

WASHINGTON COUNTY, NEW YORK

Independent Auditors' Report

Financial Statements and
Supplementary Information

December 31, 2008



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WASHINGTON COUNTY, NEW YORK

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, New York, as of and for the year ended December 31, 2008 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Washington County, New York's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The Pleasant Valley Infirmary which statements represent the amounts shown as the enterprise fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for The Pleasant Valley Infirmary is based solely on the report of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, New York, as of December 31, 2008 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2009 on our consideration of Washington County, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management Discussion and Analysis (MD&A) on pages 3 to 11 and budgetary information on page 18 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington County, New York's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements of Washington County, New York. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

September 9, 2009

As management of the County of Washington, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ending on December 31, 2008.

FINANCIAL HIGHLIGHTS

- 1) The overall change in net assets was a decline of \$7,156,223 in 2008.
- 2) This was the first year of the County reflecting Other Post Employment Benefits (OPEB) costs.
- 3) The County's overall fixed assets increased, reflecting the completion of capital projects.
- 4) The actual General Fund fund balance declined by \$3,800,512 reflecting new Medicaid costs in the form of Federal Medical Assistance Percentage funding (FMAP), a reduction in various operating revenues, and a higher demand for services.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets 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 expense are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e.: uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found immediately following this section within the Basic Financial Statements.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of 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 financial decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Washington County maintains eleven governmental funds: a general fund, car pool fund, county road fund, road machinery fund, solid waste management fund, self insurance fund for workers' compensation, employee health benefits fund, community development fund, an enterprise fund, and two part-County sewer district funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each fund.

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

Compliance with the County's annual operating budget for the year ending December 31, 2008, which includes the General Fund is reported in the "Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual" which is provided as required supplemental information following the Basic Financial Statements.

Proprietary Fund

Washington County maintains one proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements can be found in the Basic Financial Statements section of the report.

Fiduciary funds

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Washington County, assets exceed liabilities by \$86,053,363 at the close of the most recent fiscal year. By far, the largest portion of the County's net assets reflects an investment in capital assets (i.e.: land, buildings, machinery and equipment), less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Washington County's Net Assets

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Cash & Cash Equivalent/ Investments	18,071,837	22,362,690	2,144,933	502,503	20,216,770	22,865,193
All Receivable Net	45,622,184	46,746,036	1,462,351	2,488,006	47,084,535	49,234,042
Other Assets	2,170,615	2,208,612	364,445	382,123	2,535,060	2,590,735
Capital Assets Net	86,954,319	82,630,340	5,158,400	5,438,676	92,112,719	88,069,016
Total Assets	152,818,955	153,947,678	9,130,129	8,811,308	161,949,084	162,758,986
Liabilities:						
Short Term Payables	17,926,262	17,401,696	782,774	954,415	18,709,036	18,356,111
Deferred Revenue	23,360,667	23,027,625	-	-	23,360,667	23,027,625
Other Liabilities	182,485	80,099	544,786	2,004,519	727,271	2,084,618
Bonds & Other Long-Term Liabilities	28,389,194	22,392,390	4,709,553	3,688,656	33,098,747	26,081,046
Total Liabilities	69,858,608	62,901,810	6,037,113	6,647,590	75,895,721	69,549,400
Net Assets:						
Invested in Capital Assets (net of related debt)	67,374,374	61,830,304	2,527,302	2,613,066	69,901,676	64,443,370
Restricted for:						
Debt Service	991,300	1,238,880	-	-	991,300	1,238,880
Unrestricted (Deficit)	14,594,673	27,976,684	565,714	(449,348)	15,160,387	27,527,336
Total Net Assets	82,960,347	91,045,868	3,093,016	2,163,718	86,053,363	93,209,586

Where as total net assets of the County declined by \$7,156,223 the majority of this amount, \$6,090,655, is directly related to the first-time recognition of Other Post Employment Benefits (OPEB) costs. The remaining \$1,065,568 is the net loss due to operations for 2008. The County's unrestricted net asset declined by \$12,366,949. This figure is made up of the \$7,156,233 in total asset decline plus the County's net investment in capital assets. The breakdown of the assets is included in the footnotes.

Washington County's Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for Services	13,712,461	12,784,373	11,255,311	9,749,782	24,967,772	22,534,155
Operating Grants & Contributions	21,559,266	24,206,585	-	-	21,559,266	24,206,585
Capital Grants & Contributions	4,895,500	5,013,702	-	-	4,895,500	5,013,702
Total Program Revenues	40,167,227	42,004,660	11,255,311	9,749,782	51,422,538	51,754,442
General Revenues:						
Property Taxes & Tax Items	27,908,195	26,462,040	-	-	27,908,195	26,462,040
Non-Property Taxes	18,893,488	17,986,376	-	-	18,893,488	17,986,376
Miscellaneous & Intergovernmental	2,338,139	4,324,857	2,086,824	226,538	4,424,963	4,551,395
Investment Earnings	710,254	1,185,365	19,055	23,303	729,309	1,208,668
Transfers	-	(500,000)	4,730	500,000	4,730	-
Total General Revenues	49,850,076	49,458,638	2,110,609	749,841	51,960,685	50,208,479
Total Program & General Revenues	90,017,303	91,463,298	13,365,920	10,499,623	103,383,223	101,962,921
Expenses:						
Governmental Activities Expenses:						
General government support	11,949,724	10,739,788	-	-	11,949,724	10,739,788
Education	7,265,408	2,770,348	-	-	7,265,408	2,770,348
Public Safety	14,045,688	11,954,823	-	-	14,045,688	11,954,823
Health	12,944,963	11,840,776	-	-	12,944,963	11,840,776
Transportation	10,641,090	10,567,552	-	-	10,641,090	10,567,552
Economic Opportunity & Development	32,484,037	29,639,622	-	-	32,484,037	29,639,622
Culture & Recreation	640,543	481,295	-	-	640,543	481,295
Home & Community Services	6,973,814	6,727,512	-	-	6,973,814	6,727,512
Interest on Long Term Debt	1,141,160	1,243,790	-	-	1,141,160	1,243,790
Amortization of Bond Cost	16,397	16,397	-	-	16,397	16,397
Total Expenses	98,102,824	85,981,903	-	-	98,102,824	85,981,903
Business-type Activities						
Nursing Home	-	-	12,436,622	10,754,328	12,436,622	10,754,328
	-	-	12,436,622	10,754,328	12,436,622	10,754,328
Total Government Activities	98,102,824	85,981,903	12,436,622	10,754,328	110,539,446	96,736,231
Net Changes in Net Assets	(8,085,521)	5,481,395	929,298	(254,705)	(7,156,223)	5,226,690
Net Assets Beginning	91,045,868	85,564,473	2,163,718	2,418,423	93,209,586	87,982,896
Net Assets Ending	82,960,347	91,045,868	3,093,016	2,163,718	86,053,363	93,209,586

GOVERNMENTAL ACTIVITIES

Revenues

Program Revenues experienced an overall reduction of \$331,904 from 2007 to 2008. Charges for services increased by \$2,433,617. This was primarily due to the County's Public Health Program. Operating grants and contributions amount was \$2,647,319 lower in 2008 than in 2007. The major reason for this was a \$1,004,032 reduction to the Home Energy Assistance Program (HEAP) Fund. This fund was taken over by New York State and as a result, approximately \$962,000 was cut by the State mid-year. The Capital Grants & Contributions remained stable from 2007 to 2008.

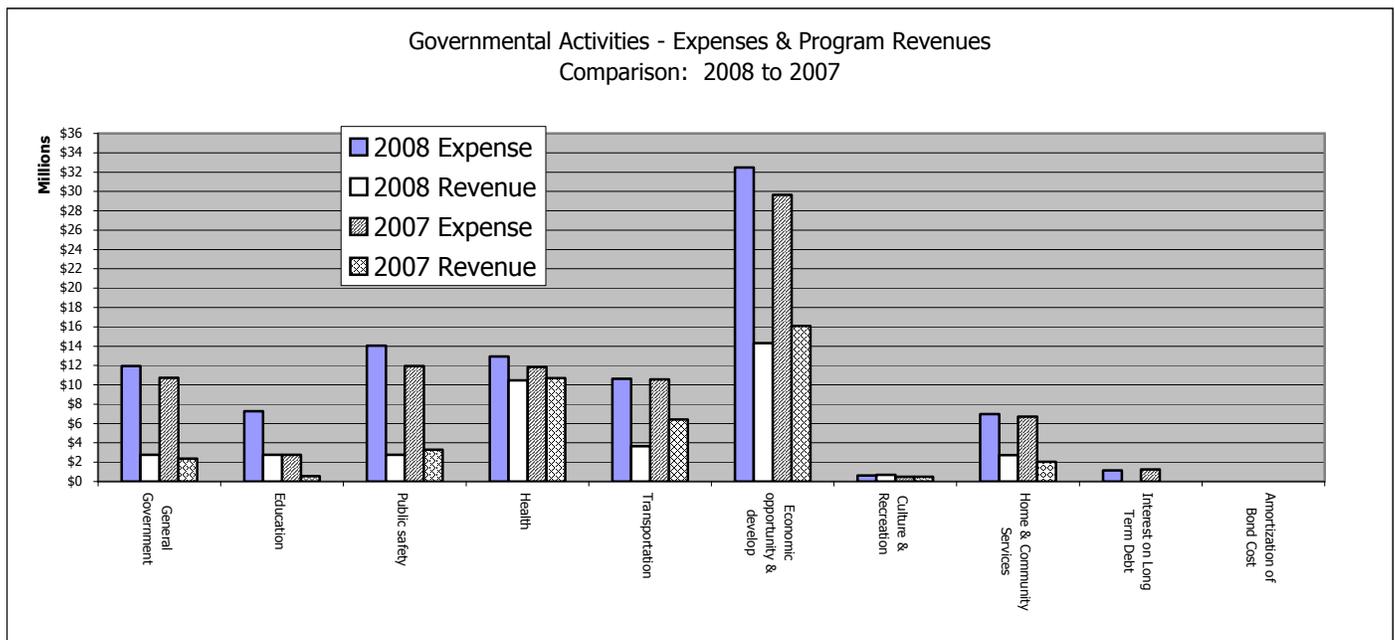
General Governmental Revenues for 2008 were \$49,850,076, representing 55.31% of the total revenue. In 2007, the same revenues were \$49,458,638. Although lower, the 2007 revenues represented 54.07% of the total. Whereas not a major increase, this shows the County's reliance on these revenue groups from 2007 to 2008.

Real Property Taxes and Tax Items showed an increase of \$1,446,155. The increase in property tax levy for 2008 accounted for \$1,114,678 of the increase. The remaining increases were from Interest and Penalties on Real Property Taxes, Payment in Lieu of Taxes and Gain from Sale of Tax Acquired Properties.

In 2008, non-property taxes increased by \$907,112 and the County's sales tax was \$1,080,876 higher. However, mortgage tax, 911 surcharges and automobile use tax saw a decline of \$173,764 in total, a 13.35% reduction in 2008.

Miscellaneous and intergovernmental transfers were lower in 2008 by \$1,986,718. In 2007, the County received two one-time payments. One for an insurance recovery in the amount of \$660,000 for a highway barn fire; the other a contribution from the Adirondack Community College Foundation in the amount of \$1,300,000 to help fund the construction of the College's Regional Higher Education Center.

Investment earnings declined by \$475,111 in 2008. The main reason for this decline was a reduction in the interest rate earned on the County's investments. This combined with an overall lower amount of cash available for investing, led to lost interest income in 2008.



