

COUNTY OF WASHINGTON, NEW YORK

Basic Financial Statements,  
Supplementary Information and  
Independent Auditors' Report

December 31, 2018

COUNTY OF WASHINGTON, NEW YORK

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## INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors  
County of Washington, New York:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Washington, New York (the County) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Washington County Local Development Corporation, which is 78%, 98%, and 19%, respectively, of the assets, net position and revenue of the discretely presented component units. We did not audit the Washington Tobacco Asset Securitization Corporation which is 2%, 7%, and 1%, respectively, of the assets, fund balance and revenue of the governmental funds.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Washington County Local Development Corporation or the Washington Tobacco Asset Securitization Corporation. The Washington County Local Development Corporation represents 78%, 98%, and 19%, respectively, of the assets, net position and revenue of the discretely presented component units. The Washington Tobacco Asset Securitization Corporation represents 2%, 7%, and 1%, respectively, of the assets, fund balance and revenue of the governmental funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Washington County Local Development Corporation and the Washington Tobacco Asset Securitization Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing

standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Washington, New York as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

As discussed in note 1(k) and 1(n), respectively, to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 87 - "Leases" and No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended December 31, 2018. Our opinion is not modified with respect to these matters.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, and the additional information on pages 64 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about

the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Washington, New York's basic financial statements. The combining fund and nonmajor individual fund financial statements on pages 68 and 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 1, 2019, on our consideration of the County of Washington, 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 solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
August 1, 2019

# COUNTY OF WASHINGTON, NEW YORK

## Management's Discussion and Analysis

December 31, 2018

As the management of County of Washington, New York, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended on December 31, 2018. The purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the County's financial activity, (3) identify changes in the County's financial position, (4) identify any individual fund issues or concerns and (5) provide descriptions of significant asset and debt activity. Please read along with the County's financial statements.

### **FINANCIAL HIGHLIGHTS**

The 2% tax cap with the elimination of Federal stimulus funds and the increase in retirement costs, has made it hard to maintain services as they were done in the past. In 2018, Washington County continued to lease five (5) solid waste transfer stations to a private operator with an option to buy. The option to buy was executed in 2018 and the refuse and garbage fund was closed. The comparative analysis that follows shows total Government-wide columns only. The County adopted Governmental Accounting Standards Board (GASB) Statements No. 75 - "Accounting and Financial Reporting for Postemployment Benefit other than Pensions" and No. 87 - "Leases."

### **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, budgetary comparisons, changes in the total other postemployment benefit liability and related ratios, proportionate share of net pension liability and schedule of pension contributions.

#### **Government-wide Financial Statements**

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

The statement of net position provides the reader with a snapshot in time of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources and resulting net position (or equity as stated with private sector reporting) of the County. Over time, increases or decreases in the net position of the County may provide an indicator of the trend in the County's financial condition. Other forward-looking indicators will also assist the reader to assess the overall financial health of the County. Some of these indicators include, but are not limited to: changes in the total property tax base, employment trends in the County and outlying areas, and condition of the County's capital assets (streets, buildings, water, and sewer infrastructure).

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses 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).

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

Both of the Government-wide financial statements distinguish functions of Washington County that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, highways and streets, sanitation, economic development, culture and recreation, education and health. The business-type activities of the County includes self-insured health insurance and workers' compensation.

**Component Units**

Washington County has three separate legal entities that are reflected in this report as component units. These units are as follows:

- Washington Tobacco Asset Securitization Corporation (WTASC). The 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. The funds were used to build the County's Law Enforcement Center which includes the Sheriff's Offices and County jail facility. WTASC will pay off the bonds with future settlement payments and any residual amounts received under the settlement agreement. The WTASC is presented as a governmental fund.
- Washington County Local Development Corporation (WCLDC). The WCLDC provides economic development services, Empire Zone information and general business information exclusively for the County. The WCLDC also manages a revolving loan program for local businesses. The WCLDC is presented as a discretely presented component unit.
- Washington County Soil and Water Conservation District (SWCD). The SWCD was founded in 1945 to assist agricultural producers, rural landowners and municipalities with the management, conservation and best use of our natural resources. The County contributed \$200,000 to the SWCD operating budget for 2018. The SWCD is presented as a discretely presented component unit.

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.

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

**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 spend-able 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 statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Washington County maintains ten governmental funds: a general fund, car pool fund, county road fund, road machinery fund, solid waste management fund, debt service fund, community development fund, capital projects fund, and two part-County sewer district funds. In addition, Washington Tobacco Asset Securitization Corporation, a blended component unit, is also included in the governmental funds. 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 ended December 31, 2018, which includes the General Fund, is reported in the Statement of Revenue and Expenditures - Budget and Actual - General Fund which is provided as part of the required supplementary information.

**Internal Service Fund**

Washington County maintains two self-insured internal service funds: a fund for workers' compensation costs and an employee health benefits fund.

**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.

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

**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 position may serve over time as a useful indicator of a government's financial position. In the case of Washington County, governmental activities net position was \$5,583,624 at the close of the most recent fiscal year. By far, the largest portion of the County's net position 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.

Statement of Net Position - Governmental Activities

	<u>2018</u>	<u>2017*</u>
Assets:		
Current and other assets	\$ 53,662,012	54,702,890
Capital assets net	<u>95,053,539</u>	<u>96,082,376</u>
Total assets	<u>148,715,551</u>	<u>150,785,266</u>
Deferred outflows of resources	<u>33,530,367</u>	<u>30,832,781</u>
Liabilities:		
Current liabilities	24,337,762	26,460,129
Long-term liabilities	<u>114,730,295</u>	<u>120,817,821</u>
Total liabilities	<u>139,068,057</u>	<u>147,277,950</u>
Deferred inflows of resources	<u>37,594,237</u>	<u>26,280,979</u>
Net position:		
Net investment in capital assets	71,183,586	80,835,050
Restricted	11,626,421	12,300,250
Unrestricted (deficit)	<u>(77,226,383)</u>	<u>(85,076,182)</u>
Total net position	\$ <u>5,583,624</u>	<u>8,059,118</u>

\*2017 was restated to reflect the implementation of GASB Statement No. 75.

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

Statement of Activities - Governmental Activities

	<u>2018</u>	<u>2017</u>
Revenue:		
Program revenue:		
Charges for services	\$ 6,601,798	6,701,031
Operating grants and contributions	23,635,734	24,216,130
Capital grants and contributions	<u>1,216,658</u>	<u>4,250,714</u>
Total program revenue	<u>31,454,190</u>	<u>35,167,875</u>
General revenue:		
Property taxes and tax items	35,879,544	33,988,604
Nonproperty taxes	21,334,196	20,442,342
Other general revenue	<u>2,226,502</u>	<u>2,260,867</u>
Total general revenue	<u>59,440,242</u>	<u>56,691,813</u>
Total revenue	<u>90,894,432</u>	<u>91,859,688</u>
Expenses:		
General government support	16,371,370	16,169,800
Education	5,562,761	8,900,773
Public safety	17,134,042	16,950,732
Health	4,921,494	4,816,577
Transportation	11,433,170	11,470,452
Economic assistance and opportunity	32,270,256	32,516,557
Culture and recreation	1,143,137	1,149,904
Home and community	3,843,412	3,573,708
Interest	<u>690,284</u>	<u>743,814</u>
Total expenses	<u>93,369,926</u>	<u>96,292,317</u>
Change in net position	<u>(2,475,494)</u>	<u>(4,432,629)</u>
Net position at beginning of year, before restatement	52,833,067	58,112,091
Prior period adjustment	-	(846,395)
Cumulative effect of change in accounting principle to implement GASB Statement No. 75	<u>(44,773,949)</u>	<u>-</u>
Net position at beginning of year, as restated	<u>8,059,118</u>	<u>57,265,696</u>
Net position at end of year	\$ <u>5,583,624</u>	<u>52,833,067</u>

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

**Revenue**

The total governmental activities revenue for 2018 was \$90,894,432, a decrease of \$965,256 from 2017. The largest contributing factors to this change was the decrease in capital grants and contributions.

Capital grants and contributions was \$3,034,056 lower in 2018 than in 2017. This decrease was primarily driven by 2017 educational state aid to help fund a new building for the Adirondack Community College. This project was completed in 2018 with a majority of the progress completed in 2017.

General revenue for 2018 was \$59,440,242 representing 65.4% of the total revenue. In 2017, the same revenue were \$56,691,813 representing 61.7% of the total overall governmental activities revenue. The property tax revenue and nonproperty tax revenue make up \$57.2 million of the \$59.4 million. The property tax revenue increased in 2018 by \$1,405,910, primarily an increase in the tax levy.

**Expenses**

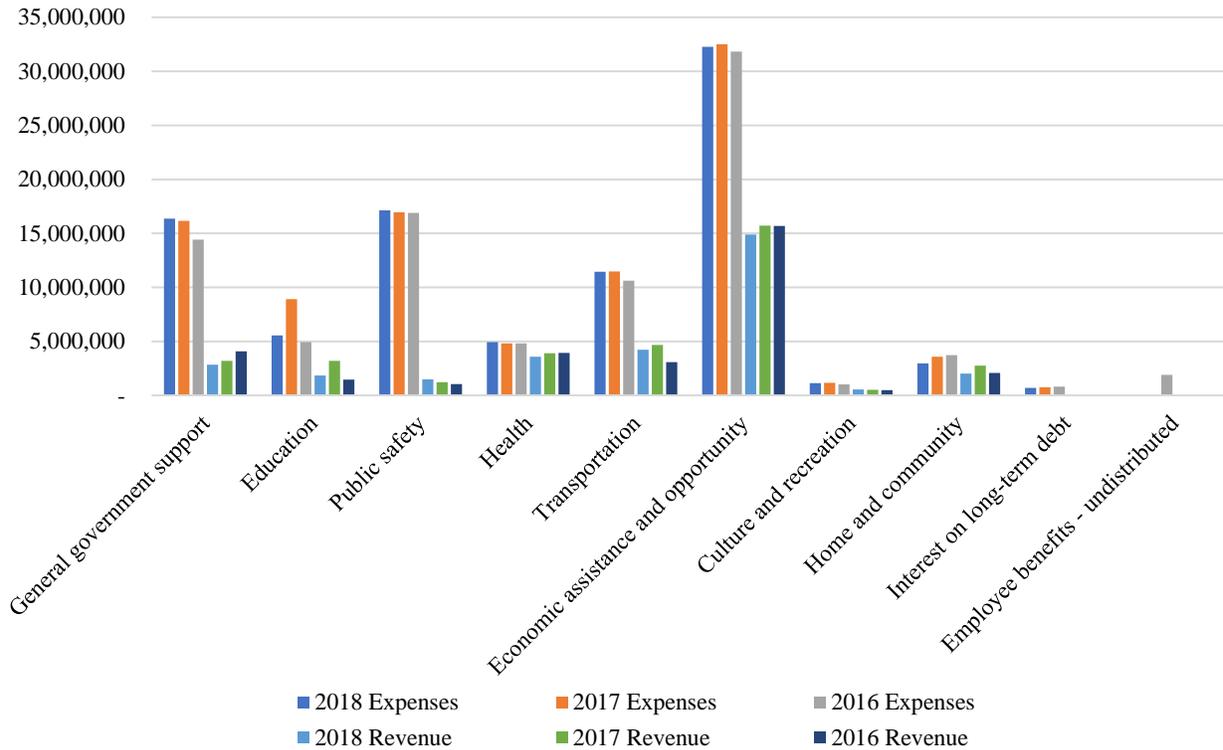
The governmental activities expenses were \$93,369,926 in 2018. This is a 3.0% decrease from 2017 of \$3,813,824 primarily related to the decrease in education expense described below.

General Government Support - Costs increased by \$201,570. This was due mainly to payroll and benefits costs.

Education - Education cost saw a decrease of \$3,338,012. The majority of the decrease was related to costs of building a new building for the Adirondack Community College which were mostly incurred in 2017.

