nonspendable* amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. *Nonspendable* fund balance consists of \$6,625,777 of prepaid items, \$69,097 of inventory, and \$1,000,000 representing a long term receivable at December 31, 2013.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$3,491,521, while total fund balance was \$33,725,049. The General Fund fund balance decreased \$3,399,487 from the prior year, \$6,438,427 less than the \$9,837,914 appropriation. As a measure of the General Fund’s liquidity, it may be useful to compare both *unassigned fund balance* and total fund balance to total expenditures. *Unassigned fund balance* represents 1.8 percent of General Fund expenditures and transfers out, while total fund balance represents 17.6 percent of that same amount.

The fund balance in the Capital Projects Fund increased \$1,068,012 from December 31, 2012. The increase is the result of transfers from other funds and state and federal revenues exceeding capital outlay.

Proprietary fund. The County’s proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

The net position of Solid Waste Management Fund (the County’s only enterprise fund) at December 31, 2013, amounted to \$2,813,667 and the unrestricted net position deficit was \$844,660. The operating activities of the Solid Waste Management Fund for 2013 showed an operating loss of \$216,172 and the nonoperating revenues and expenses netted to total nonoperating revenue of \$87,874. At December 31, 2013, the Fund reports a noncurrent interfund loan from the General Fund of \$1,000,000.

General Fund Budgetary Highlights

The County adopts an annual appropriated budget for all governmental funds, except the Capital Projects Fund. A budgetary comparison schedule for the General Fund has been provided in the Required Supplementary Information section of this report to demonstrate compliance with the budget.

A summary of the General Fund results of operations for the year ended December 31, 2013 is presented in Table 7 below:

Table 7—Summary of General Fund Results of Operations

	<u>Budgeted Amounts</u>		<u>Budgetary Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other financing sources	\$ 189,515,333	\$ 191,799,573	\$ 188,438,570	\$ (3,361,003)
Expenditures and other financing uses	<u>199,353,247</u>	<u>203,566,736</u>	<u>192,071,559</u>	<u>11,495,177</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (9,837,914)</u>	<u>\$ (11,767,163)</u>	<u>\$ (3,632,989)</u>	<u>\$ 8,134,174</u>

Original budget compared to final budget. During the year, the budget is modified, primarily to reflect the acceptance of new state and federal grants. These grants explain the majority of increases in appropriations and revenue from the original adopted budget final budget. Significant grants for which the budget was modified were for transportation improvements (both for roads, bridges and the airport) and homeland security.

Final budget compared to actual results. The General Fund had a favorable variance from final budgetary appropriations of \$11,399,806. The primary positive variances were realized in economic assistance and opportunity, general government support, public health, and public safety.

Capital Assets and Debt Administration

Capital assets. The County’s investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounts to \$139,454,962 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, infrastructure, and machinery and equipment.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets net of depreciation for the governmental activities and business-type activities at the years ended December 31, 2013 and December 31, 2012 are presented in Table 8 on the following page.

Table 8—Summary of Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,419,686	\$ 2,419,686	\$ 12,415	\$ 12,415	\$ 2,432,101	\$ 2,432,101
Construction in progress	1,792,883	5,836,631	-	-	1,792,883	5,836,631
Buildings and building improvements	47,138,510	48,604,963	2,386,109	2,435,447	49,524,619	51,040,410
Equipment	8,952,170	8,347,524	926,428	874,738	9,878,598	9,222,262
Infrastructure	75,826,761	70,195,685	-	-	75,826,761	70,195,685
Total	\$ 136,130,010	\$ 135,404,489	\$ 3,324,952	\$ 3,322,600	\$ 139,454,962	\$ 138,727,089

The County's infrastructure assets are recorded at historical cost or estimated historical cost in the government-wide financials statements. The County has elected to depreciate its infrastructure assets. Additional information on County's capital assets can be found in Note 4 of this report.

Major capital asset events during the current fiscal year included the following:

- ◆ Construction in progress as of December 31, 2013 was \$1.8 million. \$5.6 million was removed during the year from construction in progress and put into service, mainly ongoing airport projects.
- ◆ Various machinery and equipment additions as well as building and infrastructure improvements were purchased at the cost of \$8.5 million for governmental activities and \$271,061 for business-type activities.

Debt Administration. In 2013, the County's debt, as reported on the County-wide statement of net position, continues to reflect a dramatic change, due to the requirements of GASB Statement No. 45. GASB requires that the County recognize, according to a prescribed calculation, its obligation for Other Postemployment Benefits ("OPEB"). In the case of Jefferson County, this obligation consists of health benefits promised to its current and future retirees. Based on a study of the County's numerous benefit packages and the affected population, actuaries have determined the value of these benefits earned in prior years, as well as the value earned during 2013.

This obligation is a commitment the County has made to its employees pursuant to contract negotiations. As health costs have risen dramatically over the past several years, County management has attempted to address these costs as new contracts have been negotiated. Newer contracts require greater employee contributions and increased length of employment to qualify for retiree health benefits.

Outstanding debt in other areas changed as follows:

- Outstanding bonded indebtedness decreased \$2,611,955. In the business-type activity, there was no outstanding debt in 2013.

Table 9—Debt and Long-Term Liabilities

	Governmental activities		Business-type activities		Total	
	December 31,		December 31,		December 31,	
	2013	2012	2013	2012	2013	2012
Net bonds payable	\$ 13,673,726	\$ 16,285,681	\$ -	\$ -	\$ 13,673,726	\$ 16,285,681
Compensated absences	2,261,430	2,258,703	41,872	35,920	2,303,302	2,294,623
Claims and judgements	9,256,236	9,249,761	-	-	9,256,236	9,249,761
OPEB	101,148,540	79,746,382	-	-	101,148,540	79,746,382
Total	<u>\$ 126,339,932</u>	<u>\$ 107,540,527</u>	<u>\$ 41,872</u>	<u>\$ 35,920</u>	<u>\$ 126,381,804</u>	<u>\$ 107,576,447</u>

The County carries an Aa3 rating from Moody's.

Economic Factors and Next Year's Budgets and Rates

- Over the past several years the County has experienced consistent population growth and an upswing in economic, employment and construction activity. As a result of the 10th Mountain Division's 3rd Brigade transformation, which is now complete at Fort Drum, over 19,000 soldiers have been assigned to Fort Drum. Over the past year, the 10th Mountain Division soldiers are not deployed as much due to a shortening of the length of deployment and the time between deployments has been lengthened. These cycles continue to impact the local housing market, especially the rental market, with notable variations in demand. It is estimated that in addition to soldiers assigned to Fort Drum, an additional 20,000 family members accompany the soldiers at any given time. In the event of a lengthy deployment, family members tend to return to their original home areas.
- Commercial, retail, and service industries have continued to grow in the County and remain notably stronger economic segments as compared to similarly-sized nearby rural counties. Recently completed local projects include a Fairfield Inn and Suites, a Regal 12 screen theatre complex, and new eating establishments near Exit 45 off Interstate 81 in Watertown. Such new commercial investments are supported by the County's growing population base, as well as for nearby Canadian shoppers and visitors.
- Construction has been completed on a new four lane limited access highway (I781) that connects Interstate 81, US Route 11, and the Fort Drum main gate. Another significant local transportation development is the continued upgrade of the terminal and runways at Watertown International Airport. Due in part to these upgrades and the growth in the County, the airport has a contract with US Airways for direct flights to Philadelphia, PA.
- In 2014, the County Retirement Home was demolished as the residents were transferred to the new Samaritan Summit in early 2013. Most employees were either placed or retired as a result of this event.
- The 2012 U.S. Census Bureau estimates the population for Jefferson County was 116,229, which is a 4 percent increase from the 2000 census of 111,738.
- The County's 2014 budget set the full value property tax rate at \$6.58 per thousand which is a 0.17 percent increase from the prior year.

- The County also considered that sales tax revenues will continue to be stagnant through 2014 as it was in 2013. Increased use of internet sales can be attributed to this stagnation. Legislation is being introduced to require sales tax to be assessed to sales from internet purchases.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jefferson County Treasurer's Office, 175 Arsenal Street, Watertown, New York 13601.