Expenses

The County saw a reduction of \$8,085,521 in net assets for 2008 in Governmental Activities line items. This was due, in part, to the new practice of recognizing Other Post Employment Benefits (OPEB), which increased 2008 expense figures by a total of \$5,008,292.

Listed below is a line-by-line overview of the major changes in each Government Activities category between 2008 and 2007.

General Government Support – Costs increased by \$1,209,936 over 2007. A portion of this increase was due to OPEB expenses being recognized for the first time in 2008, which contributed an additional \$896,251 to this expense category. Another significant expense was the purchase of forty-three (43) voting machines, for a total of \$522,817. This purchase was fully funded by the Federal Help America Vote Act Grant.

Education – Costs increased by \$4,495,060. Washington County and one of our neighboring counties are joint sponsors of a community college. Washington County maintains all capital projects related to the college. In 2008, a \$7 million dollar building project was completed at the college. The increase in education funding was due to Washington County's share of this joint project.

Public Safety – Expenses increased by \$2,090,865 over 2007. A portion of this increase, \$1,082,350, was due to OPEB being recognized for the first time in 2008. The County also completed a new communications project for emergency services in 2008 at a cost of \$392,582. In addition, the cost of operations at the County jail increased by \$186,770 due increased utility rates and labor costs. Inmate boarding revenues were down by \$451,000 in 2008.

Health – Expenses increased by \$1,104,187 over 2007. OPEB costs amounted to \$709,944. The County's net revenue was lower by \$242,000 due to a reduction in State aid.

Transportation – The 2008 core increase in this category was relatively small, at only \$73,538 over 2007. Adding \$821,263 in OPEB brings the increase to \$894,801. The County's revenues for transportation were down by \$2,767,966 in 2008 compared to 2007, which brings the net increase for this category to \$2,020,241. Out of this total increase, \$1,162,500 was due to capital projects for local roads funded three years ago with local dollars.

Economic Opportunity & Development – This category shows the largest single obligation at 33.11% of the County's total government activities expenditures. The County expenses in this category were \$2,844,415 higher in 2008 than in 2007. Out of this total increase, \$1,199,044 was due to the first time recognition of OPEB expenses. Medicaid local cost increased by \$1,744,380 (see FMAP explanation). The Foster Care & Family Assistance line accounted for another \$612,520. It should be noted that in 2008 New York State took over the payment of the Home Energy Assistance Program (HEAP). As a result, the County's costs were reduced by \$1,004,032. However, since HEAP is a 100% Federal-aid program, the County's revenues were also reduced due to the take over by the State. Due to its own budget problems, New York State reduced aid overall by over \$720,000.

Culture & Recreation – This category reflects a \$159,248 increase in 2008. OPEB accounted for \$31,637 of this amount.

Home & Community Services – Gross expenses exceeded 2007 amounts by \$246,302 in 2008. The OPEB amount was \$267,843. It should be noted that 2008 revenues were up by \$701,473 due to a UV Disinfection Grant to upgrade quality of water being discharged into the Hudson River. \$670,882 was spent and received in 2008.

Interest on Long-Term Debt – The \$102,630 reduction in 2008 expense is the effect of the bond schedule (see long-term liabilities for details).

BUSINESS TYPE ACTIVITIES**Revenues**

Overall, the County nursing home's operating and non-operating revenue increased by \$2,866,297. This can be attributed to two factors: 1) New Federal Medical Assistance Percentage (FMAP) funding (see explanation below); and 2) several one-time increases in State funding.

Expenses

There was an overall increase of \$1,682,294 in expenses. This was largely due to the OPEB charge of \$1,082,363 as well as increases in energy costs.

Federal Medical Assistance Percentages Funding (FMAP)

The New York State Department of Health was able to receive additional funding for County operated nursing homes within the State in the form of an Upper Payment Limit (UPL) draw down from available Federal Medicaid dollars.

The total funds available to Washington County's nursing home are \$5,062,780. The County must pay the State and local share of these funds. This will net the County \$2,531,390 in additional revenues. The Board of Supervisors chose to spread this program equally over a two-year period. This means the County will pay half of the local share in 2008, \$1,265,695 ($\$2,531,390 \times 50\% = \$1,265,695$). The County's nursing home will receive \$2,531,390 in FMAP funds. This will be repeated in 2009.

ANALYSIS OF THE COUNTY BUDGET AND FUND BASIS FINANCES IN 2008

Washington County uses fund accounting, as noted earlier, to ensure and demonstrate compliance with finance-related legal requirements.

General Fund

While the 2008 revenues were \$268,985 higher from 2007, the overall expenses were \$3,216,967 higher. In 2008, the County's fund balance declined by \$3,800,512, whereas the decline in 2007 was \$1,063,839. Part of this reduction was planned, however, the increased costs to the County for FMAP and in Social Services, combined with the overall increased cost of providing services were also factors. The unknown availability of State aid gives cause for concern. This still leaves a healthy fund balance of approximately 14.4% of next years operating budget of which \$2,298,884 was appropriated for 2009. This is a reduction from the \$3,969,760 in appropriations for 2008.

Non-Major Funds

Washington County's non-major funds are all other funds aside from the General Fund. These funds were steady in 2008 with the only major changes coming from capital project expenses. The expenditures relating the new Regional Higher Education Center at the jointly sponsored community college were the main reason for the \$2,620,335 increase. The County, as in years past, continues to spend transportation funds through capital projects. Several capital projects were substantially completed in 2008 (see Major Capital Asset Events below).

BUDGETARY HIGHLIGHTS

The County’s annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the general fund. The Budget Officer is responsible for the preparation of the proposed County budget and submission of the same to the County Board of Supervisors. A tentative budget is submitted in October. After a public informational meeting and a public hearing, the budget is usually adopted by the County Board of Supervisors in mid-November of each year. Expenditures during the fiscal year may only be made pursuant to appropriations from the General Fund and other special funds established by the County. However, the County Board of Supervisors during the fiscal year may by resolution make additional appropriations from any unencumbered balances in appropriations, contingent funds or unanticipated revenues.

CAPITAL ASSETS

In accordance with GASB 34, the County records depreciation expenses associated with all of its capital assets, including infrastructure. The County’s increased investment in capital assets for its governmental and business type activities as of December 31, 2008, amounted to \$4,043,703 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and work in progress. The total increase in the County’s investment in capital assets for the current fiscal year was 3.56% percent of the total expenditures for 2008.

Major capital asset events during the 2008 fiscal year were as follows:

- Finishing radio communications tower project totaling \$384,276
- Regional Center for Higher Education \$4,474,000 of the \$7 million project
- Help America Vote Grant in the amount of \$522,817 used to purchase new voting machines
- Completion of various road projects throughout the County

LONG-TERM DEBT

Washington County
Bonds & Other Long Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Bonds						
General Obligation Bonds and Loans	6,030,902	7,027,390	2,631,098	2,825,610	8,662,000	9,853,000
Bond Anticipation Notes	3,200,000	975,000	-	-	3,200,000	975,000
WTASC Bonds	14,150,000	14,390,000	-	-	14,150,000	14,390,000
Subtotal	23,380,902	22,392,390	2,631,098	2,825,610	26,012,000	25,218,000
OPEB Liability	5,008,292	-	1,082,363	-	6,090,655	-
Pleasant Valley Workers' Compensation	-	-	996,092	863,046	996,092	863,046
Subtotal	5,008,292	-	2,078,455	863,046	7,086,747	863,046
Total	28,389,194	22,392,390	4,709,553	3,688,656	33,098,747	26,081,046

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

The State Constitution also limits the power of Counties to issue debt. The County has the power to contract indebtedness for any County purpose so long as the principal amount, thereof, subject to certain limited exceptions, shall not exceed seven (7) per cent of the five-year average full valuation of taxable real estate of the County and subject to certain exclusions and deductions such as water and certain sewer facilities. The average full valuation, in both the Tax Limit and Debt Limit is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and, dividing the sum by five.

The five-year (5) average full valuation for the 2008 computation was \$3,112,794,439. The Constitutional Tax Limit (2.0% x's \$3,112,794,439.) is \$62,255,889. The Constitutional Tax Margin and Debt Limit for fiscal year ending 12/31/08 calculated out to be \$37,804,829, and \$217,895,611, respectively.

ECONOMIC FACTORS: Future Prospects for Washington County's Finances

In mid-year 2008, the County's revenues started to decline. Notably in the areas of mortgage tax and return on investments. The County also experienced a decline due to New York State's mid-year reduction in program funding. It appears this trend will continue into 2009.

In late February, the Federal government passed a stimulus package. Funds were made available to pay a higher Federal share of the County's Medicaid costs. On March 27, 2009, the County received \$564,272 for Medicaid costs incurred between October 1, 2008, and December 31, 2008. In addition, the County is expected to receive over \$1,500,000 in additional Federal funding each year.

It must be noted that the County's overall property value is still increasing. In 2009, the increase slowed from the prior year amount of 18.7 % to 8.25%. Although the County's 2009 sales tax is lower than 2008, it is believed that the County will still make their budget estimate. The County adopted a two-year budgeting practice to better enable the Board of Supervisors and individual County departments to set both short and long-term goals. In response to the current economic climate, the County is reducing its workforce and making cuts to current and future programs. The County's goal is to maintain a stable tax rate while at the same time managing a stable fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Washington County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Gayle Hall, Budget Officer, Washington County Board of Supervisors, 383 Broadway, Fort Edward, New York, 12828. Information related to the component units of the Washington Tobacco Asset Securitization Corporation (WTASC), Washington County Local Development Corporation, and the Soil and Water Conservation District can be obtained in their separate financial statements. These statements are available from their respective administrative offices as noted on page 28 of the notes to the financial statements.

WASHINGTON COUNTY, NEW YORK

Statement of Net Assets

December 31, 2008

ASSETS	Primary Government		Total	Component Units	
	Governmental	Business-Type		Washington	Soil
	Activities	Activities		County	and
			Local	Water	
			Development	Conservation	
			Corporation	District	
Cash and cash equivalents	\$ 18,071,837	\$ 2,144,933	\$ 20,216,770	\$ 2,317,643	\$ 558,796
Receivables, net	33,909,306	1,434,576	35,343,882	1,297	-
Internal balances	-	27,775	27,775	-	-
Due from state and federal governments	11,336,102	-	11,336,102	-	-
Due from other governments	376,776	-	376,776	-	-
Loans receivable	-	-	-	1,709,489	-
Inventories	663,210	176,076	839,286	-	-
Prepaid expenses	906,448	188,369	1,094,817	-	-
Bond issuance costs, net	600,957	-	600,957	-	-
Capital assets, net	86,954,319	5,158,400	92,112,719	-	-
Total Assets	152,818,955	9,130,129	161,949,084	4,028,429	558,796
LIABILITIES					
Accounts payable	6,108,616	358,631	6,467,247	7,306	-
Accrued liabilities	3,575,845	288,754	3,864,599	-	-
Due to other governments	8,241,801	135,389	8,377,190	-	-
Deferred revenue	23,360,667	-	23,360,667	-	-
Internal balances	-	348,864	348,864	-	-
Other liabilities	126,003	195,922	321,925	-	-
Retainage	56,482	-	56,482	-	-
Bond anticipation notes payable	3,200,000	-	3,200,000	-	-
Noncurrent Liabilities:					
Due within one year	900,268	220,732	1,121,000	10,113	-
Due in more than one year	24,288,926	4,488,821	28,777,747	212,230	-
Total Liabilities	69,858,608	6,037,113	75,895,721	229,649	-
NET ASSETS					
Invested in capital assets, net of related debt	67,374,374	2,527,302	69,901,676	-	-
Restricted for:					
Debt service	991,300	-	991,300	-	-
Unrestricted (deficit)	14,594,673	565,714	15,160,387	3,798,780	558,796
Total Net Assets	\$ 82,960,347	\$ 3,093,016	\$ 86,053,363	\$ 3,798,780	\$ 558,796

