

WASHINGTON COUNTY, NEW YORK

Independent Auditor's Report

Financial Statements and  
Supplementary Information

December 31, 2016

WASHINGTON COUNTY, NEW YORK

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Washington County, New York, as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Washington County Local Development Corporation (LDC), a discretely presented component unit. This entity comprises 2 percent, 7 percent and 1 percent of the assets and deferred outflows of resources, net position and revenues of Washington County, New York. That statement was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to this component unit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, New York,

as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other postemployment benefits, schedule of the proportionate share of the net pension liability and schedule of pension contributions on pages 3-11, 18-19, and 63-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington County, New York's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, on our consideration of the Washington County, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Washington County, New York's internal control over financial reporting and compliance.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP  
Queensbury, New York

September 26, 2017

# WASHINGTON COUNTY, NEW YORK MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2016

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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, 2016. The purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City'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 (actually .73% for 2016), 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 2016, Washington County continued to lease five (5) solid waste transfer stations to a private operator with an option to buy. The County sold our Home Health Services within Public Health on January 2, 2014, and the County-operated nursing home on January 31, 2014. The comparative analysis that follows shows total government-wide columns only. The assets and liabilities remaining in the enterprise fund were transferred to the general fund.

## **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, funding progress for other postemployment benefits, 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, revenues 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).

Both of the government-wide financial statements distinguish functions of Washington County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Washington County include general government, public safety, highways and streets, sanitation, economic development, culture and recreation, education and health. The business-type activities included the County's nursing home facility, Pleasant Valley until its sale in January of 2014.

### **Component Units**

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

**WASHINGTON COUNTY, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2016

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1. **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.
  2. **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.
  3. **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 \$170,000 to the SWCD operating budget for 2016.

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

Washington County maintains eleven governmental funds: a general fund, car pool fund, county road fund, road machinery fund, solid waste management fund, self insurance fund for workers' compensation, employee health benefits fund, community development fund, capital projects, 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, 2016, which includes the General Fund, is reported in the "Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund" which is provided as Exhibit E.

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2016

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**Proprietary Funds**

Washington County previously maintained one proprietary fund. The fund was used to report the same functions presented as business-type activities in the government-wide financial statements. This fund was used to account for the operations of the County's long-term care nursing facility, which was sold on January 31, 2014. The proprietary fund, therefore, is no longer reflected in the financial statements.

**Fiduciary funds**

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

**Notes to Financial Statements**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Washington County, net position was \$58,112,091 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.

**Washington County - Net Position**

	2016	2015
Assets:		
Current and Other Assets	\$57,091,914	\$56,882,284
Capital Assets Net	95,110,263	92,278,418
Total Assets	152,202,177	149,160,702
Deferred Outflows of Resources	39,527,928	25,675,259
Liabilities:		
Other Liabilities	16,952,825	15,338,697
Bonds and Other Long-Term Liabilities	89,735,756	73,237,565
Total Liabilities	106,688,581	88,576,262
Deferred Inflows of Resources	26,929,433	25,130,918
Net Position:		
Invested in Capital Assets	70,155,263	81,423,418
Restricted	10,973,614	10,620,582
Unrestricted (deficit)	(23,016,786)	(30,915,219)
Total Net Position	\$58,112,091	\$61,128,781

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2016

**Washington County - Changes in Net Position**

	2016	2015
<b>Revenues:</b>		
Program revenues:		
Charges for Services	\$ 5,229,269	\$ 5,513,489
Operating Grants and Contributions	26,113,397	24,645,057
Capital Grants and Contributions	544,047	1,029,791
<b>Total Program Revenues:</b>	<b>31,886,713</b>	<b>31,188,337</b>
General Revenues:		
Property Taxes and Tax Items	34,280,126	34,413,224
Non-Property Taxes	20,298,589	20,911,695
Miscellaneous and Intergovernmental transfer	1,789,765	1,875,175
Investment Earnings	4,532	80,899
<b>Total General Revenues:</b>	<b>56,373,012</b>	<b>57,280,993</b>
<b>Total Program and General Revenues</b>	<b>88,259,725</b>	<b>88,469,330</b>
<b>Expenses:</b>		
Governmental Activities:		
General Government Support	14,430,154	11,290,431
Education	4,943,796	5,257,547
Public Safety	16,897,450	16,078,972
Health	4,821,107	5,586,244
Transportation	10,632,182	12,665,580
Economic Opportunity and Development	31,819,891	32,196,455
Culture and Recreation	1,004,143	1,080,691
Home and Community Services	3,715,883	4,066,173
Interest on Long-Term Debt	819,941	836,227
Employee Benefits-Undistributed	1,898,596	-
<b>Total Expenses:</b>	<b>90,983,143</b>	<b>89,058,320</b>
Changes before transfers	(2,723,418)	(588,990)
Transfers	(293,272)	-
<b>Net Changes in Net Position</b>	<b>(3,016,690)</b>	<b>(588,990)</b>
Net Position, Beginning	61,128,781	63,980,350
Prior Period Adjustment	-	(2,262,579)
<b>Net Position, Ending</b>	<b>\$58,112,091</b>	<b>\$61,128,781</b>

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2016

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The 2015 prior period adjustment involves the implementation of GASB 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Beginning deferred outflows of resources results in an increase in net position of \$3,510,050 less the beginning pension liability of \$5,772,629, for a net decrease in net position of (\$2,262,579). The total net position of the County declined by \$2,851,569.

**GOVERNMENTAL ACTIVITIES**

**Revenues**

The total Governmental Activities revenues for 2016 were \$88,259,725, a decrease of \$209,605 from 2015. The largest contributing factors to this change was the decrease in sales tax revenue (\$718,696), along with various increase in other activities.

Operating grants and contributions were \$1,468,340 higher in 2016 than in 2015. This increase was primarily driven by an increase in the Tobacco Settlement monies reported in the Tobacco Asset Securitization corporation, a blended component unit for the county, in the amount of \$782,523; an increase in State grant revenues for the Public Safety and Public Defender departments, in the amounts of \$130,979 and \$133,888, respectively; and an increase in the Department of Social Services State revenues, in the amount of \$426,131.

General revenues for 2016 were \$56,373,012 representing 63.87% of the total revenue. In 2015, the same revenues were \$57,280,993 representing 64.75% of the total overall County revenue. The General Revenue percentage decreased minimally from the previous year. The property tax revenue and non-property tax revenues make up \$54 million of the \$56 million. The property tax revenue decreased in 2016 by \$133,098, primarily due to an adjustment in the deferred tax revenue. Sales tax decreased by \$718,696 as the 2015 amount included a one-time adjustment, in the amount of \$700,000.

The County's investment earnings for 2016 decreased by \$76,367 as a result of the continuing decline in interest rates. The primary factor in the decrease is the reclassification of rental income monies that were reported in the investments for 2015, which has been reclassified to the use of money and property category for 2016, in the amount of \$60,000. The County was earning a mere .15% as of December 31, 2016. The County will be utilizing an insured cash sweep account in 2017 to maximize its investments.

Transfers reported in the amount of \$293,272, were the result of transferring the capital project fund balances involving Adirondack Community College, a joint venture, to the College for the inclusion on their financial statements.

**Expenses**

The Governmental Activities expenses were \$90,983,143 in 2016. This is an increase from 2015 of \$1,924,823.

Listed below is a line-by-line overview of the major changes in each Governmental Activities expense category between 2015 and 2016.