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BASIC FINANCIAL STATEMENTS

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COUNTY OF JEFFERSON, NEW YORK
Statement of Net Position
December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Jefferson Community College August 31, 2013	Industrial Development Agency September 30, 2013
ASSETS					
Current assets:					
Cash	\$39,307,602	\$ 57,127	\$39,364,729	\$ 7,973,692	\$ 3,718,017
Restricted cash	3,328,925	333,375	3,662,300	-	1,795,328
Receivables (net of allowances for estimated uncollectible amounts):					
Taxes	9,657,477	-	9,657,477	-	-
Accounts receivable	4,073,872	224,959	4,298,831	7,027,001	527,103
Intergovernmental receivables	15,681,799	13,836	15,695,635	442,269	-
Internal balances	20,675	(20,675)	-	-	-
Prepaid items	6,625,777	29,440	6,655,217	270,815	5,873
Capital lease receivable, current portion	-	-	-	-	79,646
Loans and notes receivable, net	-	-	-	-	3,669,947
Inventories	69,097	-	69,097	559,057	-
Total current assets	<u>78,765,224</u>	<u>638,062</u>	<u>79,403,286</u>	<u>16,272,834</u>	<u>9,795,914</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	-	-	165,478	-
Notes receivable, long-term portion	-	-	-	-	28,971
Interfund loan	1,000,000	(1,000,000)	-	-	-
Due from other governments, long term portion	152,573	-	152,573	-	-
Cost of bond issuance	-	-	-	650,578	-
Investments	-	-	-	4,736,817	-
Loans receivable, long-term portion	-	-	-	-	1,085,682
Capital assets:					
Land and construction in progress	4,212,569	12,415	4,224,984	2,876,685	433,902
Other, capital assets net of accumulated depreciation	<u>131,917,441</u>	<u>3,312,537</u>	<u>135,229,978</u>	<u>17,870,649</u>	<u>153,732</u>
Total noncurrent assets	<u>137,282,583</u>	<u>2,324,952</u>	<u>139,607,535</u>	<u>26,300,207</u>	<u>1,702,287</u>
Total assets	<u>216,047,807</u>	<u>2,963,014</u>	<u>219,010,821</u>	<u>42,573,041</u>	<u>11,498,201</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding bonds	496,174	-	496,174	-	-
Excess consideration provided for acquisition	767,260	-	767,260	-	-
PILOT monies receivable	-	-	-	-	179,896
Total deferred outflows of resources	<u>1,263,434</u>	<u>-</u>	<u>1,263,434</u>	<u>-</u>	<u>179,896</u>
LIABILITIES					
Current liabilities:					
Accounts payable	9,707,636	107,475	9,815,111	295,432	61,939
Retainages payable	61,389	-	61,389	-	-
Accrued liabilities	572,923	-	572,923	220,612	-
Interest payable	150,823	-	150,823	42,915	3,111
Due to other governments	12,017,641	-	12,017,641	3,262,095	-
Unearned revenue	591,142	-	591,142	6,283,474	-
Other liabilities	112,529	-	112,529	127,435	38,502
Total current liabilities	<u>23,214,083</u>	<u>107,475</u>	<u>23,321,558</u>	<u>10,231,963</u>	<u>103,552</u>
Noncurrent liabilities:					
Due within one year	2,375,027	2,094	2,377,121	59,025	80,736
Due in more than one year	<u>123,964,905</u>	<u>39,778</u>	<u>124,004,683</u>	<u>20,138,631</u>	<u>209,131</u>
Total noncurrent liabilities	<u>126,339,932</u>	<u>41,872</u>	<u>126,381,804</u>	<u>20,197,656</u>	<u>289,867</u>
Total liabilities	<u>149,554,015</u>	<u>149,347</u>	<u>149,703,362</u>	<u>30,429,619</u>	<u>393,419</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues—grants	-	-	-	792,984	-
Net investment in capital assets	126,220,010	3,324,952	129,544,962	19,469,590	587,634
Restricted for:					
Long-term receivable restricted for debt service	315,110	-	315,110	-	-
General Fund restrictions	2,743,736	-	2,743,736	-	-
Debt Service restrictions	9,047	-	9,047	-	-
Capital projects	-	333,375	333,375	-	-
Law enforcement and prosecution	-	-	-	-	-
Community College-nonexpendable	-	-	-	3,163,283	-
Community development	-	-	-	-	5,434,001
Unrestricted	<u>(61,530,677)</u>	<u>(844,660)</u>	<u>(62,375,337)</u>	<u>(12,801,663)</u>	<u>5,083,147</u>
Total net position	<u>\$67,757,226</u>	<u>\$ 2,813,667</u>	<u>\$70,570,893</u>	<u>\$ 11,350,438</u>	<u>\$ 11,104,782</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Statement of Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Jefferson Community College	Industrial Development Agency	
					Governmental Activities	Business-type Activities	August 31, 2013	September 30, 2013	
Primary government:									
Governmental activities:									
General government support	\$ 60,511,887	\$ 3,630,385	\$ 528,169	\$ 10,563	\$ (56,342,770)	\$ -	\$ (56,342,770)	\$ -	\$ -
Education	10,722,133	101,851	-	237,844	(10,382,438)	-	(10,382,438)	-	-
Public safety	32,435,301	1,601,422	1,374,218	85,425	(29,374,236)	-	(29,374,236)	-	-
Public health	16,967,770	4,368,633	10,056,643	-	(2,542,494)	-	(2,542,494)	-	-
Transportation	20,943,470	1,759,890	-	7,447,562	(11,736,018)	-	(11,736,018)	-	-
Economic assistance and opportunity	75,680,329	3,208,930	31,244,023	-	(41,227,376)	-	(41,227,376)	-	-
Culture and recreation	364,198	-	82,055	-	(282,143)	-	(282,143)	-	-
Home and community services	2,885,475	8,894	1,440,309	-	(1,436,272)	-	(1,436,272)	-	-
Interest and fiscal charges	547,485	-	-	-	(547,485)	-	(547,485)	-	-
Total governmental activities	<u>221,058,048</u>	<u>14,680,005</u>	<u>44,725,417</u>	<u>7,781,394</u>	<u>(153,871,232)</u>	<u>-</u>	<u>(153,871,232)</u>	<u>-</u>	<u>-</u>
Business-type activity:									
Solid waste management	2,844,568	2,594,596	80,000	-	-	(169,972)	(169,972)	-	-
Total primary government	<u>\$ 223,902,616</u>	<u>\$ 17,274,601</u>	<u>\$ 44,805,417</u>	<u>\$ 7,781,394</u>	<u>(153,871,232)</u>	<u>(169,972)</u>	<u>(154,041,204)</u>	<u>-</u>	<u>-</u>
Component Units:									
Jefferson Community College	\$ 39,869,715	\$ 11,109,452	\$ 12,568,847	\$ -	-	-	(16,191,416)	-	-
Industrial Development Agency	1,662,055	1,962,699	377,750	-	-	-	-	678,394	-
Total component units	<u>\$ 41,531,770</u>	<u>\$ 13,072,151</u>	<u>\$ 12,946,597</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(16,191,416)</u>	<u>678,394</u>	<u>-</u>
General revenues:									
Taxes:									
Property taxes, levied for general purpose					48,992,168	-	48,992,168	-	-
Property tax items					3,213,914	-	3,213,914	-	-
Sales taxes					71,365,541	-	71,365,541	-	-
Other taxes					638,080	-	638,080	-	-
Unrestricted grants and contributions					-	-	-	727,588	22,386
Use of money and property					462,212	2,600	464,812	548,222	27,191
Miscellaneous					5,690,496	31,600	5,722,096	4,913,020	-
State and federal appropriations					-	-	-	8,010,400	-
Sale of property and compensation for loss					1,655,257	-	1,655,257	-	-
Gain (loss) on sale of capital assets					47,392	7,474	54,866	-	(37,863)
Additions to permanent endowments					-	-	-	172,670	-
Total general revenues and transfers					<u>132,065,060</u>	<u>41,674</u>	<u>132,106,734</u>	<u>14,371,900</u>	<u>11,714</u>
Change in net position					(21,806,172)	(128,298)	(21,934,470)	(1,819,516)	690,108
Net position—beginning					<u>89,563,398</u>	<u>2,941,965</u>	<u>92,505,363</u>	<u>13,169,954</u>	<u>10,414,674</u>
Net position—ending					<u>\$ 67,757,226</u>	<u>\$ 2,813,667</u>	<u>\$ 70,570,893</u>	<u>\$ 11,350,438</u>	<u>\$ 11,104,782</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Balance Sheet—Governmental Funds
December 31, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$26,321,591	\$ 7,651,554	\$ 5,334,457	\$39,307,602
Restricted cash	3,121,729	198,149	9,047	3,328,925
Receivables (net of allowances for estimated uncollectible amounts):				
Taxes	9,657,477	-	-	9,657,477
Accounts receivable	2,565,171	117	1,008	2,566,296
Due from other funds	237,673	-	28,158	265,831
Interfund loan	1,000,000	-	-	1,000,000
Intergovernmental receivables	12,675,669	2,343,826	499,767	15,519,262
Inventory	69,097	-	-	69,097
Prepaid items	6,444,766	-	181,011	6,625,777
Total assets	<u>\$62,093,173</u>	<u>\$10,193,646</u>	<u>\$ 6,053,448</u>	<u>\$78,340,267</u>
LIABILITIES				
Accounts payable	\$ 8,447,449	\$ 529,035	\$ 731,152	\$ 9,707,636
Retainages payable	-	61,389	-	61,389
Accrued liabilities	572,923	-	-	572,923
Due to other governments	12,017,641	-	-	12,017,641
Due to other funds	12,801	-	232,355	245,156
Unearned revenue	377,993	198,149	15,000	591,142
Other liabilities	112,529	-	-	112,529
Total liabilities	<u>21,541,336</u>	<u>788,573</u>	<u>978,507</u>	<u>23,308,416</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues—grants	379,445	-	-	379,445
Unavailable revenues—property taxes	6,447,343	-	-	6,447,343
Total deferred inflows of resources	<u>6,826,788</u>	<u>-</u>	<u>-</u>	<u>6,826,788</u>
FUND BALANCES				
Nonspendable	7,513,863	-	181,011	7,694,874
Restricted	2,743,736	-	9,047	2,752,783
Assigned	19,975,929	9,405,073	4,884,883	34,265,885
Unassigned	3,491,521	-	-	3,491,521
Total fund balances (deficit)	<u>33,725,049</u>	<u>9,405,073</u>	<u>5,074,941</u>	<u>48,205,063</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$62,093,173</u>	<u>\$10,193,646</u>	<u>\$ 6,053,448</u>	<u>\$78,340,267</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Reconciliation of Balance Sheet—Governmental Funds
to the Statement of Net Position
December 31, 2013

Amounts reported for governmental activities in the statement of net position (page 15) are different because:

Fund balances—total governmental funds (page 17)		\$ 48,205,063
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$247,576,248 and the accumulated depreciation is \$111,446,238.		136,130,010
Other long-term assets are not available to pay for current period expenditures and, therefore, are either recorded as unearned revenue or deferred inflows of resources in the funds but are considered government-wide revenues:		
Deferred inflows of resources - grants	\$ 379,445	
Deferred inflows of resources - property taxes	<u>6,447,343</u>	6,826,788
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements. The deferred charge on refunding debt is \$660,449 and the accumulated interest expense is \$164,275.		496,174
The excess consideration for acquired assets that have a useful life extending beyond a single reporting period is recorded as an expenditure within the funds but recorded as a deferred outflow of resources on the government-wide financial statements.		
Deferred outflows of resources	<u>\$ 767,260</u>	767,260
Certain accrued revenues reported in the statement of net position are received after the availability period for recognition of revenue in the governmental funds.		
Long-term receivable	\$ 315,110	
Other receivable	<u>1,507,576</u>	1,822,686
Long-term liabilities, including bonds payable, other post-employment benefits ("OPEB"), compensated absences, and claims and judgments payable and are not due and payable in the current period and, therefore are not reported in the funds. The effect of these items are:		
Bonds payable	\$ (12,860,000)	
Compensated absences	(2,261,430)	
Claims and judgements payable	(9,256,236)	
Other post-employment benefits	<u>(101,148,540)</u>	(125,526,206)
To recognize interest accrual on long term debt. Accrued interest for general obligation bonds is \$150,823 at year end.		(150,823)
Bond premiums associated with refunding bonds are recorded as other financing sources in the fund financial statements and amortized over the life of the debt issuance or the bonds refunded for the government-wide statements. The bond premium is \$1,083,134 and the accumulated amortization is \$269,408.		<u>(813,726)</u>
Net position of governmental activities		<u>\$ 67,757,226</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds
Year Ended December 31, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Real property taxes	\$ 49,446,267	\$ -	\$ -	\$49,446,267
Real property tax items	3,213,914	-	-	3,213,914
Non property tax items	72,003,621	-	-	72,003,621
Departmental income	14,231,628	-	904,315	15,135,943
Intergovernmental charges	2,559,102	102,327	144,276	2,805,705
Use of money and property	355,729	-	106,483	462,212
Licenses and permits	43,354	-	2,060	45,414
Fines and forfeitures	282,720	-	-	282,720
Sale of property and compensation for loss	1,405,184	-	23,984	1,429,168
Miscellaneous	3,972,121	-	172,500	4,144,621
Interfund revenues	-	-	181,398	181,398
State aid	19,755,405	1,495,285	3,632,496	24,883,186
Federal aid	<u>21,352,325</u>	<u>2,752,776</u>	<u>2,806,041</u>	<u>26,911,142</u>
Total revenues	<u>188,621,370</u>	<u>4,350,388</u>	<u>7,973,553</u>	<u>200,945,311</u>
EXPENDITURES				
Current:				
General government support	54,173,459	-	-	54,173,459
Education	10,707,249	-	-	10,707,249
Public safety	21,884,433	-	632,832	22,517,265
Health	13,827,276	-	-	13,827,276
Transportation	1,875,908	-	12,391,911	14,267,819
Economic assistance and opportunity	64,775,728	-	2,339,636	67,115,364
Culture and recreation	341,185	-	-	341,185
Home and community services	1,191,938	-	1,386,834	2,578,772
Employee benefits	7,458,419	-	25,323	7,483,742
Debt service:				
Principal	-	-	2,480,000	2,480,000
Interest and fiscal charges	-	-	628,474	628,474
Capital outlay	<u>-</u>	<u>6,770,743</u>	<u>-</u>	<u>6,770,743</u>
Total expenditures	<u>176,235,595</u>	<u>6,770,743</u>	<u>19,885,010</u>	<u>202,891,348</u>
Excess (deficiency) of revenues over expenditures	<u>12,385,775</u>	<u>(2,420,355)</u>	<u>(11,911,457)</u>	<u>(1,946,037)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	71,011	3,559,378	14,266,895	17,897,284
Transfers out	<u>(15,856,273)</u>	<u>(71,011)</u>	<u>(1,970,000)</u>	<u>(17,897,284)</u>
Total other financing sources (uses)	<u>(15,785,262)</u>	<u>3,488,367</u>	<u>12,296,895</u>	<u>-</u>
Net change in fund balances	(3,399,487)	1,068,012	385,438	(1,946,037)
Fund balances—beginning	<u>37,124,536</u>	<u>8,337,061</u>	<u>4,689,503</u>	<u>50,151,100</u>
Fund balances—ending	<u>\$33,725,049</u>	<u>\$ 9,405,073</u>	<u>\$ 5,074,941</u>	<u>\$48,205,063</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds
to the Statement of Activities
Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances—total governmental funds (page 19) \$ (1,946,037)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital asset additions	\$ 8,497,237	
Depreciation expense	<u>(7,731,358)</u>	765,879

Loss on disposition of capital assets is recorded in the statement of activities but not in the statement for governmental funds. (40,357)

For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge on the government-wide statements and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. (80,461)

Governmental funds report excess consideration paid for assets as expenditures in the year of acquisition. However, in the County's statement of activities the cost of consideration is allocated over the estimated useful life and impaired accordingly. (41,851)

Certain tax and other revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.

Change in deferred inflows of resources - property taxes	\$ (454,099)	
Change in unearned revenue	(15,000)	
Change in deferred inflows of resources - grants	(1,226,853)	
Change in long-term receivable	(172,499)	
Change in other receivable	<u>175,016</u>	(1,693,435)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds, installment purchase debt and related items is as follows:

Principal payments on serial bonds	\$ 2,480,000	
Change in accrued interest	<u>29,495</u>	2,509,495

Premiums that are recorded as revenues on the governmental funds in the year of issuance are amortized on the government-wide statements. 131,955

In the statement of activities, certain operating expenses—other post employment benefits ("OPEB"), compensated absences (vacation & compensatory time) and judgments and claims—are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences is as follows:

Compensated absences	\$ (2,727)	
Claims and judgments	(6,475)	
Other post-employment benefits	<u>(21,402,158)</u>	<u>(21,411,360)</u>

Change in net position of governmental activities \$ (21,806,172)

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Statement of Net Position
Proprietary Fund
December 31, 2013

	Business-type Activities— Enterprise Fund
	Solid Waste Management
ASSETS	
Current assets:	
Cash	\$ 57,127
Restricted cash	333,375
Accounts receivable, net of allowances for estimated uncollectible amounts	224,959
Intergovernmental receivables	13,836
Prepaid items	29,440
Total current assets	658,737
Noncurrent assets:	
Capital assets not being depreciated:	
Land	12,415
Capital assets net of accumulated depreciation:	
Buildings and improvements	2,386,109
Machinery and equipment	926,428
Total noncurrent assets	3,324,952
Total assets	3,983,689
LIABILITIES	
Current liabilities:	
Accounts payable	107,475
Due to other funds	20,675
Total current liabilities	128,150
Noncurrent liabilities:	
Compensated absences-due within one year	2,094
Compensated absences-due in more than one year	39,778
Interfund loan	1,000,000
Total noncurrent liabilities	1,041,872
Total liabilities	1,170,022
NET POSITION	
Net investment in capital assets	3,324,952
Restricted for capital projects	333,375
Unrestricted	(844,660)
Total net position	\$ 2,813,667