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Activities

Year Ended December 31, 2008

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Government Activities	Business-Type Activities	Total	Local Develop Corporation	Soil and Water
Primary Government:									
Governmental Activities:									
General government	\$ 11,949,724	\$ 1,196,607	\$ 1,051,652	\$ 524,677	\$ (9,176,788)	\$ -	\$ (9,176,788)	\$ -	\$ -
Education	7,265,408	-	-	2,768,598	(4,496,810)	-	(4,496,810)	-	-
Public safety	14,045,688	1,831,191	973,620	(34,675)	(11,275,552)	-	(11,275,552)	-	-
Health	12,944,963	6,708,276	3,753,843	-	(2,482,844)	-	(2,482,844)	-	-
Transportation	10,641,090	981,386	1,635,940	1,038,489	(6,985,275)	-	(6,985,275)	-	-
Economic opportunity & develop	32,484,037	848,040	13,473,867	-	(18,162,130)	-	(18,162,130)	-	-
Cultural and recreation	640,543	7,769	670,344	-	37,570	-	37,570	-	-
Home & community services	6,973,814	2,139,192	-	598,411	(4,236,211)	-	(4,236,211)	-	-
Interest on long-term debt	1,141,160	-	-	-	(1,141,160)	-	(1,141,160)	-	-
Amortization of bond cost	16,397	-	-	-	(16,397)	-	(16,397)	-	-
Total Governmental Activities	<u>98,102,824</u>	<u>13,712,461</u>	<u>21,559,266</u>	<u>4,895,500</u>	<u>(57,935,597)</u>	<u>-</u>	<u>(57,935,597)</u>	<u>-</u>	<u>-</u>
Business-Type Activities:									
Nursing home	12,436,622	11,255,311	-	-	-	(1,181,311)	(1,181,311)	-	-
Total Primary Government	<u>\$ 110,539,446</u>	<u>\$ 24,967,772</u>	<u>\$ 21,559,266</u>	<u>\$ 4,895,500</u>	<u>(57,935,597)</u>	<u>(1,181,311)</u>	<u>(59,116,908)</u>	<u>-</u>	<u>-</u>
Component Units:									
Local Development Corporation	\$ 121,349	\$ 1,300	\$ 73,500	\$ -	-	-	-	(46,549)	-
Soil and Water District	341,539	14,741	263,766	-	-	-	-	-	(63,032)
Total Component Units	<u>\$ 462,888</u>	<u>\$ 16,041</u>	<u>\$ 337,266</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,549)</u>	<u>(63,032)</u>
General Revenues:									
Real property taxes and tax items					27,908,195	-	27,908,195	-	-
Non-property taxes					18,893,488	-	18,893,488	-	-
Miscellaneous and intergovernmental transfer					2,338,139	2,086,824	4,424,963	2,005	166,113
Investment earnings					710,254	19,055	729,309	134,956	9,282
Transfers					-	4,730	4,730	-	-
Total General Revenues and Transfers					<u>49,850,076</u>	<u>2,110,609</u>	<u>51,960,685</u>	<u>136,961</u>	<u>175,395</u>
Change in net assets					(8,085,521)	929,298	(7,156,223)	90,412	112,363
Net Assets-Beginning					91,045,868	2,163,718	93,209,586	3,708,368	446,433
Net Assets-Ending					<u>\$ 82,960,347</u>	<u>\$ 3,093,016</u>	<u>\$ 86,053,363</u>	<u>\$ 3,798,780</u>	<u>\$ 558,796</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Balance Sheet
Governmental Funds

December 31, 2008

ASSETS	General Fund	Washington Tobacco Asset Securitization Corporation	Non-Major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 4,128,773	\$ 43,730	\$ 10,247,071	\$ 14,419,574
Taxes receivable (net of allowance for uncollectibles of \$500,000)	8,388,745	-	-	8,388,745
Accounts receivable (net of allowance for uncollectibles of \$680,500)	1,501,317	22,703,192	922,274	25,126,783
State and federal receivables	14,508,459	-	1,880,751	16,389,210
Due from other funds	1,359,057	-	618,399	1,977,456
Due from other governments	59,211	-	310,970	370,181
Inventories, at cost	13,914	-	649,296	663,210
Prepaid expenses	737,579	-	168,869	906,448
Restricted Assets:				
Cash	-	944,122	2,708,141	3,652,263
Due from other governments	-	-	6,595	6,595
Other receivables	-	-	938	938
Total Assets	\$ 30,697,055	\$ 23,691,044	\$ 17,513,304	\$ 71,901,403
LIABILITIES				
Accounts payable	\$ 3,240,360	\$ -	\$ 2,022,442	\$ 5,262,802
Accrued liabilities	459,666	-	101,152	560,818
Other liabilities	4,635,121	-	18,346	4,653,467
Bond anticipation notes payable	-	-	3,200,000	3,200,000
Due to other funds	240,265	-	1,337,277	1,577,542
Due to other governments	7,951,823	-	289,978	8,241,801
Retainage payable	-	-	56,482	56,482
Deferred revenues	2,057,009	22,703,192	215,275	24,975,476
Payables From Restricted Assets:				
Accounts payable	-	-	845,814	845,814
Accrued liabilities	-	-	1,255	1,255
Due to other funds	-	-	7,074	7,074
Deferred revenues	-	-	436,000	436,000
Total Liabilities	18,584,244	22,703,192	8,531,095	49,818,531

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Balance Sheet
Governmental Funds

December 31, 2008

FUND EQUITY	General Fund	Washington Tobacco Asset Securitization Corporation	Non-Major Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances:				
Reserved For:				
Encumbrances	169,620	-	1,010,902	1,180,522
Miscellaneous	67,115	-	18,080	85,195
Inventories	13,914	-	649,296	663,210
Workers' compensation	-	-	1,511,599	1,511,599
Insurance	902,113	-	-	902,113
Debt	-	944,122	47,178	991,300
Unreserved:				
Designated-ensuing year's budget	2,298,884	-	4,773,696	7,072,580
Undesignated	8,661,165	43,730	971,458	9,676,353
Total Fund Equity	<u>12,112,811</u>	<u>987,852</u>	<u>8,982,209</u>	<u>22,082,872</u>
Commitments and Contingencies				
Total Liabilities and Fund Equity	<u>\$ 30,697,055</u>	<u>\$ 23,691,044</u>	<u>\$ 17,513,304</u>	<u>\$ 71,901,403</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2008

REVENUES	General Fund	Washington Tobacco Asset Securitization Corporation	Non-Major Funds	Total Governmental Funds
Real property taxes and tax items	\$ 26,940,750	\$ -	\$ 491,400	\$ 27,432,150
Non-property taxes	18,893,488	-	-	18,893,488
Departmental income	8,954,139	-	2,012,400	10,966,539
Intergovernmental charges	1,738,005	-	10,174,696	11,912,701
Use of money and property	564,819	59,291	356,358	980,468
Licenses and permits	-	-	166,897	166,897
Fines and forfeitures	165,200	-	1,675	166,875
Sale of property and compensation for loss	741,589	-	878,548	1,620,137
Miscellaneous local sources	182,521	893,733	1,191,268	2,267,522
Interfund revenues	737,110	-	3,096,878	3,833,988
State aid	12,977,395	-	5,097,696	18,075,091
Federal aid	6,913,645	-	1,819,486	8,733,131
Total Revenues	78,808,661	953,024	25,287,302	105,048,987
EXPENDITURES				
Current:				
General government support	8,706,988	72,775	2,154,648	10,934,411
Education	1,667,367	-	5,598,041	7,265,408
Public safety	9,638,393	-	727,966	10,366,359
Health	11,628,322	-	-	11,628,322
Transportation	-	-	15,184,067	15,184,067
Economic opportunity and development	28,947,143	-	385,742	29,332,885
Cultural and recreation	421,207	-	-	421,207
Home and community services	1,218,502	-	5,108,852	6,327,354
Employee benefits	8,786,395	-	10,384,415	19,170,810
Debt Service:				
Principal retirement	967,073	240,000	724,270	1,931,343
Interest	273,562	695,438	191,324	1,160,324
Total Expenditures	72,254,952	1,008,213	40,459,325	113,722,490
Excess (Deficit) of Revenues Over (Under) Expenditures	6,553,709	(55,189)	(15,172,023)	(8,673,503)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	91,541	-	10,626,346	10,717,887
Operating transfers out	(10,445,762)	-	(272,125)	(10,717,887)
BAN Principal Redeemed From Appropriation	-	-	199,856	199,856
Total Other Financing Sources (Uses)	(10,354,221)	-	10,554,077	199,856

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2008

	General Fund	Washington Tobacco Asset Securitization Corporation	Non-Major Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balances	(3,800,512)	(55,189)	(4,617,946)	(8,473,647)
Fund Balance at Beginning of Year	15,913,323	1,043,041	13,600,155	30,556,519
Fund Balance at End of Year	<u>\$ 12,112,811</u>	<u>\$ 987,852</u>	<u>\$ 8,982,209</u>	<u>\$ 22,082,872</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2008

REVENUES	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Real property taxes and tax items	\$ 27,144,928	\$ 27,179,928	\$ 26,940,750	\$ (239,178)
Non-property taxes	17,690,000	17,886,676	18,893,488	1,006,812
Departmental income	8,161,425	8,436,800	8,954,139	517,339
Intergovernmental charges	2,198,110	2,198,110	1,738,005	(460,105)
Use of money and property	989,213	1,054,713	564,819	(489,894)
Fines and forfeitures	165,107	169,485	165,200	(4,285)
Sale of property and compensation for loss	717,860	717,860	741,589	23,729
Miscellaneous local sources	183,000	206,151	182,521	(23,630)
Interfund revenues	459,602	702,102	737,110	35,008
State aid	13,940,035	14,602,130	12,977,395	(1,624,735)
Federal aid	8,103,223	8,678,977	6,913,645	(1,765,332)
Total Revenues	<u>79,752,503</u>	<u>81,832,932</u>	<u>78,808,661</u>	<u>(3,024,271)</u>
EXPENDITURES				
Current:				
General government support	9,446,754	9,546,060	8,827,583	718,477
Education	1,674,216	1,674,216	1,667,367	6,849
Public safety	9,912,202	10,245,801	9,643,221	602,580
Health	13,096,893	13,519,749	11,672,334	1,847,415
Economic opportunity and development	27,645,198	29,568,486	28,947,327	621,159
Cultural and recreation	471,166	471,166	421,207	49,959
Home and community services	841,798	1,249,798	1,218,502	31,296
Employee benefits	9,247,870	8,889,166	8,786,395	102,771
Debt Service:				
Principal retirement	967,073	967,073	967,073	-
Interest	263,481	263,481	273,562	(10,081)
Total Expenditures	<u>73,566,651</u>	<u>76,394,996</u>	<u>72,424,571</u>	<u>3,970,425</u>
Excess of Revenues Over Expenditures	<u>6,185,852</u>	<u>5,437,936</u>	<u>6,384,090</u>	<u>946,154</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	91,541	91,541
Operating transfers out	(10,156,112)	(10,445,762)	(10,445,762)	-
Total Other Financing Sources (Uses)	<u>(10,156,112)</u>	<u>(10,445,762)</u>	<u>(10,354,221)</u>	<u>91,541</u>
Net Change in Fund Balance - Budget Basis	<u>\$ (3,970,260)</u>	<u>\$ (5,007,826)</u>	<u>(3,970,131)</u>	<u>\$ 1,037,695</u>
Encumbrances Included in Actual			169,619	
Net Change in Fund Balance			(3,800,512)	
Fund Balance at Beginning of Year			15,913,323	
Fund Balance at End of Year			<u>\$ 12,112,811</u>	