One major accounting change will affect all of the categories reported as the retiree health insurance was previously reported in the functional unit from which the retiree left County service. In 2016, these expenses are reported in a new category entitled Employee Benefits unallocated, in the amount of \$1,898,596. All of the categories experienced a reduction as a result of this change, however this reduction is off-set by increases in some of the categories as explained below.

**General Government Support** – Costs increased by \$3,139,723. This was due mainly to a reporting change in employee benefits, increases in the Public Defender's Office and in the distribution to the Towns for their 7% of sales tax receipts that used to be a flat \$1,000,000.

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2016

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**Education** – Education cost saw a decrease of \$313,751. The majority of the decrease was related to a decrease in costs for the Children With Special Needs program and the contributions to Community Colleges other than SUNY Adirondack for Washington County Student chargebacks.

**Public Safety** – Expenses increased by \$818,478 over 2015. This was mainly due to an increase at the Sheriff's Department for additional personnel and the Public Safety Department for additional salary, fringe, vehicle purchase and grant expenses. A portion of these expenses was absorbed by an additional \$120,000 in revenues.

**Health** – Expenses decreased by \$765,137 over 2015 as a result of the agency's sale of Home Health Services as of January 2, 2014 and the associated reduction in legacy costs, specifically in the fringe benefits lines.

**Transportation** – The 2016 decrease in this category was \$2,033,398 due mainly to an increase in the amount of expenses transferred to capital assets, off-set by an increase in the pension liability expense.

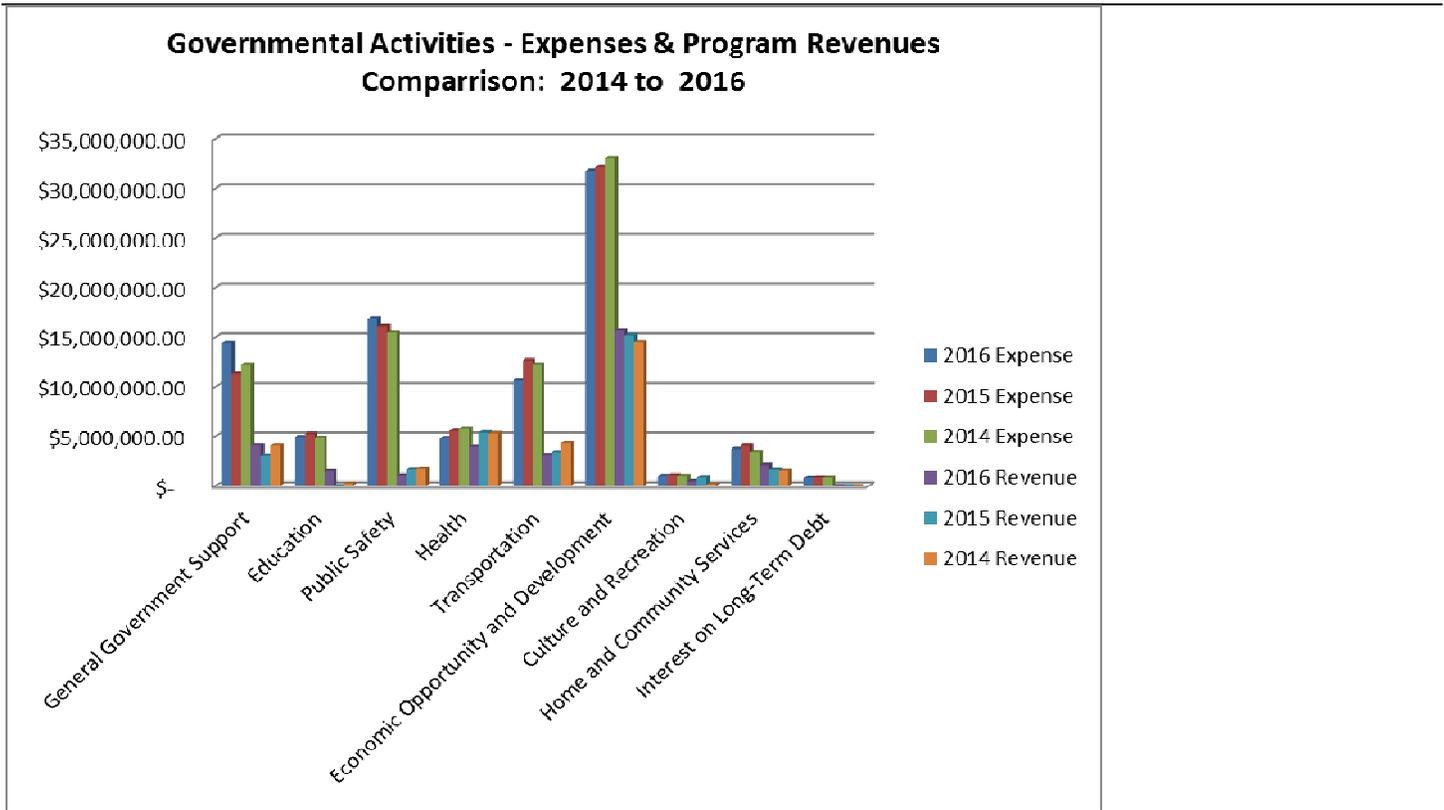
**Economic Opportunity and Development** – This category shows the largest single obligation at 34.97% of the County's total Government Activities expenditures. The County expenses reported in this category were \$376,564 lower in 2016 than in 2015. This decrease was driven by a change in the accounting treatment of classifications and employee benefits. The Department of Social Services expenses were actually \$1,700,000 higher in 2016 than they were in 2015.

**Culture and Recreation** – This category reflects a \$76,548 decrease in 2016. This is primarily due to a decrease in the Snowmobile Trail grant of \$20,000 and a decrease in Youth Department expenses, in the amount of \$60,000.

**Home and Community Services** – Gross expenses decreased by \$350,290. This was due primarily from decreases in the capital project expenses, in the amount of \$544,624 and the planning department, in the amount of \$258,683. The planning department decrease is due to fact that the 2015 budget included a \$300,000 economic development grant. These decreases were off-set by increases in the Sewer District expenses and contributions to the Soil & Water District and Cooperative Extension.

**Interest on Long-Term Debt and Other Debt Service/Expenses** – The \$16,286 decrease in 2016 expenses is the effect of the bond schedule (see long-term liabilities).

**WASHINGTON COUNTY, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016**



**ANALYSIS OF THE COUNTY BUDGET AND FUND BASIS FINANCES IN 2016**

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 increased in 2016 by \$1,806,766. The major contributors to the increase were; Public Defender; Assigned Counsel; District Attorney; Sales Tax Distribution and Social Services. The increases in the Public Defender, District Attorney & Assigned Counsel departments were directly related to compliance with the Hurrell-Herring Lawsuit Settlement, of which Washington County was one of the five defendants. A Portion of these increases were off-set by decreases in the interfund transfers and Planning expenses..

The 2016 revenues decreased by only \$195,398. This is a result of the net increases in the Public Defender, Assigned Counsel and Social Services Departments being off-set by decreases in Sales Tax collections, Office for the Aging Revenues and the completion of an Agriculture & Planning Grant in 2015.