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

Governmental Activities - Expenses and Program Revenue Comparison 2016 to 2018



**ANALYSIS OF THE COUNTY BUDGET AND FUND BASIS FINANCES IN 2018**

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

**General Fund**

The County's General Fund expenditures, including other financing uses, increased in 2018 by \$4,262,104 . Expenditures have increased due to budgeted increases in payroll expenditures and transfers to other funds.

The 2018 revenue increased by \$5,512,982. This is a result of an increase of \$2,200,082 of real property taxes due to increase in the tax levy, an increase of sales tax revenue of \$889,495 and an increase of transfers from other funds of \$2,001,308.

The unknown availability of State and Federal aid, along with future Medicaid costs and fringe benefits, are of great concern to the County. During 2019 and 2020, the County will continue to look for ways to reduce operating costs to remain under the tax cap imposed by the State of New York. The unassigned fund balance is approximately 11.8% of the next year's operating budget, of which \$2,518,968 was appropriated for the 2019 budget. The County has earmarked \$716,439 for nursing home legacy costs.

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

**BUDGETARY HIGHLIGHTS**

The County's annual budget, which is prepared on an operating basis, includes estimated revenue and annual appropriations for the Special Revenue 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 revenue.

Page 64 outlines the variance from 2018 budget to actual. General Fund revenue was lower than the final budget by \$4,641,738. Expenditures were lower than the final budget by \$4,872,933. The actual net decrease in fund balance was \$2,297,805. Overall the County saw a increase in real property taxes of \$2,200,082, has realized the savings from the divestiture of the County Nursing Home and Home Care programs, and costs are trending back up with increases in personal services and fringe benefits, especially in health care. It is estimated that the funds reserved for Enterprise Fund legacy costs will cover 100% of these costs through 2020.

**CAPITAL ASSETS**

At the end of 2018, the County had \$95,053,539 invested in a broad range of capital assets, including the County Municipal Center, highway infrastructures and equipment (see table below). This amount represents a net decrease of \$1,051,609 over last year.

Capital Assets, Net of Depreciation

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 777,631	711,003
Construction in progress	7,628,399	8,316,078
Buildings	18,032,872	20,839,349
Improvements	1,526,664	1,287,307
Bridges	32,739,684	32,063,394
Roads	19,511,923	18,874,132
Infrastructure	6,944,361	6,396,680
Machinery and equipment	7,869,233	7,594,433
Right to use lease asset	<u>22,772</u>	<u>-</u>
Total capital assets, net	\$ <u>95,053,539</u>	<u>96,082,376</u>

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

**LONG-TERM DEBT**

Bonds and Other Long Term Liabilities

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
General obligation bonds, premium, and notes	\$ 1,223,852	2,954,069
Bond anticipation notes	10,428,128	9,815,628
WTASC bonds	12,225,000	12,330,000
Capital leases	22,772	-
Landfill closing costs	174,301	186,834
*OPEB liability	93,806,259	91,898,142
Net pension liability	3,522,754	10,229,059
Workers' compensation	3,281,939	2,977,450
Compensated absences	<u>977,158</u>	<u>977,484</u>
Total	\$ <u>125,662,163</u>	<u>131,368,666</u>

\* 2017 OPEB liability was restated to reflect the implementation of GASB Statement No. 75.

The New York State Constitution limits the taxing power for counties to 1.5% of the five-year average full valuation. A county has the authority to increase its tax limit to a maximum rate of 2% 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 average full valuation for the 2018 computation was \$4,708,619,473. The Constitutional Tax Limit is \$94,172,389.

The constitutional tax margin for year ended December 31, 2018, is \$60,966,452 (\$94,172,389 tax limit less \$33,205,937 2018 tax levies subject to tax limit).

The debt limit for year ended December 31, 2018, is \$329,603,363 (five year average full valuation of \$4,708,473 x 7%). As of the end of 2018, Washington County is in compliance with the debt limit.

COUNTY OF WASHINGTON, NEW YORK  
Management's Discussion and Analysis, Continued

**TAX CAP**

The State Legislature and the Governor enacted legislation that establishes a “property tax cap” which limits the growth of the property tax levy. Under the tax cap law, the total amount to be raised through property taxes charged on the municipality’s taxable assessed value is capped at 2%, or the rate of inflation, whichever is less. There are some exceptions and local communities have the ability to override the cap. The 2018 Washington County tax levy was within the property tax cap limit.

**ECONOMIC FACTORS: Future Prospects for Washington County’s Finances**

The trend of declining revenue that began in mid-2008 leveled off in 2015. The County’s 2018 real property tax revenue increased \$2,200,082 over 2017, representing an increase of 7.7%. This is the result of an increase in tax levy as well as a material litigation settlement in 2019. As a result of this settlement there was a substantial restoration of General Fund fund balance in 2019.

The County has continued to look for ways to reduce costs and increase revenue over the past few years. The County workforce has been reduced and benefits have been reduced for new hires. The County is facing higher costs in health insurance and expects additional increases for the foreseeable future.

It must be noted that the County’s overall property value has declined for the sixth (6th) year in a row. Property value is down by 6% from its highest level in 2010. This is a direct factor of the slowdown in the real estate market. Small decreases are likely to continue for the next few years.

The County has adopted a two-year budgeting practice, along with a direct cost review of all County operations, 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: Daniel Shaw, Budget Officer, Washington County Board of Supervisors, 383 Broadway, Fort Edward, New York, 12828.

COUNTY OF WASHINGTON, NEW YORK  
Statement of Net Position  
December 31, 2018

	<u>Component Units</u>		
	<u>Primary Government Governmental Activities</u>	<u>Washington County Local Development Corporation</u>	<u>Soil and Water Conservation District</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and equivalents	\$ 20,136,281	1,326,088	1,201,464
Taxes receivable, net	14,941,089	-	-
Accounts receivable, net	2,514,859	1,598	-
Due from other funds	303	-	-
Due from State and Federal governments	9,002,359	-	22,913
Due from other governments	56,251	-	-
Interest receivable	-	12,244	-
Loans receivable, current portion	-	442,268	-
Lease payments receivable, current portion	-	5,155	-
Inventory	1,305,890	-	-
Prepaid expenses	1,120,091	1,665	-
<b>Total current assets</b>	<u>49,077,123</u>	<u>1,789,018</u>	<u>1,224,377</u>
<b>Noncurrent assets:</b>			
Restricted cash and equivalents	4,584,889	-	58,000
Loans receivable, net of current portion and allowance	-	2,747,888	-
Lease payments receivable, net of current portion	-	12,886	-
Land	777,631	-	-
Construction in progress	7,628,399	-	-
Capital assets, net of accumulated depreciation	86,624,737	-	-
Right to use lease asset	22,772	-	-
<b>Total noncurrent assets</b>	<u>99,638,428</u>	<u>2,760,774</u>	<u>58,000</u>
<b>Total assets</b>	<u>148,715,551</u>	<u>4,549,792</u>	<u>1,282,377</u>
<b>Deferred outflows of resources:</b>			
Tobacco settlement receivable	21,908,577	-	-
Debt refunding	29,799	-	-
Pensions	11,591,991	-	86,406
<b>Total deferred outflows of resources</b>	<u>33,530,367</u>	<u>-</u>	<u>86,406</u>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	3,263,457	150,323	-
Accrued liabilities	1,143,063	-	-
Accrued interest	59,703	-	-
Due to other governments	7,936,278	-	-
Due to employees' retirement system	-	-	21,567
Bond anticipation notes	10,428,128	-	-
Other liabilities	1,003,393	-	-
Long-term obligations due within one year - bonds payable and unamortized premiums	225,217	-	-
Long-term obligations due within one year - TASC bonds payable	245,000	-	-
Long-term obligations due within one year - state loans payable	25,000	-	-
Long-term obligations due within one year - lease liabilities	8,523	-	-
Long-term obligations due within one year - loan payable	-	11,046	-
<b>Total current liabilities</b>	<u>24,337,762</u>	<u>161,369</u>	<u>21,567</u>
<b>Noncurrent liabilities:</b>			
Bonds payable and unamortized premiums	918,635	-	-
TASC bonds payable	11,980,000	-	-
State loans payable	55,000	-	-
Lease liabilities	14,249	-	-
Loan payable	-	105,470	-
Claims and judgments payable	3,281,939	-	-
Landfill closure and postclosure costs	174,301	-	-
Total OPEB liability	93,806,259	-	-
Compensated absences	977,158	-	-
Net pension liability - proportionate share	3,522,754	-	22,430
<b>Total noncurrent liabilities</b>	<u>114,730,295</u>	<u>105,470</u>	<u>22,430</u>
<b>Total liabilities</b>	<u>139,068,057</u>	<u>266,839</u>	<u>43,997</u>
<b>Deferred inflows of resources:</b>			
Revenue	21,908,577	-	1,139,125
Other postemployment benefits	2,496,520	-	-
Pensions	13,189,140	-	76,151
<b>Total deferred inflows of resources</b>	<u>37,594,237</u>	<u>-</u>	<u>1,215,276</u>
<b>Net position:</b>			
Net investment in capital assets	71,183,586	-	-
Restricted	11,626,421	409,936	58,000
Unrestricted	(77,226,383)	3,873,017	51,510
<b>Total net position</b>	<u>\$ 5,583,624</u>	<u>4,282,953</u>	<u>109,510</u>

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Statement of Activities  
Year ended December 31, 2018

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>			<u>Net (expense) revenue and changes in net position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>	<u>Component Unit</u>	
						<u>Local Development Corporation</u>	<u>Soil and Water</u>
Primary government:							
Governmental activities:							
General government support	\$ 16,371,370	1,642,996	1,197,205	823	(13,530,346)	-	-
Education	5,562,761	729,100	740,987	364,072	(3,728,602)	-	-
Public safety	17,134,042	767,413	528,684	195,967	(15,641,978)	-	-
Health	4,921,494	17,745	3,568,666	-	(1,335,083)	-	-
Transportation	11,433,170	839,259	2,780,679	622,469	(7,190,763)	-	-
Economic assistance and opportunity	32,270,256	686,953	14,201,433	-	(17,381,870)	-	-
Culture and recreation	1,143,137	64,766	479,163	-	(599,208)	-	-
Home and community	3,842,412	1,853,566	138,917	33,327	(1,816,602)	-	-
Interest	690,284	-	-	-	(690,284)	-	-
Total governmental activities	<u>\$ 93,368,926</u>	<u>6,601,798</u>	<u>23,635,734</u>	<u>1,216,658</u>	<u>(61,914,736)</u>	<u>-</u>	<u>-</u>
Component units:							
Local Development Corporation	\$ 451,001	210,097	80,000	-	-	(160,904)	-
Soil and Water	1,194,487	11,775	993,438	-	-	-	(189,274)
Total component units	<u>\$ 1,645,488</u>	<u>221,872</u>	<u>1,073,438</u>	<u>-</u>	<u>-</u>	<u>(160,904)</u>	<u>(189,274)</u>
General revenue:							
Taxes:							
Real property taxes					33,192,483	-	-
Real property tax items					2,687,061	-	-
Nonproperty tax items					21,334,196	-	-
Use of money and property					341,800	5,165	5,129
Sale of property and compensation for loss					891,433	-	6,500
Miscellaneous					993,269	-	205,632
Total general revenue					<u>59,440,242</u>	<u>5,165</u>	<u>217,261</u>
Change in net position					<u>(2,474,494)</u>	<u>(155,739)</u>	<u>27,987</u>
Net position at beginning of year, before restatement					52,833,067	4,438,692	81,523
Cumulative effect of change in accounting principle (note 8)					<u>(44,773,949)</u>	<u>-</u>	<u>-</u>
Net position at beginning of year, as restated					<u>8,059,118</u>	<u>4,438,692</u>	<u>81,523</u>
Net position at end of year					<u>\$ 5,584,624</u>	<u>4,282,953</u>	<u>109,510</u>

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Balance Sheet - Governmental Funds  
December 31, 2018