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Balance Sheet
Proprietary and Fiduciary Funds

December 31, 2008

	Business-Type Activity	Fiduciary Fund Type
	Enterprise Fund	Agency
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,949,011	\$ 846,550
Restricted cash	195,922	121,997
Residents accounts receivable, net of estimated allowance for doubtful accounts of \$95,000	1,434,576	-
Accounts receivable, third-party payors	-	-
Due from County	27,775	-
Other receivables	-	79,045
Supplies	176,076	-
Prepaid expenses	188,369	-
Total Current Assets	3,971,729	1,047,592
Property, plant and equipment, net of accumulated depreciation	5,158,400	-
Total Assets	\$ 9,130,129	\$ 1,047,592
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 220,732	\$ -
Accounts payable, trade	358,631	-
Accrued payroll and related benefits	260,361	-
Accrued interest	28,393	-
Accounts payable, third-party payors	135,389	-
Due to County	348,864	65,093
Other liabilities	195,922	982,499
Total Current Liabilities	1,548,292	1,047,592
Long-term debt, net of current portion	3,492,729	-
Workers' compensation claims and judgments payable	996,092	-
Total Liabilities	6,037,113	1,047,592
FUND EQUITY		
Invested in property, plant and equipment, net of related debt	2,527,302	-
Unrestricted surplus (deficit)	565,714	-
Total Fund Equity	3,093,016	-
Total Liabilities and Fund Equity	\$ 9,130,129	\$ 1,047,592

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary and Fiduciary Funds

Year Ended December 31, 2008

	2008
Operating Revenues:	
Net resident revenue	\$ 11,241,747
Other operating revenue	13,564
	<hr/>
Total Operating Revenues	11,255,311
	<hr/>
Operating Expenses:	
Nursing services	4,036,089
Ancillary services	680,949
Dietary	890,185
Housekeeping	344,362
Laundry service	273,062
Maintenance	777,921
Administrative and business office	621,353
Insurance	26,363
Employee benefits	3,527,915
Provision for bad debts	71,497
Depreciation	648,721
Cash receipts assessment	538,205
	<hr/>
Total Operating Expenses	12,436,622
	<hr/>
Loss From Operations	(1,181,311)
	<hr/>
Nonoperating Revenues (Expenses):	
Intergovernmental transfers	2,344,390
Interest income	19,055
Subsidy from Washington County	4,730
Grant revenue	5,234
Other income	25,006
Transfer to County	(101,763)
Interest expense	(186,043)
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Total Nonoperating Revenues (Expenses)	2,110,609
	<hr/>
Net Income	929,298
	<hr/>
Fund Equity at Beginning of Year	2,163,718
	<hr/>
Fund Equity at End of Year	\$ 3,093,016
	<hr/> <hr/>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Cash Flows
Proprietary Fund

Year Ended December 31, 2008

	<u>Business-Type Activity</u>
Cash Flows From Operating Activities:	
Receipts from and on behalf of residents	\$ 11,804,952
Payments to suppliers for goods and services	(4,059,197)
Payments to employees for services	(7,662,469)
Other operating revenues	<u>13,564</u>
Net Cash Provided (Used) by Operating Activities	<u>96,850</u>
Cash Flows From Noncapital Financing Activities:	
Intergovernmental transfer	2,344,390
Transfer to County	(101,763)
Subsidy from Washington County	<u>4,730</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,247,357</u>
Cash Flows From Capital and Related Financing Activities:	
Principal payments on serial bonds	(194,512)
Interest payments on serial bonds	(187,993)
Purchases of property and equipment	(373,399)
Grant	<u>5,234</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(750,670)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>19,055</u>
Net Cash Provided (Used) by Investing Activities	<u>19,055</u>
Net Increase In Cash and Cash Equivalents	1,612,592
Cash and Cash Equivalents at Beginning of Year	<u>336,419</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,949,011</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Cash Flows
Proprietary Fund

Year Ended December 31, 2008

	<u>Business-Type Activity</u>
Reconciliation of Loss From Operations to Net Cash Provided (Used) by Operating Activities:	
Loss From Operations	\$ (1,181,311)
Adjustments to Reconcile Loss From Operations to Net Cash Provided (Used) by Operating Activities:	
Depreciation	648,721
Bad debts	71,497
Changes in:	
Residents accounts receivable	690,565
Due to/from Washington County	(1,296,467)
Supplies	(16,768)
Prepaid expense	34,446
Accounts payable	2,607
Accrued items	55,511
Due to/from third-party payors	(127,360)
Workers' Compensation claims and judgments payable	133,046
Change in OPEB liability	1,082,363
	<u>1,082,363</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 96,850</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

December 31, 2008

ASSETS	Total Governmental Funds	Long-term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Assets Totals
Cash and cash equivalents	\$ 18,071,837	\$ -	\$ -	\$ 18,071,837
Taxes receivable (net)	8,388,745	-	-	8,388,745
Accounts receivable (net)	25,127,721	-	392,840	25,520,561
State and federal receivables	16,389,210	(5,053,108)	-	11,336,102
Due from other funds	1,977,456	-	(1,977,456)	-
Due from other governments	376,776	-	-	376,776
Inventories, at cost	663,210	-	-	663,210
Prepaid expenses	906,448	-	-	906,448
Bond issue cost	-	600,957	-	600,957
Capital assets, net	-	86,954,319	-	86,954,319
Total Assets	\$ 71,901,403	\$ 82,502,168	\$ (1,584,616)	\$ 152,818,955
LIABILITIES				
Accounts payable	\$ 6,108,616	\$ -	\$ -	\$ 6,108,616
Accrued liabilities	562,073	3,013,772	-	3,575,845
Other liabilities	4,653,467	(4,527,464)	-	126,003
Retainage	56,482	-	-	56,482
Due to other funds	1,584,616	-	(1,584,616)	-
Due to other governments	8,241,801	-	-	8,241,801
Deferred revenues	25,411,476	(2,050,809)	-	23,360,667
Bond anticipation notes payable	3,200,000	-	-	3,200,000
Debt due in less than one year	-	900,268	-	900,268
Debt due in more than one year	-	24,288,926	-	24,288,926
Total Liabilities	49,818,531	21,624,693	(1,584,616)	69,858,608
FUND EQUITY				
Invested in assets net of debt	-	67,374,374	-	67,374,374
Reserved for:				
Encumbrances	1,180,522	-	(1,180,522)	-
Inventories	663,210	-	(663,210)	-
Insurance	902,113	-	(902,113)	-
Debt	991,300	-	-	991,300
Workers' Compensation	1,511,599	-	(1,511,599)	-
Miscellaneous	85,195	-	(85,195)	-
Unreserved:				
Designated-ensuing year's budget	7,072,580	-	(7,072,580)	-
Undesignated	9,676,353	(6,496,899)	11,415,219	14,594,673
Total Fund Equity	22,082,872	60,877,475	-	82,960,347
Total Liabilities and Fund Equity	\$ 71,901,403	\$ 82,502,168	\$ (1,584,616)	\$ 152,818,955

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

December 31, 2008

(1) Explanations of above adjustments:

To recognize changes in state aid receivable for unsettled claims in mental health programs \$ (5,053,108)

Bond issue cost is recognized as an asset for the statement of net assets, but reported as an expenditure in governmental funds \$ 600,957

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole:

Cost of capital assets	\$ 134,644,579
Less: accumulated depreciation	<u>(47,690,260)</u>
	<u>\$ 86,954,319</u>

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

Landfill closing cost	\$ 319,747
Compensated absences	935,768
Workers' compensation	1,594,666
Accrued interest	<u>163,591</u>
	<u>\$ 3,013,772</u>

To recognize the changes in advances (liabilities) for unsettled claims in mental health programs \$ (4,527,464)

Because the focus of governmental funds is on short term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance:

Adjustment of Deferred Revenues \$ (2,050,809)

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

Bonds and Loans Payable	\$ 20,180,902
OPEB Liability	<u>5,008,292</u>
	<u>\$ 25,189,194</u>

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2008

Total revenues in the governmental funds differ from total revenues for governmental activities in the statement of activities. The differences result primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The main components of the difference are described below:

Total revenues of the governmental funds. (Exhibit D)	\$ 105,048,987
Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available" revenues in the governmental funds.	476,045
Interfund revenues are used to charge the costs of certain activities, such as telecommunications, mailing and printing to individual funds. These interfund revenues are reported with governmental activities, but eliminated for the statement of activities.	(4,335,363)
To reverse state mental health aid recognized in prior years as revenue instead of advances/liabilities regarding unsettled claims.	(1,247,189)
To eliminate interfund revenues of self insurance funds for workers' compensation and health insurance premiums.	(9,328,680)
To eliminate reimbursement from the escrow agent regarding defeased bond payments against principal paid expense in the governmental funds.	(495,000)
To recognize the loss on disposition of capital assets.	<u>(101,497)</u>
	<u><u>\$ 90,017,303</u></u>

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

Charges for services	\$ 13,712,461	
Operating grants and contributions	21,559,266	
Capital grants and contributions	4,895,500	
General revenues and transfers	<u>49,850,076</u>	
Total Revenues of Governmental Activities		<u><u>\$ 90,017,303</u></u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2008

Total expenditures of the governmental funds differ from total expenses of governmental activities in the statement of activities. The difference is attributable primarily to the long-term focus of governmental activities versus the current financial resources focus of governmental funds. The main components of the differences are described below:

Total expenditures of the governmental funds. (Exhibit D)	\$ 113,722,490
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital expenditures (\$9,120,563) exceeded depreciation(\$4,695,087).	(4,425,476)
The initial recording of the County's actuarially calculated liability for retiree health insurance benefits (OPEB expense) is not recognized in the governmental funds, but is recognized in the County-wide financial statements.	5,008,292
Interfund expenditures are eliminated against the respective interfund revenues.	(4,335,363)
Repayment of bond principal is reported as an expenditure in governmental funds. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.	(1,931,343)
To recognize mental health costs for expense recognized in past year instead of deferred expense regarding unsettled claims.	(871,527)
To eliminate interfund expenditures for workers' compensation and health insurance premiums.	(9,328,680)
To recognize compensated absences expense for current year change in liability.	66,462
To recognize landfill closing costs for current year change in liability.	(42,400)
To recognize current year effect of change in workers' compensation liability.	243,136
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Interest and amortization of bonds expense in the statement of activities differs from the amount reported in governmental funds by this amount.	<u>(2,767)</u>
Total Expenses of Governmental Activities (Exhibit B)	<u>\$ 98,102,824</u>

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies

The financial statements of Washington County, New York (Washington County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

Washington County, New York, which was established in 1784, is governed by the general laws of the State of New York and various local laws and ordinances. The County Board of Supervisors, which is the legislative body responsible for the overall operation of the County, consists of the Town Supervisors representing the seventeen towns within the County. The Chairman of the Board, elected by the Board each year, is the chief executive officer of the County. The Board of Supervisors also appoints a county administrator and a clerk of the board. The Chairman of the Finance Committee has been appointed as the Budget Officer. The County Treasurer, elected at large to a four year term, is the chief fiscal officer of the County. The County Clerk, Sheriff, and District Attorney are constitutional officials and are elected in accordance with constitutional provisions.