The unknown availability of State and Federal aid, along with future Medicaid costs and fringe benefits, are of great concern to the County. During 2017 and 2018, the County will continue to look for ways to reduce operating costs to remain under the new 2% tax cap imposed by the State of New York. The Tax Cap for 2018 is estimated to be around 1.84%. The unreserved fund balance is approximately 19.40% of the next year's operating budget, of which \$2,760,386 was appropriated. The County has earmarked \$380,000 for nursing home legacy costs. The balance of the appropriation in the amount of \$2,380,386 will be used to offset 2017 operating expenses.

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2016

**Non-Major Funds**

Based upon available funds, the County was able to provide maintenance funding for its road and bridge projects and to resurface and/or reconstruct 23 miles of road in 2016. In order to maintain a 12-year paving project schedule, the County must maintain this level each year.

**BUDGETARY HIGHLIGHTS**

The County's annual budget, which is prepared on an operating basis, includes estimated revenues 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 revenues.

Exhibit E, p. 18, outlines the variance from 2016 budget to actual. General Fund revenues were lower than the amended budget by \$769,693. Expenditures were lower than the amended budget by \$3,489,378. The actual net increase in fund balance was \$1,104,668. Overall the County 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 2019.

**CAPITAL ASSETS**

At the end of 2016, the County had \$95.110 million 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 increase of \$2,831,845 over last year.

**Capital Assets Net of Depreciation**

	Governmental Activities	
	2016	2015
Land and Improvements	\$711,003	\$711,003
Buildings and Improvements	21,967,808	23,019,380
Construction in Progress	7,860,019	7,644,961
Improvements	1,276,851	608,908
Bridges	31,196,247	30,417,494
Roads	17,153,823	15,050,823
Infrastructure	6,650,546	6,927,490
Machinery and Equipment	8,293,966	7,898,359
Total Capital Assets, Net	<u>\$95,110,263</u>	<u>\$92,278,418</u>

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2016

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**LONG-TERM DEBT**

**Bonds and Other Long Term Liabilities**

Governmental Activities

Bonds and Notes	2016	2015
General Obligation Bonds and Notes	\$3,444,286	\$3,855,000
Bond Anticipation Notes	9,200,000	7,000,000
WTASC Bonds	12,375,000	13,230,000
Subtotal	25,019,286	24,085,000
Landfill closing costs	198,997	206,837
OPEB Liability	44,262,793	41,478,093
Pension Liability	17,130,112	4,315,547
Workers' Compensation	2,073,850	2,244,455
Compensated Absences	1,050,718	907,633
Subtotal	64,716,470	49,152,565
Total	\$89,735,756	\$73,237,565

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 2016 computation was \$4,708,619,473. The Constitutional Tax Limit is \$98,768,923, representing a .19% increase.

The constitutional tax margin for fiscal year ending December 31, 2016, is \$62,514,842 (\$94,172,389 tax limit less \$31,657,547, 2016 tax levies subject to tax limit).

The debt limit for fiscal year ending December 31, 2016, is \$329,603,363 (five year average full valuation of \$4,708,619,473 x 7%). As of the end of 2016, Washington County has a total of \$4,558,753, used in the calculation of the County debt limit. This outstanding debt is in the form of general obligation bonds and notes. The Part-County Sewer District carried \$8,021,247 in indebtedness as of December 31, 2016, for which the district users are responsible for the debt service.

**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 2016 Washington County tax levy was within the property tax cap limit.

**WASHINGTON COUNTY, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended December 31, 2016

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

The trend of declining revenues that began in mid-2008 leveled off in 2015. The County's 2016 sales tax revenue decreased \$718,696 over 2015, representing a decrease of 3.59%. This trend along with the 1.4%, mortgage tax revenues and return on investments continue to be of concern to the County.

The County has continued to look for ways to reduce costs and increase revenues 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 fifth (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: Brian Campbell, Budget Officer, Washington County Board of Supervisors, 383 Broadway, Fort Edward, New York, 12828.

## WASHINGTON COUNTY, NEW YORK

## Statement of Net Position

December 31, 2016

ASSETS	Primary Government Governmental Activities	Component Units	
		Washington County Local Development Corporation	Soil and Water Conservation District
Cash and cash equivalents	\$ 27,408,731	\$ 1,362,770	\$ 429,497
Receivables, net	12,780,748	24,099	-
Internal balances	140,001	-	-
Due from state and federal governments	8,530,916	-	-
Due from other governments	74,178	-	502,762
Loans receivable, net	-	2,600,501	-
Inventories	1,147,912	-	-
Prepaid expenses	1,217,971	-	-
Restricted Assets:			
Cash	5,791,457	48,144	58,000
Receivables	-	4,022	1,782
Loans receivable, net	-	640,486	-
Leases receivable	-	28,354	-
Capital assets, net	95,110,263	-	-
<b>Total Assets</b>	<b>152,202,177</b>	<b>4,708,376</b>	<b>992,041</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount from tobacco settlement receivable	21,879,283	-	-
Deferred amount from debt refunding	43,685	-	-
Deferred amount related to pension	17,604,960	-	83,416
<b>Total Deferred Outflows of Resources</b>	<b>39,527,928</b>	<b>-</b>	<b>83,416</b>
<b>LIABILITIES</b>			
Accounts payable	3,560,196	-	-
Accrued liabilities	1,077,135	-	19,414
Due to other governments	10,712,742	-	-
Other liabilities	1,602,752	-	-
Noncurrent Liabilities:			
Due within one year	9,835,217	10,951	-
Due in more than one year	79,900,539	127,421	66,153
<b>Total Liabilities</b>	<b>106,688,581</b>	<b>138,372</b>	<b>85,567</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	-	-	883,613
Deferred revenue - unbilled sewer rent	369,961	-	-
Deferred inflow related to pension	4,680,189	-	14,101
Deferred amount from tobacco settlement	21,879,283	-	-
<b>Total Deferred Inflows of Resources</b>	<b>26,929,433</b>	<b>-</b>	<b>897,714</b>
<b>NET POSITION</b>			
Net investment in capital assets	70,155,263	-	-
Restricted For:			
Debt service	2,221,496	-	-
Other purposes	8,752,118	582,634	58,000
Unrestricted (deficit)	(23,016,786)	3,987,370	34,176
<b>Total Net Position</b>	<b>\$ 58,112,091</b>	<b>\$ 4,570,004</b>	<b>\$ 92,176</b>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Statement of Activities

Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Local Develop Corporation	Soil and Water
Primary Government Governmental Activities:							
General government	\$ 14,430,154	\$ 1,303,563	\$ 2,766,926	\$ 6,474	\$ (10,353,191)	\$ -	\$ -
Education	4,943,796	276,405	839,256	354,932	(3,473,203)	-	-
Public safety	16,897,450	466,662	587,909	-	(15,842,879)	-	-
Health	4,821,107	42,933	3,896,567	-	(881,607)	-	-
Transportation	10,632,182	522,094	2,383,263	182,641	(7,544,184)	-	-
Economic opportunity and development	31,819,891	823,915	14,865,713	-	(16,130,263)	-	-
Cultural and recreation	1,004,143	75,817	412,263	-	(516,063)	-	-
Home and community services	3,715,883	1,717,880	361,500	-	(1,636,503)	-	-
Employee benefits unallocated	1,898,596	-	-	-	(1,898,596)	-	-
Interest on long-term debt	819,941	-	-	-	(819,941)	-	-
<b>Total Primary Government</b>	<b>\$ 90,983,143</b>	<b>\$ 5,229,269</b>	<b>\$ 26,113,397</b>	<b>\$ 544,047</b>	<b>(59,096,430)</b>	<b>-</b>	<b>-</b>
Component Units:							
Local Development Corporation	\$ 293,711	\$ 18,612	\$ 417,450	\$ -	-	142,351	-
Soil and Water District	501,293	11,645	302,101	-	-	-	(187,547)
<b>Total Component Units</b>	<b>\$ 795,004</b>	<b>\$ 30,257</b>	<b>\$ 719,551</b>	<b>\$ -</b>	<b>-</b>	<b>142,351</b>	<b>(187,547)</b>
General Revenues:							
Real property taxes and tax items					34,280,126	-	-
Non-property taxes					20,298,589	-	-
Miscellaneous and intergovernmental transfer					1,789,765	2,540	176,645
Investment earnings					4,532	161,536	10,396
Transfers					(293,272)	-	-
<b>Total General Revenues, Special Items and Transfers</b>					<b>56,079,740</b>	<b>164,076</b>	<b>187,041</b>
Change in net position					(3,016,690)	306,427	(506)
Net Position-Beginning					61,128,781	4,263,577	324,668
Prior Period Adjustments					-	-	(231,986)
Net Position-Beginning, as Restated					61,128,781	4,263,577	92,682
Net Position-Ending					<b>\$ 58,112,091</b>	<b>\$ 4,570,004</b>	<b>\$ 92,176</b>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Exhibit C

Balance Sheet  
Governmental Funds

December 31, 2016

ASSETS	General Fund	County Road Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 14,809,324	\$ 2,267,719	\$ 107,321	\$ 257,106	\$ 9,967,261	\$ 27,408,731
Taxes receivable (net of allowance for uncollectibles of \$250,000)	11,045,712	-	-	-	-	11,045,712
Accounts receivable (net of allowance for uncollectibles of \$55,500)	974,120	133	-	-	760,783	1,735,036
State and federal receivables	7,341,280	316,378	-	-	873,258	8,530,916
Due from other funds	1,389,077	17,594	-	-	1,553,089	2,959,760
Due from other governments	23,389	353	-	-	50,436	74,178
Inventories, at cost	12,102	397,304	-	-	738,506	1,147,912
Prepaid expenses	808,778	105,924	-	-	303,269	1,217,971
Restricted Assets:						
Cash	2,019,860	-	929,095	-	2,842,502	5,791,457
<b>Total Assets</b>	<b>38,423,642</b>	<b>3,105,405</b>	<b>1,036,416</b>	<b>257,106</b>	<b>17,089,104</b>	<b>59,911,673</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amount from tobacco settlement receivable	-	-	21,879,283	-	-	21,879,283
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 38,423,642</b>	<b>\$ 3,105,405</b>	<b>\$ 22,915,699</b>	<b>\$ 257,106</b>	<b>\$ 17,089,104</b>	<b>\$ 81,790,956</b>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Exhibit C, Continued

Balance Sheet  
Governmental Funds

December 31, 2016

LIABILITIES	General Fund	County Road Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
Accounts payable	\$ 2,252,197	\$ 474,862	\$ -	\$ 9,025	\$ 824,112	\$ 3,560,196
Accrued liabilities	202,122	32,377	-	-	770,637	1,005,136
Other liabilities	918,679	535,710	-	-	148,363	1,602,752
Due to other funds	1,121,380	767,486	-	62,162	868,731	2,819,759
Due to other governments	10,699,188	5,182	-	-	8,372	10,712,742
BANs payable	-	-	-	7,000,000	2,200,000	9,200,000
<b>Total Liabilities</b>	<b>15,193,566</b>	<b>1,815,617</b>	<b>-</b>	<b>7,071,187</b>	<b>4,820,215</b>	<b>28,900,585</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	3,383,642	-	21,879,283	-	369,961	25,632,886
<b>FUND EQUITY (DEFICIT)</b>						
Fund Balances:						
Nonspendable	820,880	503,228	-	-	1,041,775	2,365,883
Assigned	3,280,195	786,560	107,321	-	4,611,773	8,785,849
Restricted	3,420,031	-	929,095	-	6,624,488	10,973,614
Unassigned	12,325,328	-	-	(6,814,081)	(379,108)	5,132,139
<b>Total Fund Equity (Deficit)</b>	<b>19,846,434</b>	<b>1,289,788</b>	<b>1,036,416</b>	<b>(6,814,081)</b>	<b>11,898,928</b>	<b>27,257,485</b>
<b>Committments and Contingencies</b>						
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity (Deficit)</b>	<b>\$ 38,423,642</b>	<b>\$ 3,105,405</b>	<b>\$ 22,915,699</b>	<b>\$ 257,106</b>	<b>\$ 17,089,104</b>	<b>\$ 81,790,956</b>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Exhibit D

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

Year Ended December 31, 2016

REVENUES	General Fund	County Road Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
Real property taxes and tax items	\$ 33,280,497	\$ -	\$ -	\$ -	\$ 521,540	\$ 33,802,037
Non-property taxes	20,298,589	-	-	-	-	20,298,589
Departmental income	2,775,871	-	-	-	1,724,423	4,500,294
Intergovernmental charges	376,477	522,094	-	-	9,211,471	10,110,042
Use of money and property	167,147	1,498	2,647	-	92,656	263,948
Licenses and permits	-	-	-	-	16,105	16,105
Fines and forfeitures	189,305	-	-	-	-	189,305
Sale of property and compensation for loss	250,396	6,232	-	-	175,430	432,058
Miscellaneous local sources	528,776	61,050	1,549,811	-	542,825	2,682,462
Interfund revenues	588,970	-	-	-	3,124,540	3,713,510
State aid	11,552,351	2,383,263	-	-	408,810	14,344,424
Federal aid	9,509,707	-	-	-	1,253,502	10,763,209
<b>Total Revenues</b>	<b>79,518,086</b>	<b>2,974,137</b>	<b>1,552,458</b>	<b>-</b>	<b>17,071,302</b>	<b>101,115,983</b>
<b>EXPENDITURES</b>						
Current:						
General government support	12,142,179	-	52,861	-	1,915,476	14,110,516
Education	4,199,180	-	-	-	709,864	4,909,044
Public safety	14,445,499	-	-	-	124,350	14,569,849
Health	4,712,748	-	-	-	-	4,712,748
Transportation	-	13,381,786	-	-	3,719,845	17,101,631
Economic opportunity and development	30,736,544	-	-	-	973,876	31,710,420
Cultural and recreation	959,586	-	-	-	-	959,586
Home and community services	1,240,605	-	-	527,494	1,786,817	3,554,916
Employee benefits	1,423,772	341,324	-	-	8,362,731	10,127,827
Debt Service:						
Principal retirement	-	-	855,000	-	585,000	1,440,000
Interest	12,421	-	633,069	-	185,140	830,630
<b>Total Expenditures</b>	<b>69,872,534</b>	<b>13,723,110</b>	<b>1,540,930</b>	<b>527,494</b>	<b>18,363,099</b>	<b>104,027,167</b>
Excess (Deficit) of Revenues Over (Under) Expenditures	9,645,552	(10,748,973)	11,528	(527,494)	(1,291,797)	(2,911,184)