	General Fund	County Road Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and equivalents - unrestricted	\$ 8,297,257	1,504,770	2,653,519	3,032,890	15,488,436
Taxes receivable, net	14,941,089	-	-	-	14,941,089
Accounts receivable	718,843	17,825	42	744,239	1,480,949
Due from other funds	1,864,237	2,294	2,067,968	284,070	4,218,569
Due from State and Federal governments	8,403,907	41,612	493,840	63,000	9,002,359
Due from other governments	-	1,420	-	54,831	56,251
Inventory	6,174	436,105	-	863,611	1,305,890
Prepaid expenditures	862,859	106,455	-	41,069	1,010,383
Restricted assets - cash	<u>1,274,733</u>	<u>-</u>	<u>-</u>	<u>1,560,156</u>	<u>2,834,889</u>
Total assets	36,369,099	2,110,481	5,215,369	6,643,866	50,338,815
Deferred outflows of resources - tobacco settlement receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,908,577</u>	<u>21,908,577</u>
Total assets and deferred outflows of resources	<u>\$ 36,369,099</u>	<u>2,110,481</u>	<u>5,215,369</u>	<u>28,552,443</u>	<u>72,247,392</u>
Liabilities, deferred inflows and fund balances:					
Liabilities:					
Accounts payable	2,581,396	45,632	69,371	254,311	2,950,710
Accrued liabilities	325,653	38,900	-	23,674	388,227
Due to other funds	2,113,561	219,972	1,216,135	528,155	4,077,823
Due to other governments	7,918,775	7,617	983	8,672	7,936,047
Bond anticipation notes	-	-	9,469,123	959,005	10,428,128
Other liabilities	<u>658,554</u>	<u>343,787</u>	<u>-</u>	<u>7</u>	<u>1,002,348</u>
Total liabilities	<u>13,597,939</u>	<u>655,908</u>	<u>10,755,612</u>	<u>1,773,824</u>	<u>26,783,283</u>
Deferred inflows of resources - revenue	<u>8,771,214</u>	<u>-</u>	<u>-</u>	<u>22,304,710</u>	<u>31,075,924</u>
Fund balances:					
Nonspendable	869,033	542,560	-	904,680	2,316,273
Restricted	2,768,575	-	-	1,413,003	4,181,578
Assigned - appropriated	2,518,968	500,297	-	11,337	3,030,602
Assigned - unappropriated	-	411,716	-	2,024,031	2,435,747
Unassigned (deficit)	<u>7,843,370</u>	<u>-</u>	<u>(5,540,243)</u>	<u>120,858</u>	<u>2,423,985</u>
Total fund balances (deficit)	<u>13,999,946</u>	<u>1,454,573</u>	<u>(5,540,243)</u>	<u>4,473,909</u>	<u>14,388,185</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 36,369,099</u>	<u>2,110,481</u>	<u>5,215,369</u>	<u>28,552,443</u>	<u>72,247,392</u>

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Reconciliation of Balance Sheet - Governmental Funds  
to the Statement of Net Position  
December 31, 2018

Total Governmental Fund Balances \$ 14,388,185

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 777,631	
Construction in progress	7,628,399	
Capital assets, net of accumulated depreciation	86,624,737	
Right to use lease asset	<u>22,772</u>	95,053,539

Deferred property tax revenue not available to pay for current period expenditures and is therefore deferred in the funds. 8,771,214

Deferred revenue from receivables not available to pay for current period expenditures and is therefore deferred in the funds. 396,133

Net position of internal service funds not reported in governmental funds but included in Government-wide net position. 3,050,222

Premiums received on debt issuance, are recorded as revenue in the government funds but included in long-term debt in the Government-wide financial statements, to be recognized over the life of the bonds. (43,852)

Some deferred inflows and outflows are not reported in the government funds. These consist of the following:

Deferred outflows of resources - pensions	11,591,991
Deferred inflows of resources - pensions	(13,189,140)
Deferred inflows of resources - other postemployment benefits	(2,496,520)

Deferred loss on refunding on bonds payable is not reported in the governmental funds but is reported in the Government-wide net position. 29,799

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(1,100,000)	
TASC bonds payable	(12,225,000)	
State loans payable	(80,000)	
Lease liabilities	(22,772)	
Accrued interest	(59,703)	
Total OPEB liability	(93,806,259)	
Landfill closure and postclosure care costs	(174,301)	
Compensated absences	(977,158)	
Net pension liability - proportionate share	<u>(3,522,754)</u>	<u>(111,967,947)</u>

Net position of Governmental Activities \$ 5,583,624

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Statement of Revenue, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended December 31, 2018

	General Fund	County Road Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue:					
Real property taxes	\$ 30,374,243	-	-	521,540	30,895,783
Real property tax items	2,687,061	-	-	-	2,687,061
Nonproperty tax items	21,334,196	-	-	-	21,334,196
Departmental income	3,215,697	-	-	1,813,952	5,029,649
Intergovernmental charges	533,749	839,259	-	2,000	1,375,008
Use of money and property	205,471	5,513	31,266	83,291	325,541
Licenses and permits	-	-	-	18,680	18,680
Fines and forfeitures	163,730	-	-	-	163,730
Sale of property and compensation for loss	50,225	5,453	-	1,685,648	1,741,326
Interfund revenue	717,169	-	-	3,377,665	4,094,834
State sources	11,351,441	2,704,135	662,972	103,417	14,821,965
Federal sources	9,196,548	76,544	540,686	216,649	10,030,427
Miscellaneous local sources	225,311	885	-	715,819	942,015
Total revenue	<u>80,054,841</u>	<u>3,631,789</u>	<u>1,234,924</u>	<u>8,538,661</u>	<u>93,460,215</u>
Expenditures:					
General government support	13,718,601	-	123,283	53,185	13,895,069
Education	5,117,508	-	391,542	-	5,509,050
Public safety	14,972,502	283,432	692,038	-	15,947,972
Health	4,678,720	-	-	-	4,678,720
Transportation	-	11,019,199	668,220	3,402,512	15,089,931
Economic assistance and opportunity	30,631,059	-	-	216,649	30,847,708
Culture and recreation	1,202,214	-	-	-	1,202,214
Home and community	947,879	-	291,108	1,488,556	2,727,543
Employee benefits	1,413,911	1,820,331	-	661,861	3,896,103
Debt service - principal	35,000	-	-	1,977,500	2,012,500
Debt service - interest	29,976	-	-	672,795	702,771
Total expenditures	<u>72,747,370</u>	<u>13,122,962</u>	<u>2,166,191</u>	<u>8,473,058</u>	<u>96,509,581</u>
Excess (deficiency) of revenue over expenditures	<u>7,307,471</u>	<u>(9,491,173)</u>	<u>(931,267)</u>	<u>65,603</u>	<u>(3,049,366)</u>
Other financing sources (uses):					
BANS redeemed from appropriations	-	-	187,500	-	187,500
Proceeds from capital leases	-	-	22,772	-	22,772
Interfund transfers in	2,149,132	9,495,166	2,693,430	195,812	14,533,540
Interfund transfers out	<u>(11,754,408)</u>	<u>-</u>	<u>(651,538)</u>	<u>(2,127,594)</u>	<u>(14,533,540)</u>
Total other financing sources (uses)	<u>(9,605,276)</u>	<u>9,495,166</u>	<u>2,252,164</u>	<u>(1,931,782)</u>	<u>210,272</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	(2,297,805)	3,993	1,320,897	(1,866,179)	(2,839,094)
Fund balances (deficit) at beginning of year	<u>16,297,751</u>	<u>1,450,580</u>	<u>(6,861,140)</u>	<u>6,340,088</u>	<u>17,227,279</u>
Fund balances (deficit) at end of year	<u>\$ 13,999,946</u>	<u>1,454,573</u>	<u>(5,540,243)</u>	<u>4,473,909</u>	<u>14,388,185</u>

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Reconciliation of Statement of Revenue, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
Year ended December 31, 2018

Net change in fund balances - total Governmental Funds		\$ (2,839,094)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	\$ 8,101,334	
Addition of right to use lease asset	22,772	
Disposal of capital assets	(1,847,462)	
Depreciation expense	<u>(7,305,481)</u>	(1,028,837)
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.		
Change in deferred taxes		2,296,700
Recognition of unbilled sewer receivables		14,731
Proceeds from lease liabilities as a financing source in the governmental funds, but increases long-term liabilities in the Statement of Net Position		
		(22,772)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Bonds payable	1,695,000	
TASC bonds payable	105,000	
State loans payable	<u>25,000</u>	1,825,000
Unamortized bond premiums are recorded as revenue in the government funds but are deferred in the Government-wide financial statements, to be recognized over the life of the bonds. This is the amount of the premium amortized in the current year.		
		10,217
Deferred loss from refunding on bonds payable that was reported as expenditures in the governmental funds are deferred on the Government-wide statements.		
		(6,944)
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 the Governmental Funds.		
Landfill closure and postclosure costs	12,533	
Total OPEB liability	(1,908,117)	
Accrued interest	9,214	
Net pension liability	6,706,305	
Compensated absences	<u>326</u>	4,820,261
Certain items related to changes in long-term liabilities are reflected in the statement of net position.		
Deferred outflows of resources - pensions	2,995,414	
Deferred inflows of resources - pensions	(9,260,850)	
Deferred inflows of resources - other postemployment benefits	<u>(2,496,520)</u>	(8,761,956)
Change in net position of internal service funds are not reported in governmental funds but included in Government-wide Statement of Activities.		
		<u>1,217,200</u>
Change in net position of Governmental Activities		<u>\$ (2,475,494)</u>

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Statement of Net Position  
Proprietary Funds  
December 31, 2018

	Internal Service Funds		
	Workers'	Self-insured	Total
	Compensation <u>Fund</u>	Health Benefits <u>Fund</u>	
<b>Assets:</b>			
Current assets:			
Cash and equivalents	\$ 725,756	3,920,212	4,645,968
Accounts receivable	1,033,910	-	1,033,910
Prepaid expenses	-	109,708	109,708
Total current assets	1,759,666	4,029,920	5,789,586
Restricted assets - cash and equivalents	1,751,877	-	1,751,877
Total assets	3,511,543	4,029,920	7,541,463
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	87,885	224,862	312,747
Accrued liabilities	-	754,836	754,836
Other liabilities	1,045	-	1,045
Due to other governments	231	-	231
Due to governmental funds	140,443	-	140,443
Total current liabilities	229,604	979,698	1,209,302
Noncurrent liabilities - judgments and claims	3,281,939	-	3,281,939
Total liabilities	3,511,543	979,698	4,491,241
Net position - restricted	\$ -	3,050,222	3,050,222

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
 Statement of Revenue, Expenses  
 and Changes in Net Position  
 Proprietary Funds  
 Year ended December 31, 2018

	Internal Service Funds		
	Workers' Compensation Fund	Self-insured Health Benefits Fund	Total
Operating revenue:			
Charges for services	\$ 1,218,980	8,668,506	9,887,486
Sale of property and compensation for loss	103,868	-	103,868
Miscellaneous	16,418	34,836	51,254
Total operating revenue	1,339,266	8,703,342	10,042,608
Operating expenses - employee benefits	1,349,555	7,492,112	8,841,667
Gain (loss) from operations	(10,289)	1,211,230	1,200,941
Non-operating revenue - interest income	10,289	5,970	16,259
Change in net position	-	1,217,200	1,217,200
Net position at beginning of year	-	1,833,022	1,833,022
Net position at end of year	\$ -	3,050,222	3,050,222

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Statement of Cash Flows  
Proprietary Funds  
Year ended December 31, 2018