The County provides the following basic services: general government, education, public safety, social services, recreation, health and nursing services, road maintenance, public improvements, home and community services, general administrative services, and solid waste management services. The County participates in the Job Training Partnership Act Program for Saratoga, Warren and Washington Counties as administered by Saratoga County.

All governmental activities and functions performed for Washington County are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government which is Washington County, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement 14 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining Washington County's reporting entity.

Included in the Reporting Entity

The Washington County Soil and Water Conservation District is administered by a Board of Directors, of which 40% are members of the Washington County Board of Supervisors. Approximately 33% of the District's revenues are generated by a transfer from the Washington County General Fund. The District is considered a component unit and is discretely presented.

The Washington County Local Development Corporation ("LDC") was incorporated in 1985 under the Not-For-Profit Law of the State of New York. Ten County Board Supervisors serve on the 17 person board of the LDC. The LDC is considered a component unit of the County and is discretely presented.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Included in the Reporting Entity – Continued

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

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

Administrative offices:

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

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

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

Basis of Presentation

1. County-Wide statements:

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

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

2. Fund financial statements:

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Basis of Presentation – Continued

The County Reports the Following Major Governmental Funds:

- a. General Fund
This is the County's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- b. Washington Tobacco Assets Securitization Corporation
Used to bond the value of future receipts due to the County under the New York State Tobacco Settlement Agreement.

The County Reports the Following Non-Major Governmental Funds:

Special Revenue Funds

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

- a. Special Grant Fund
Used to account for the use of federal monies received under the Workforce Investment Act.
- b. Road Machinery Fund
Used to account for the purchase, repair, maintenance and storage of highway machinery, tools and equipment pursuant to Section 133 of the Highway Law.
- c. Sewer District Fund
Used to account for taxes and other revenues which are raised or received to provide related services to an area which encompasses less than the whole county.
- d. Solid Waste Management
Used to account for fees charged and other revenues which are raised or received to operate the five County solid waste transfer stations.
- e. Self-Insured Health Benefits Fund
Used to account for the administration and obligations of the County's self-insured health plan for the benefit of County employees.
- f. Self-Insurance Fund
Used to account for the administration, compensation, and other obligations of the County's self-insurance program under the Workers' Compensation Law, Article 5.
- g. Car Pool Fund
Used to account for the purchase, repair, maintenance, and fuel used for the County vehicles.
- h. County Road Fund
This fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.

Capital Projects Funds

Used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment other than those financed by the Enterprise Fund.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Basis of Presentation – Continued

The County Reports the Following Proprietary Fund:

Enterprise Fund

Used to account for the operations of the County's long-term care nursing facility which is financed and operated in a manner similar to private business enterprises. The intent of the governing board is that the costs or expenses, including depreciation, of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The County maintains one enterprise fund to account for The Pleasant Valley Infirmary which is a New York State licensed 120 bed skilled nursing facility.

Fiduciary Fund

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

Component Units

Used to report the activities of the following entities:

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

See pages 36, 37, 45 and 46 for further information.

Capital Assets

Capital assets include property, plant and equipment, and infrastructure assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the County are depreciated using the straight-line method over the following useful lives.

Assets

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Measurement Focus and Basis of Accounting

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

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

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

1. General Budget Process

The County employs the following budgetary procedures:

- a. In September, department heads receive budget forms and submit their requests to the budget officer.
- b. No later than November 15, the budget officer submits a tentative budget to the Clerk of the Board of Supervisors for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for the following funds: general, sewer, self insurance, county road, road machinery, solid waste management, and solid waste machinery.
- c. After public hearings are conducted to obtain taxpayer comments, but no later than December 20, the Board of Supervisors adopts the County budget.
- d. Any revisions that alter total appropriations of any department or fund must be approved by the Board of Supervisors.
- e. Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects which remain in effect for the life of the project. Budgets are prepared for the proprietary fund primarily to establish any estimated contributions required from other funds.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year end are reported as reservations of fund balances since the commitments do not constitute expenditures or liabilities.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

3. Budget Basis of Accounting

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

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

	<u>Expenditures</u> <u>General Fund</u>
Total funds included in budget comparison (Exhibit E)	\$ 72,424,571
Less: encumbrances recorded in budget comparison (not GAAP)	<u>(169,619)</u>
GAAP Basis (Exhibit D)	<u>\$ 72,254,952</u>

No budget is required for the Washington Tobacco Asset Securitization Corporation.

Cash and Cash in Time Deposits

All cash accounts were fully collateralized or covered by FDIC, or covered by an irrevocable standby letter of credit. No amounts were drawn on the letter of credit at December 31, 2008.

Cash and Cash Equivalents

Washington County, New York considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories

Inventories are comprised of prescription drugs, medical and other supplies (enterprise fund), and fuel oil, parts, sand and salt (special revenue funds), and are valued at the lower of cost or market. The expenditure is recognized when the inventory is purchased, but for financial statement purposes, the year end balance on hand is reported as an asset in the balance sheet with an offsetting reserve of the fund balance.

Property, Plant and Equipment

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

No interest on construction in progress has been capitalized.

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

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Vacation and Sick Leave and Compensatory Absences

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

Payment of vacation and compensatory absences recorded in accrued liabilities is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and compensatory absences when such payments become due.

Post Retirement Benefits

In addition to providing pension benefits, Washington County provides health insurance coverage and survivor benefits for 372 employees and their spouses. Substantially all of the County's employees may become eligible for these benefits if they reach normal retirement age while working for the County after 20 years of service. The health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The County recognized the cost of providing benefits by recording its share of insurance premiums of \$1,500,945 as an expenditure during 2008.

Reserves and Restricted Net Assets

The County records reserves to indicate the portion of the fund balance which is legally segregated for a specific future use or not available for current appropriation. The reserve for DWI program is established to indicate a portion of fund balance is restricted for expenditures under the STOP - DWI program. The reserve for inventories indicates the portion of the fund balance that has been used to fund inventory and is not available for appropriation. The reserve for workers' compensation has been established to indicate a portion of fund balance is restricted for the payment of future claims. The reserve for debt represents mortgage tax monies and interest earned on deposits which will be used to offset future debt service payments relating to an Adirondack Community College Capital Project as well as tobacco asset settlement receipts set aside for future debt service payments relating to the Washington County bonds issued for jail construction. The reserve for debt is considered a restricted net asset in the statement of net assets because it is created under enabling legislation.

Revenue Recognition, Property Taxes

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

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Collection of County property taxes are as follows:

All property taxes are the enforcement responsibility of the County. The town and special districts receive the full amount of their levies annually. School districts and villages are paid by the County for the full amount of delinquent taxes turned over to the County for enforcement.

County taxes receivable as described above consist in part of direct County tax revenues and in part of taxes initially levied for the purpose of other local governments over which the County exercises no fiscal control. Therefore, the deferred revenues on the County General Fund balance sheet at December 31, 2008 include total taxes receivable owned by the County, less the amount estimated to be available within the first 60 days of the subsequent year.

The following tax calendar pertains to County real property taxes:

Taxable status date	March 1 st
Lien date	August 1 st
Levy date	January 1 st
Date taxes due	January 31 st
Date penalty periods begin	February 1 st
In reim procedure (Article 11 Tax Sale Enforcement)	January 1 st

Non-Property Taxes

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

Retirement Plans

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

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

Concentrations of Credit Risk

Financial instruments which potentially expose the primary government to concentrations of credit risk, as defined by Financial Accounting Standards Board Statement No. 105, consist primarily of taxes receivable and tax sale certificates which are secured by property values throughout the County.

Pleasant Valley Infirmarary's patient census includes a large number of patients who are eligible for federal and state assistance under the Medicare and Medicaid programs. Although the nursing home is directly affected by the financial well-being of the state and federal health care reimbursement programs, management does not believe significant credit risk exists at December 31, 2008.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Summary of Significant Accounting Policies – Continued

Concentrations of Credit Risk – Continued

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

Medicare	17%
Medicaid	64%
Private Pay	19%

Financial instruments which potentially expose the County's component units to concentrations of credit risk, as defined by Financial Accounting Standards Board Statement No. 105, consist primarily of loans receivable of the Local Development Corporation. Management considers all loans net of allowance to be collectible at December 31, 2008.

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

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

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

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

B. Statement of revenues, expenditures and changes in fund balance vs. statement of activities – Continued:

- iii) Long-term debt transaction differences:
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net assets.

Stewardship, Compliance and Accountability

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

Deficit Fund Balances - The following funds had a deficit fund balance at December 31, 2008:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Washington Tobacco Asset Securitization Corporation (on its accrual basis financial statements)	\$ 12,619,915
Capital Project – Adirondack Community College	1,558,780
Capital Project – Microwave equipment	213,746
Capital Project – Route 4 betterment	411,776
Capital Project – Sewer repairs	122,548
Capital Project – Sewer district garage roof repair	52,452
Self Insurance	<u>352,781</u>
Total	<u>\$ 15,331,998</u>

These deficits will be relieved as follows:

- a. The Capital project deficits will be relieved through additional appropriations.
- b. The Washington Tobacco Asset Securitization Corporation deficit will be relieved as the tobacco settlements are received and recognized as revenue.
- c. The self-insurance fund deficit will be relieved through an interfund transfer from the General Fund in 2009.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Restricted Assets

Restricted assets are as follows:

	Cash Checking and Savings	Due From Other Governments	Loans and Other Receivables
	<u> </u>	<u> </u>	<u> </u>
Special revenue	\$ 1,511,599	\$ 3,229	\$ 938
Capital projects	1,196,542	3,366	-
Agency	121,997	-	-
Enterprise	195,922	-	-
Local Development Corporation	1,354,420	-	733,802
Soil and Water District	558,796	-	-
Washington Tobacco Asset Securitization Corporation	944,122	-	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 5,883,398</u>	<u>\$ 6,595</u>	<u>\$ 734,740</u>

Special Revenue Fund assets are restricted for the Self-Insurance Funds (workers' compensation claims and employee health benefit claims) and community development grants.

Capital Project assets are restricted due to the nature of individual projects in that they are funded with debt or funded with receipts from other entities for specific purposes.

Agency assets are restricted for Court and Trust Funds.

Enterprise assets are restricted for patient funds purposes.

Local Development Corporation assets are restricted to U.S. Department of Housing and Urban Development (HUD) approved loan programs.

Soil and Water District assets are restricted because they are used to provide services to the farmers of Washington County.

Washington Tobacco Asset Securitization Corporation assets are restricted because they are to be used to repay the WTASC Bonds.

The County uses any restricted assets available for a specific purpose before using unrestricted assets.

Accounts Receivable

Accounts receivable for Washington Tobacco Asset Securitization Corporation include an estimate of the present value of future tobacco settlement receipts in the amount of \$22,703,192 in accordance with Government Accounting Standards Board Statement #48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues." This receivable is offset by an equal amount included in deferred revenue.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Pleasant Valley Infirmary (PVI) Accounts Receivable and Net Resident Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from residents, third-party payors, and others for service rendered.

Revenue received under third-party reimbursement agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor retroactive adjustments under those agreements are provided in the financial statements if they are able to be reasonably estimated. Differences between amounts accrued and interim and final settlements are reported in operations in the year of settlement.