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended December 31, 2013

	Business-type Activities— Enterprise Fund
	Solid Waste Management
Operating revenues:	
Charges for services	\$ 1,986,719
Recycling income	607,877
Miscellaneous	31,600
Total operating revenues	2,626,196
Operating expenses:	
Salaries, wages and employee benefits	924,351
Tipping fees	1,657,020
Depreciation	260,997
Total operating expenses	2,842,368
Operating loss	(216,172)
Nonoperating revenues (expenses):	
State aid and local grants	80,000
Investment earnings	2,600
Gain on sale of capital assets	7,474
Financing interest	(2,200)
Total nonoperating revenues (expenses)	87,874
Change in net position	(128,298)
Total net position—beginning	2,941,965
Total net position—ending	\$ 2,813,667

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Statement of Cash Flows
Proprietary Fund
Year Ended December 31, 2013

	Business-type Activities— Enterprise Fund
	Solid Waste Management
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from services provided	\$ 2,052,749
Receipts from other operating revenue	639,477
Payments to employees	(947,173)
Payments to suppliers	<u>(1,663,818)</u>
Net cash provided by operating activities	<u>81,235</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants received	196,920
Payments of long-term loan to other funds	<u>(79,325)</u>
Net cash provided by noncapital financing activities	<u>117,595</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital purchases	(271,061)
Proceeds of sales	15,185
Financing interest	<u>(2,200)</u>
Net cash used for capital and related financing activities	<u>(258,076)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>2,600</u>
Net cash provided by investing activities	<u>2,600</u>
Net decrease in cash and cash equivalents	(56,646)
Cash and cash equivalents—beginning	<u>467,823</u>
Cash and cash equivalents—ending	<u>\$ 411,177</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (216,172)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	260,997
Decrease in accounts receivable	66,030
(Increase) in prepaid items	(6,583)
Increase in accounts payable	(27,473)
Increase in accrued liabilities	(22,191)
Increase in compensated absences	<u>5,952</u>
Total adjustments	<u>297,407</u>
Net cash provided by operating activities	<u>\$ 81,235</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Statement of Net Position—Agency Funds
December 31, 2013

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 1,717,953</u>
Total assets	<u>\$ 1,717,953</u>
LIABILITIES	
Agency liabilities	<u>\$ 1,717,953</u>
Total liabilities	<u>\$ 1,717,953</u>

The notes to the financial statements are an integral part of this statement.

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COUNTY OF JEFFERSON, NEW YORK
Notes to the Financial Statements
Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Jefferson, New York (the “County”) have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental 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.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, 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.

Financial Reporting Entity

The County, which was established in 1805, is governed by County local law and other general laws of the State of New York and various local laws. The Board of Legislators is the legislative body responsible for overall operations, the Chairman of the Board serves as chief executive officer and the County Treasurer serves as chief fiscal officer. Independent elected officials of the County include 15 legislatures, the District Attorney, the County Clerk, the County Treasurer, and the County Sheriff.

The County provides mandated social service programs such as Medicaid and Temporary Assistance for Needy Families. The County also provides the following basic services: maintenance of County roads, health and social services (including Office for the Aging), public safety (including law enforcement, jail, probation, District Attorney and Public Defender), general administrative services, culture and recreation, solid waste management (including recycling) and among others, operation of a Community College and an airport.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units—The component unit columns in the basic financial statements include the financial data of the County’s two discretely presented component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

Jefferson Community College—The Jefferson Community College (the “College”) was established in 1961 with the County of Jefferson as the local sponsor under provisions of Article 126 of the Education Law. The College is administered by a Board of Trustees consisting of ten members, five appointed by the County governing body, four by the Governor and one student trustee. Also, the

College budget is subject to the approval of the County Board of Legislators and the County provides one half of capital costs for the College. Real property of the College vests with the County and bonds and notes for the College capital costs are issued by the County and represent County debt. Mandated by New York State Law, the fiscal year end for the College is August 31.

The County budget for 2013 included an appropriation of \$4,630,151 in support of the College budget for the College fiscal year ended August 31, 2013. The final amount was paid over to the College on February 28, 2013. In addition to the funds contributed for the support of the College budget for 2012-2013, the General Fund budget supports the debt service on the pre-2000 college capital improvement bond. This bond, along with other debt, was refunded into a 2011 series bond.

In 2005, the College began work on a new capital improvement plan for which the County has responsibility for the debt issued in 2006. In 2013, the County paid \$486,486 in debt service on the 2006 debt issue. The principal payment was \$360,000, and interest in the amount of \$126,486 was paid. Outstanding debt on this issue at December 31, 2013, was \$2,950,000.

Jefferson County paid \$368,232 to other New York State Community Colleges for its residents attending community colleges outside the County.

Included with the College's financial information are the Jefferson Community College Foundation, Faculty Student Association, and Student Association, component units of the College. Separate financial statements can be obtained from the College's administration office, 1220 Coffeen Street, Watertown, New York 13601.

Jefferson County Industrial Development Agency—The Jefferson County Industrial Development Agency (the "Agency") is a public benefit corporation created by Article 18A of New York State General Municipal Law to promote the economic welfare, recreation opportunities and prosperity of County inhabitants. Members of the Agency are appointed by the County Board of Legislatures which exercises no oversight responsibility for fiscal matters. The Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The County is not liable for agency bonds or notes.

In addition, the Agency administers a \$4,661,344 revolving loan fund, a \$525,094 micro-enterprise loan program which provides loans to small businesses, and a \$247,563 Watertown Economic Growth Fund which provides support to enterprises in the City of Watertown. These funds are used to provide loans to eligible businesses that save and create employment opportunities for residents of Jefferson County. The Agency works closely with Jefferson County Job Development Corporation ("JCJDC") through funding of certain programs for economic development activities. The Agency has no staff; staff is supplied by the JCJDC under contract.

Separate financial statements can be obtained by writing the Agency's administration office, 800 Starbuck Avenue, Suite 800, Watertown, New York 13601.

Basis of Presentation—Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, its proprietary fund, and its fiduciary fund, even though the latter is excluded from the government-wide financial statements.

As discussed earlier, the government has two discretely presented component units. While neither the Jefferson Community College or the Jefferson County Industrial Development Agency are considered to be a major component unit, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the government. Elimination of these changes would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation—Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- ◆ *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.
- ◆ *Capital Projects Fund*—The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment other than those financed by the enterprise fund. The County utilizes separate funds to account for capital projects benefiting the following programs: general government, public safety, transportation, sanitation, and recreation.

The County reports the following major enterprise fund:

- ◆ *Solid Waste Management Fund*—The Solid Waste Management Fund accounts for the handling of solid waste, including a recycling facility and transfer station, where the governing officials have determined that the costs of operations are to be financed through charges for services to users.

Additionally, the County reports the following fund types:

Special Revenue Funds—used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

- ◆ *County Road Fund*—used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.
- ◆ *Road Machinery Fund*—used to account for the purchase, repair, maintenance and storage of highway machinery, tools and equipment pursuant to Section 133 of the Highway Law.
- ◆ *Special Grant Fund*—used to account for funds received under the Job Training Partnership Act/Workforce Investment Act and for Community Block Grant funds received from the Department of Housing and Urban Development.

Debt Service Fund—used to account for current payments of principal and interest on general obligation long-term debt and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

Fiduciary Fund—The Fiduciary Fund is used to account for assets held by the County in a trustee or custodial capacity, and therefore are not available to support the County’s programs. The following is the County’s Fiduciary Fund:

- ◆ *Agency Funds*—Account for money received and held by the County in the capacity of trustee, custodian, or agent. The Agency Funds are custodial in nature and do not involve measurement of results of operations. The most significant of the County’s Agency Funds are mortgage tax and social service trust funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/due to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are recorded at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Transfers between the funds included in governmental activities are eliminated as transfer in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using *the economic resources measurement focus* and *the accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers property tax collected within 60 days after year end to be available and recognizes them as revenues of the current year, all other revenues are deemed to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing resources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis* of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Budgetary Information

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, County Road Fund, Road Machinery Fund, and Debt Service Fund. The Capital Projects Fund is appropriated on a project-length basis. The Special Grant Fund does not have an appropriated budget since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. However, amendments of the budget must be approved by the governing board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriation and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Encumbrances—Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of budgetary control in the governmental funds. The County considers encumbrances to be significant for amounts that are encumbered in excess of \$100,000.

Assets, Liabilities Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of 90 days or less from the date of acquisition. The primary government had no investments at December 31, 2013. However, when the County does have investments it is County policy to record them at fair value based on quoted market prices.

Restricted cash and cash equivalents represent unspent proceeds from debt, amounts received for grants but not yet spent, and amounts to support restricted fund balances.

Receivables

Receivables are stated net of allowances for estimated uncollectible amounts. Intergovernmental receivables include amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs.

All major revenues of the County are considered “susceptible to accrual” under the modified accrual basis. These include property tax, sales tax, state tax, State and Federal aid, and various grant program revenues.

Inventory—Inventory associated with the governmental activities are valued at cost at year-end.

Prepaid items—Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense when consumed rather than when purchased.

Capital Assets—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure assets, the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$25,000 are reported as capital assets.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Major outlay for capital assets and improvements are capitalized as projects are constructed. Expenditures reported in the Capital Projects Fund are classified as capital outlays. Routine capital expenditures in other governmental funds are included in the appropriate functional category (i.e. purchase of new highway equipment as part of current expenditures – transportation). Additionally, the amount reported as capital outlay in the Capital Projects Fund includes certain non-capitalized costs (i.e. furnishings below the capitalization threshold). The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Land and construction in progress are not depreciated. The other property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the estimated useful lives as shown on the following page.

Capitalization Threshold and Useful Lives		
Class of Asset	Threshold	Useful Life
Land	\$ 5,000	n/a
Land improvements	5,000	20
Buildings	25,000	50
Building improvements	5,000	20
Machinery and equipment:		
Office equipment	5,000	10
Furniture	5,000	10
Computer and computer equipment	5,000	5
Vehicles	5,000	7
Heavy equipment	10,000	7
Other	5,000	10
Infrastructure:		
Roads, network	25,000	25
Bridges (includes culverts)	25,000	40
Improvements other than land or buildings	5,000	7
Works of art and historical treasures	5,000	n/a
Construction in progress	5,000	n/a

When capital assets are retired, or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period in the government-wide financial statements. Maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. The first is the excess consideration provided for the acquisition of the fixed based operation at the airport and is reported in the government-wide statement of net position. The excess results from the difference in the carrying value of the items purchased and the acquisition price. This amount is considered deferred and is being impaired over the life of the assets that were acquired. The other item is a deferred charge on refunding bonds that is being amortized over the life of the refunded debt. Additionally, the Agency reported one item that qualified for reporting in this category, which was related to a receivable for the payment in lieu of taxes (“PILOT”) payments due.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has two types of items, which arise only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, *unavailable revenue*, are reported as deferred inflows of resources only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and some State aid that will more than likely not be realized within one year. These amounts are deferred and recognized in the period that the amounts become available.

The Agency reported one item in this category. It is the PILOT payments that are due to other governments.

Net Position Flow Assumption—Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s position to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund Balance Flow Assumptions—Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Board of Legislators is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Legislators has by resolution authorized the County Administrator to recommend assignments to a committee which can then approve, reject or adjust the assignments of fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Real Property Taxes—Real property taxes are levied annually no later than December 31, and become a lien on January 1. Town and County taxes are collected by the towns during the period January 1 to late

March, as specified in their warrants. Towns return unpaid taxes to the County by appointment in March. Delinquent taxes accrue interest at 1% per month beginning on February 1. A 5% penalty is added to any taxes due upon settlement between the Towns and the County. Upon settlement, the County assumes collection of delinquent taxes until they are enforced, no earlier than 24 months after lien date. Towns and special districts receive the full amount of their levies annually from the first amounts collected on the combined bills.

For years prior to 1995, unpaid taxes were/are enforced in accordance with the provision of Chapter 157 of the Law of 1883, as amended; the end result being that the individual towns made the taxes whole to the County. The County Treasurer acts as central collection for all delinquent taxes outside the City of Watertown.

Since 1995, pursuant to Article 11 of New York State Real Property Tax Law, the County assumes enforcement responsibility for all taxes levied outside the city, with the County Attorney acting as the Tax Enforcement Officer.

In 2013, the County Attorney, as Tax Enforcement Officer, conducted the County's fourteenth sale of properties acquired through tax foreclosure. Of 66 properties acquired through foreclosure in 2013 and remaining unsold from 2012, 58 were sold at auction, generating receipts of \$873,650.

In 1997, the County enacted a local law to allow payment of current real property taxes in installments commencing in 1998. Each Town has the option to adopt the installment method. Twenty of the County's twenty-two towns participate in installment collections.

Beginning in 1999, non-city school districts were permitted to adopt the installment option of payment for their taxpayers. The program allows for the school district to collect the first installment within the first 30 days of the tax lien. The County is then charged with collecting the second and third installments, after compensating the school districts for these amounts.

In 1996, a local law was approved to allow real property owners in the County owing delinquent taxes to enter into an installment contract. There were 498 installment contracts as of December 31, 2013. As long as the taxpayer continues payments within the terms of the contract, real property is protected from tax enforcement proceedings.