	Internal Service Funds		
	Workers'	Self-insured	Total
	Compensation Fund	Health Benefits Fund	
Cash flows from operating activities:			
Cash received from governmental funds	\$ 897,394	8,703,342	9,600,736
Cash payments for services and payables	304,005	(7,557,160)	(7,253,155)
Cash paid to employees and benefits	<u>(1,342,161)</u>	<u>-</u>	<u>(1,342,161)</u>
Net cash provided by (used in) operating activities	(140,762)	1,146,182	1,005,420
Cash flows from investing activities - interest income	<u>10,289</u>	<u>5,970</u>	<u>16,259</u>
Change in cash and equivalents	(130,473)	1,152,152	1,021,679
Cash and equivalents at beginning of year	<u>2,608,106</u>	<u>2,768,060</u>	<u>5,376,166</u>
Cash and equivalents at end of year	<u>\$ 2,477,633</u>	<u>3,920,212</u>	<u>6,397,845</u>
Reconciliation of cash and equivalents to the balance sheet:			
Unrestricted	725,756	3,920,212	4,645,968
Restricted	<u>1,751,877</u>	<u>-</u>	<u>1,751,877</u>
	<u>\$ 2,477,633</u>	<u>3,920,212</u>	<u>6,397,845</u>
Reconciliation of gain (loss) from operations to net cash provided by (used in) operating activities:			
Gain (loss) from operations	\$ (10,289)	1,211,230	1,200,941
Adjustments to reconcile gain (loss) from operations to net cash provided by (used in) operating activities - changes in:			
Accounts receivable	(657,766)	-	(657,766)
Due from State and Federal governments	81,392	-	81,392
Prepaid expenses	-	3,972	3,972
Accounts payable	6,679	(34,807)	(28,128)
Accrued liabilities	-	(34,213)	(34,213)
Judgements and claims	304,489	-	304,489
Due to other governments	231	-	231
Due to governmental funds	<u>134,502</u>	<u>-</u>	<u>134,502</u>
Net cash provided by (used in) operating activities	<u>\$ (140,762)</u>	<u>1,146,182</u>	<u>1,005,420</u>

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
 Statement of Net Position  
 Fiduciary Funds  
 December 31, 2018

	<u>Agency Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Total</u>
<b>Assets:</b>			
Cash and equivalents	\$ 889,901	-	889,901
Accounts receivable	25,442	-	25,442
Restricted assets - cash and equivalents	<u>26,407</u>	<u>2,598</u>	<u>29,005</u>
Total assets	<u>941,750</u>	<u>2,598</u>	<u>944,348</u>
<b>Liabilities:</b>			
Accounts payable	940,777	-	940,777
Due to other governments	670	-	670
Due to other funds	<u>303</u>	<u>-</u>	<u>303</u>
Total liabilities	<u>941,750</u>	<u>-</u>	<u>941,750</u>
Net position	<u>\$ -</u>	<u>2,598</u>	<u>2,598</u>

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Statement of Changes in Net Position  
Fiduciary Fund  
Year ended December 31, 2018

	Private Purpose Trust <u>Funds</u>
Revenue - interest income	\$ 1
Net position at beginning of year	<u>2,597</u>
Net position at end of year	<u>\$ 2,598</u>

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK

Notes to Financial Statements

December 31, 2018

(1) Summary of Significant Accounting Policies

The financial statements of the County of Washington, New York (the County) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

(a) 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 Workforce Investment Act for Saratoga, Warren and Washington Counties as administered by Saratoga County.

All Governmental Activities and functions performed for the 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 the County of Washington, (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 No. 14 - "The Financial Reporting Entity," as amended by GASB Statement No. 39 - "Determining Whether Certain Organizations are Component Units," as amended by GASB Statement No. 80 - "Blending Requirements for Certain Component Units."

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement No. 14 as amended by GASB Statements No. 39 and No. 80, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following are included as a discretely presented component units:

## COUNTY OF WASHINGTON, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (a) Financial Reporting Entity, Continued

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 16% 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 seventeen person board of the LDC. The LDC is considered a component unit of the County and is discretely presented.

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 to 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 as follows:

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

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

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

##### (b) Basic Financial Statements

The County's basic financial statements include both Government-wide (reporting the County as a whole) and Governmental Funds financial statements (reporting the County's funds). Both the Government-wide and Governmental Funds financial statements categorize primary activities as either Governmental or Business-type. The County's general governmental support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities.

## COUNTY OF WASHINGTON, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (b) Basic Financial Statements, Continued

###### (1) Government-wide Financial Statements

The Government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of activities for the primary government and for the County's discretely presented component units. Government-wide financial statements do not include the activities reported in the Fiduciary Funds. This Government-wide focus is more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities.

The Government-wide statements of net position and activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables, and deferred outflows of resources as well as long-term debt, obligations and deferred inflows of resources. The County's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost for each of the County's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. These expenses are offset by program revenue - charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the program or capital requirements of a particular program. Revenue which is not classified as program revenue, is presented as general revenue of the County, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenue of the County.

###### (2) Fund Financial Statements

The financial transactions of the County are reported in individual funds in the funds financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund balance or net position, revenue, and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The County records its transactions in the fund types and account groups described below:

Governmental Funds - Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position. The following are the County's Governmental Funds:

COUNTY OF WASHINGTON, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Basic Financial Statements, Continued

(2) Fund Financial Statements, Continued

Major Funds:

General Fund - Principal operating fund; includes all operations not required to be recorded in other funds.

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 the financial resources to be used for the acquisition or construction of major capital facilities and equipment.

Nonmajor Funds:

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Fund is reported as a major fund:

Community Development Fund - Used to account for the use of federal monies received under the Workforce Investment Act.

Road Machinery Fund - Used to account for the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment pursuant to Section 133 of Highway Law.

Sewer Fund - Two funds 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.

Refuse and Garbage Fund - Used to account for fees charged and other revenues, which are raised or received to operate the five county solid waste transfer stations.

This fund was closed during the year ended December 31, 2018. Capital assets related to the fund were sold and all remaining assets, liabilities and fund balance were closed via a transfer to the general fund.

Car Pool Fund - Used to account for the purchase, repair, maintenance, and fuel used for the County vehicles.

Washington Tobacco Asset Securitization Corporation - Used to bond the value of future receipts due to the County under the New York State Tobacco Settlement Agreement.

Debt Service Fund - Used for payment of bonded indebtedness for all operating funds with the exclusion of the part-county sewer districts.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) Basic Financial Statements, Continued

(2) Fund Financial Statements, Continued

Proprietary Funds - Used to account for the County's ongoing activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The County the following proprietary funds that are internal service funds.

Internal Service Funds - Used to account for operations that provide a service and are financed primarily by a user charge for the provision of that service or the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following are the County's Enterprise Funds:

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 and its retirees.

Workers' Compensation 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.

Fiduciary Funds - Used to account for assets held by the County in a trustee or custodial capacity, which therefore, are not available to support the County's programs. The following comprise the County's Fiduciary Funds:

Agency Fund - Is custodial in nature and does not present results of operations or have a measurement focus. The Agency Fund is accounted for using the cash basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Private Purpose Trust Funds - Is custodial in nature and presents all other trust arrangements where principal and income benefit individuals, private organizations and other governments. The Private Purpose Trust Funds are accounted for using the cash basis of accounting.

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 (blended component unit)

(c) Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenue and expenditures/expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

## COUNTY OF WASHINGTON, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (c) Basis of Accounting/Measurement Focus, Continued

(1) Accrual Basis - The Government-wide financial statements and the Fiduciary Fund financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

(2) Modified Accrual Basis - Under this basis of accounting, revenue is recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenue that is accrued includes: real property taxes, State and Federal aid, sales tax, and certain user charges. The County considers property tax receivables collected within 60 days after year-end to be available and recognizes them as revenue of the current year. All other revenue deemed collectible within one year after year-end is recognized as revenue in the current year. If expenditures are the prime factor for determining eligibility, revenue from Federal and State grants is accrued when the related expenditures are made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that (1) principal and interest on indebtedness are not recognized as an expenditure until due, and (2) compensated absences, such as vacation and sick leave which vests or accumulates, are charged as an expenditure when paid.

##### (d) Cash and Equivalents

For financial statement purposes, the County considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

Statutes authorize the County to invest its surplus cash in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, public authorities, public housing authorities urban renewal agencies, and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments.

##### (e) Budget Policies

The County employs the following budgetary procedures:

- In September, department heads receive budget forms and submit their requests to the budget officer.
- 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.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Budget Policies, Continued

- After public hearings are conducted to obtain taxpayer comments, but no later than December 20, the Board of Supervisors adopts the County budget.
- Any revisions that alter total appropriations of any department or fund must be approved by the Board of Supervisors.
- Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects that 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.

(f) 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 assigned-appropriated fund balance since the commitments do not constitute expenditures or liabilities.

(g) Inventories

Inventories are comprised of paper and supplies (general 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 governmental fund financial statement purposes, the year-end balance on hand is reported as an asset in the balance sheet with an offsetting nonspendable fund balance.

(h) Real 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 re-levied as county taxes against the individual properties.

## COUNTY OF WASHINGTON, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (h) Real Property Taxes, 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 inflows of resources on the County General Fund balance sheet at December 31, 2018 include total taxes receivable owned by the County, less the amount estimated to be available within the first 60 days of the subsequent year.

##### (i) 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. As of 2006, a flat \$1,000,000 of sales tax revenue is distributed to the towns and villages based on 50% population and 50% assessed valuation for each municipality.

##### (j) Receivables

Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from State and Federal governments represent amounts owed to the County for reimbursement of expenditures incurred pursuant to State and Federally funded programs.

##### (k) Capital Assets

During the year ended December 31, 2018, the County adopted provisions of GASB Statement No. 87 - "Leases." The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. See notes 2(a)(3) and 2(c)(4) of the financial statements for the impact of implementation on the financial statements.

Capital assets include property, plant and equipment, and infrastructure assets with an estimated useful life in excess of two years and a cost of at least \$5,000. 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.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Capital Assets

Capital assets, which include 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

(l) Self-Insurance

(1) General Liability - The County assumes the liability for most risk including comprehensive general liability, auto liability, and law enforcement liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The liability is funded by annual budget appropriations. It is management's belief that any estimated current contingent loss liabilities (i.e., those to be liquidated with available financial resources in the ensuing fiscal year), of Governmental Fund types are not significant. All revenue and expenditures related to the County's general liability self-insurance plan are recorded in the Internal Service Fund.

(2) Workers' Compensation - The County participates in a self-insurance plan (the Plan) established to pay claims and judgments for workers' compensation. The guidance provided by GASB Statement No. 10 - "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," indicates that these activities should be accounted for in an Internal Service Fund. Accordingly, the County accounts for the activities of this pool in its Workers' Compensation Internal Service Fund.

(3) Health Insurance - The County is self-insured for its health care benefits and accounts for this activity in the County's Internal Service Fund.

(m) 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 \$977,158 (includes FICA and Medicare) for compensated absences were determined based upon a survey of each department made by the County Administrator and were not deemed material to be reflected as a liability in the financial statements of the individual funds.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Postemployment Benefits

During the year ended December 31, 2018, the County adopted provisions of GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See notes 2(c)(2) and 8 of the financial statements for the impact of implementation on the financial statements.

In addition to providing pension benefits, Washington County provides health insurance coverage and survivor benefits for 572 retired 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.

(o) 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. This retirement system is noncontributory except for employees who joined their respective systems after July 27, 1976 and must contribute a percentage of their annual salary.

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

(p) Net Position and Fund Balance Classifications

In the Government-wide statements equity is classified as net position and displayed in three components:

- i) Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- ii) Restricted net position - consists of net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Additionally, the positive fund balances from special revenue funds are included as restricted net position.
- iii) Unrestricted net position - consists of net position without constraints.

Fund balance is reported in five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

## COUNTY OF WASHINGTON, NEW YORK

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (p) Net Position and Fund Balance Classifications, Continued

- i) Nonspendable consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.
- ii) Restricted consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- iii) Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The County Board of Supervisors is the decision-making authority that can, by Board resolution, commit fund balance.
- iv) Assigned consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.
- v) Unassigned represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the County spends funds in the following order: restricted, committed, assigned, unassigned.

##### (q) Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the County's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

The County records reserves to indicate the portion of the fund balance that 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 balance as of December 31, 2018 was \$239,417.

The reserve from Crime Proceeds is established to indicate a portion of the fund balance reserved for the County's share of federally forfeited property restricted to Law Enforcement expenditures. The balance as of December 31, 2018 was \$102,716.

The reserve for Workers' Compensation has been established to indicate a portion of fund balance is restricted for the payment of future claims. The balance as of December 31, 2018 was \$1,751,877.

COUNTY OF WASHINGTON, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(q) Restricted Resources, Continued

Board of Supervisors' Resolution No. 355 dated December 17, 2004 established a General Liability and Property Reserve to help self-insure certain county properties which were removed from the county's insurance policies. The balance as of December 31, 2018 was \$902,113.