PVI grants credit to its patients without collateral. Most of the patients are insured under third-party payor agreements (see commitments). Accounts receivable are stated net of an allowance for doubtful accounts. Bad debts are provided for on the allowance method based upon historical experience and management's estimation of collection losses on outstanding receivables. The allowance for doubtful accounts was \$95,000 at December 31, 2008.

Changes in Property, Plant and Equipment

A summary of changes in property, plant and equipment is as follows:

	Balance January 1, 2008	Additions	Retirements/ Reclass- ifications	Balance December 31, 2008
Governmental Funds:				
Land	\$ 1,640,616	\$ -	\$ -	\$ 1,640,616
Buildings	46,164,483	-	-	46,164,483
Construction in progress	14,924,691	2,065,952	-	16,990,643
Improvements	42,113	-	-	42,113
Bridges	13,370,589	450,219	-	13,820,808
Roads	19,442,032	4,702,602	-	24,144,634
Infrastructure	11,992,361	-	-	11,992,361
Machinery and equipment	18,762,887	1,901,790	(815,756)	19,848,921
Total cost	126,339,772	9,120,563	(815,756)	134,644,579
Less: accumulated depreciation:				
Buildings	14,417,697	1,125,186	-	15,542,883
Improvements	16,444	1,132	-	17,576
Bridges	1,927,067	276,416	-	2,203,483
Roads	10,682,367	1,527,702	-	12,210,069
Infrastructure	4,837,046	239,847	-	5,076,893
Machinery and equipment	11,828,811	1,524,804	(714,259)	12,639,356
Total accumulated depreciation	43,709,432	4,695,087	(714,259)	47,690,260
Total cost, net	\$ 82,630,340	\$ 4,425,476	\$ (101,497)	\$ 86,954,319

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Changes in Property, Plant and Equipment – Continued

Depreciation was charged to governmental funds as follows:

General Government	\$ 472,669
Public Safety	746,222
Health and Sanitation	77,676
Transportation	2,466,108
Economic Assistance	101,115
Culture and Recreation	7,098
Home and Community	824,199
	<hr/>
Total	<u>\$ 4,695,087</u>

	Balance January 1, 2008	Net Additions (Deletions)	Balance December 31, 2008
	<hr/>	<hr/>	<hr/>
Enterprise Fund:			
Land improvements	\$ 1,113,353	\$ 153,712	\$ 1,267,065
Buildings and improvements	8,830,313	37,432	8,867,745
Fixed equipment	615,436	17,642	633,078
Moveable equipment	2,177,343	136,742	2,314,085
Construction in progress	42,474	14,795	57,269
	<hr/>	<hr/>	<hr/>
Total cost	12,778,919	360,323	13,139,242
Less: accumulated depreciation	<u>(7,340,243)</u>	<u>(640,599)</u>	<u>(7,980,842)</u>
Total cost, net	<u>\$ 5,438,676</u>	<u>\$ (280,276)</u>	<u>\$ 5,158,400</u>

Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources to provide services. These transactions are recorded as interfund revenues, interfund transfers and expenditures in the respective funds.

Individual interfund receivable and payable balances at December 31, 2008 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,359,057	\$ 240,265
Special Revenue Funds:		
Car Pool	83,436	14,443
County Road	16,645	328,283
Road Machinery	360,583	1,753
Sewer District #1	-	1,852
Sewer District #2	1,869	4,762
Solid Waste Management	144,522	16,239
Self-Insurance – Workers' Compensation	11,344	7,074

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Interfund Transactions – Continued

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Agency Fund	-	65,093
Capital Projects Funds	-	969,945
Enterprise Fund	18,365	346,112
	<hr/>	<hr/>
Total	<u>\$ 1,995,821</u>	<u>\$ 1,995,821</u>

Interfund transfers during the year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 91,541	\$ 10,445,762
Special Revenue Funds:		
Car Pool	50,000	-
County Road	7,858,562	-
Sewer District #2	19,419	161,165
Solid Waste Management	2,171,983	-
Self-insurance	300,000	-
Capital Project Funds	226,382	110,960
	<hr/>	<hr/>
Total	<u>\$ 10,717,887</u>	<u>\$ 10,717,887</u>

The interfund balances between the Washington County records and Pleasant Valley Infirmary records may have immaterial differences due to differences in classifications between the entities.

Indebtedness

Retirement Plan

Washington County participates in the New York State and Local Employees' Retirement System (ERS). This is a cost sharing multiple public employer retirement system. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of their funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. As of October 1, 2000, employees with 10 years of service or more do not contribute towards the Plan. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Washington County is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Indebtedness – Continued

	<u>ERS</u>
2008	\$ 2,473,169
2007	2,654,976
2006	2,583,708

The County's contributions made to the System were equal to 100% of the contributions required for each year.

Due to Other Governments

The liability for due to other governments represents amounts owed at December 31, 2008 as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Due to other counties	\$ 201,126	\$ 179,018	\$ -
Due to New York State	172,855	3,481	44,126
Due to special districts	1,546	-	-
Due to central school districts	6,693,102	-	-
Due to villages and towns	883,194	63,353	-
Total	\$ 7,951,823	\$ 245,852	\$ 44,126

Compensated Absences

Under the terms of a resolution of the Board of Supervisors and contractual agreements, employees are entitled to vacation leave, personal leave, and sick leave in varying amounts depending upon years of service. Upon termination of employment, employees are entitled to payment for all accumulated vacation leave and personal leave, but they are not entitled to payment for accumulated sick leave. Year end estimated liabilities of \$935,768 for compensated absences were determined based upon a survey of each department made by the County Administrator and are reported on the statement of net assets as an accrued liability.

Bonds, Notes and Long-Term Liabilities

The following is a summary of bonds, notes and long-term liabilities for the primary government:

	<u>Payable at January 1, 2008</u>	<u>Additions</u>	<u>Payments and Defeas- ments</u>	<u>Payable at December 31, 2008</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Bond anticipation notes payable	\$ 975,000	\$2,500,000	\$ (275,000)	\$ 3,200,000	\$3,200,000	\$ -
OPEB liability	-	5,008,292	-	5,008,292	-	5,008,292
Pleasant Valley OPEB liability	-	1,082,363	-	1,082,363	-	1,082,363
Pleasant Valley debt	2,825,610	-	(194,512)	2,631,098	220,732	2,410,366
Pleasant Valley workers' compensation	863,046	133,046	-	996,092	-	996,092

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Indebtedness – Continued

	Payable at January 1, 2008	Additions	Payments and Defeas- ments	Payable at December 31, 2008	Due Within One Year	Due in More Than One Year
State loans payable	493,000	-	(71,000)	422,000	71,000	351,000
General obligations and serial bonds	6,534,390	-	(925,488)	5,608,902	734,268	4,874,634
WTASC bonds	14,390,000	-	(240,000)	14,150,000	95,000	14,055,000
Total	<u>\$ 26,081,046</u>	<u>\$8,723,701</u>	<u>\$ (1,706,000)</u>	<u>\$ 33,098,747</u>	<u>\$4,321,000</u>	<u>\$ 28,777,747</u>

Bond Anticipation Notes Payable

B.A.N. issued December 24, 2008 due December 24, 2009 with interest at 3.23% to finance three Sewer Infrastructure Improvement Projects

\$ 700,000

B.A.N. issued May 22, 2008 due May 22, 2009 with interest at 1.98% to finance construction at Adirondack Community College

2,500,000

Total bond anticipation notes payable

\$ 3,200,000

State Loans Payable

\$787,335 in revenue bonds issued by the New York State Environmental Facilities Corporation for the State Water Pollution Control Revolving Fund, payable in annual principal payments ranging from \$31,335 to \$46,000 on March 15 of each year through 2010 with semi-annual interest payments ranging from 5.9% to 7.5% due on March 15 and September 15 of each year.

\$ 92,000

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

330,000

Total State Loans Payable

\$ 422,000

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Indebtedness – Continued

General Obligation and Serial Bonds

\$1,700,000 Sewer District #2 and public improvement serial bonds, due in annual installments as follows with interest at 6.375%:

2009-2011	100,000		\$	300,000
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\$3,500,000 County Office Building public improvement serial bonds, due in annual installments as follows with interest at 6.375%:

2009-2011	200,000			600,000
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\$2,500,000 Court House Building public improvement serial bonds, due in annual installments as follows with interest at 6.375%:

2009-2011	150,000			450,000
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\$2,400,000 County Office Building public improvement serial bonds, due in annual installments as follows with interest at 6.3%:

2009-2011	145,000			435,000
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\$1,800,000 Court House Building public improvement serial bonds, due in annual installments as follows with interest at 6.3%:

2009-2011	120,000			360,000
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\$2,875,000 Transfer Station public improvement serial bonds, due in annual installments as follows with interest at 6.3%:

2009-2011	175,000			525,000
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\$1,000,000 Kingsbury Transfer Station public improvement serial bonds, due in annual installments as follows with interest at 6.3%:

2009-2011	60,000			180,000
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\$6,000,000 Public Improvement serial bonds, due in annual installments ranging from \$245,000 to \$375,000 through 2023 with interest ranging from 4.07% to 4.25%; \$500,000 of the bonds are recorded on Pleasant Valley's Balance Sheet

				<u>4,243,902</u>
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Total				7,093,902
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WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Indebtedness – Continued

General Obligation and Serial Bonds - Continued

Less: defeased bonds	<u>(1,485,000)</u>
Total general obligation and serial bonds	<u>\$ 5,608,902</u>

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

	<u>Principal</u>	<u>Interest</u>
2009	\$ 805,268	\$ 263,626
2010	814,659	221,101
2011	782,439	179,007
2012	341,829	148,336
2013	315,610	134,612
2014-2018	1,740,853	473,234
2019-2023	<u>1,230,244</u>	<u>154,369</u>
Total	<u>\$ 6,030,902</u>	<u>\$ 1,574,285</u>

The Pleasant Valley Infirmary issued general obligation serial bonds in April, 1998 in the amount of \$3,800,000 as part of a capital project to build an Alzheimer wing. These bonds are maintained on the infirmary's books as long-term debt and are due in annual installments with interest at 4.75-4.8% as follows:

2009-2012	\$200,000	
2013-2015	225,000	
2016-2018	250,000	
Total principal due		\$ 2,225,000

In 2003, the County issued \$500,000 public improvement serial bonds to finance the construction of improvements made to Pleasant Valley's septic system. The bonds are payable annually on August 15th of each year, with various maturities from 2004 to 2023. Interest on the bonds, ranging from 4% to 4.25%, is payable semi-annually in February and August of each year. The bonds are secured by the full faith and credit of the County of Washington, New York

	<u>406,098</u>
	2,631,098
Less: current portion	<u>(220,732)</u>
Total	<u>\$ 2,410,366</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Indebtedness – Continued

Long-term debt maturities for Pleasant Valley as of December 31, 2008 are as follows:

2009	\$ 220,732
2010	221,341
2011	222,561
2012	223,171
2013	249,390
Thereafter	<u>1,493,903</u>
 Total	 <u>\$ 2,631,098</u>

Total interest expense for Pleasant Valley was \$186,043 for the year ended December 31, 2008.

Washington Tobacco Asset Securitization Corporation (WTASC)

In December 2000, WTASC issued \$11,160,000 in serial and term bonds for the purpose of funding the building of a county jail. These bonds would have been paid off with receipts from the New York Tobacco Settlement Agreement. On August 25, 2005, WTASC issued \$14,690,000 in bonds to refund the balance of the 2000 Bonds. The current balance on the defeased 2000 Bonds is \$9,635,000.