County taxes collected on properties within the City of Watertown are enforced, and will continue to be enforced, by the City. The County receives the full amount of such taxes in the year due.

Unpaid village taxes and non-city school district taxes are turned over to the County for enforcement. Any such taxes remaining unpaid at year end are re-levied as County taxes in the subsequent year.

School taxes remaining unpaid in the enlarged city school district (outside the City) are turned over to the County Treasurer in December each year and eventually are subject to enforcement by the County within the same time frame as re-levied village and school taxes.

At December 31, 2013, the total real property tax assets of \$7,272,076 are offset by an allowance for uncollectible taxes of \$1,780,753. Included in real property tax assets are current year returned village and school taxes of \$4,166,154, which are offset by liabilities to the villages and school districts which will be paid no later than April 20, 2014. The remaining portion of tax assets is partially offset by deferred inflows of resources – property taxes of \$6,447,343 in the General Fund and represents an estimate of tax liens which will not be collected within the first sixty (60) days of the subsequent year.

A 3.75% sales tax is levied in and for the County under the general authority of Article 29 of the Tax Law and specific authority of local law. This tax is administered and collected by the State Sales Tax Commission in the same manner as the State imposed 4.00% sales and compensating use tax. Net collections, meaning monies collected after deducting them from expenses of administration and collection and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State to the County on a monthly basis. Of the total \$71,365,541 sales tax collected or accrued for the year ended December 31, 2013, \$37,823,767 was distributed to the towns and villages and the City of Watertown. The amount of sales taxes receivable at year end is \$4,702,939, which includes amounts to be distributed to the towns, villages and the City of Watertown.

Constitutional Tax Limit—The amount that may be raised by the County-wide tax levy on real estate in any fiscal year (for purposes other than debt service on County indebtedness) is limited to one and one-half per centum (subject to increase up to two per centum by resolution of the County Legislature) of the five-year average full valuation of taxable real estate of the County, per New York State statutes.

The County constitutional tax limit (per New York State statutes) for the fiscal year ended December 31, 2013 is computed as follows:

Five-year average full valuation of taxable real estate	<u>\$ 7,458,447,671</u>
Tax limit @ 1.5%	\$ 111,876,715
Tax levy subject to tax limit	<u>48,085,462</u>
Tax margin	<u>\$ 63,791,253</u>

Property Tax Revenue Recognition—The County-wide property tax is levied by the County Legislature effective January 1 of the year the taxes are recognizable as revenue. Taxes become a lien on the related property on that date of the year for which they are levied. Accordingly, property tax is only recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period or 60 days thereafter in the Governmental Fund financial statements.

The County’s tax sale procedures have resulted in cumulative net gain. The County does not consider its delinquent property taxes for prior years to be uncollectible. However, delinquent property taxes not collected at year end (excluding collections in the 60 day subsequent period) are recorded as deferred inflows of resources in the Governmental Fund financial statements. Any taxes not collectible pursuant to a court order are recorded as a reduction to prior year revenue when the Court determines them to be uncollectible.

Compensated Absences—Most employees are granted vacation, personal, and sick leave and earn compensatory time in varying amounts. In the event of termination, an employee is entitled to payment for accumulated vacation and compensatory time. Upon retirement, an employee is entitled to vacation and unused compensatory absences at various rates subject to certain maximum limitations.

Full time employees are entitled to earn 15 days of sick time annually which is accrued proportionately with each bi-weekly pay period, and may accumulate credit up to a maximum of 200 days. The County has no liability for sick leave upon retirement; any unused sick leave is applied toward service time for retirement benefits as outlined in Section 41J of New York State Retirement and Social Security Law.

Compensated absences for vacation and compensatory time for governmental fund type employees are reported as a liability and an expense in the government-wide financial statements. For Proprietary Fund

type employees, the accumulation is recorded as an accrued liability and/or other long-term obligation of the Proprietary Fund type.

The compensated absences liability for the primary government at year end totaled \$2,303,302 and is reported as governmental activities at \$2,261,430, business-type activities at \$41,872. The College reports \$437,873 as its liability for compensated absences.

Payment of vacation and compensatory time is recorded in the governmental funds is dependent upon many factors. Therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and compensatory time when such payment becomes due.

Proprietary funds operating and nonoperating revenues and expenses—Operating revenues of enterprise funds consist mainly of user fees. Operating expenses of enterprise funds consist of salaries, wages and benefits, contractual services and depreciation and amortization. Transactions related to capital and financing activities, non-capital financing activities, investing activities and interfund transfers from other funds and State appropriations are components of non-operating income. Subsidies and grants to proprietary funds which finance either capital or current operations are reported as nonoperating revenue.

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.

Postemployment Benefits—In addition to providing pension benefits, the County provides retired employees with group health insurance benefits. The obligation of the County to contribute to the cost of providing this benefit has been established pursuant to legislative resolution and various collective bargaining agreements. Substantially all employees become eligible for such benefit if they have been continuously employed by the County for the equivalent of at least ten years at the time of retirement.

Regarding the County's postemployment benefits, retirees' and their survivor's health care benefits are provided through an insurance company whose premiums are based on historic experience. Additionally the County finances the plan on a pay-as-you-go basis, and the cost of retiree group health insurance benefits is recognized as an expenditure/expense based on premiums paid during the year. During 2013, \$5,535,071 was paid by the County on behalf of 448 eligible retirees, their dependents and survivors.

Other

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

Adoption of New Accounting Pronouncement—During the year ended December 31, 2013, the County implemented GASB Statements No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, and No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 61 clarifies the manner in determining whether or not an organization should be included as a component unit, and GASB Statement No. 66 improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statements No. 61 and 66 did not have a material impact on the County's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The County has not completed the process of evaluating the impact that will result from adopting No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; No. 69, *Government Combinations and Disposals of Government Operations*; and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* effective for the year ending December 31, 2014; and No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—and amendment of GASB Statement No. 68* effective for the year ended December 31, 2015. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 67, 68, 69, 70 and 71 will have on its financial position and results of operations when such statements are adopted.

Stewardship, Compliance and Accountability

Legal Compliance—Budgets—The County follows these procedures in establishing the budgetary data reflected in the financial statements:

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

- ◆ No later than November 15, the budget officer submits a tentative budget to the Board of Legislators for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the General Fund, County Road Fund, Road Machinery Fund and Debt Service Fund.
- ◆ After public hearings are conducted to obtain taxpayer comments, no later than December 20, the governing board adopts the budget.
- ◆ All amendments of the budget must be approved by the governing board. (However, the County Administrator is authorized to transfer certain budgeted amounts within departments, upon request of the department head).
- ◆ Budgets are prepared for proprietary funds to establish the estimated contributions required from other funds and to control expenditures.

Deficit Fund Balance—The Enterprise Fund of the County, the Solid Waste Management Facility Fund, reported an unrestricted net position deficit of \$844,660, which reflects an increase of \$131,031 from the December 31, 2012 deficit. Prior years’ deficits resulted from the repayment of start-up costs to the General Fund in 2003 and other substantial capital asset investments.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Available cash of the County is deposited and invested in accordance with the provisions of applicable State statutes. The County also has its own written investment guidelines which have been established by the County Legislature.

The County deposits cash into a number of bank accounts. Monies must be deposited in demand or time accounts at, or certificates of deposit issued by, FDIC-insured commercial banks or trust companies located within the State. Some of the County’s accounts are required by various statutes and borrowing restrictions for specific funds, while the remainder are used for County operating cash and for investment purposes. The County’s bank accounts are maintained in separate demand accounts with the respective offset being to various fund equities in pooled cash, investments, and restricted cash. Interest income from the pooled accounts is allocated based on the funds’ respective share of the pool.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, contractual repurchase agreements, and obligations of New York State. Per existing policies, the underlying securities for repurchase transactions must only be federal obligations.

Cash at year-end consisted of:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total Balance
Petty cash (uncollateralized)	\$ 5,350	\$ 800	\$ -	\$ 6,150
Deposits	42,631,177	389,702	1,717,953	44,738,832
Total	<u>\$ 42,636,527</u>	<u>\$ 390,502</u>	<u>\$ 1,717,953</u>	<u>\$ 44,744,982</u>

Deposits and Cash with Fiscal Agent—All deposits and cash with fiscal agent are carried at fair value.

	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 2,618,119	\$ 2,603,551
Uninsured:		
Collateral held by bank's agent in the County's name	43,666,384	42,135,281
Total	<u>\$ 46,284,503</u>	<u>\$ 44,738,832</u>

Custodial Credit Risk—In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. For investments, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2013, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

During 2013, the County pooled its cash from all funds, except for cash required by law to be segregated, into a concentration account for investment purposes. County officials decided to apply all interest earned on these investments to the various funds, as well as reserve funds and bonded indebtedness.

Interest Rate Risk—In accordance with its investment policy, the County manages exposures by limiting investments to low risk type investments governed by New York State statutes. At December 31, 2013, the primary government had no investments.

Restricted Cash—Restricted cash and cash equivalents include the following:

	Purpose	Amount
Governmental activities:		
General Fund	Workers' compensation	\$ 557,338
General Fund	Unemployment insurance	69,807
General Fund	Insurance	1,925,782
General Fund	State and Federal advances	278,201
General Fund	Law enforcement and prosecution	290,601
Capital Projects Fund	Grantor advance - JCC Chargebacks	198,149
Debt Service Fund	Debt service	9,047
Business-type activities:		
Solid waste	Capital projects	<u>333,375</u>
Total primary government		<u>\$ 3,662,300</u>

Amounts restricted for General Fund reserves are subject to externally enforceable legal purpose restrictions, which are authorized by General Municipal Law, and for cash advances related to grant funding. Amounts restricted with the Capital Projects Fund are for cash advances related to grant funding. Amounts restricted for debt service represent unexpended fund balances of completed capital projects and/or interest earned from the investment of debt proceeds which will be used to reduce future debt service per New York State Local Finance Law. Amounts restricted for capital projects within the Solid Waste Management Enterprise Fund are reserved to finance future costs of equipment replacement and capital improvements, including facility reconstruction. The fund is managed in accordance with section 6-c of the Municipal Law.

Discretely Presented Component Units

Jefferson Community College—Jefferson Community College and its component units had unrestricted deposits of \$6,431,696 and \$1,541,996, respectively. The College's deposits were insured or collateralized by securities held by the pledging financial institution's trust department or agent in the College's name, with a carrying value of \$5,955,481.

The College had no investments as of August 31, 2013. Its component units had investments as of August 31, 2013 which are shown below:

JCC-Component Units	Market	Cost
Equity investments RBC Dain Rauscher:		
PAG Prime Income	\$ 651,766	\$ 639,699
PAG Dividend Growth	553,843	508,519
WHV Investments	306,031	283,353
Fox Asset Management	426,452	346,283
Madison Investments	396,371	314,040
Minneapolis Investments	330,402	272,892
ClearBridge Investments	363,949	233,987
RBC Dain Rauscher	23,039	17,893
Fixed income funds RBC Dain Rauscher	<u>1,684,964</u>	<u>1,735,635</u>
Total investments	<u>\$ 4,736,817</u>	<u>\$ 4,352,301</u>

The College has restricted cash of \$165,478, consisting of unspent debt proceeds of \$163,976 and other restrictions of \$1,502 at August 31, 2013.

Jefferson County Industrial Development Agency—The Agency had unrestricted deposits of \$3,718,017 which were insured or collateralized by securities held by the pledging financial institution’s trust department or agent in the Agency’s name, with a carrying value of \$4,754,539.

The Agency has restricted cash of \$1,795,328.

3. RECEIVABLES

Accounts receivable as of December 31, 2013, are as follows:

Governmental funds:	
Various fees and charges:	
General Fund	\$ 2,618,177
Capital Projects Fund	117
Other governmental funds	1,008
Less allowance for doubtful accounts	<u>(53,006)</u>
Total	<u>\$ 2,566,296</u>
Enterprise fund:	
Various fees and charges	
	\$ 276,405
Less allowance for doubtful accounts	<u>(51,446)</u>
Total	<u>\$ 224,959</u>

Due to the length of time it takes to receive reimbursement from New York State for some requested reimbursements, currently have approximately \$249,000 in receivables that are not anticipated to be received within one year.

Intergovernmental receivables as of December 31, 2013, are as follows:

Governmental funds:	
General Fund:	
Due from State and Federal	\$ 5,968,110
Due from other governments	6,707,559
Capital Projects Fund:	
Due from State and Federal	2,343,826
Other governmental funds:	
Due from State and Federal	365,287
Due from other governments	<u>134,480</u>
Total	<u>\$ 15,519,262</u>
Enterprise fund:	
Solid Waste Management:	
Due from State and Federal	<u>\$ 13,836</u>
Total	<u>\$ 13,836</u>

Discretely Presented Component Units

Jefferson Community College—Significant receivables include amounts due from students for fees and tuitions. These receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated and recorded based on the College’s historical bad debt experience, and based on management’s judgment. At August 31, 2013, the College reported total accounts receivable and receivables from government agencies and other organizations of \$7,027,001 and \$442,269, respectively.