Board of Supervisors' Resolution No. 287 dated October 19, 2012 established a reserve for tax foreclosure liability abatement to be funded up to \$50,000 per year with a maximum reserve of \$1,000,000. The balance as of December 31, 2018 was \$301,020.

Board of Supervisors Resolution No. 89 dated April 17, 2015 established a reserve effective December 31, 2014 for the residual Intergovernmental Transfer Monies from the Enterprise Fund. These monies are restricted to legacy costs of the former Nursing Home, which was sold in January of 2014. The balance as of December 31, 2018 was \$716,439.

Board of Supervisors Resolution No. 286 dated December 18, 2015 established a reserve for tax litigations, in the amount of \$1,000,000. The balance as of December 31, 2018 was \$300,000.

The reserve for debt represents remaining debt proceeds and interest earned on deposits of debt proceeds which will be used to offset future debt service payments. The balance as of December 31, 2018 was \$147,153.

Board of Supervisors' Resolution No. 392 of December 15, 2000, amended the Local Law for Washington County Sewer District No. 2 to allow the creation of a Capital Reserve pursuant to General Municipal Law Section 6c. Annual levy charges are paid annually in advance by each property in the Washington County Sewer District #2, which is a part County benefit. The method of benefit determination and cost apportionment of these charges are based on an ad valorem tax system whereby each property in the district is billed in proportion to its assessed value. The annual levy consists of those costs attributable to debt service and capital costs. Capital Costs as defined in Local Law means that amount appropriated by the Washington County Board of Supervisors to fund the district's Capital Reserve Fund established pursuant to General Municipal Law, Section 6c. The balance as of December 31, 2018 was \$429,537.

Local Law D of 2013 adopted via Board of Supervisors' Resolution No. 278 dated November 15, 2013 created a reserve for repairs in the Sewer District O&M fund funded by new in district connection fees, in the amount of \$1,000, and out of district connection fees, in the amount of \$2,500. The balance as of December 31, 2018 were \$20,225 and 55,300, respectively.

(r) Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures/expenses. Reimbursements arise when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between Governmental or Proprietary Funds are netted as part of the reconciliation to the Government-wide financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(s) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Actual results could differ from these estimates.

(t) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has four items that qualify for reporting in this category. The first item is related to pensions reported in the County-wide statement of net position. This represents the effect of the net change in the County's proportion of the collective net pension asset or liability and difference during the measurement period between the County's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the County contributions to the pension system subsequent to the measurement date. The third item is the deferred loss the County incurred on its debt refunding transaction. The fourth item is tobacco settlement receivables.

Deferred inflows of resources reflects an increase in net position that applies to future periods. The County will not recognize the related revenues until a future event occurs. The County has four types of items that qualify for reporting in this category. The first item occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and unbilled server receivables are reported in the governmental funds balance sheet. The second item is related to pensions reported in the County's statement of net position, and represents the change in the proportion between the County's contributions and proportionate share of contributions. The third item is related to the tobacco settlement, which offsets the deferred outflow in the same account. The fourth item is related to the total OPEB liability in the County's statement of net position, and represents the difference between expected and actual experience.

(u) Concentrations of Credit Risk

Financial instruments which potentially expose the primary government to concentrations of credit risk consist primarily of taxes receivable and tax sale certificates which are secured by property values throughout the County.

Included in accounts receivable in the general fund are accounts receivable in the amount of \$84,128 related to the Pleasant Valley Infirmary. The Infirmary granted credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Management considers the receivable from Pleasant Valley Infirmary to be collectible at December 31, 2018.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(u) Concentrations of Credit Risk, Continued

Financial instruments which potentially expose the County's component units to concentrations of credit risk consist primarily of loans receivable of the Local Development Corporation. Management considers all loans net of allowance to be collectible at December 31, 2018.

(v) Expenditures in Excess of Budget

Certain individual budgetary expenditures exceeded their budgetary authorizations in the general fund.

(w) Subsequent Events

The County has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued and have determined the following subsequent event requires disclosure under generally accepted accounting principles:

- The County issued bond anticipation notes payable of \$7,930,000 on March 28, 2019. This bond anticipation note matures on March 27, 2020 and has a stated interest rate of 2.75%.

(2) Detail Notes

(a) Assets

(1) Cash and Cash Equivalents

The County's investment policies are governed by State statutes. In addition, the County has its own written investment policy. County monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The County Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. While the County does not have a specific policy for custodial credit risk, State statutes govern the County's investment policies, as discussed previously in these notes.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

Deposits and investments at year-end were entirely covered by Federal depository insurance or by collateral held by the County's custodial banks in the County's name. All deposits, including certificates of deposit, are carried at cost. The table below describes cash and investment balances and related collateralization:

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(a) Assets, Continued

(1) Cash and Cash Equivalents, Continued

<u>Fund Type</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Governmental activities	\$ 24,721,170	25,950,510
Fiduciary funds	<u>918,906</u>	<u>1,682,604</u>
Total cash balances	\$ <u>25,640,076</u>	<u>27,633,114</u>
Insured (FDIC)		250,000
Insured - collateral held in the County's name		<u>27,383,114</u>
Total cash balances		\$ <u>27,633,114</u>

(2) Property Taxes

At December 31, 2018, the total real property taxes receivable of \$14,941,089 are net of an allowance for uncollectible taxes of \$250,000.

Current year returned school taxes of \$4,732,652 are offset by liabilities to the school districts, which will be paid no later than April 15, 2019. The remaining portion of taxes receivable is partially offset in the Governmental Fund financial statements by deferred inflows of resources of \$8,771,214 (which represents an estimate of the taxes which will not be collected within the first sixty (60) days of the subsequent year).

(3) Capital Asset Activity

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance at 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/18</u>
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 711,003	66,628	-	777,631
Construction in progress	<u>8,316,078</u>	<u>1,642,160</u>	<u>2,329,839</u>	<u>7,628,399</u>
Total non-depreciable capital assets	<u>9,027,081</u>	<u>1,708,788</u>	<u>2,329,839</u>	<u>8,406,030</u>
Depreciable assets:				
Buildings	46,447,838	-	6,248,184	40,199,654
Improvements	1,688,320	375,948	-	2,064,268
Bridges	40,365,007	1,513,867	-	41,878,874
Roads	50,862,827	3,735,127	-	54,597,954
Infrastructure	13,847,205	841,454	-	14,688,659
Machinery and equipment	26,709,638	2,255,989	2,089,107	26,876,520
Right to use lease asset	<u>-</u>	<u>22,772</u>	<u>-</u>	<u>22,772</u>
Total depreciable capital assets	<u>179,920,835</u>	<u>8,745,157</u>	<u>8,337,291</u>	<u>180,328,701</u>
Total cost	<u>188,947,916</u>	<u>10,453,945</u>	<u>10,667,130</u>	<u>188,734,731</u>

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(a) Assets, Continued

(3) Capital Asset Activity, Continued

	<u>Balance at</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/18</u>
Less accumulated depreciation:				
Buildings	\$ 25,608,489	970,489	4,412,196	22,166,782
Improvements	401,013	136,591	-	537,604
Bridges	8,301,613	837,577	-	9,139,190
Roads	31,988,695	3,097,336	-	35,086,031
Infrastructure	7,450,525	293,773	-	7,744,298
Machinery and equipment	<u>19,115,205</u>	<u>1,969,715</u>	<u>2,077,633</u>	<u>19,007,287</u>
Total accumulated depreciation	<u>92,865,540</u>	<u>7,305,481</u>	<u>6,489,829</u>	<u>93,681,192</u>
Governmental Activities capital assets, net	\$ <u>96,082,376</u>	<u>818,625</u>	<u>1,847,462</u>	<u>95,053,539</u>

Depreciation expense was charged to functions as follows:

General government support	\$ 1,236,104
Education	1,031
Public safety	550,972
Health	14,796
Transportation	5,031,480
Economic assistance and opportunity	25,106
Culture and recreation	634
Home and community	<u>445,358</u>
Total	\$ <u>7,305,481</u>

(b) Loans and Lease Receivable

Washington County Local Development Corporation

Loans receivable includes various amounts loaned to local businesses through its revolving loan program. Of the gross receivables of \$3,517,454, there is an allowance for doubtful accounts of \$327,298, making the net receivables of \$3,190,156. Of this net receivables balance, \$442,268 are due within one year and \$2,747,888 are due thereafter through 2036.

In addition, the Washington County Local Development Corporation entered into a Rural Business Enterprise Grant agreement with the U.S. Department of Agriculture for the purpose of purchasing equipment. During 2015, the LDC purchased equipment in the amount of \$95,220 which it then leased to a local business. The total amount of the lease payment will be equal to 40% of the purchase price of the equipment, \$38,088. The business will make monthly lease payments of \$430 through June 1, 2022, the expected life of the equipment. The title to the equipment is to be held in the name of the LDC during the lease period. At the end of the lease period, the equipment is to be conveyed to the business for the sum of \$1. The balance due as of December 31, 2018, was \$18,041.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(b) Loans and Lease Receivable, Continued

Lease payments receivable consisted of the following at December 31, 2018:

<u>Years ending December 31,</u>	
2019	\$ 5,155
2020	5,155
2021	5,155
2022	<u>2,576</u>
Total	\$ <u>18,041</u>

Upon receipt of the lease proceeds, the LDC is required to use the funds to provide term loans for specific purposes that support local farm and/or agricultural related business.

(c) Liabilities

(1) Pension Plans

(a) Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The County participates in the New York State and Local Retirement System. This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The County also participates in the Public Employees; Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(1) Pension Plans, Continued

(a) Plan Descriptions and Benefits Provided, Continued

Employees' Retirement System (ERS), Continued

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 and before April 1, 2012 who generally contribute 3.0 percent of their salary for their entire length of service. Those joining on or after April 21, 2012 are required to contribute between 3 and 6 percent, dependent on salary, throughout their working careers. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems fiscal year ending March 31.

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

	<u>Washington County</u>	<u>Soil and Water Conservation District</u>
2018	\$ 3,729,310	28,240
2017	3,643,913	26,690
2016	3,717,054	25,885

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the County reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The County's proportionate share of the net pension liability was based on a projection of the County's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the County.

	<u>Governmental Activities</u>	<u>Soil and Water Conservation District</u>
Measurement date	3/31/2018	3/31/2018
Net pension liability	\$3,522,754	22,430
County's proportion of the Plan's net pension liability	0.1091499%	0.0006950%

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(1) Pension Plans, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

For the year ended December 31, 2018, the County recognized pension expense of \$3,288,495 and \$29,550 for governmental activities and the Soil and Water Conservation District, respectively, in the Statement of Activities. At December 31, 2018 the County's proportionate shares were 0.1091499% and 0.0006950% of the governmental actuaries and the Soil and Water Conservation District respectively, which was a percentage increase of 0.0002864 and 0.0063370, respectively, from its proportionate shares as of December 31, 2017. At December 31, 2018 the County's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Washington County</u>		<u>Soil and Water Conservation District</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,256,452	1,038,285	8,000	6,611
Changes of assumptions	2,335,877	-	14,873	-
Net difference between projected and actual investment earnings on pension plan investments	5,116,521	10,099,498	32,577	64,304
Changes in proportion and differences between the County's contributions and proportionate share of contributions	64,753	2,051,357	9,389	5,236
County's contributions subsequent to the measurement date	<u>2,818,388</u>	<u>-</u>	<u>21,567</u>	<u>-</u>
Total	\$ <u>11,591,991</u>	<u>13,189,140</u>	<u>86,406</u>	<u>76,151</u>

County contributions subsequent to the December 31, 2018 measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Washington County</u>	<u>Soil and Water Conservation District</u>
2019	\$ (216,217)	7,235
2020	(91,771)	3,810
2021	(2,791,897)	(14,567)
2022	(1,315,652)	(7,790)
2023	-	-
Thereafter	-	-

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(1) Pension Plans, Continued

(c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Investment rate of return (net of investment expense, including inflation)	7.0%
Salary increases	3.8%
Inflation	2.5%
Cost-of-living adjustment	1.3%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based Society of Actuaries Scale on MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized as follows:

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(1) Pension Plans, Continued

(c) Actuarial Assumptions, Continued

Measurement date

March 31, 2018

	Long-term expected real rate of return*	Target allocation
Asset type:		
Domestic equity	4.55%	36.00%
International equity	6.35%	14.00%
Private equity	7.50%	10.00%
Real estate	5.55%	10.00%
Absolute return strategies	3.75%	2.00%
Opportunistic portfolio	5.68%	3.00%
Real assets	5.29%	3.00%
Bonds and mortgages	1.31%	17.00%
Cash	(0.25%)	1.00%
Inflation - indexed bonds	1.25%	4.00%

\*Real rate of return is net of long-term inflation assumption of 2.50%.