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Exhibit D, Continued

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

Year Ended December 31, 2016

	General Fund	County Road Fund	Washington Tobacco Asset Securitization Corporation	Sewer District #2 Long-Term Control Plan Capital Project	Non-Major Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	255,150	10,142,971	-	-	1,092,399	11,490,520
Operating transfers out	(11,005,370)	-	-	-	(485,150)	(11,490,520)
Transfers out to joint venture	-	-	-	-	(293,272)	(293,272)
BANs redeemed from appropriations	-	-	-	110,000	-	110,000
<b>Total Other Financing Sources (Uses)</b>	<b>(10,750,220)</b>	<b>10,142,971</b>	<b>-</b>	<b>110,000</b>	<b>313,977</b>	<b>(183,272)</b>
<b>Net Changes in Fund Balances (Deficit)</b>	<b>(1,104,668)</b>	<b>(606,002)</b>	<b>11,528</b>	<b>(417,494)</b>	<b>(977,820)</b>	<b>(3,094,456)</b>
Fund Balances (Deficit) at Beginning of Year	20,951,102	1,895,790	1,024,888	(6,396,587)	12,876,748	30,351,941
Fund Balances (Deficit) at End of Year	<u>\$ 19,846,434</u>	<u>\$ 1,289,788</u>	<u>\$ 1,036,416</u>	<u>\$ (6,814,081)</u>	<u>\$ 11,898,928</u>	<u>\$ 27,257,485</u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2016

REVENUES	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Real property taxes and tax items	\$ 33,371,600	\$ 33,371,600	\$ 33,280,497	\$ (91,103)
Non-property taxes	20,377,000	20,377,000	20,298,589	(78,411)
Departmental income	2,696,789	2,721,963	2,775,871	53,908
Intergovernmental charges	394,314	394,314	376,477	(17,837)
Use of money and property	136,861	145,426	167,147	21,721
Fines and forfeitures	95,000	130,326	189,305	58,979
Sale of property and compensation for loss	49,950	240,150	250,396	10,246
Miscellaneous local sources	74,600	78,200	528,776	450,576
Interfund revenues	551,526	574,400	588,970	14,570
State aid	12,067,117	12,775,295	11,552,351	(1,222,944)
Federal aid	8,298,854	9,479,105	9,509,707	30,602
<b>Total Revenues</b>	<b>78,113,611</b>	<b>80,287,779</b>	<b>79,518,086</b>	<b>(769,693)</b>
<b>EXPENDITURES</b>				
Current:				
General government support	10,221,386	13,062,423	12,223,093	839,330
Education	4,921,568	5,082,436	4,199,238	883,198
Public safety	10,589,420	14,976,342	14,446,872	529,470
Health	4,558,948	5,286,005	4,713,365	572,640
Transportation	-	-	-	-
Economic opportunity and development	27,131,768	30,923,452	30,779,299	144,153
Cultural and recreation	845,552	1,106,601	960,359	146,242
Home and community services	900,997	1,299,712	1,258,880	40,832
Employee benefits	60,000	1,757,284	1,423,772	333,512
Debt Service:				
Interest	-	12,422	12,421	1
<b>Total Expenditures</b>	<b>59,229,639</b>	<b>73,506,677</b>	<b>70,017,299</b>	<b>3,489,378</b>
<b>Excess of Revenues Over Expenditures</b>	<b>18,883,972</b>	<b>6,781,102</b>	<b>9,500,787</b>	<b>2,719,685</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	255,150	255,150	-
Operating transfers out	(10,099,899)	(11,005,370)	(11,005,370)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(10,099,899)</b>	<b>(10,750,220)</b>	<b>(10,750,220)</b>	<b>-</b>
<b>Net Change in Fund Balance - Budget Basis</b>	<b>\$ 8,784,073</b>	<b>\$ (3,969,118)</b>	<b>(1,249,433)</b>	<b>\$ 2,719,685</b>
Encumbrances Included in Actual			144,765	
<b>Net Change in Fund Balance</b>			<b>(1,104,668)</b>	
Fund Balance at Beginning of Year			20,951,102	
<b>Fund Balance at End of Year</b>			<b>\$ 19,846,434</b>	

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual  
County Road Fund

Year Ended December 31, 2016

REVENUES	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Real property taxes and tax items	\$ -	\$ -	\$ -	\$ -
Non-property taxes	-	-	-	-
Departmental income	-	-	-	-
Intergovernmental charges	1,027,000	1,027,000	522,094	(504,906)
Use of money and property	2,500	2,500	1,498	(1,002)
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	12,000	12,000	6,232	(5,768)
Miscellaneous local sources	-	63,000	61,050	(1,950)
Interfund revenues	-	-	-	-
State aid	1,955,857	2,383,263	2,383,263	-
Federal aid	-	-	-	-
<b>Total Revenues</b>	<b>2,997,357</b>	<b>3,487,763</b>	<b>2,974,137</b>	<b>(513,626)</b>
<b>EXPENDITURES</b>				
Current:				
General government support	-	-	-	-
Education	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	11,741,858	14,264,577	13,381,786	882,791
Economic opportunity and development	-	-	-	-
Cultural and recreation	-	-	-	-
Home and community services	-	-	-	-
Employee benefits	360,000	384,591	341,324	43,267
<b>Total Expenditures</b>	<b>12,101,858</b>	<b>14,649,168</b>	<b>13,723,110</b>	<b>926,058</b>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>(9,104,501)</u>	<u>(11,161,405)</u>	<u>(10,748,973)</u>	<u>412,432</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	9,900,000	10,142,971	10,142,971	-
Operating transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>9,900,000</b>	<b>10,142,971</b>	<b>10,142,971</b>	<b>-</b>
Net Change in Fund Balance - Budget Basis	<u>\$ 795,499</u>	<u>\$ (1,018,434)</u>	(606,002)	<u>\$ 412,432</u>
Encumbrances Included in Actual			-	
Net Change in Fund Balance			(606,002)	
Fund Balance at Beginning of Year			<u>1,895,790</u>	
Fund Balance at End of Year			<u>\$ 1,289,788</u>	

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Statement of Net Position  
Fiduciary Fund

December 31, 2016

ASSETS	Private Purpose Trust Funds	Agency Fund
Current Assets:		
Cash and cash equivalents	\$ -	\$ 1,299,011
Restricted cash	2,597	46,166
Other receivables	-	128,328
Total Current Assets	<u>2,597</u>	<u>1,473,505</u>
Total Assets	<u>2,597</u>	<u>1,473,505</u>
LIABILITIES		
Current Liabilities:		
Due to other funds		140,001
Other liabilities	-	1,333,504
Total Current Liabilities	<u>-</u>	<u>1,473,505</u>
Total Liabilities	<u>-</u>	<u>1,473,505</u>
NET POSITION		
Reserved	2,597	-
Unrestricted	-	-
Total Net Position	<u>\$ 2,597</u>	<u>\$ -</u>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended December 31, 2016

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest	<u>\$ 2</u>
Total Additions	<u>2</u>
Uses:	
Miscellaneous expenditures	<u>2</u>
Total Uses	<u>2</u>
Change in Net Position	-
Net Position at Beginning of Year	<u>2,597</u>
Net Position at End of Year	<u><u>\$ 2,597</u></u>