Term bonds totaling \$14,690,000 were issued on August 25, 2005. The interest rates vary from 4.25% to 5%. The total debt service has been projected assuming that the tobacco settlement revenues will be at a level that allows the flexible amortization term bonds to be repaid by June 1, 2045. A summary of the future debt maturities follows:

	<u>Term Bonds</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 95,000	\$ 704,681	\$ 799,681
2010	110,000	700,325	810,325
2011	120,000	695,438	815,438
2012	125,000	690,231	815,231
2013	135,000	684,706	819,706
2014-2018	820,000	3,329,500	4,149,500
2019-2023	1,330,000	3,096,138	4,426,138
2024-2028	1,675,000	2,745,457	4,420,457
2029-2033	2,155,000	2,272,375	4,427,375
2034-2038	2,765,000	1,660,625	4,425,625
2039-2043	3,550,000	875,000	4,425,000
2044-2045	1,270,000	83,375	1,353,375
 Total	 <u>\$ 14,150,000</u>	 <u>\$ 17,537,851</u>	 <u>\$ 31,687,851</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Indebtedness – Continued

Washington County Local Development Corporation (LDC)

Intermediary Relending Program Loan Payable

Washington County Local Development Corporation entered into a loan agreement on November 25, 1998 with the U.S. Department of Agriculture for \$300,000 to be paid back over 30 years at a fixed rate of 1%. Interest only was paid for the first two years. Principal and interest payments are made in 28 equal annual installments with any remaining balance being paid 30 years from the date of the note. A stipulation of this program is that the Washington County Local Development Corporation must match a portion of the loan. The Corporation’s matching requirement was \$75,000, making the program funds total \$375,000. As of December 31, 2008, the Corporation has drawn down \$300,000 and has made eight loans. The terms are as follows:

Installment contract to the U.S. Department of Agriculture payable in annual installments of \$12,339, including interest at 1%, through November 2028.	\$ 222,343
Less: current portion	<u>(10,113)</u>
Long-term debt, net of current portion	<u>\$ 212,230</u>

Maturities of long-term debt are as follows:

Years ending	
December 31,	
2009	\$ 10,113
2010	10,214
2011	10,316
2012	10,419
2013	10,523
Thereafter	<u>170,758</u>
	<u>\$ 222,343</u>

Postemployment Health Care Benefits – Accounting Change

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Other Post Employment Benefits (OPEB)

Plan Description

Washington County (the "County") administers the Washington County Retiree Medical Plan (the "Plan") as a single-employer defined benefit Other Post Employment Benefit Plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the County subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligation of the plan members, employers and other entities are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the County.

Accounting Policy

The accrual basis of accounting is used. The fair market value of assets is determined by the market value of assets paid by a willing buyer to a willing seller.

Other Disclosure Information

The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

<u>Annual OPEB Cost – Fiscal Year</u> <u>Ended December 31, 2008</u>	<u>County</u>	<u>Nursing</u>	<u>Total</u>
Normal cost	\$ 3,713,000	\$ 799,600	\$ 4,512,600
Past service cost	<u>2,536,200</u>	<u>542,800</u>	<u>3,079,000</u>
Annual Required Contribution (ARC)	6,249,200	1,342,400	7,591,600
Interest on OPEB obligation	-	-	-
Adjustments to ARC	<u>-</u>	<u>-</u>	<u>-</u>
OPEB expense	<u>\$ 6,249,200</u>	<u>\$ 1,342,400</u>	<u>\$ 7,591,600</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Other Post Employment Benefits (OPEB) – Continued

Other Disclosure Information – Continued

<u>Reconciliation of Net OPEB Obligation</u>	<u>County</u>	<u>Nursing</u>	<u>Total</u>
Net OPEB obligation at the beginning of the year	\$ -	\$ -	\$ -
OPEB expense	6,249,200	1,342,400	7,591,600
Net OPEB contributions made during the fiscal year	(1,240,908)	(260,037)	(1,500,945)
Net OPEB obligation at the end of the year	<u>\$ 5,008,292</u>	<u>\$ 1,082,363</u>	<u>\$ 6,090,655</u>
Percentage of expense contributed	19.9%	19.4%	19.8%
<u>Schedule of Funding Process – Actuarial Valuation Date November 1, 2008</u>	<u>County</u>	<u>Nursing</u>	<u>Total</u>
Current retired members	\$21,609,500	\$ 5,325,700	\$26,935,200
Current active members	<u>45,655,500</u>	<u>9,070,000</u>	<u>54,725,500</u>
Actuarial accrued liability	67,265,000	14,395,700	81,660,700
Actuarial value of assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded actuarial accrued liability	<u>\$67,265,000</u>	<u>\$14,395,700</u>	<u>\$81,660,700</u>
Funded Ratio (Act. accrued liability/Act. value of assets)	0%	0%	0%

Actuarial Methods and Assumptions

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

As of November 1, 2008, the most recent (initial) actuarial valuation, the liabilities were computed using the projected unit credit method with a thirty year amortization. The actuarial assumptions utilized a 4% discount rate. The valuation assumes a variable healthcare cost trend inflation rate ranging from 18.4% down to 4% and a post retirement benefit increase of 3% for contract migration.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Other Post Employment Benefits (OPEB) – Continued

Actuarial Methods and Assumptions - Continued

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

Contingent Liabilities

In June of 2006, the County modified its agreement with the County's Health Insurance provider, Blue Shield, to pay claims only, plus administrative expenses for health insurance benefits for its employees and qualified retirees.

The plan has a stop loss insurance coverage that pays all individual claims over \$100,000 on an annual basis. The County's broker tracks all claims to insure the County receives proper credit from the health insurance provider.

Should the County change providers or plans, the fund will be responsible for all claims incurred during the effective date of the plan. As of December 31, 2008, the total amount of claims incurred but not paid until 2009 was \$736,341. This liability is reflected in accounts payable on the balance sheet and statement of net assets.

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

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

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

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Contingent Liabilities – Continued

In 1994 the County joined NYMIR (New York Municipal Insurance Reciprocal) for its municipal property and casualty insurance. NYMIR is a consortium whose members are all municipalities. The subscribers pay a 25% capitalization fee that is based on each subscriber's annual premium and is paid over a five year period. This capitalization fee amounts to approximately \$24,000 per year. The County may be eligible for future dividends if the consortium does well or may be liable for its share of ownership if a major loss occurs. NYMIR does carry re-insurance with other companies. The County's premiums charged to 2008 expenditures approximated \$498,000. Washington County was notified in 2008 that NYMIR plans to refund the capital investment over a 3-year period beginning in 2009. Estimated additional revenue per year is \$35,000.

The County established its own self-insurance plan for Workers' Compensation under Local Law Nos. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality for participation. There were 40 participants at December 31, 2008. The County is responsible for administration of the plan and its reserves. This self-insurance plan is managed by a third party administrator selected by the County. This administrator has computed the liability for reported cases to date at \$2,590,758. Of this, \$1,594,666 is reported in the County's accrued liabilities. A provision has been made for \$996,092 in the Enterprise Fund for the liability related to Pleasant Valley Infirmary. The plan purchases commercial insurance for claims in excess of \$1,000,000 (each occurrence) involving "third party over actions." Settled claims have not resulted in a claim against this excess liability coverage to date. All funds of the County participate in the program and make payments to the self-insurance fund based on historical estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. A balance in the amount of \$902,113 has been reserved as of December 31, 2008. Claims and judgments calculated for 2008 totaled \$1,249,129.

The cases in which the County has been named a defendant have been determined not to significantly affect the County's finances or are currently being defended by the County's insurance carriers or by the Attorney General's Office of the State of New York under contract.

Pleasant Valley Contingent Liabilities

Third Party Rate Adjustments

As stated in the notes to the financial statements, net patient service revenue is reported at estimated net realizable amounts from residents, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Revenue from the Medicare and Medicaid programs accounted for approximately 6% and 78%, respectively, of the Home's net patient service revenue for the year ended December 31, 2008. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2008 net patient service revenue increased approximately \$1,215,150 as a result of the final settlements in excess of amounts previously estimated. The 2008 amount is unusually large due to budgetary changes by the State of New York.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Pleasant Valley Contingent Liabilities – Continued

Regulatory

The Home is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased, resulting in fines and penalties for noncompliance by individual health care providers. While no outstanding regulatory actions exist at December 31, 2008 for the Home, compliance with these laws and regulations is subject to future government review, interpretation or actions which are unknown and unasserted at this time.

Medical Malpractice Insurance

The Home is covered by professional liability insurance on an occurrence basis. For the year ended December 31, 2008, per claim coverage was \$1,000,000 with an aggregate maximum annual coverage of \$3,000,000. Losses on medical malpractice claims are estimated based on deductions and claims in excess of per claim or aggregate coverage and claims incurred but not reported during the claim year and represent the Home's best estimate of the ultimate costs of reported and unreported claims, using the Home's past experience, industry experience, and identified asserted claims and reported incidents. There were no estimated losses on medical malpractice claims for the year ended December 31, 2008.

Operating Leases

The Home leases office equipment under operating leases and charges the costs to expense as incurred. The amount charged to expense for the year ended December 31, 2008 was \$4,467. Aggregate future minimum rentals under all operating leases at December 31, are as follows:

2009	\$	4,467
2010		4,467
2011		3,351

Hudson Falls Resource Recovery Facility

Hudson Falls Resource Recovery Facility is a 510 ton-per-day waste-to-energy facility, which began commercial operation in 1992 under a service agreement with Foster Wheeler Corporation. Warren and Washington counties are obligated to deliver all waste generated within both counties to the facility and to make service payments to the Warren-Washington County Industrial Development Agency (IDA) equal to debt service plus operating expenses less out-of-county tip fees and revenue from the Niagara Mohawk energy sales contracts. The facility has not met initial projections of self-sufficiency, which called for out-of-county tip fees to subsidize in-county waste disposal. Regional landfill capacity in excess of original projections has resulted in lower tip fees and less volume than originally projected. County opposition to the greater than anticipated financial burden manifested itself in a series of lawsuits, now settled, and a general reticence in making timely payments. However, all County obligations were honored, averaging \$4.6 million per year, with a peak of \$7.6 million in 2000. On October 2, 2003, the IDA terminated their Installment Sale Agreement with Foster Wheeler resulting in the issuer becoming the beneficiary owner of the facility. The partnership reassigned its interest in the amended and restated agreement to Wheelabrator Hudson Falls, LLC, a wholly owned subsidiary of Waste Management, Inc., pursuant to a general assignment and bill of sale dated October 2, 2003. This resulted in the project being operated and maintained by Wheelabrator Hudson Falls, LLC. As part of this process, both Washington and Warren counties and the IDA have settled all outstanding litigation involving Foster Wheeler and obtained a more favorable service agreement.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Pleasant Valley Contingent Liabilities – Continued

Hudson Falls Resource Recovery Facility – Continued

On May 1, 2004, the IDA issued \$48 million refunding revenue bonds Series 2004-C. These bonds are secured by a perfected first lien mortgage and security interest in the Hudson Falls Resource Recovery Facility and security interest in the trust estate. This was the final step in a multi-phased restructuring of both facility operations and debt obligations. The proceeds of this issue refunded all outstanding facility debt, which is comprised of Series 1989A-C and 1991A revenue bonds for a net present value savings approximately 12% of refunded principal. As part of the restructuring, Washington and Warren Counties have pledged a portion of their sales tax revenue up to the annual debt payment (approximately \$7.8 million annually). Each County share is based on that County's tonnage delivered to the plant. In 2008, tonnage was 36% for Washington County and 64% for Warren County.