(d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

<u>Governmental Activities</u>	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension asset (liability)	\$ (26,654,103)	(3,522,754)	16,045,444

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(1) Pension Plans, Continued

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate, Continued

<u>Soil and Water Conservation District</u>	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension asset (liability)	\$ (169,709)	(22,430)	<u>102,163</u>

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of all participating employers as of the respective valuation dates, were as follows:

	(Dollars in Millions)
Measurement date	3/31/2018
Employers' total pension liability	\$(183,400)
Plan fiduciary net position	<u>180,173</u>
Employers' net pension liability	\$ <u>(3,227)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	98.24%

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Retirement contributions as of December 31, 2018 represent the projected employer contribution for the period of April 1, 2018 through March 31, 2019, based on paid ERS wages multiplied by the employer's contribution rate, by tier. These amounts have been recorded as deferred outflows of resources in the statement of net position.

(2) Other Postemployment Benefits Other than Pensions

(a) Plan Description and Benefits

The OPEB Plan is a single-employer, defined benefit healthcare plan administered by the County which provides medical, dental, and vision benefits to four grandfathered retirees. Benefit provisions were established through negotiations between the County and bargaining units.

The contribution requirements of OPEB Plan members and the County are established and may be amended by the County Board of Supervisors. The County Board of Supervisors has negotiated several collective bargaining agreements, which include obligations of participants and the County. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2018, the County contributed \$2,645,133 to the OPEB Plan for current premiums. Participants receiving benefits may be required to contribute to the OPEB Plan depending on their collective bargaining unit.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(2) Other Postemployment Benefits Other than Pensions, Continued

(a) Plan Description and Benefits, Continued

The County assigns the authority to establish and amend benefit provisions to the County Board of Supervisors for non-bargaining unit employees. The OPEB Plan does not issue a stand-alone financial report.

(b) Employees covered by benefit terms

At December 31, 2018, the following employees were covered by the benefit terms:

Current retirees	572
Active employees	<u>434</u>
	<u>1,006</u>

(c) Total OPEB Liability

The County's total OPEB liability of \$93,806,259 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

(d) Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary scale	3.00%
Discount rate	3.64%
Inflation	3.00%
Healthcare cost trend rates	8.00% for 2018, decreasing to an ultimate rate of 5.00%

Mortality rates were based on the SOA RP-2014 with MP-2016 projection.

(e) Changes in the Total OPEB Liability

Original OPEB liability as of January 1, 2018, before restatement due to GASB Statement No. 75	\$ 47,124,193
Cumulative effect of change in accounting principle required by GASB Statement No. 75	<u>44,773,949</u>
Total OPEB liability as of January 1, 2018, as restated for GASB Statement No. 75	<u>91,898,142</u>
Changes for the year:	
Service cost	4,109,465
Interest	3,296,951
Differences between actual and expected experience	(2,853,166)
Benefit payments	<u>(2,645,133)</u>
Total changes	<u>1,908,117</u>
Total OPEB liability as of December 31, 2018	\$ <u>93,806,259</u>

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(2) Other Postemployment Benefits Other than Pensions, Continued

(f) Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage-point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB liability	\$ <u>113,527,375</u>	<u>93,806,259</u>	<u>74,085,145</u>

(g) Sensitivity of the total OPEB liability to changes in the healthcare costs trend rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ <u>75,426,454</u>	<u>93,806,259</u>	<u>116,333,171</u>

(h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of \$7,049,770. At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ <u>      -      </u>	<u>2,496,520</u>

Town contributions subsequent to the measurement date will be recognized as a reduction of the other postemployment benefit liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources related to other postemployment benefits will be recognized as follows:

<u>Year ending</u>	
2019	\$ (356,646)
2020	(356,646)
2021	(356,646)
2022	(356,646)
2023	(356,646)
Thereafter	(713,290)

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(3) Short-Term Debt

(a) Bond Anticipation Notes

Bond anticipation notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as long-term debt when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

The following is an analysis of bond anticipation notes at December 31, 2018:

<u>Description of Issue</u>	<u>Interest Rate</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	Balance at December 31, 2017	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, 2018
Capital projects	1.50%	3/29/2018	3/29/2019	\$ -	2,965,000	-	2,965,000
Capital projects	0.98%	3/30/2017	3/30/2018	2,200,000	-	2,200,000	-
Sewer capital project	0.00%	3/30/2017	12/22/2021	<u>7,615,628</u>	-	<u>152,500</u>	<u>7,463,128</u>
				<u>\$ 9,815,628</u>	<u>2,965,000</u>	<u>2,352,500</u>	<u>10,428,128</u>

(4) Long-Term Debt

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Balance at 12/31/17	<u>Additions</u>	<u>Decreases</u>	Balance at 12/31/18	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 977,484	-	(326)	977,158	-
Claims and judgments payable	2,977,450	1,247,425	(942,936)	3,281,939	-
*Total OPEB liability	91,898,142	4,553,250	(2,645,133)	93,806,259	-
Net pension liability - proportionate share	10,229,059	-	(6,706,305)	3,522,754	-
Landfill closure and postclosure costs	186,834	-	(12,533)	174,301	-
State loans payable	105,000	-	(25,000)	80,000	25,000
Bonds payable	2,795,000	-	(1,695,000)	1,100,000	215,000
Bond premium	54,069	-	(10,217)	43,852	10,217
TASC bonds payable	12,330,000	-	(105,000)	12,225,000	245,000
Lease liabilities	-	<u>22,772</u>	-	<u>22,772</u>	<u>8,523</u>
Total Governmental Activities	\$ <u>121,553,038</u>	<u>5,823,447</u>	<u>(12,142,450)</u>	<u>115,234,035</u>	<u>503,740</u>

\*December 31, 2017 balance restated to reflect implementation of GASB Statement No. 75.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(4) Long-Term Debt, Continued

Long-term debt was comprised of the following:

State Loans Payable

\$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 \$25,000 to \$30,000 on April 15 of each year through 2021 with semi-annual interest payments ranging from 1.85% - 5.00% due on April 15 and October 15 of each year. \$ 80,000

Bonds Payable

\$2,795,000 Public Improvement serial bonds, due in annual installments ranging from \$5,000 to \$350,000 through 2023 with interest ranging from 2.00% to 3.00%. These bonds were used to refund 2003 public improvement bonds totaling \$3,060,000. 1,100,000

Total bonds payable and state loans payable \$ 1,180,000

Total interest expense for Washington County was \$690,284 for the year ended December 31, 2018. The aggregate maturities of long-term bonds and State loans payable are as follows:

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 240,000	25,628	265,628
2020	245,000	20,095	265,095
2021	250,000	14,329	264,329
2022	220,000	9,181	229,181
2023	<u>225,000</u>	<u>4,781</u>	<u>229,781</u>
Total	\$ <u>1,180,000</u>	<u>74,014</u>	<u>1,254,014</u>

The premium on a 2013 bond refunding of \$102,174 is being amortized over ten years at \$10,217 per year. The balance at December 31, 2018, was \$43,852.

Lease Liabilities

Four copiers were leased and capitalized in 2018 totaling \$22,772 due in monthly installments ranging from \$125 to \$308. All four leases are interest free.

<u>Years ending December 31,</u>	<u>Principal</u>
2019	\$ 8,523
2020	6,057
2021	4,824
2022	2,865
2023	<u>503</u>
Total	\$ <u>22,772</u>

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(4) Long-Term Debt, Continued

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 remaining balance of the defeased 2000 Bonds of \$9,050,000 was paid in full in June 2010.

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>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 245,000	641,781	886,781
2020	250,000	631,263	881,263
2021	265,000	620,319	885,319
2022	275,000	608,156	883,156
2023	295,000	594,619	889,619
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	<u>750,000</u>	<u>83,375</u>	<u>833,375</u>
Total	\$ <u>12,225,000</u>	<u>10,732,970</u>	<u>22,957,970</u>

WTASC has pledged, as security for the above bonds, its future tobacco settlement revenues pursuant to the New York State Tobacco Settlement Agreement. For the current year, principal and interest paid by WTASC totaled \$105,000 and \$610,294, respectively, as compared to its tobacco settlement revenues of \$734,847. To estimate the present value of the receivable for future tobacco settlement revenues, an average bond interest rate of 4.625% was used, compounded annually through the year 2042.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(4) Long-Term Debt, 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, 2018, the Corporation has drawn down \$450,000 and made nine 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.	\$ 116,516
Less current portion	<u>(11,046)</u>
Long-term debt, net of current portion	\$ <u>105,470</u>

Maturities of long-term debt are as follows:

<u>Years ending December 31,</u>	<u>Principal</u>
2019	\$ 11,046
2020	11,171
2021	11,283
2022	11,301
2023	11,324
Thereafter	<u>60,391</u>
Total	\$ <u>116,516</u>

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(c) Liabilities, Continued

(5) Due to Other Governments

The liability for due to other governments represents amounts owed at December 31, 2018 as follows:

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Proprietary <u>Fund</u>	Trust and Agency <u>Fund</u>
Due to other counties	\$ 462,494	-	-	-
Due to New York State	154,902	-	-	670
Due to special districts	17,700	-	-	-
Due to school districts	6,161,092	-	-	-
Due to villages and towns	<u>1,122,587</u>	<u>17,272</u>	<u>231</u>	<u>-</u>
Total	\$ <u>7,918,775</u>	<u>17,272</u>	<u>231</u>	<u>670</u>

(d) Deferred Inflows of Resources

Aggregated Deferred Inflows of Resources - Unearned Revenue - Certain revenues have been deferred in the fund and/or Government-wide statements as the revenue relates to future reporting periods:

	Statement of <u>Net Position</u>	Governmental <u>Funds</u>
Tax revenue	\$ -	8,771,214
Tobacco settlements	21,908,577	21,908,577
Unbilled sewer receivables	-	396,133
Other postemployment benefits	2,496,520	-
Pensions	<u>13,189,140</u>	<u>-</u>
	\$ <u>37,594,237</u>	<u>31,075,924</u>

(e) Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Governmental Funds financial statements generally reflect such transactions as transfers whereas the Proprietary Funds record such transactions as non-operating revenue or expenses.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(2) Detail Notes, Continued

(e) Interfund Transactions, Continued

Interfund transactions for the year ended December 31, 2018 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Transfers in</u>	<u>Interfund Transfers out</u>
<u>Governmental Funds:</u>				
General Fund	\$ 1,864,237	2,113,561	2,149,132	11,754,408
County Road Fund	2,294	219,972	9,495,166	-
Capital Projects Fund	2,067,968	1,216,135	2,693,430	651,538
<u>Special Revenue Funds:</u>				
Car Pool Fund	62,942	374,359	-	360,000
Road Machinery Fund	219,128	3,425	-	-
Debt Service Fund	-	147,153	195,812	147,153
Sewer Fund	2,000	3,218	-	630,000
Refuse and Garbage Fund	-	-	-	990,441
<u>Internal Service Funds - Workers'</u>				
Compensation Fund	-	140,443	-	-
Agency Fund	-	303	-	-
Totals	<u>\$ 4,218,569</u>	<u>4,218,569</u>	<u>14,533,540</u>	<u>14,533,540</u>

(f) Fund Balances

Designation of fund balances at December 31, 2018 is as follows:

<u>Fund</u>	<u>Non- Spendable</u>	<u>Restricted</u>	<u>Fund Balance Assigned</u>		<u>Unassigned</u>	<u>Total Fund Balance</u>
			<u>Appropriated for Subsequent Year's Budget</u>	<u>Other Assigned Fund Balance</u>		
<u>Major Governmental Funds:</u>						
General fund	\$ 869,033	2,768,575	2,000,000	518,968	7,843,370	13,999,946
County road fund	542,560	-	500,000	412,013	-	1,454,573
Capital projects fund	-	-	-	-	(5,540,243)	(5,540,243)
Total major funds	1,411,593	2,768,575	2,500,000	930,981	2,303,127	9,914,276
Nonmajor Funds	<u>904,680</u>	<u>1,413,003</u>	-	<u>2,035,368</u>	<u>120,858</u>	<u>4,473,909</u>
Total governmental activities	<u>\$2,316,273</u>	<u>4,181,578</u>	<u>2,500,000</u>	<u>2,966,349</u>	<u>2,423,985</u>	<u>14,388,185</u>

## COUNTY OF WASHINGTON, NEW YORK

### Notes to Financial Statements, Continued

#### (2) Detail Notes, Continued

##### (f) Fund Balances, Continued

The deficits in individual capital projects fund arise, in-part, because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source." Liabilities for bond anticipation notes are accounted for in the capital project fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. These deficits will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing. Other deficits, where no bond anticipation notes were issued or outstanding to the extent of the project deficits, arise because of expenditures exceeding current financing on the projects. These deficits will be eliminated with the subsequent receipt or issuance of authorized financing.