## WASHINGTON COUNTY, NEW YORK

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

December 31, 2016

ASSETS	Total Governmental Funds	Long-Term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	\$ 27,408,731	\$ -	\$ -	\$ 27,408,731
Taxes receivable, net	11,045,712	-	(11,045,712)	-
Accounts receivable, net	1,735,036	-	(1,735,036)	-
Receivables, net	-	-	12,780,748	12,780,748
State and federal receivables	8,530,916	-	-	8,530,916
Due from other funds	2,959,760	-	(2,819,759)	140,001
Due from other governments	74,178	-	-	74,178
Inventories, at cost	1,147,912	-	-	1,147,912
Prepaid expenses	1,217,971	-	-	1,217,971
Restricted Assets:				
Cash	5,791,457	-	-	5,791,457
Other receivables	-	-	-	-
Capital assets, net	-	95,110,263	-	95,110,263
<b>Total Assets</b>	<b>59,911,673</b>	<b>95,110,263</b>	<b>(2,819,759)</b>	<b>152,202,177</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount from tobacco settlement receivable	21,879,283	-	-	21,879,283
Deferred amount from debt refunding	-	43,685	-	43,685
Deferred amount related to pension	-	17,604,960	-	17,604,960
<b>Total Deferred Outflows of Resources</b>	<b>21,879,283</b>	<b>17,648,645</b>	<b>-</b>	<b>39,527,928</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 81,790,956</b>	<b>\$ 112,758,908</b>	<b>\$ (2,819,759)</b>	<b>\$ 191,730,105</b>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

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

December 31, 2016

LIABILITIES	Total Governmental Funds	Long-Term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Position Totals
Accounts payable	\$ 3,560,196	\$ -	\$ -	\$ 3,560,196
Accrued liabilities	1,005,136	71,995	4	1,077,135
Other liabilities	1,602,752	-	-	1,602,752
Due to other funds	2,819,759	-	(2,819,759)	-
Due to other governments	10,712,742	-	-	10,712,742
BANs payable	9,200,000	-	(9,200,000)	-
Payables From Restricted Assets:				
Due to other funds	-	-	-	-
Noncurrent Liabilities:				
Due within one year	-	635,217	9,200,000	9,835,217
Due in more than one year	-	79,900,539	-	79,900,539
<b>Total Liabilities</b>	<b>28,900,585</b>	<b>80,607,751</b>	<b>(2,819,755)</b>	<b>106,688,581</b>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	25,632,886	(3,383,642)	(22,249,244)	-
Deferred amount from sewer rents	-	-	369,961	369,961
Deferred inflow related to pension	-	4,680,189	-	4,680,189
Deferred amount from tobacco settlement	-	-	21,879,283	21,879,283
<b>Total Deferred Inflows of Resources</b>	<b>25,632,886</b>	<b>1,296,547</b>	<b>-</b>	<b>26,929,433</b>
FUND EQUITY/NET POSITION				
Net investment in capital assets	-	-	70,155,263	70,155,263
Restricted for:				
Debt service	-	-	2,221,496	2,221,496
Other purposes	-	-	8,752,118	8,752,118
Unrestricted	-	30,854,610	(53,871,396)	(23,016,786)
Nonspendable	2,365,883	-	(2,365,883)	-
Assigned	8,785,849	-	(8,785,849)	-
Restricted	10,973,614	-	(10,973,614)	-
Unassigned	5,132,139	-	(5,132,139)	-
<b>Total Fund Equity</b>	<b>27,257,485</b>	<b>30,854,610</b>	<b>(4)</b>	<b>58,112,091</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity (Deficit)</b>	<b>\$ 81,790,956</b>	<b>\$ 112,758,908</b>	<b>\$ (2,819,759)</b>	<b>\$ 191,730,105</b>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

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

December 31, 2016

(1) Explanations of above adjustments:

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

Cost of capital assets	\$ 182,647,642
Less: accumulated depreciation	<u>(87,537,379)</u>
Capital assets, net	<u><u>\$ 95,110,263</u></u>

To recognize deferred outflows of resources from debt refunding	\$ 43,685
To recognize deferred outflows related to pension	<u>17,604,960</u>
Total deferred outflows of resources	<u><u>\$ 17,648,645</u></u>

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

Accrued interest	<u><u>\$ 71,995</u></u>
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Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position:

Bonds and loans payable	\$ 15,755,000
Bond Premium	64,286
Landfill closing cost	198,997
Compensated absences	1,050,718
Workers' compensation	2,073,850
OPEB liability	44,262,793
Pension liability	<u>17,130,112</u>
Total noncurrent liabilities	<u><u>\$ 80,535,756</u></u>

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

Adjustment of deferred inflows of resources:	
Adjustment of deferred revenue	\$ (3,383,642)
To recognize deferred inflows of resources related to pension	<u>4,680,189</u>
Total deferred inflows of resources	<u><u>\$ 1,296,547</u></u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2016

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

Total revenues and other financing sources of the governmental funds (Exhibit D).	\$ 112,423,231
Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available" revenues in the governmental funds.	478,089
Interdepartment revenues are used to charge the costs of certain activities, such as telecommunications, mailing and printing to individual departments. These interdepartment revenues are reported with governmental activities, but eliminated for the statement of activities.	(4,345,508)
To eliminate interfund revenues of self insurance funds for workers' compensation and health insurance premiums.	(8,870,866)
To eliminate interfund revenue to redeem bond anticipation notes.	(110,000)
To eliminate interfund transfers.	(11,490,520)
To recognize the loss on disposition of capital assets.	<u>(117,973)</u>
	<u><u>\$ 87,966,453</u></u>

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

Charges for services	\$ 5,229,269	
Operating grants and contributions	26,113,397	
Capital grants and contributions	544,047	
General revenues and transfers	<u>56,079,740</u>	
Total Revenues of Governmental Activities (Exhibit B)		<u><u>\$ 87,966,453</u></u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

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

Year Ended December 31, 2016

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

Total expenditures and other financing uses of the governmental funds (Exhibit D).	\$ 115,517,687
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital expenditures (\$9,265,602) exceeded depreciation (\$6,315,784).	(2,949,818)
The recording of the County's actuarially calculated liability for retiree health insurance benefits (OPEB expense) is not recognized in the governmental funds, but is recognized in the County-wide financial statements.	2,784,700
Interdepartment expenditures are eliminated against the respective interdepartment revenues.	(4,345,508)
To eliminate interfund transfers.	(11,490,520)
Repayment of bond principal is reported as an expenditure in governmental funds. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.	(1,330,000)
To eliminate interfund expense related to revenue to redeem bond anticipation note.	(110,000)
To eliminate interfund expenditures for workers' compensation and health insurance premiums.	(8,870,866)
To recognize compensated absences expense for current year change in liability.	143,085
To recognize landfill closing costs for current year change in liability.	(7,840)
To recognize current year effect of change in workers' compensation liability.	(170,605)
The recording of the County's actuarially calculated liability for pension expense is not recognized in the governmental funds, but is recognized in the County-wide financial statements.	1,823,517
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Interest in the statement of activities differs from the amount reported in governmental funds by this amount.	(10,689)
Total Expenses of Governmental Activities (Exhibit B)	<u>\$ 90,983,143</u>

See Independent Auditor's Report and Notes

# WASHINGTON COUNTY, NEW YORK

## Notes to Financial Statements

December 31, 2016

### **Summary of Significant Accounting Policies**

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

#### Financial Reporting Entity

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

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

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

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

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

#### Included in the Reporting Entity

The Washington County Soil and Water Conservation District is administered by a Board of Directors, of which 40% are members of the Washington County Board of Supervisors. Approximately 18% 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 COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Included in the Reporting Entity – Continued

Washington Tobacco Asset Securitization Corporation (WTASC) was incorporated in 2000 under the Not-for-Profit Law of the State of New York for the purpose of bonding the value of future receipts due 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.