Jefferson County Industrial Development Agency—Significant receivables of the Agency include loans receivable, accounts receivable, the current portion of a capital lease receivable, and notes receivable. Loans receivable, net of allowance, totaled \$4,755,629 at September 30, 2013. The Agency also had accounts receivable of \$527,103, a capital lease receivable of \$79,646, and notes receivable of \$28,971.

4. CAPITAL ASSETS

Governmental activities—Capital asset activity for the primary government’s governmental activities, for fiscal year ended December 31, 2013, was as follows:

	Balance 1/1/2013	Additions and Reclassifications	Deletions and Reclassifications	Balance 12/31/2013
Capital assets, not being depreciated:				
Land	\$ 2,419,686	\$ -	\$ -	\$ 2,419,686
Construction in progress	<u>5,836,631</u>	<u>1,539,738</u>	<u>(5,583,486)</u>	<u>1,792,883</u>
Total capital assets not being depreciated	<u>8,256,317</u>	<u>1,539,738</u>	<u>(5,583,486)</u>	<u>4,212,569</u>
Capital assets, being depreciated:				
Buildings and building improvements	79,440,191	346,991	-	79,787,182
Improvements other than buildings	1,341,077	-	-	1,341,077
Machinery and equipment	23,884,016	2,559,371	(482,302)	25,961,085
Infrastructure	<u>126,639,712</u>	<u>9,634,623</u>	<u>-</u>	<u>136,274,335</u>
Total capital assets being depreciated	<u>231,304,996</u>	<u>12,540,985</u>	<u>(482,302)</u>	<u>243,363,679</u>
Less accumulated depreciation for:				
Buildings and building improvements	(31,112,829)	(1,784,602)	-	(32,897,431)
Improvements other than buildings	(1,063,477)	(28,841)	-	(1,092,318)
Machinery and equipment	(15,536,492)	(1,914,368)	441,945	(17,008,915)
Infrastructure	<u>(56,444,027)</u>	<u>(4,003,547)</u>	<u>-</u>	<u>(60,447,574)</u>
Total accumulated depreciation	<u>(104,156,825)</u>	<u>(7,731,358)</u>	<u>441,945</u>	<u>(111,446,238)</u>
Total capital assets, being depreciated, net	<u>127,148,171</u>	<u>4,809,627</u>	<u>(40,357)</u>	<u>131,917,441</u>
Governmental activities capital assets, net	<u>\$ 135,404,488</u>	<u>\$ 6,349,365</u>	<u>\$ (5,623,843)</u>	<u>\$ 136,130,010</u>

Depreciation expense for governmental activities was charged to functions and programs of the primary government as follows:

Governmental activities:	
General government support	\$ 1,165,532
Public safety	1,529,518
Public health	46,988
Transportation	4,783,277
Economic assistance and opportunity	205,530
Home and community services	<u>513</u>
Total depreciation expense—governmental activities	<u>\$ 7,731,358</u>

Business-type activities—Capital asset activity for the primary government’s business-type activities (Enterprise Fund), for fiscal year ended December 31, 2013, as presented below:

	Balance 1/1/2013	Additions	Deletions	Balance 12/31/2013
Capital assets, not being depreciated:				
Land	\$ 12,415	\$ -	\$ -	\$ 12,415
Total capital assets not being depreciated	<u>12,415</u>	<u>-</u>	<u>-</u>	<u>12,415</u>
Capital assets, being depreciated:				
Buildings	2,951,730	2,187	-	2,953,917
Machinery and equipment	<u>2,679,656</u>	<u>268,874</u>	<u>(143,806)</u>	<u>2,804,724</u>
Total capital assets being depreciated	<u>5,631,386</u>	<u>271,061</u>	<u>(143,806)</u>	<u>5,758,641</u>
Less accumulated depreciation for:				
Buildings	(516,284)	(51,524)	-	(567,808)
Machinery and equipment	<u>(1,804,918)</u>	<u>(209,473)</u>	<u>136,095</u>	<u>(1,878,296)</u>
Total accumulated depreciation	<u>(2,321,202)</u>	<u>(260,997)</u>	<u>136,095</u>	<u>(2,446,104)</u>
Total capital assets, being depreciated, net	<u>3,310,184</u>	<u>10,064</u>	<u>(7,711)</u>	<u>3,312,537</u>
Business-type activities capital assets, net	<u>\$ 3,322,599</u>	<u>\$ 10,064</u>	<u>(7,711)</u>	<u>\$ 3,324,952</u>

Depreciation expense for business-type activities was charged to functions and programs of the primary government as follows:

Business-type activities:	
Home and community services	<u>\$ 260,997</u>

Discretely Presented Component Units

Jefferson Community College—Capital asset activity for Jefferson Community College was as follows:

	Balance 9/1/2012	Additions	Deletions	Balance 8/31/2013
Capital assets, not being depreciated:				
Construction in progress	\$ 1,906,146	\$ 1,376,825	\$ (406,286)	\$ 2,876,685
Capital assets, being depreciated:				
Land improvements and infrastructure	4,441,860	36,834	286,983	4,765,677
Buildings	23,981,537	-	50,366	24,031,903
Furniture and equipment	3,789,516	63,580	(50,603)	3,802,493
Library books	4,264,494	146,999	-	4,411,493
Total capital assets being depreciated	<u>36,477,407</u>	<u>247,413</u>	<u>286,746</u>	<u>37,011,566</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	(1,745,524)	(220,485)	15,298	(1,950,711)
Buildings	(9,467,958)	(659,288)	-	(10,127,246)
Furniture and equipment	(3,228,772)	(117,611)	71,234	(3,275,149)
Library books	(3,930,229)	(133,285)	-	(4,063,514)
Total accumulated depreciation	<u>(18,372,483)</u>	<u>(1,130,669)</u>	<u>86,532</u>	<u>(19,416,620)</u>
Total capital assets, being depreciated, net	<u>18,104,924</u>	<u>(883,256)</u>	<u>373,278</u>	<u>17,594,946</u>
Governmental activities capital assets, net	<u>\$ 20,011,070</u>	<u>\$ 493,569</u>	<u>\$ (33,008)</u>	<u>\$ 20,471,631</u>

In addition to the capital assets reported above, the College reports net capital assets of its discretely presented component units in the amount of \$275,703.

Jefferson County Industrial Development Agency—Capital asset activity for the Jefferson County Industrial Development Agency was as follows:

	Balance 10/1/2012	Additions	Deletions	Balance 9/30/2013
Capital assets, not being depreciated:				
Land and land improvements	\$ 606,137	\$ 110,600	\$ (371,064)	\$ 345,673
Construction in progress	-	88,229	-	88,229
Total capital assets not being depreciated	<u>606,137</u>	<u>198,829</u>	<u>(371,064)</u>	<u>433,902</u>
Capital assets, being depreciated:				
Equipment	104,728	11,992	-	116,720
Buildings	724,125	80,171.00	-	804,296
Total capital assets, being depreciated:	<u>828,853</u>	<u>92,163</u>	<u>-</u>	<u>921,016</u>
Less accumulated depreciation for:				
Buildings	(643,514)	(123,770)	-	(767,284)
Total accumulated depreciation	<u>(643,514)</u>	<u>(123,770)</u>	<u>-</u>	<u>(767,284)</u>
Total capital assets, being depreciated, net	<u>185,339</u>	<u>(31,607)</u>	<u>-</u>	<u>153,732</u>
Governmental activities capital assets, net	<u>\$ 791,476</u>	<u>\$ 167,222</u>	<u>\$ (371,064)</u>	<u>\$ 587,634</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2013, were as follows:

	General Fund
Salary and employee benefits	\$ 572,923
Total	<u>\$ 572,923</u>

6. PENSION PLANS

Plan description—The County participates in the New York State and Local Employees’ Retirement System (“ERS”). In addition, all faculty and administrators of the College (a Component Unit) have the option of participating in the New York State Teachers’ Retirement System (“TRS”) or the Teachers’ Insurance and Annuity Association, College Retirement Equities Fund (TIAA-CREF). These are cost-sharing multiple-employer retirement systems. 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 (“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.

Funding policy—The Systems are noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010 who generally contribute 3% of their salary for their entire length of service. Those joining after April 1, 2012 (Tier 6) are required to contribute three percent (3%) of their annual salary until March 31, 2013, after which the contribution percentage will be based on salary. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the New York State Local Retirement System’s fiscal year ending March 31. Included in the amount billed to the County are amounts for Jefferson Community College. The College reimburses its share to the County. Pursuant to Article 11 of the Education Law, the New York State Teachers’ Retirement Board establishes rates annually for TRS.

Contributions for the current year and two preceding years were equal to 100% of contributions required, and were as follows:

ERS
<u>Contribution</u>
\$ 8,961,484
7,135,414
6,624,137

The College’s share for the current and two preceding years were:

<u>Year</u>	<u>ERS Contribution</u>	<u>TRS Contribution</u>
2013	\$ 909,545	\$ 511,459
2012	727,453	460,949
2011	643,792	322,054

7. OTHER POST-EMPLOYMENT BENEFITS

Plan description—An actuarial valuation of the Jefferson County Retiree Medical Program (the “Plan”) was performed as of January 1, 2013. The Plan is a single-employer defined benefit Healthcare Plan administered by the county of Jefferson. The Plan provides medical, hospital, drug part B Premium Reimbursements and vision benefits to eligible retirees and their spouses. Sheriffs do not receive vision benefits. The County of Jefferson assigns the authority to establish and amend benefit provisions to the County Legislature. The Plan does not issue a standalone financial report.

Funding policy—The contribution requirements of Plan members and the County are established and may be amended by the County Legislature. The County Legislature has negotiated several collective bargaining agreements, which include obligations of Plan members and the County. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2013, the County contributed \$6,235,162 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

Annual OPEB cost and net OPEB obligation—The County’s annual other postemployment benefits (“OPEB”) cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years.

GASB allows plan sponsors to utilize the results of an actuarial valuation for multiple years if no significant changes have occurred since the prior valuation was performed. As the County has experienced no significant changes, information provided for the actuarial valuation performed as of January 1, 2013 was used to calculate the annual required contribution for 2013.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation to the County of Jefferson Healthcare Plan:

	2013	2012
Normal Cost for Year Ending December 31,	\$ 10,425,628	\$ 11,176,772
Amortization of UAAL	18,039,179	16,503,292
Interest	417,025	447,071
Annual required contribution	28,881,832	28,127,135
Interest on net OPEB obligation	3,189,855	2,336,140
Adjustment to annual required contribution	(4,434,367)	(3,247,577)
Annual OPEB cost (expense)	27,637,320	27,215,698
Contributions made	(6,235,162)	(5,872,815)
Increase in net OPEB obligation	21,402,158	21,342,883
Net OPEB obligation—beginning of year	79,746,382	58,403,499
Net OPEB obligation—end of year	<u>\$ 101,148,540</u>	<u>\$ 79,746,382</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 and the preceding two years were as follows:

Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 27,637,320	\$ 6,235,162	22.6%	\$ 101,148,540
2012	27,215,698	5,872,815	21.6%	79,746,382
2011	21,344,221	5,391,733	25.3%	58,403,499

Funding Status and Funding Progress—As of December 31, 2013, the plan was not funded. The annual required contribution for 2013 was determined based on an actuarial valuation performed as of January 1, 2013. The actuarial accrued liability for benefits was \$311,934,085. There were no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$39,173,900 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll is 796.3 percent. As of December 31, 2013, the County has had three actuarial valuations performed.

Actuarial Methods and Assumptions—Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposed 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 of benefit costs between the employer and Plan

members to that point. The actuarial 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.

The actuarial valuation was performed utilizing the projected unit credit method. The results shown above are based on the baseline assumptions with respect to the medial inflation rate. The actuarial assumptions included annual healthcare cost trend rate of 5.0% initially, increased by increments to an ultimate rate of 6.4% after ten years. The rate also includes a 4.0% inflation assumption. The County’s unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year period.

Discretely Presented Component Units

Jefferson Community College

Plan Description—The College administers the Jefferson Community College Retiree Medical Plan (the “Plan”) as a single-employer defined benefit other post-employment benefit plan (“OPEB”). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the College subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy—The obligations of the Plan members, employers and other entities are established by action of the College pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The College currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. For fiscal year 2013, the College contributed \$1,113,000 for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on date of hire. The costs of administering the plan are paid by the College.

Annual OPEB Cost and Net OPEB Obligation—The College’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer ARC, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table below shows the components of the College’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College’s net OPEB obligation to the Plan:

	2013	2012
Annual required contribution	\$ 4,600,261	\$ 3,571,566
Interest on net OPEB obligation	583,525	495,660
Adjustment to annual required contribution	(843,635)	(716,603)
Annual OPEB cost (expense)	4,340,151	3,350,623
Contributions made	(1,113,000)	(1,154,000)
Increase in net OPEB obligation	3,227,151	2,196,623
Net OPEB obligation—beginning of year	14,588,130	12,391,507
Net OPEB obligation—end of year	\$ 17,815,281	\$ 14,588,130

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Year Ended August 31,	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 4,340,151	\$ 1,113,000	26%	\$ 17,815,281
2012	3,350,623	1,154,000	34%	14,588,130
2011	3,245,428	1,044,000	32%	12,391,507

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 projection of benefits is 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 of the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Methods and Assumptions—The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse’s benefits is known as the Projected Unit Credit Actuarial Cost Method. Under this method, each participant’s projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial date and actuarial assumptions. The actuarial assumptions included annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after ten years. The discount rate as of September 1, 2012 and August 31, 2013 was 4% per year compounded annually. This is the rate used to discount future benefit liabilities into today’s dollars. The College’s unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year period. A single amortization base is re-amortized each year (open basis, as defined by GASB).