#### (3) 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 County changed providers to Empire Blue Cross in June of 2009, however the procedure remained the same. 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, 2018, the amount required to terminate the current contract is \$754,836 and is recorded in accrued liabilities. This represents claims incurred but not yet reported to the health insurance provider.

A health insurance rate is established for the employee's and employer's portion of the monthly premium to provide for the budgeted/projected annual expense for the administrative costs plus claims. The employee's share of the monthly premium is withheld from the employee's first pay of the month and recorded within the County's Agency Fund. The employer's share of the monthly premiums is recorded as a liability within the fund that the employee's personal service expense/payroll expense is charged.

The administrative costs are invoiced on a monthly basis to the County by the County's health insurance provider. The monthly invoice is reconciled to the health insurance payroll deductions and withdrawn monthly on a date scheduled by the County's health insurance carrier from the account previously established for the health insurance administrative costs and claims.

The employer's share of the monthly premiums is also reconciled to the provider's monthly invoice on a biweekly basis at the same time as the employee's share reconciliation. Once reconciled, the employer's and employees' shares of the monthly premium are transferred to the bank account previously established for the health insurance administrative costs and claims. These transactions are recorded in the Self-insured Health Benefits Fund, accordingly.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(3) Contingent Liabilities, Continued

Claim disbursements to the provider are processed at least bi-monthly to maintain the escrow account held at JP Morgan Chase Bank for the benefit of Empire Blue Cross at a balance of \$210,000. The ACH transfers to Blue Cross are journalized as they occur within the Self-insurance Fund for Health Insurance.

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-insured Health Benefits Fund.

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.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(3) Contingent Liabilities, Continued

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 61 participants at December 31, 2018, including the County. 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 actuarially computed the liability for reported cases to date at \$3,281,939, which includes amounts owed for prior employees of the Pleasant Valley Infirmary. The plan purchases commercial insurance for claims in excess of \$1,000,000 (each occurrence) involving "third party over actions." All funds of the County participate in the program and make payments to the Workers' Compensation Fund based on actual claims paid in the previous completed fiscal year and their portion of the administrative and pooled costs. The County is responsible for 100% of all EMS and Fire claims. Each of the plan's participants are responsible for the first \$20,000 of any individual claim. All paid claims over \$20,000 per occurrence will be shared by all plan participants based on an allocation of 90% of the total payroll and 10% of the full assessed real property of the participant. The plan has an established reserve to accommodate the County's deductible for catastrophic claims. Local Law 4 of 2015 set a reserve for this fund at \$1,750,000. Claims paid in 2018 totaled \$942,936.

Changes in the Workers' Compensation aggregate claims liabilities for the year ended December 31, 2018 are as follows:

	Liability Beginning of <u>Year</u>	Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	Liability End of <u>Year</u>
2018	\$ 2,977,450	1,247,425	(942,936)	3,281,939

Contingent Liabilities Related to the Former Pleasant Valley Enterprise Fund

Net patient service revenue was reported at estimated net realizable amounts from residents, third-party payers, and others for services rendered and included estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments were considered in the recognition of revenue on an estimated basis in the period the related services were 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. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation.

In addition, the former Nursing Home was involved in various litigations arising in the normal course of business. After conversation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the County's future financial position or results from operations.

## COUNTY OF WASHINGTON, NEW YORK

### Notes to Financial Statements, Continued

#### (3) Contingent Liabilities, Continued

##### Material Events - Pending Litigation

The Corporation known as WCC, LLC, are the owners of record of the parcels formerly used for the dewatering of PCBs in connection with the dredging of the Hudson River by the General Electric Corporation. As the dredging has ceased and the facility decommissioned, the owners have challenged their assessment on parcels 163.15-1-4 and 163.-2-20.1 with assessments of \$16,024,000 and \$21,441,000, respectively. WCC has chosen not to pay the taxes due pending resolution of the Article 7 assessment challenge currently in the hands of the Washington County Court Judge. For the 2018 fiscal year, the unpaid taxes on these 2 parcels totaled \$4,160,517 (excluding interest), which contributed to the \$3,800,000 in 2017 and an additional \$1,900,000 adjustment to the tax levy revenue through the deferred tax revenue adjustment, and by extension to fund balance. At the time of this report, the lawsuit has been settled. The property owner has paid the corrected portion of the 2017 and 2018 taxes. The 2019 taxes were returned unpaid, in the amount of \$395,000. The Village, School and Town of Fort Edward now all have amounts to be charged back as erroneous, in the amounts of \$585,798, \$1,988,112 and \$454,535, respectively. The County portion of the chargeback is \$725,621. As a result of the settlement and subsequent chargebacks, there will be a substantial restoration of General Fund fund balance in 2019.

##### Uninsured Liabilities

As of this date, the County has no uninsured contingent liabilities that would significantly affect the County. The County is involved in many claims and suits, all of which are defended and indemnified by its insurers and which present no material adverse situations to the County.

##### Federal Award Programs

At present, there are no outstanding civil rights complaints involving the County with the New York state Division of Human rights and no outstanding complaints with either the Federal Equal Employment Opportunity Commission or Attorney General's Office.

The County is subject to several outstanding lawsuits which allege violations of civil rights which are defended and indemnified by its insurers.

At this time, the County is unaware of any violations of federal grants agreements and/or regulations relating to federally funded programs administered by the County.

##### County Medicaid Cap

In 2005, New York State passed legislation (Chapter 58 of the Laws of 2005) to cap Medicaid at the 2005 calendar year level and limit the growth rate of county Medicaid costs to 3.5% in 2006, 3.25% in 2007. Future county Medicaid growth rates will be permanently capped at 3% starting in 2008. The 2005 cap started January 1, 2006, with an estimate provided to New York State counties by the State Department of Budget and Department of Health.

Due to the fact that the State capped Medicaid for all county expenses effective December 31, 2005, New York State has relieved the county requirement to post Medicaid year-end accrued liabilities associated with various Medicaid expenditures where cash reimbursement has been lagged. There is also an offsetting reduction in accrued revenues receivables, which would typically be paid to counties after year-end.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(4) Joint Venture

The Adirondack Community College (the 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 dated August 31, 2018:

Total assets	\$ 69,767,594
Total deferred outflows of resources	3,589,749
Total liabilities	40,098,303
Total deferred inflows of resources	6,178,809
Net position	27,080,231
Total revenue	47,820,329
Total expenditures	40,304,987

Joint Venture Net Position consists of the following:

Net investment in capital assets	\$ 54,345,618
Restricted	560,000
Unrestricted (deficit)	(27,825,387)
Total	\$ <u>27,080,231</u>

The County contributed \$1,461,228 to the College for operating expenses.

The above financial information does not include any component units included in the College's financial statements because the County has no responsibility for the component units. Complete financial statements of the College can be obtained from their Administrative Office at 640 Bay Road, Queensbury, New York 12804.

(5) Commitments

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. The County made no contributions to the deferred compensation plan for the year ended December 31, 2018.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(5) Commitments, Continued

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 postclosure monitoring commenced in the year 2000 and will continue until 2029 (30 years total).

\$94,736 is reported as landfill closure and postclosure care in accrued liabilities at the Easton Landfill at December 31, 2018 and represents the estimated costs of future monitoring for 11 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 11 years.

\$79,565 is reported as postclosure care in accrued liabilities for the Fort Ann Landfill on December 31, 2018 and represents the estimated costs of future monitoring for 12 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 11 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.

(6) Tax Abatement Agreements

GASB Statement No. 77 - "Tax Abatement Disclosures" requires governments that enter into tax abatement agreements to disclose certain information relating to those agreements.

During the year ended December 31, 2018, Washington County had 16 real property tax abatement agreements related to their economic development programs which provide incentive packages to attract new business to the County, as follows:

<u>Party to Agreement</u>	<u>Number of Agreements</u>	<u>Maturity Dates of Agreements</u>	<u>Real Property Taxes Abated in 2018</u>
Warren Washington County Industrial Development Agency	10	2019 - 2026	\$ 155,672
Town and Village of Greenwich, New York	1	2044	7,500
Village of Hudson Falls, New York	1	2031	15,336
Town of Whitehall, New York	2	2032	28,133
Village of Cambridge, New York	<u>2</u>	2017-2020	<u>8,257</u>
Totals	<u>16</u>		\$ <u>214,898</u>

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(6) Tax Abatement Agreements, Continued

The basis for each tax abatement varies according to the specific details of each agreement. Most are based upon a percentage of the value assigned to the land or improvement associated with the agreement.

As part of these agreements the County received \$169,523 in payments in lieu of taxes (PILOT). The PILOT agreements were made to support the tourism and housing industries.

(7) 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.

(8) Cumulative Effect of Change in Accounting Principle

For the year ended December 31, 2018, the County implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other postemployment benefits. The County's net position at December 31, 2017 has been restated as follows:

Net position at beginning of year, as previously stated	\$ 52,833,067
GASB Statement No. 75 implementation:	
Beginning total OPEB liability	(91,898,142)
Less net OPEB obligation under GASB Statement No. 45	<u>47,124,193</u>
Net position at beginning of year, as restated	\$ <u>8,059,118</u>

(9) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 83 - "Certain Asset Retirement Obligations." This Statement, issued in November 2016, addresses accounting and financial reporting for certain asset retirement obligations (AROs). Governments that have legal obligations to perform certain future asset retirement activities related to tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the County. This Statement is not expected to have a material effect on the financial statements of the County.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(9) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 84 - “Fiduciary Activities.” This Statement, issued in January 2017, established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the County. This Statement is not expected to have a material effect on the financial statements of the County.

GASB Statement No. 88 - “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.” This Statement, issued in April of 2018, requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The provisions of this Statement are effective for reporting periods beginning after June 15, 2018, which is the fiscal year beginning January 1, 2019 for the County. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the County.

GASB Statement No. 89 - “Accounting for Interest Cost Incurred before the End of a Construction Period.” This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statements are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the County. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the County.

GASB Statement No. 90 - “Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61.” This Statement, issued in August 2018, seeks to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and sets parameters as to whether a majority equity interest is to be reported as an investment or component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, which is the fiscal year beginning January 1, 2019 for the County. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the County.

COUNTY OF WASHINGTON, NEW YORK  
Notes to Financial Statements, Continued

(9) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning April 1, 2021 for the County. This Statement is not expected to have a material impact on the financial statements of the County.