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

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

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

Basis of Presentation

1. County-Wide statements:

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

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

2. Fund financial statements:

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Basis of Presentation – Continued

The County Reports the Following Major Governmental Funds:

- a. General Fund  
This is the County's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund. The Pleasant Valley Infirmary, an enterprise fund, was sold in 2014. As of January 1, 2015, all balances remaining in the prior enterprise fund were transferred to the general fund.
- b. County Road Fund  
This fund is used to account for expenditures for highway purposes authorized by Section 114 of the Highway Law.
- c. 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.
- d. Sewer District #2 Long-Term Control Plan Capital Project  
Used to account for the financial resources to be used for the Sewer District #2 Long-Term Control Plan Capital Project involving various upgrades to the sewer system.

The County Reports the Following Non-Major Governmental Funds:

Special Revenue Funds

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

- a. Special Grant Fund  
Used to account for the use of federal monies received under the Workforce Investment Act.
- b. Road Machinery Fund  
Used to account for the purchase, repair, maintenance and storage of highway machinery, tools and equipment pursuant to Section 133 of the Highway Law.
- c. Sewer District Funds  
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.
- d. Solid Waste Management  
Used to account for rental income and related expenses from the lease by a third party operator of the five county solid waste transfer stations.
- e. Self-Insured Health Benefits Fund  
Used to account for the administration and obligations of the County's self-insured health plan for the benefit of county employees.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Basis of Presentation – Continued

Special Revenue Funds – Continued

f. Self-Insurance Fund

Used to account for the administration, compensation, and other obligations of the County's self-insurance program under the Workers' Compensation Law, Article 5.

g. Car Pool Fund

Used to account for the purchase, repair, maintenance, and fuel used for the County vehicles.

Capital Projects Funds

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

Debt Service Fund

Used to account for financial resources that are restricted, committed, or assigned for payment of debt principal and interest.

Fiduciary Funds

Used to account for fiduciary activities. Fiduciary activities are those in which the County acts as trustee or agent for resources that belong to others. These activities are not included in the County-Wide financial statements because their resources do not belong to the County, and are not available to be used. The County has an agency fund and a private purpose trust fund.

Component Units

Used to report the activities of the following entities:

- Washington County Soil and Water Conservation District
  - Washington County Local Development Corporation
  - Washington Tobacco Asset Securitization Corporation
- See pages 32-33, 38-39, 42-49, 52-53 and 61 for further information.

Capital Assets

Capital assets include property, plant and equipment, and infrastructure assets with an estimated useful life in excess of two years 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.

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Measurement Focus and Basis of Accounting

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

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

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

1. General Budget Process

The County employs the following budgetary procedures:

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Measurement Focus and Basis of Accounting – Continued

2. Encumbrances

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

3. Budget Basis of Accounting

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

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

	<u>General Fund Expenditures</u>	<u>County Road Fund Expenditures</u>
Total funds included in budget comparison (Exhibit E)	\$ 70,017,299	\$ 13,723,110
Less: encumbrances recorded in budget comparison (not GAAP)	<u>(144,765)</u>	<u>-</u>
GAAP Basis (Exhibit D)	<u>\$ 69,872,534</u>	<u>\$ 13,723,110</u>

No annual budget is required for the Washington Tobacco Asset Securitization Corporation or the Sewer District #2 Long-Term Control Plan Capital Project.

Cash and Cash in Time Deposits

The County investment policies are governed by state law and various resolutions of the County Board of Supervisors. County monies must be deposited in FDIC insured commercial banks or trust companies located within the state. Collateral is required for deposits not covered by federal deposit insurance. Obligations which may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The County's December 31, 2016 bank balances were collateralized and insured as follows:

Total on deposit	\$ 35,126,151
Insured by FDIC	(250,000)
Collateralized by pledged securities held by the financial institutions	<u>(34,876,151)</u>
Uninsured and uncollateralized	<u>\$ -</u>

Washington Tobacco Asset Securitization Corporation, a component unit has \$107,321 on deposit at a local bank on December 31, 2016, which was fully insured by the FDIC.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Cash and Cash in Time Deposits - Continued

The Washington County Local Development Corporation, a component unit, had funds on deposit at local banks totaling \$1,410,916 at December 31, 2016. These deposits are fully insured by Federal Deposit Insurance, pledged collateral and a letter of credit.

The Soil and Water Conservation District, a component unit, had the following on deposit at December 31, 2016:

Total on deposit	\$	490,583
Insured by FDIC		(329,043)
Collateralized by pledged securities held by the financial institutions		<u>(161,540)</u>
Uninsured and uncollateralized	\$	<u><u>-</u></u>

Cash and Cash Equivalents

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

Inventories

Inventories are comprised of 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.

Capital Assets

Capital assets purchased for general government purposes are recorded as expenditures in the governmental funds and are capitalized at cost in the statement of net position. Contributed capital assets are recorded at fair market value at the date received. No interest on construction in progress has been capitalized.

Repairs and maintenance are charged against operations as incurred. When assets are disposed of, their cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are credited or charged to operations.

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Vacation and Sick Leave and Compensated Absences

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

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

Postretirement Benefits

In addition to providing pension benefits, Washington County provides health insurance coverage and survivor benefits for 325 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. The County recognized the cost of providing benefits by recording its share of insurance premiums of \$1,883,711 as an expenditure during 2016.

Restricted Net Position

Portions of the net position are restricted for specific purposes and are not available as spendable resources.

Revenue Recognition, Property Taxes

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

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

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

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Revenue Recognition, Property Taxes – Continued

December 31, 2016 include total taxes receivable owned by the County, less the amount estimated to be available within the first 60 days of the subsequent year.

The following tax calendar pertains to county real property taxes:

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

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.

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 systems. The retirement systems compute the cost of retirement benefits based on their respective fiscal years - April 1 to March 31.

Concentrations of Credit Risk

Financial instruments which potentially expose the primary government to concentrations of credit risk 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 excess of \$465,000 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.

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, 2016.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

Fund Balance Classifications

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

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

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

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

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

Unassigned fund balance – Amounts available for any purpose, which are only found in the general fund or as a deficit balance in any other fund.

Order of use of fund balance:

In determining the order that expenditures will be applied to the various classifications of fund balance, it is the County's policy to first determine the total fund balance that is nonspendable and to then determine the amount of restricted fund balance. Any remaining fund balance is first committed and/or assigned to a specific purpose. In the general fund the remaining balance is unassigned and a deficit in any other fund is considered unassigned. Unassigned balances are available for general use. Stabilization amounts may be formally set aside by the Board of Supervisors and may be used from any unassigned balance.

Adoption of New Accounting Pronouncement

During the year ended December 31, 2016, the County adopted the provisions of Governmental Accounting Standards Board Statements No 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for reporting periods beginning after June 15, 2015, and No. 77, *Tax Abatement Disclosures*, effective for reporting periods beginning after December 15, 2015. GASB Statement No.77 requires disclosures related to taxes abated by the government or any related government and the programs that resulted in the tax abatements.