8. DEFERRED COMPENSATION PLAN

On October 1, 1997, the New York State Deferred Compensation Board (the “Board”) created a Trust and Custody agreement making JP Morgan Chase Bank the Trustee and Custodian of the Plan. As the Board is no longer the trustee of the plan, the Plan no longer meets the criteria for inclusion in New York State’s financial statements. Therefore, municipalities which participate in New York State’s Deferred Compensation Plan are no longer required to record the value of the Plan assets. The County participates in the Plan which is administered for them by Nationwide Retirement Solutions.

9. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; injuries to employees; and natural disasters. The County assumes the liability for most risks including, but not limited to, property damage, personal injury liability, employee health insurance, and workers’ compensation. The County had also elected to purchase minor policies from commercial insurers to provide for items such as property damage coverage, as well as protection of valuable papers and records; settled claims have not exceeded commercial coverage in a material amount in any of the past three fiscal years. Governmental funds estimated current contingent loss liabilities for property damage, personal injury liability, employee health

insurance, and workers' compensation are reported within governmental activities in the government-wide financial statements.

Claims and judgments are recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Such recording is consistent with the requirements of GASB. These liabilities include an estimate of claims that have been incurred but not reported and the effects of both specific, incremental claims adjustment expenditures/expenses and estimated recoveries on unsettled claims, if any.

Business-type fund activity claims and judgments applicable to self-insured claims are recorded as expenses and liabilities in the Enterprise Fund (except workers' compensation, which is only recognized when invoiced from the County).

Claims and judgments reportable as part of the County's governmental activities are recognized as expenditures and fund liabilities in the General Fund when payment is due. Claims and judgments are recorded as a governmental activities long-term liability instead of in the General Fund at December 31, 2013 because they did not meet the criteria for recognition as fund liabilities.

The changes since December 31, 2011 in the reported Governmental Activities for risk financing activities claims and judgments were as follows:

Year Ended December 31,	Liability Beginning of Year	Claims and Adjustments	Claim Payments	Liability End of Year
2013	\$ 9,249,761	\$ 1,741,623	\$ 1,735,148	\$ 9,256,236
2012	9,285,212	1,941,235	1,976,686	9,249,761

10. LEASE COMMITMENTS-OPERATING LEASES

The County leases a vehicle for the building code officers under a non-cancelable operating lease and three refueler trucks for the airport on a month to month basis. Additionally, during 2013 the County entered into a four year lease on copier equipment. Total costs for such leases were \$129,395 for the year ended December 31, 2013.

During 2013, the County entered into an agreement with the Watertown Savings Bank to lease a building on Coffeen Street to use in operation of Workforce Development. Costs for this lease totaled \$116,200 for the year ended December 31, 2013. The future minimum lease payments for these leases are shown below:

Year Ending December 31,	Vehicles & Copiers Amount	Property Amount	Total Due
2014	\$ 131,122	\$ 116,200	\$ 247,322
2015	109,772	119,200	228,972
2016	94,522	83,440	177,962
2017	94,522	-	94,522
Total	<u>\$ 429,938</u>	<u>\$ 318,840</u>	<u>\$ 748,778</u>

11. JOINT VENTURE/LONG-TERM RECEIVABLE

The County has entered into an intermunicipal agreement with the City of Watertown, New York for the operation of a Public Safety Facility. The County receives a minimum lease payment annually from the City based on the prorated share of square footage utilized by the City. For its prorated share of costs for operation and maintenance in 2013, the City was billed \$141,310 for the lease agreement as well as \$184,391 for joint services. These payments are offset by a percentage of eligible costs incurred by the City. Regardless of whether the City continues the lease, they will remain liable for a share of the debt service. Debt service paid by the City in 2013 was \$172,500.

Future payments from the City toward their share of debt service are scheduled as presented below:

Year Ending December 31,	Amount
2014	162,537
2015	152,574
	<u>\$ 315,111</u>

12. LONG-TERM DEBT

Long-term debt is reported in the government-wide financial statements. The following describes the County's long-term debt transactions:

Bond indebtedness—The County borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the statement of net position.

The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Governmental Activities Bonds	Original Date Issued	Original Debt	Interest Rate	Date Final Maturity	Balance 12/31/2013
Public Improvement					
Public Safety	1991	\$ 12,450,000	6.70-6.75%	5/2015	\$ 1,200,000
2011 Refunding Bonds	2011	9,440,000	2.00-5.00%	11/2020	8,710,000
Issued on behalf of					
Jefferson Community College	2006	<u>4,915,000</u>	3.75-3.95%	11/2020	<u>2,950,000</u>
Total		<u>\$ 26,805,000</u>			<u>\$ 12,860,000</u>

Compensated Absences—Represents the value of earned and unused portion of the liability for compensated absences and is liquidated in various funds.

Claims and Judgments—The County is self-insured as further discussed in Note 9. Liabilities are established for workers’ compensation and general claims in accordance with GASB requirements. Estimated long-term contingent loss liabilities in the governmental fund types have been reported as long-term liabilities in the government-wide financial statements. The Proprietary Fund has no loss contingency liability except workers’ compensation which is only recognized when invoiced from the County.

The following is a summary of changes in the County’s long-term liabilities for the year ended December 31, 2013:

	Balance 1/1/2013	Additions	Decreases	Balance 12/31/2013	Due Within One Year
Governmental activities:					
Bonds payable	\$ 15,340,000	\$ -	\$ 2,480,000	\$ 12,860,000	\$ 2,130,000
Premium	945,681	-	131,955	813,726	131,955
Net bonds payable	16,285,681	-	2,611,955	13,673,726	2,261,955
Compensated absences	2,258,703	2,927,446	2,924,719	2,261,430	113,072
Claims and judgments	9,249,761	1,741,623	1,735,148	9,256,236	-
Other post-employment benefits	79,746,382	27,637,320	6,235,162	101,148,540	-
Total governmental activities	<u>\$ 107,540,527</u>	<u>\$ 32,306,389</u>	<u>\$ 13,506,984</u>	<u>\$ 126,339,932</u>	<u>\$ 2,375,027</u>
Business type activities:					
Compensated absences	\$ 35,920	\$ 42,353	\$ 36,401	\$ 41,872	\$ 2,094
Total business-type activities	<u>\$ 35,920</u>	<u>\$ 42,353</u>	<u>\$ 36,401</u>	<u>\$ 41,872</u>	<u>\$ 2,094</u>

The County’s debt service requirements on long term debt at December 31, 2013 are presented as follows:

Year Ending December 31,	Governmental Serial Bonds		
	Principal	Interest	Total
2014	\$ 2,130,000	\$ 520,136	\$ 2,650,136
2015	2,215,000	411,936	2,626,936
2016	1,695,000	314,186	2,009,186
2017	1,765,000	246,371	2,011,371
2018	1,810,000	189,686	1,999,686
2019-2020	3,245,000	171,511	3,416,511
Total	<u>\$ 12,860,000</u>	<u>\$ 1,853,826</u>	<u>\$ 14,713,826</u>

Constitutional Debt Limit—Outstanding indebtedness aggregated \$12,860,000, all of which was subject to the constitutional debt limit and represented approximately 2.3% of its debt limit.

Discretely Presented Component Units

Jefferson Community College—The College’s long-term debt activity for the year ended August 31, 2013:

	Balance 9/1/2012	Additions	Decreases	Balance 8/31/2013	Due Within One Year
Compensated absences	\$ 438,402	\$ -	\$ 529	\$ 437,873	\$ -
Reserve payable	-	75,205	-	75,205	-
Letter of credit	-	713,872	-	713,872	-
Capital lease obligation	1,266,415	-	51,962	1,214,453	59,025
Other post-employment benefits	14,588,130	3,227,151	-	17,815,281	-
Total governmental activities	<u>\$ 16,292,947</u>	<u>\$ 4,016,228</u>	<u>\$ 52,491</u>	<u>\$ 20,256,684</u>	<u>\$ 59,025</u>

In addition to the preceding, the College reports reserves payable of \$75,205 and a letter of credit in the amount of \$713,872 as noncurrent liabilities.

Jefferson County Industrial Development Agency—As of September 30, 2013, notes payable were as follows: note payable to M&T Bank, secured by a \$511,741 standby letter of credit, first lien on Stream Building and contents and guaranty of Local Development Corporation of the City of Watertown. The note is due in monthly installments of \$80,121 including interest at 2.9326%. At September 30, 2013 the loan had 1 month remaining with a variable interest rate.

Grant repayment of 40% of the Industrial Access project due to the New York State Department of Transportation. Payments are to start one year from project completion; however, as of September 30, 2013, the project has not been completed.

Secured notes payable due to the Local Development Corporation of the City of Watertown, interest is due quarterly at 4.0%.

M&T Bank	\$ 79,646
New York State Department of Transportation	<u>180,160</u>
Total notes payable	259,806
Less: current portion	<u>(79,646)</u>
Long-term portion	<u>\$ 180,160</u>

Remaining annual maturities of long-term debt for the Agency, excluding \$180,160 of notes due to the State Department of Transportation, are as follows:

Year Ending September 30,	Notes Payable		Total Due
	Principal	Interest	
2014	<u>79,646</u>	<u>195</u>	<u>79,841</u>
Total	<u>\$ 79,646</u>	<u>\$ 195</u>	<u>\$ 79,841</u>

The Agency's long-term debt activity for the year ended September 30, 2013:

	Balance 10/1/2012	Addition	Decreases	Balance 9/30/2013	Due Within One Year
Notes payable	\$ 1,203,643	\$ -	\$ 943,837	\$ 259,806	\$ 79,646
Other long term payables	30,061	-	-	30,061	1,090
Total	<u>\$ 1,233,704</u>	<u>-</u>	<u>\$ 943,837</u>	<u>\$ 289,867</u>	<u>\$ 80,736</u>

13. NET POSITION AND FUND BALANCE

Net position—The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ◆ **Net investment in capital assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Capital assets, net of accumulated depreciation		\$ 136,130,010
Related debt:		
Serial bonds issued	(12,860,000)	
Less: Serial bonds issued on behalf of Jefferson Community College	<u>2,950,000</u>	<u>(9,910,000)</u>
Net investment in capital assets		<u>\$ 126,220,010</u>

- ◆ **Restricted**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ◆ **Unrestricted**—This category represents net assets of the County not restricted for any project or other purpose.

A Capital Reserve Fund/Solid Waste Management net asset restriction is reported in the County's Proprietary Fund and was established by the County Board within the Solid Waste Management Enterprise Fund to finance future costs of equipment replacement and capital improvements, including facility reconstruction. By resolution, monies for "the reserve" were taken from those funds equal to the depreciation which had been accumulated. The fund is managed in accordance with section 6-c of the Municipal Law.

Fund Balance—GASB defines the different types of fund balances that a governmental entity must use for financial reporting purposes as the fund balance categories listed below:

- ◆ **Nonspendable**—Amount of assets that cannot be spent in the current period because of their form or because they must be maintained intact. As of December 31, 2013, the County had \$6,625,777 of prepaid expenses, \$69,097 of inventory and \$1,000,000 representing a long term receivable that were classified as nonspendable funds.
- ◆ **Restricted**—Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. As of December 31, 2013, the County had the restricted funds listed on the following page.

	General Fund	Debt Service Fund	Total
Restricted for:			
Workers' compensation	\$ 557,338	\$ -	\$ 557,338
Unemployment insurance	69,807	-	69,807
Insurance	1,925,782	-	1,925,782
Law enforcement and prosecution	190,809	-	190,809
Debt	-	9,047	9,047
Total restricted fund balance	<u>\$ 2,743,736</u>	<u>\$ 9,047</u>	<u>\$ 2,752,783</u>

- ◆ **Committed**—Amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority, or by their designated body or official. As of December 31, 2013, the Jefferson County had no committed fund balance at year end.
- ◆ **Assigned**—Amounts that are subject to a purpose constraint that represents an intended use established by the County’s Board of Legislators, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. As of December 31, 2013, the balances presented below were considered to be assigned.