COUNTY OF WASHINGTON, NEW YORK  
 Required Supplementary Information  
 Schedule of Revenue and Expenditures - Budget to Actual - General Fund  
 Year ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue:				
Real property taxes	\$32,684,397	32,684,397	30,374,243	(2,310,154)
Real property tax items	2,055,132	2,510,285	2,687,061	176,776
Nonproperty tax items	20,417,000	20,417,000	21,334,196	917,196
Departmental income	2,776,350	2,878,789	3,215,697	336,908
Intergovernmental charges	615,908	632,088	533,749	(98,339)
Use of money and property	205,502	205,502	205,471	(31)
Fines and forfeitures	85,000	85,000	163,730	78,730
Sale of property and compensation for loss	15,100	15,100	50,225	35,125
Interfund revenue	672,595	672,595	717,169	44,574
State sources	14,186,694	14,539,395	11,351,441	(3,187,954)
Federal sources	9,573,690	10,017,028	9,196,548	(820,480)
Miscellaneous local sources	31,100	39,400	225,311	185,911
Total revenue	<u>83,318,468</u>	<u>84,696,579</u>	<u>80,054,841</u>	<u>(4,641,738)</u>
Expenditures:				
General government support	14,347,200	14,573,273	13,718,601	854,672
Education	5,379,907	5,328,907	5,117,508	211,399
Public safety	15,503,746	15,647,636	14,972,502	675,134
Health	5,087,796	5,486,497	4,678,720	807,777
Economic assistance and opportunity	32,598,113	32,798,086	30,631,059	2,167,027
Culture and recreation	1,208,590	1,307,053	1,202,214	104,839
Home and community	969,406	929,395	947,879	(18,484)
Employee benefits	1,549,456	1,549,456	1,413,911	135,545
Debt services - principal	-	-	35,000	(35,000)
Debt service - interest	-	-	29,976	(29,976)
Total expenditures	<u>76,644,214</u>	<u>77,620,303</u>	<u>72,747,370</u>	<u>4,872,933</u>
Excess of revenue over expenditures	<u>6,674,254</u>	<u>7,076,276</u>	<u>7,307,471</u>	<u>231,195</u>
Other financing sources (uses):				
Interfund transfers in	360,000	1,968,277	2,149,132	180,855
Interfund transfers out	<u>(9,794,640)</u>	<u>(11,754,408)</u>	<u>(11,754,408)</u>	<u>-</u>
Total other financing sources (uses)	<u>(9,434,640)</u>	<u>(9,786,131)</u>	<u>(9,605,276)</u>	<u>180,855</u>
Excess (deficiency) of revenue or appropriated fund balance, over expenditures and other financing uses				
	<u>\$ (2,760,386)</u>	<u>(2,709,855)</u>	<u>(2,297,805)</u>	<u>412,050</u>

COUNTY OF WASHINGTON, NEW YORK  
 Required Supplementary Information  
 Schedule of Changes in the County's  
 Total OPEB Liability and Related Ratios  
 Year ended December 31, 2018

Total OPEB liability:	
Service cost	\$ 4,109,465
Interest	3,296,951
Differences between expected and actual experience	(2,853,166)
Benefit payments	<u>(2,645,133)</u>
Net change in total OPEB liability	1,908,117
Total OPEB liability - beginning	<u>91,898,142</u>
Total OPEB liability- ending	<u>\$ 93,806,259</u>
Covered payroll	\$ 27,493,000
Total OPEB liability as a percentage of covered payroll	341.20%

Notes to schedule:

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each

2018      3.64%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

COUNTY OF WASHINGTON, NEW YORK  
 Required Supplementary Information  
 Schedule of County's Proportionate Share of the Net Pension Liability  
 Year ended December 31, 2018

NYSERS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Washington County</u>				
County's proportion of the net pension liability	0.1091499%	0.1088635%	0.1067278%	0.1277452%
County's proportionate share of the net pension liability	\$ 3,522,754	\$10,229,059	17,130,112	4,315,547
County's covered payroll	\$26,073,920	\$24,484,283	22,411,473	26,603,829
County's proportionate share of the net pension liability as a percentage of its covered payroll	13.51%	41.78%	76.43%	16.22%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%
<u>Soil and Water Conservation District</u>				
District's proportion of the net pension liability	0.0006950%	0.0007032%	0.0004122%	0.0004062%
District's proportionate share of the net pension liability	\$ 22,430	\$ 66,007	66,153	13,723
District's covered payroll	\$ 174,601	\$ 161,006	104,744	159,953
District's proportionate share of the net pension liability as a percentage of its covered payroll	12.85%	41.00%	63.16%	8.58%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

\* This schedule is presented to illustrate the requirement for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for those years for which information is available from the NYS Retirement System.

COUNTY OF WASHINGTON, NEW YORK  
 Required Supplementary Information  
 Schedule of County's Pension Contributions  
 Year ended December 31, 2018

NYSERS Pension Plan				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Washington County</u>				
Contractually required contribution	\$ 3,729,310	3,643,913	3,717,054	3,069,714
Contributions in relation to the contractually required contribution	<u>3,729,310</u>	<u>3,643,913</u>	<u>3,717,054</u>	<u>3,069,714</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$26,073,920	24,484,283	22,411,473	26,603,829
Contributions as a percentage of covered payroll	14.30%	14.88%	16.59%	11.54%
 <u>Soil and Water Conservation District</u>				
Contractually required contribution	\$ 28,240	26,690	25,885	10,094
Contributions in relation to the contractually required contribution	<u>28,240</u>	<u>26,690</u>	<u>25,885</u>	<u>10,094</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 174,601	161,006	104,744	159,953
Contributions as a percentage of covered payroll	16.17%	16.58%	24.71%	6.31%

\* This schedule is presented to illustrate the requirement for 10 years. However, until a full 10 year trend is compiled, the County is presenting information for those years for which information is available from the NYS Retirement System.

COUNTY OF WASHINGTON, NEW YORK  
Other Supplementary Information  
Combining Balance Sheet - Nonmajor Governmental Funds  
December 31, 2018

	Special Revenue Funds							Washington Tobacco Asset Securitization Corporation	Total Nonmajor Governmental Funds
	Road Machinery Fund	Sewer Fund	Refuse and Garbage Fund	Community Development Fund	Car Pool Fund	Debt Service Fund			
<b>Assets:</b>									
Cash and equivalents - unrestricted	\$ 945,644	1,290,510	-	-	675,878	-	120,858	3,032,890	
Accounts receivable	30,832	712,395	-	-	1,012	-	-	744,239	
Due from other funds	219,128	2,000	-	-	62,942	-	-	284,070	
Due from State and Federal governments	-	63,000	-	-	-	-	-	63,000	
Due from other governments	39,659	15,172	-	-	-	-	-	54,831	
Inventory	843,197	-	-	-	20,414	-	-	863,611	
Prepaid expenses	14,654	23,686	-	-	2,729	-	-	41,069	
Restricted assets - cash	-	505,062	-	-	-	147,153	907,941	1,560,156	
<b>Total assets</b>	<b>2,093,114</b>	<b>2,611,825</b>	<b>-</b>	<b>-</b>	<b>762,975</b>	<b>147,153</b>	<b>1,028,799</b>	<b>6,643,866</b>	
Deferred outflows of resources - tobacco settlement receivable	-	-	-	-	-	-	21,908,577	21,908,577	
<b>Total assets and deferred outflows of resources</b>	<b>\$ 2,093,114</b>	<b>2,611,825</b>	<b>-</b>	<b>-</b>	<b>762,975</b>	<b>147,153</b>	<b>22,937,376</b>	<b>28,552,443</b>	
<b>Liabilities:</b>									
Accounts payable	169,436	50,231	-	-	34,644	-	-	254,311	
Accrued liabilities	5,520	17,092	-	-	1,062	-	-	23,674	
Due to other funds	3,425	3,218	-	-	374,359	147,153	-	528,155	
Due to other governments	440	8,232	-	-	-	-	-	8,672	
Bond anticipation notes	-	959,005	-	-	-	-	-	959,005	
Other liabilities	-	7	-	-	-	-	-	7	
<b>Total liabilities</b>	<b>178,821</b>	<b>1,037,785</b>	<b>-</b>	<b>-</b>	<b>410,065</b>	<b>147,153</b>	<b>-</b>	<b>1,773,824</b>	
Deferred inflows of resources - revenue	-	396,133	-	-	-	-	21,908,577	22,304,710	
<b>Fund balances:</b>									
Nonspendable	857,851	23,686	-	-	23,143	-	-	904,680	
Restricted	-	505,062	-	-	-	-	907,941	1,413,003	
Assigned - appropriated	11,337	-	-	-	-	-	-	11,337	
Assigned - unappropriated	1,045,105	649,159	-	-	329,767	-	-	2,024,031	
Unassigned	-	-	-	-	-	-	120,858	120,858	
<b>Total fund balances</b>	<b>1,914,293</b>	<b>1,177,907</b>	<b>-</b>	<b>-</b>	<b>352,910</b>	<b>-</b>	<b>1,028,799</b>	<b>4,473,909</b>	
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,093,114</b>	<b>2,611,825</b>	<b>-</b>	<b>-</b>	<b>762,975</b>	<b>147,153</b>	<b>22,937,376</b>	<b>28,552,443</b>	

See accompanying notes to financial statements.

COUNTY OF WASHINGTON, NEW YORK  
Other Supplementary Information  
Combining Statement of Revenue, Expenditures and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Year ended December 31, 2018

	Special Revenue Funds							Washington Tobacco Asset Securitization Corporation	Total Nonmajor Governmental Funds
	Road Machinery Fund	Sewer Fund	Refuse and Garbage Fund	Community Development Fund	Car Pool Fund	Debt Service Fund			
Revenue:									
Real property taxes	\$ -	521,540	-	-	-	-	-	521,540	
Departmental income	-	1,811,452	2,500	-	-	-	-	1,813,952	
Intergovernmental charges	-	2,000	-	-	-	-	-	2,000	
Use of money and property	6,533	13,303	42,071	-	703	513	20,168	83,291	
Licenses and permits	-	16,500	2,180	-	-	-	-	18,680	
Sale of property and compensation for loss	51,200	26,300	833,844	-	39,457	-	734,847	1,685,648	
Interfund revenue	2,481,379	64,620	-	-	831,666	-	-	3,377,665	
State sources	-	88,500	14,917	-	-	-	-	103,417	
Federal sources	-	-	-	216,649	-	-	-	216,649	
Miscellaneous local sources	701,958	12,492	-	-	1,369	-	-	715,819	
<b>Total revenue</b>	<b>3,241,070</b>	<b>2,556,707</b>	<b>895,512</b>	<b>216,649</b>	<b>873,195</b>	<b>513</b>	<b>755,015</b>	<b>8,538,661</b>	
Expenditures:									
General government support	-	-	-	-	-	-	53,185	53,185	
Transportation	2,586,695	-	-	-	815,817	-	-	3,402,512	
Economic assistance and opportunity	-	-	-	216,649	-	-	-	216,649	
Home and community	-	1,465,711	22,845	-	-	-	-	1,488,556	
Employee benefits	224,109	336,806	74,646	-	26,300	-	-	661,861	
Debt service - principal	-	803,253	-	-	-	1,069,247	105,000	1,977,500	
Debt service - interest	-	24,355	-	-	-	38,146	610,294	672,795	
<b>Total expenditures</b>	<b>2,810,804</b>	<b>2,630,125</b>	<b>97,491</b>	<b>216,649</b>	<b>842,117</b>	<b>1,107,393</b>	<b>768,479</b>	<b>8,473,058</b>	
Excess (deficiency) of revenue over expenditures	430,266	(73,418)	798,021	-	31,078	(1,106,880)	(13,464)	65,603	
Other financing sources (uses):									
Interfund transfers in	-	-	-	-	-	195,812	-	195,812	
Interfund transfers out	-	(630,000)	(990,441)	-	(360,000)	(147,153)	-	(2,127,594)	
<b>Total other sources (uses)</b>	<b>-</b>	<b>(630,000)</b>	<b>(990,441)</b>	<b>-</b>	<b>(360,000)</b>	<b>48,659</b>	<b>-</b>	<b>(1,931,782)</b>	
Excess (deficiency) of revenue over expenditures and other sources (uses)	430,266	(703,418)	(192,420)	-	(328,922)	(1,058,221)	(13,464)	(1,866,179)	
Fund balances at beginning of year	1,484,027	1,881,325	192,420	-	681,832	1,058,221	1,042,263	6,340,088	
Fund balances at end of year	\$ 1,914,293	1,177,907	-	-	352,910	-	1,028,799	4,473,909	

See accompanying notes to financial statements.