Joint Ventures

Community College: The Adirondack Community College is jointly sponsored by Washington and Warren Counties under provisions of Article 126 of the Education Law. As a joint venture, separate financial statements are issued by the College.

The following is a summary of financial information included in the financial statements of the joint venture:

Adirondack Community College financial statement date: August 31, 2008

Total assets	\$ 45,018,638
Total liabilities	24,010,785
Joint equity	21,007,853
Total revenues	27,815,548
Total expenditures	24,589,026

Joint Venture Equity consists of the following:

Restricted net assets	\$ 6,463,122
Unrestricted net assets	3,082,360
Investments in capital assets net of related debt	<u>11,462,371</u>
Total	<u>\$ 21,007,853</u>

Complete financial statements of the College can be obtained from their Administrative Office at 640 Bay Road, Queensbury, NY 12804.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Commitments

Waste-to-Energy Plant Facility

The Warren-Washington Industrial Development Agency has issued bonds for the construction of a burn plant for solid waste. Washington County has entered into a waste disposal contract by which it has agreed to pay disposal fees to the Warren-Washington Industrial Development Agency if disposal services are provided or made available to the County. The disposal fees are to be calculated in such a manner to cover all debt service on the Industrial Development Bonds that were issued for the construction of the burn plant plus operation and maintenance costs. The total original debt service on these bonds is approximately \$82,000,000. The December 31, 2008 principal balance on the bonds was \$21,835,000. On May 1, 2004, the IDA refinanced these bonds with Warren and Washington Counties pledging sales tax equal to the amount of the annual debt payment. The County will benefit from the lower interest rates and improved conditions and terms in the revised contracts.

Deferred Compensation Plan

In October 1993 the County established for its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The County will fund all amounts of compensation deferred under the Plan, at the direction of the covered employee. The County has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor.

Landfill Closure and Postclosure Care Costs

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

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

\$185,621 is reported as landfill closure and post closure care in accrued liabilities at the Easton Landfill at December 31, 2008 and represents the estimated costs of future monitoring for 22 years. These amounts are based on past expenditures and an annual escalation of 5% for each of the following 22 years.

\$134,126 is reported as post closure care in accrued liabilities for the Fort Ann Landfill on December 31, 2008 and represents the estimated costs of future monitoring for 22 years. These amounts are based on past expenditures and an annual escalation of 5% for each of the following 22 years.

In both cases, actual costs may be higher due to inflation, changes in technology, changes in regulations, or an inflation rate different than assumed.

There were no landfill closure and postclosure care expenditures recognized in 2008.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2008

Pleasant Valley Commitments

Charity Care

Pursuant to a \$547,500 construction grant received from the U.S. Department of Health and Human Services (HHS), the Home is required, under the Hill-Burton Act, to provide a limited amount of uncompensated care for a twenty year period beginning in 1980. Under this Act, the Home is required to provide health services at no charge or reduced charges under Titles VI and XVI to persons meeting certain criteria. In July 2007, the Home was informed by HHS that its obligation had been converted from a dollar amount to a time period, in accordance with the Unrestricted Availability Compliance Alternative. Under the terms of this conversion, the Home is required to make free care available to qualified individuals through April 25, 2008, at which time its obligation was deemed to have been met.

Related Party Transactions

The Washington County Local Development Corporation (LDC) is provided rental space, use of equipment and certain personnel for its operations by the County at no cost to the organization. Also, federal funds received by the County under the Community Development Block Grant Program are transferred to the LDC for administration of the Revolving Loan and Micro-Enterprise Programs.

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U.S. Department of Labor</u>			
E.O.C/Employment and Training Program			
Passed Through Saratoga County, New York:			
*WIA Cluster:			
WIA Adult Program	17.258	\$ 103,619	
WIA Dislocated Workers	17.260	159,020	
WIA Youth Activities	17.259	44,763	
Total WIA Cluster		<u>307,402</u>	
Trade Adjustment Assistance	17.245	<u>23,679</u>	
			331,081
<u>U.S. Federal Emergency Management Agency</u>			
U.S. Department of Homeland Security			
Passed Through State Emergency Management Office:			
State And Local Homeland Security Training Program	97.005	21,943	
Hazard Mitigation Grant	97.039	1,581	
Homeland Security Grant Program	97.067	<u>18,728</u>	
			42,252
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Health:			
Supplemental Food W.I.C.	10.557	422,679	
Passed Through State Office of Temporary and Disability Assistance:			
SNAP Cluster:			
Food Stamps	10.551	5,840,062	
Supplemental Nutrition Assistance Program	10.561	<u>581,013</u>	
Total SNAP Cluster		<u>6,421,075</u>	
Rural Development Intermediary Relending Program	10.767	<u>12,379</u>	
			6,856,133
<u>U.S. Federal Highway Administration</u>			
Passed Through NYS Dept. of Transportation:			
Highway Construction Program	20.205	<u>892,250</u>	
			892,250
<u>U.S. Department of Education</u>			
Passed Through State Board of Elections:			
Help America Vote Act Grant	90.401	<u>488,259</u>	
			488,259

*Subrecipient is Washington County Economic Opportunity Council, Inc.

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U.S. Dept. of Health and Human Services</u>			
Bio-Terrorism Grant	93.283	48,586	
Passed Through State Department of Health:			
Medical Assistance Program	93.778	1,269,784	
Passed Through State Office of Children & Family Services:			
Child Care, Title IV-E	93.658	521,119	
Adoption Assistance	93.659	9,321	
Passed Through Office of Temporary and Disability Assistance:			
Foster Care	93.658	450,730	
Child Support Enforcement Title IV-D	93.563	247,888	
Assistance Payments / Maintenance (TANF)	93.558	2,428,107	
Low Income Home Energy Assistance	93.568	321,411	
Passed Through State Office of Aging:			
Aging Cluster:			
Special Programs for the Aging, Title III-C	93.045	91,256	
Special Programs for the Aging, Title III-B	93.044	45,383	
Nutrition Services Incentive Program	93.053	100,111	
Total Aging Cluster		<u>236,750</u>	
Special Programs for the Aging, Title III-D	93.043	1,801	
Title III-E	93.052	15,306	
Weatherization Referral and Packaging (W.R.A.P.)	93.568	7,302	
HIICAP	93.779	9,568	
Passed Through State Office of Alcoholism & Substance Abuse:			
Substance Abuse Prevention and Treatment Block Grant	93.959	233,841	
Passed Through State Office of Mental Health:			
Passed Through Hudson Headwaters Health Network:			
Ryan White HIV Grant	93.924	3,000	
*E.O.C./Employment and Training Program:			
TANF	93.558	<u>54,600</u>	
			5,859,114
<u>U.S. Department of Justice</u>			
Violence Against Women Grant	16.588	<u>28,700</u>	
			28,700

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>Americorps USA (Domestic Peace Corp.)</u>			
Passed Through New York State Governor's Office on National N.Y. Substance Abuse Service Program, c/o Phoenix House Foundation	94.006	<u>9,427</u>	9,427
<u>Environmental Protection Agency</u>			
Safe Drink Water Grant	66.606	51,655	
Passed Through Health Central Administration: State Indoor Radon Grants	66.032	<u>7,130</u>	58,785
Safety Net	93.***	<u>19,513</u>	<u>19,513</u>
			<u>\$ 14,585,514</u>
Total			

See Auditors' Report and Notes

WASHINGTON COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

December 31, 2008

General

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

Basis of Accounting

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



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, New York as of and for the year ended December 31, 2008 which collectively comprise Washington County, New York's basic financial statements and have issued our report thereon dated September 9, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County, New York's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Washington County, New York's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (findings and questioned costs items #08-1 and #08-2).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Washington County, New York's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

September 9, 2009



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Washington County, New York with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. Washington County, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule 2, findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Washington County, New York's management. Our responsibility is to express an opinion on Washington County, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Washington County, New York's compliance with those requirements.

In our opinion, Washington County, New York complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Washington County, New York is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Washington County, New York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington County, New York's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Washington County, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Washington County, New York's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board of Supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

September 9, 2009

WASHINGTON COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2008

Section I - Summary of Auditor's Results

I. Financial Statements

- A. Type of auditors' report issued
 - 1. Unqualified.
- B. Internal control over financial reporting
 - 1. No material weaknesses were identified.
 - 2. Two significant deficiencies were identified that are not considered to be material weaknesses.
- C. No instances of noncompliance were noted.

II. Federal Awards

- A. Internal control over major programs
 - 1. No material weaknesses were identified.
 - 2. No significant deficiencies were identified.
- B. Type of auditors' report issued on compliance for major programs
 - 1. An unqualified opinion has been issued on the County of Washington, New York's compliance for major programs.
- C. No audit findings were disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133.
- D. Identification of major programs

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.551 and 10.561	Food Stamp Cluster
20.205	Highway Construction Program
90.401	Help America Vote Program

- E. The dollar threshold used to distinguish Type A and Type B programs was \$437,565.
- F. The auditee qualifies as a low-risk auditee.

WASHINGTON COUNTY, NEW YORK
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2008

Section II - Financial Statement Findings

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
08-01	<p><u>Criteria:</u> Internal controls over employee time records are necessary to properly administer the County payroll system.</p> <p><u>Condition:</u> A Department of Social Services supervisor was terminated for making changes to her time clock records.</p> <p><u>Cause of Condition:</u> Oversight.</p> <p><u>Effect of Condition:</u> This weakness results in a lack of internal controls and could result in errors in payroll reporting.</p> <p><u>Recommendation:</u> We suggest that another management employee approve the time records of supervisors.</p> <p><u>Management Response:</u> The auditor's recommendation will be followed. The County will re-affirm its policy that no one makes any changes to his or her own time sheet. A process of reviewing for compliance has been established.</p>	N/A
08-02	<p><u>Criteria:</u> Risk should be assessed by an entity to assist with the establishment of relevant operating procedures and to insure sufficient internal control.</p> <p><u>Condition:</u> Management nor the Board of Supervisors of Washington County have documented any form of risk assessment over the financial operations of the County. This is a repeat finding from 2007.</p> <p><u>Cause of Condition:</u> Oversight.</p> <p><u>Effect of Condition:</u> By not studying risks and not documenting the study, the County is taking a chance that a significant risk of misappropriation and/or misstatement of the financial statements exists and is not being considered in the preparation of its financial statements.</p> <p><u>Recommendation:</u> Management and the Board Audit Committee should conduct a risk assessment regarding the County's financial operations. The assessment should be documented and maintained as part of the County's formal policies and procedures.</p> <p><u>Management Response:</u> A formal risk assessment regarding the County's financial operations will be reviewed and updated by the Finance Committee of the Board of Supervisors.</p>	N/A

WASHINGTON COUNTY, NEW YORK

Schedule of Status of Findings and Questioned Costs
From 2007 Report

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
07-01	<p><u>Controls Over Employee Time Records:</u> The County Administrator approved his own timesheet on the payroll system.</p> <p><u>Status:</u> The County Administrator's timesheet was reviewed by another management employee during 2008.</p>	N/A
07-02	<p><u>Failure to Document Risk Assessment:</u> Management nor the Board of Supervisors have documented any form of risk assessment over the financial operations of the County.</p> <p><u>Status:</u> The finding was repeated in 2008 as #08-02.</p>	N/A
07-03	<p><u>Financial Statement Entries:</u> There was an error in a 2006 financial statement entry that affected the 2007 financial statements.</p> <p><u>Status:</u> No such error was noted in the 2008 financial statement entries.</p>	