	General Fund	Capital Projects Fund	Nonmajor Funds			Total
			Special Grant Funds	County Road Fund	Road Machinery Fund	
Assigned for:						
Temporary assistance for needy families reserve	\$ 643,653	\$ -	\$ -	\$ -	\$ -	\$ 643,653
Assigned to workers' compensation	3,250,000	-	-	-	-	3,250,000
Assigned to software	1,500,000	-	-	-	-	1,500,000
Assigned to compensated absences	2,261,430	-	-	-	-	2,261,430
Assigned to risk retention	2,000,000	-	-	-	-	2,000,000
Encumbrances	247,546	4,542,237	107,173	73,987	95,804	5,066,747
Appropriated for subsequent years' expenditures	10,073,300	-	-	-	-	10,073,300
Assigned to capital projects	-	4,862,836	-	-	-	4,862,836
Assigned to county road	-	-	-	3,660,516	-	3,660,516
Assigned to road machinery	-	-	-	-	947,403	947,403
Total assigned fund balance	<u>\$ 19,975,929</u>	<u>\$ 9,405,073</u>	<u>\$ 107,173</u>	<u>\$ 3,734,503</u>	<u>\$ 1,043,207</u>	<u>\$ 34,265,885</u>

The County considers encumbrances significant if they are in excess of \$100,000. As of December 31, 2013, there were the following significant encumbrances:

Assigned Encumbrances:

Demolition of County Home	\$ 121,650
Tyler Technology	947,072
JCC McVean Center Project	116,342
Bridge Construction	292,486
Airport Taxiway	1,877,791
Airport Hangar & Business Center Construction	329,977

Unassigned—Represents the residual classification of the government’s General Fund, and could report a surplus or deficit. As of December 31, 2013 the unassigned fund balance totaled \$3,491,521.

Order of Fund Balance Spending Policy—The County’s policy is to expend fund balances in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

Minimum Fund Balance—It is the intention of the Board of Legislators to maintain adequate reserves in the general fund unassigned fund balance equal to two months of general fund operating expenditures, net of local sales tax distribution. If the General Fund’s fund balance should fall 10% above or below the level set by the policy, the County Administrator shall recommend increasing or decreasing the use of fund balance appropriated in the following year’s budget, such that in his estimation over the course of no more than three years, the fund balance will be again within the level set by the fund balance policy.

14. RELATED ORGANIZATIONS

Jefferson County Soil and Water Conservation District—The Legislature of Jefferson County has declared the County to be a Soil and Water Conservation District in accordance with the provisions of the Soil and Water Conservation District Law. Members of the Board of Directors have been appointed by the County governing body and administrative costs of the District are provided primarily through County appropriations. The County Board of Legislators retains general oversight responsibilities including monitoring district activities through detailed reporting to the Legislature by the District Directors of its work and transactions in such periods as the legislature may direct. However, the District does not meet any of the Imposition of Will criteria or the financial benefit/burden relationship with the County to qualify it as a component unit of the County. This was determined through a review of New York State Statute, Article 2, §6-9 as provided by the County Attorney.

The annual financial report can be obtained from the District’s administration office at Jefferson County Soil and Water Conservation District, 21168 State Route 232, PO Box 838, Watertown, NY 13601.

Thousand Islands Bridge Authority—The Thousand Islands Bridge Authority is a public benefit corporation created by State Legislation to promote the economic welfare, recreation, and prosperity of the County inhabitants. Members of the agency are appointed by the municipal governing body which exercises no oversight responsibility. The Authority members have complete responsibility for management of the Authority and accountability for fiscal matters. The County is not liable for Authority bonds or notes.

15. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. Interfund transfers are routine annual events for both the budget and accounting process and are necessary to present funds in their proper fund classification.

Interfund receivables, payables, and transfers of the County as of, and for the year ended December 31, 2013 are presented below.

Fund	Interfund			
	Receivables	Payables	Transfers In	Transfers Out
Governmental activities:				
General Fund	\$ 237,673	\$ 12,801	\$ 71,011	\$ 15,856,273
Capital Projects Fund	-	-	3,559,378	71,011
Other nonmajor funds	28,158	232,355	14,266,895	1,970,000
Business-type activities:				
Solid Waste Management Fund	-	20,675	-	-
Total	<u>\$ 265,831</u>	<u>\$ 265,831</u>	<u>\$ 17,897,284</u>	<u>\$ 17,897,284</u>

16. INTERFUND LOAN

The long-term interfund loan balance within the General Fund and the Solid Waste Management Facility consists of a \$1,300,000 loan made during the year ended December 31, 2010. A pre-determined interest rate is not included within the terms of the agreement. The County will charge the Solid Waste Management Facility an interest rate, on its outstanding debt to the General Fund, equal to the average interest it receives in its interest bearing accounts. During the year ended December 31, 2013, the Solid Waste Fund made an interest payment of \$2,200 and principal of \$100,000, leaving a balance of \$1,000,000.

17. CONTINGENCIES

Sales tax audits—The State of New York periodically audits its distribution of sales tax revenues to counties throughout the State. Subsequent revisions to the revenues recorded as of December 31, 2013, if any, would be reflected in the operations statement in the year they are calculated.

Grant and aid programs—The County receives significant financial assistance from numerous federal and state agencies. The receipt of such funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the County. The amount of disallowance, if any, cannot be determined at this time, although the County expects any such amounts to be immaterial.

Other—The County is also involved in litigation arising in the ordinary course of its operations. The County believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the County's financial condition or results of operations.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 29, 2014, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

* * * * *

REQUIRED SUPPLEMENTARY
INFORMATION

COUNTY OF JEFFERSON, NEW YORK
Required Supplementary Information
Budgetary Comparison Schedule (Non-GAAP)—General Fund
Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Real property taxes	\$ 47,923,103	\$ 47,963,141	\$ 49,446,267	\$ 1,483,126
Real property tax items	2,925,990	2,925,990	3,213,914	287,924
Non property tax items	73,355,563	73,505,563	72,003,621	(1,501,942)
Departmental income	15,458,326	16,036,733	14,231,628	(1,805,105)
Intergovernmental charges	3,618,268	3,618,268	2,559,102	(1,059,166)
Use of money and property	454,821	454,821	355,729	(99,092)
Licenses and permits	20,000	20,000	43,354	23,354
Fines and forfeitures	288,721	288,721	282,720	(6,001)
Sale of property and compensation for loss	1,320,000	1,349,989	1,405,184	55,195
Miscellaneous	2,747,180	2,750,615	3,972,121	1,221,506
Interfund revenues	82,437	49,439	-	(49,439)
State aid	18,439,168	19,218,528	19,755,405	536,877
Federal aid	22,881,756	23,546,754	21,352,325	(2,194,429)
Total revenues	<u>189,515,333</u>	<u>191,728,562</u>	<u>188,621,370</u>	<u>(3,107,192)</u>
EXPENDITURES				
Current:				
General government support	56,989,814	56,410,103	54,138,419	2,271,684
Education	11,303,151	11,443,151	10,707,249	735,902
Public safety	21,307,493	23,164,241	22,001,826	1,162,415
Health	14,149,017	15,003,894	13,828,988	1,174,906
Transportation	1,867,062	1,948,842	1,870,772	78,070
Economic assistance and opportunity	69,201,783	69,820,619	64,772,883	5,047,736
Culture and recreation	314,828	369,858	341,185	28,673
Home and community services	1,137,317	1,225,217	1,191,938	33,279
Employee benefits	8,357,387	8,324,538	7,457,397	867,141
Total expenditures	<u>184,627,852</u>	<u>187,710,463</u>	<u>176,310,657</u>	<u>11,399,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,887,481</u>	<u>4,018,099</u>	<u>12,310,713</u>	<u>8,292,614</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	71,011	71,011	-
Transfers out	<u>(14,725,395)</u>	<u>(15,856,273)</u>	<u>(15,856,273)</u>	<u>-</u>
Total other financing sources (uses)	<u>(14,725,395)</u>	<u>(15,785,262)</u>	<u>(15,785,262)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(9,837,914)</u>	<u>(11,767,163)</u>	<u>(3,474,549)</u>	<u>\$ 8,292,614</u>
Appropriated fund balance	<u>9,837,914</u>	<u>11,767,163</u>		
Net change in encumbrances			<u>75,062</u>	
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(3,399,487)</u>	
Fund balances—beginning			<u>37,124,536</u>	
Fund balances—ending			<u>\$ 33,725,049</u>	

The notes to the Required Supplementary Information are an integral part of this statement.

COUNTY OF JEFFERSON, NEW YORK
Notes to Required Supplementary Information
Year Ended December 31, 2013

1. REPORTING ON BUDGETARY BASIS

The County reports its budgetary status with the actual data including encumbrances as charges against budgeted appropriations. Following is a reconciliation of the budgetary and GAAP basis operating results.

	<u>General Fund</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses - GAAP basis	\$ (3,399,487)
Add: 2012 encumbrances	172,484
Less: 2013 encumbrances	<u>(247,546)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses - budgetary basis	<u>\$ (3,474,549)</u>

COUNTY OF JEFFERSON, NEW YORK
Schedule of Funding Progress—Other Postemployment Benefits Plan
Year Ended December 31, 2013

County:

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
January 1, 2013	\$ -	\$ 311,934,085	\$ 311,934,085	0.0%	\$ 39,173,900	796.3%
January 1, 2012	-	285,375,476	285,375,476	0.0%	38,237,276	746.3%
January 1, 2011	-	268,836,959	268,836,959	0.0%	36,428,389	738.0%

College:

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	Ratio of UAAL as a Percentage of Covered Payroll
August 31, 2013	\$ -	\$ 48,852,541	\$ 48,852,541	0.0%	n/a	n/a
August 31, 2012	-	40,322,435	40,322,435	0.0%	n/a	n/a
August 31, 2011	-	38,649,162	38,649,162	0.0%	n/a	n/a

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SUPPLEMENTAL
INFORMATION

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COUNTY OF JEFFERSON, NEW YORK
Combining Balance Sheet—Nonmajor Governmental Funds
December 31, 2013

	County Road Fund	Road Machinery Fund	Special Grant Fund	Debt Service Fund	Total Nonmajor Funds
ASSETS					
Cash	\$ 3,968,692	\$ 1,272,917	\$ 92,848	\$ -	\$ 5,334,457
Restricted cash	-	-	-	9,047	9,047
Accounts receivables, net of allowances for estimated uncollectible amounts	-	1,008	-	-	1,008
Due from other funds	20,973	5,599	1,586	-	28,158
Intergovernmental receivables	611	26,490	472,666	-	499,767
Prepaid items	113,838	18,059	49,114	-	181,011
Total assets	<u>\$ 4,104,114</u>	<u>\$ 1,324,073</u>	<u>\$ 616,214</u>	<u>\$ 9,047</u>	<u>\$ 6,053,448</u>
LIABILITIES					
Accounts payable	\$ 254,590	\$ 262,321	\$ 214,241	\$ -	\$ 731,152
Due to other funds	1,183	486	230,686	-	232,355
Unearned revenue	-	-	15,000	-	15,000
Total liabilities	<u>255,773</u>	<u>262,807</u>	<u>459,927</u>	<u>-</u>	<u>978,507</u>
FUND BALANCES					
Nonspendable	113,838	18,059	49,114	-	181,011
Restricted	-	-	-	9,047	9,047
Assigned	3,734,503	1,043,207	107,173	-	4,884,883
Total fund balances	<u>3,848,341</u>	<u>1,061,266</u>	<u>156,287</u>	<u>9,047</u>	<u>5,074,941</u>
Total liabilities and fund balances	<u>\$ 4,104,114</u>	<u>\$ 1,324,073</u>	<u>\$ 616,214</u>	<u>\$ 9,047</u>	<u>\$ 6,053,448</u>

COUNTY OF JEFFERSON, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2013

	County Road Fund	Road Machinery Fund	Special Grant Fund	Debt Service Fund	Total Nonmajor Funds
REVENUES					
Departmental income	\$ -	\$ -	\$ 904,315	\$ -	\$ 904,315
Intergovernmental charges	68,286	75,990	-	-	144,276
Use of money and property	3,097	1,381	101,936	69	106,483
Licenses and permits	2,060	-	-	-	2,060
Sale of property and compensation for loss	2,877	21,107	-	-	23,984
Miscellaneous	-	-	-	172,500	172,500
Interfund revenues	20,000	161,398	-	-	181,398
State aid	3,533,333	-	-	99,163	3,632,496
Federal aid	-	-	2,806,041	-	2,806,041
Total revenues	<u>3,629,653</u>	<u>259,876</u>	<u>3,812,292</u>	<u>271,732</u>	<u>7,973,553</u>
EXPENDITURES					
Current:					
Public safety	632,832	-	-	-	632,832
Transportation	10,293,864	2,098,047	-	-	12,391,911
Economic assistance & opportunity	-	-	2,339,636	-	2,339,636
Home and community services	-	-	1,386,834	-	1,386,834
Employee benefits	20,673	4,650	-	-	25,323
Debt service:					
Principal	-	-	-	2,480,000	2,480,000
Interest and fiscal charges	-	-	-	628,474	628,474
Total expenditures	<u>10,947,369</u>	<u>2,102,697</u>	<u>3,726,470</u>	<u>3,108,474</u>	<u>19,885,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,317,716)</u>	<u>(1,842,821)</u>	<u>85,822</u>	<u>(2,836,742)</u>	<u>(11,911,457)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	9,631,447	1,821,647	-	2,813,801	14,266,895
Transfers out	<u>(1,970,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,970,000)</u>
Total other financing sources (uses)	<u>7,661,447</u>	<u>1,821,647</u>	<u>-</u>	<u>2,813,801</u>	<u>12,296,895</u>
Net change in fund balances	343,731	(21,174)	85,822	(22,941)	385,438
Fund balances—beginning	<u>3,504,610</u>	<u>1,082,440</u>	<u>70,465</u>	<u>31,988</u>	<u>4,689,503</u>
Fund balances—ending	<u>\$ 3,848,341</u>	<u>\$ 1,061,266</u>	<u>\$ 156,287</u>	<u>\$ 9,047</u>	<u>\$ 5,074,941</u>

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FEDERAL AWARD
SCHEDULES AND REPORTS

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through NYS Office of Temporary and Disability Assistance:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>1,792,290</u>
Total U.S. Department of Agriculture			\$ 1,792,290
U.S. Department of Housing and Urban Development:			
Direct Grant:			
Shelter Plus Care	14.238	NY0712 C2C221102	7,502
Shelter Plus Care	14.238	NY0713 C2C221102	88,510
Shelter Plus Care	14.238	NY0806 C2C221101	26,697
Shelter Plus Care	14.238	NY0807 C2C221101	<u>118,588</u>
			241,297
Home Investment Partnerships Program	14.239	N/A	832,698
Continuum of Care Program	14.267	NY0712 L2C221203	10,327
Continuum of Care Program	14.267	NY0713 L2C221203	93,238
Continuum of Care Program	14.267	NY0806 L2C221202	18,075
Continuum of Care Program	14.267	NY0807 L2C221202	<u>71,832</u>
			193,472
Passed through NYS Homes & Community Renewal:			
Community Development Block Grants	14.228	581HR29-09	18,780
Community Development Block Grants	14.228	581HR45-11	241,524
Community Development Block Grants	14.228	581HR86-12	<u>293,833</u>
			554,137
Passed through NYS Office of Temporary and Disability Assistance:			
Emergency Shelter Grants Program	14.231	C021279	<u>241,169</u>
Total U.S. Department of Housing and Urban Development			2,062,773
U.S Department of Justice:			
Direct Grant:			
State Criminal Alien Assistance Program	16.606	2013-AP-BX-0419	11,646
Passed through NYS Division of Criminal Justice:			
Juvenile Accountability Block Grants	16.523	T612193	35,016

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

<i>Edward Byrne Memorial Justice Assistance Grant Program:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	T632693	24,780
Passed through City of Watertown:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	<u>4,370</u>
<i>Total Edward Byrne Memorial Justice Assistance Grant Program</i>			<u>29,150</u>
Total U.S. Department of Justice			75,812
U.S. Department of Labor:			
Passed through NYS Office for the Aging:			
Senior Community Service Employment Program	17.235	Title V	17,203
Passed through NYS Department of Labor:			
Employment Service/Wagner-Peysner Funded Activities	17.207	DEI	1,125
Trade Adjustment Assistance	17.245	N/A	28,253
Workforce Investment Act (WIA) National Emergency Grants	17.277	OJT NEG	164,324
<i>Workforce Investment cluster:</i>			
WIA Adult Program	17.258	N/A	343,415
WIA Youth Activities	17.259	N/A	323,883
WIA Dislocated Worker Formula Grants	17.278	N/A	<u>342,127</u>
<i>Total Workforce Investment cluster</i>			<u>1,009,425</u>
Total U.S. Department of Labor			1,220,330
U.S. Department of Transportation:			
Direct Grant:			
<i>Airport Improvement Program:</i>			
Airport Improvement Program	20.106	3-36-0120-35-11; PIN 7906.96	8,235
Airport Improvement Program	20.106	3-36-0120-37-11; PIN 7906.98	6,840
Airport Improvement Program	20.106	3-36-0120-39-12; PIN 7906.11	51,853
Airport Improvement Program	20.106	3-36-0120-40-12; PIN 7906.12	65,872
Airport Improvement Program	20.106	3-36-0120-41-12; PIN 7906.13	458,673
Airport Improvement Program	20.106	3-36-0120-42-12; PIN 7906.14	1,909,296
Airport Improvement Program	20.106	3-36-0120-43-13; PIN 7906.15	<u>10,475</u>
<i>Total Airport Improvement Program:</i>			2,511,244
Passed through NYS Department of Transportation:			
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction	20.205	D032280; PIN 7753.04	9,385
Highway Planning and Construction	20.205	D033308; PIN 7753.27	105,429
Highway Planning and Construction	20.205	D033861; PIN 7753.31	<u>116,155</u>
<i>Total Highway Planning and Construction Cluster</i>			230,969

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Highway Safety cluster:

Passed through NYS Governor's Traffic Safety:

State and Community Highway Safety	20.600	STEP 2013 SO-00287-(023)	7,854
Occupant Protection Incentive Grants	20.602	CPS 2013 SO-00235-(023)	3,614

Passed through NYS Division of Criminal Justice Services:

Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	T523669	24,246
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Total Highway Safety cluster

35,714

Total U.S. Department of Transportation

2,777,927

U.S. Department of Education:

Passed through NYS Department of Education:

Career and Technical Education - Basic Grants to States	84.048	N/A	15,000
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Passed through NYS Department of Health:

Special Education - Grants for Infants and Families	84.181A	C027485	67,247
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Total U.S. Department of Education

82,247

U.S. Election Assistance Commission:

Passed through NYS Board of Elections:

Help America Vote Act Requirement Payments	90.401	C003225	10,563
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Total U.S. Election Assistance Commission

10,563

U.S. Department of Health and Human Services:

Passed through NYS Department of Health:

State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	T027864	15,186
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Passed through NYS Office for the Aging:

Special Programs for Aging Title III , Part D_Disease Prevention and Health Promotion Services	93.043	Title III-D	720
Special Programs for Aging, Title IV & Title II Discretionary Projects	93.048	Systems Integration	16,694
National Family Caregiver Support Title III, Part E	93.052	Title III-E	41,397

Aging Cluster:

Special Programs for Aging, Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	Title III-B	99,905
Special Programs for Aging, Title III, Part C_Nutrition Services	93.045	Title III-C	182,981
Nutrition Services Incentive Program	93.053	NSIP	87,582

Total Aging Cluster:

370,468

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HIICAP	22,673
Passed through the Health Research Institute: Public Health Emergency Preparedness	93.069	1615.10	99,489
Passed through Research Foundation for Mental Hygiene, Inc: Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1009561	264,216
Passed through NYS Department of Health: Immunization Cooperative Agreements	93.268	C023249	17,936
Passed through NYS Office of Temporary and Disability Assistance: Child Support Enforcement	93.563	N/A	591,252
Low Income Home Energy Assistance	93.568	N/A	4,724,799
Passed through the Office of Children and Family Services: Promoting Safe and Stable Families	93.556	N/A	76,504
Child Care and Development Block Grant	93.575	N/A	1,944,588
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	55,501
Foster Care_Title IV-E	93.658	N/A	1,857,783
Adoption Assistance	93.659	N/A	1,247,529
Social Services Block Grant	93.667	N/A	1,995,203
Chafee Foster Care Independence Program	93.674	N/A	4,060
<i>Maternal and Child Health Services Block Grant to the States:</i>			
Passed through NYS Department of Health: Maternal and Child Health Services Block Grant to the States	93.994	C024622	9,086
Maternal and Child Health Services Block Grant to the States	93.994	C026514	<u>13,739</u>
<i>Total Maternal and Child Health Services Block Grant to the States</i>			22,825
<i>Medical Assistance Program:</i>			
Passed through NYS Department of Health: Medical Assistance Program	93.778	N/A	2,534,811
Passed through NYS Office of Mental Health: Medical Assistance Program	93.778	N/A	<u>75,000</u>
<i>Total Medical Assistance Program</i>			2,609,811
Passed through NYS Office of Alcoholism and Substance Abuse Services: Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	614,019

(continued)

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

(concluded)

Temporary Assistance to Needy Families:

Passed through NYS Office of Temporary and Disability Assistance:

Temporary Assistance to Needy Families	93.558	N/A	5,895,921	
Temporary Assistance to Needy Families	93.558	SYEP	<u>198,699</u>	
<i>Total Temporary Assistance to Needy Families</i>				<u>6,094,620</u>

Total U.S. Department of Health and Human Services

22,687,273

U.S. Department of Homeland Security:

Homeland Security Program:

Passed through NYS Division of Homeland Security and Emergency Services:

Homeland Security Grant Program	97.067	C173409	88,758	
Homeland Security Grant Program	97.067	C173419	57,651	
Homeland Security Grant Program	97.067		13,554	
Homeland Security Grant Program	97.067	C835902	71,669	
Homeland Security Grant Program	97.067	C189009	51,185	
Homeland Security Grant Program	97.067	C189029	26,000	
Homeland Security Grant Program	97.067	C971110	80,166	
Homeland Security Grant Program	97.067	C971120	69,770	
Homeland Security Grant Program	97.067	C835900	<u>102,250</u>	

Total Homeland Security Program

561,003

Emergency Management Performance Grants	97.042	T190125	47,457	
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Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0213HSLR818	<u>26,508</u>	
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Total U.S. Department of Homeland Security

634,968

Total Expenditures of Federal Awards

\$ 31,344,183

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

COUNTY OF JEFFERSON, NEW YORK
Schedule of Expenditures of Federal Awards-Subrecipients
Year Ended December 31, 2013

<u>Program Title/Subrecipient</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program/ Cornell Cooperative Extension	10.561	\$ 89,462
Emergency Shelter Grants Program/ North Country Management Services, LLC	14.231	241,169
Shelter Plus Care/ Lewis County Opportunities	14.238	241,297
HOME Investment Partnerships Program/Development Authority of the North Country	14.239	832,698
Continuum of Care Program/ Lewis County Opportunities	14.267	193,472
WIA—Adult Program/Lewis County	17.258	58,425
WIA—Youth Activities/Lewis County	17.259	51,873
WIA Dislocated Worker Formula Grants/Lewis County	17.278	54,877
Block Grants for Prevention and Treatment of Substance Abuse Credo Community Center for the Treatment of Addictions	93.959	614,019
Homeland Security Grant Program	97.067	5,000

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

COUNTY OF JEFFERSON, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of County of Jefferson, New York (the "County") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

2. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented.

3. MATCHING COSTS

Matching costs, i.e., the County's share of certain program costs, are not included in the reported expenditures.

4. DEPARTMENT OF SOCIAL SERVICES – ADMINISTRATIVE COSTS

Differences between the amounts reflected in the Schedule of Expenditures of Federal Awards and the Department of Social Services' federal financial reports (RF-2 claims) are due to allocation of administrative costs to the individual federal programs.

5. RECONCILIATION

A reconciliation to the basic financial statements is available.

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Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

Honorable County Executive and County Legislature
County of Jefferson, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 the County of Jefferson, New York (the "County"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 29, 2014. Our report includes a reference to other auditors who audited the financial statements of the Jefferson Community College and Jefferson County Industrial Development Agency, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Driescher & Malachi LLP".

July 29, 2014

Certified Public Accountants

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

Honorable County Executive and County Legislature
County of Jefferson, New York:

Report on Compliance for Each Major Federal Program

We have audited the County of Jefferson, New York's (the "County") compliance with the types of compliance requirements described in the *U.S Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Jefferson Community College and Jefferson County Industrial Development Agency, which received \$15,062,576 and \$1,120,157 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2013. Our audit, described below, did not include the operations of the Jefferson Community College and Jefferson County Industrial Development Agency because other auditors were engaged to perform such audits in accordance with OMB Circular A-133, as applicable.

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 the County'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 the 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 the County'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 with each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the County 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the County'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 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.



July 29, 2014

COUNTY OF JEFFERSON, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

Part I. Summary of auditors' results

Financial Statements:

Type of auditors' report issued: Unmodified*
 * (which report refers to other auditors)

Internal control over financial reporting:

- | | | | |
|---|-----------|---------|---------------|
| 1. Material weakness(es) identified? | _____ Yes | ✓ _____ | No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | ✓ _____ | None reported |
| 3. Noncompliance material to financial statements noted? | _____ Yes | ✓ _____ | No |

Federal Awards:

Internal control over major programs:

- | | | | |
|---|-----------|---------|---------------|
| 4. Material weakness(es) identified? | _____ Yes | ✓ _____ | No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | ✓ _____ | None reported |

Type of auditors' report issued on compliance for major programs: Unmodified

- | | | | |
|---|-----------|---------|----|
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | _____ Yes | ✓ _____ | No |
|---|-----------|---------|----|

7. The County's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Continuum of Care Program	14.267
Workforce Investment Act ("WIA") Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Worker Formula Grants	17.278
Airport Improvement Program	20.106
Low-Income Home Energy Assistance	93.568
Childcare and Development Block Grant	93.575
Medical Assistance Program	93.778

8. Dollar threshold used to distinguish between Type A and Type B programs? \$940,326

- | | | | |
|---|---------|-----|----------|
| 9. Auditee qualified as low-risk auditee? | ✓ _____ | Yes | _____ No |
|---|---------|-----|----------|

COUNTY OF JEFFERSON, NEW YORK
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

Part II. Financial statement findings section

None noted.

Part III. Federal award findings and questioned costs section

None noted.

COUNTY OF JEFFERSON, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2013
(Follow Up on December 31, 2012 Findings)

No matters were reported in the prior year.

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