Future Impacts of Accounting Pronouncements

The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 79, *Certain External Investment Pools and Poll Participants*; GASB Statement No. 80, *Blending Requirements for Certain Component Units – An amendment of GASB Statement No. 14*; GASB Statement No. 81, *Irrevocable Split-Interest Agreements*,

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Summary of Significant Accounting Policies – Continued**

**Future Impacts of Accounting Pronouncements - Continued**

GASB Statement No. 83, *Certain Asset Retirement Obligations*; GASB Statement No. 84, *Fiduciary Activities*; GASB Statement No. 85, *Omnibus 2017*; GASB Statement No. 86, *Certain Debt Extinguishment Issues*; and GASB Statement No. 87, *Leases*. All of these pronouncements are effective after the year ended December 31, 2016. The County is, therefore, unable to disclose the impact that adopting these pronouncements will have on the financial position and results of operations in the future.

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

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

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Stewardship, Compliance and Accountability**

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

Deficit Fund Balances - The following funds had a deficit fund balance at December 31, 2016:

<u>Fund</u>	<u>Deficit Fund Balances</u>
Governmental Funds:	
Capital Project – Clinton Street CP rail	\$ 25,067
Capital Project – Homeland security grants	365
Capital Project – Replacement of light fixtures	406
Capital Project – ACC NSTEM	353,270
Capital Project – Sewer district #2 long-term control plan	<u>6,814,081</u>
 Total	 <u>\$ 7,193,189</u>

These deficits will be relieved through additional appropriations and bond issues.

**Restricted Assets**

Restricted assets are as follows:

	<u>Cash Checking and Savings</u>	<u>Loans and Other Receivables</u>
General fund	\$ 2,019,860	\$ -
Special revenue	1,750,000	-
Debt service	1,092,502	-
Private purpose trust funds	2,597	-
Agency	46,166	-
Local Development Corporation	48,144	672,862
Soil and Water District	58,000	1,782
Washington Tobacco Asset Securitization Corporation	<u>929,095</u>	<u>-</u>
 Total	 <u>\$ 5,946,364</u>	 <u>\$ 674,644</u>

General Fund assets are restricted for use by the sheriff's department and for the prior enterprise fund legacy costs, consisting primarily of retirees' health insurance and workers' compensation costs.

Special Revenue Fund assets are restricted for the Self-Insurance Fund (workers' compensation claims).

Debt Service Fund assets are restricted for the purpose of paying principal and interest on long-term debt.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Restricted Assets – Continued**

Agency assets are restricted for Court and Trust Funds.

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

Soil and Water Conservation District assets are restricted because they are used to provide services to the farmers of Washington County for specific grant programs.

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

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

**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 \$3,275,600, there is an allowance for doubtful accounts of \$34,613, making the net receivables of \$3,240,987. Of this net receivables balance, \$477,920 are due within one year and \$2,763,067 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 \$90,220 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, \$36,088. 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, 2016, was \$28,354.

Lease payments receivable consisted of the following at December 31, 2016:

Years ending	
December 31	
2017	\$ 5,155
2018	5,155
2019	5,155
2020	5,155
2021	5,155
Thereafter	<u>2,579</u>
Total	<u>\$ 28,354</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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Intergovernmental Transfer Revenue (IGT)**

Included in receivables owed to the former Pleasant Valley Infirmary, are monies receivable through the Intergovernmental Transfer Program (IGT), which provides Medicaid rate enhancements to all non-state operated, publicly sponsored nursing facilities. Its continuation is subject to annual negotiations between New York State and the federal government. IGT revenues amounted to \$385,587 in the year ended December 31, 2016.

**Changes in Capital Assets**

A summary of changes in capital assets is as follows:

	Balance January 1, 2016	Additions	Retirements/ Reclass- ifications	Balance December 31, 2016
<b>Governmental Funds:</b>				
Land	\$ 711,003	\$ -	\$ -	\$ 711,003
Buildings	46,447,838	-	-	46,447,838
Construction in progress	7,644,961	1,590,801	(1,375,743)	7,860,019
Improvements	854,714	-	719,240	1,573,954
Bridges	37,257,730	1,458,508	67,944	38,784,182
Roads	42,116,239	4,550,284	-	46,666,523
Infrastructure	13,847,205	-	-	13,847,205
Machinery and equipment	25,335,920	1,666,009	(245,011)	26,756,918
<b>Total cost</b>	<b>174,215,610</b>	<b>9,265,602</b>	<b>(833,570)</b>	<b>182,647,642</b>
<b>Less: accumulated depreciation:</b>				
Buildings	(23,428,458)	(1,051,572)	-	(24,480,030)
Improvements	(245,806)	(51,297)	-	(297,103)
Bridges	(6,840,236)	(747,699)	-	(7,587,935)
Roads	(27,065,416)	(2,447,284)	-	(29,512,700)
Infrastructure	(6,919,715)	(276,944)	-	(7,196,659)
Machinery and equipment	(17,437,561)	(1,740,988)	715,597	(18,462,952)
<b>Total accumulated depreciation</b>	<b>(81,937,192)</b>	<b>(6,315,784)</b>	<b>715,597</b>	<b>(87,537,379)</b>
<b>Total cost, net</b>	<b>\$ 92,278,418</b>	<b>\$ 2,949,818</b>	<b>\$ (117,973)</b>	<b>\$ 95,110,263</b>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Changes in Capital Assets - Continued**

Depreciation was charged to governmental funds as follows:

General Government	\$ 390,025
Public Safety	1,754,664
Health and Sanitation	33,651
Transportation	3,273,878
Economic Assistance	26,863
Culture and Recreation	12,190
Home and Community	824,513
	<hr/>
Total	<u>\$ 6,315,784</u>

**Interfund Transactions**

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources to provide services. These transactions are recorded as interfund revenues, interfund transfers and expenditures in the respective funds. Generally, the interfund payables and receivables result from expenditures for other governmental funds and are sometimes made out of the general fund for payroll and related taxes and benefits until interfund balances may be processed.

Individual interfund receivable and payable balances at December 31, 2016 arising from these transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$ 1,389,077	\$ 1,121,380
County Road Fund	17,594	767,486
Sewer District #2 Long-Term Control Plan Capital Project	-	62,162
Non-Major Funds:		
Special Revenue Funds:		
Car Pool	80,317	29,552
County Road Machinery	337,211	306,901
Debt Service	199,899	-
Sewer District #1	4,921	2,000
Sewer District #2	925,997	109,757
Solid Waste Management	-	421
Self-Insured Health Benefits Fund	206	300
Self-Insurance – Workers’ Compensation	-	3,152
Capital Projects Funds	4,538	416,648
Total Non-Major Funds	<hr/> 1,553,089	<hr/> 868,731
Trust and Agency Fund	<hr/> -	<hr/> 140,001
Total	<hr/> <u>\$ 2,959,760</u>	<hr/> <u>\$ 2,959,760</u>

Transfers among funds result as part of the annual budget process and are generally routine in nature. General fund revenues finance, in part, county road expenses including payroll and related taxes and benefits, as well as materials.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Interfund Transactions – Continued**

Interfund transfers during the year were as follows:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 255,150	\$ 11,005,370
County Road Fund	10,142,971	-
Special Revenue Funds:		
Car Pool	-	12,179
County Road Machinery	-	242,971
Sewer District #1	-	30,000
Sewer District #2	-	200,000
Capital Project Funds	708,800	-
Debt Service Fund	383,599	-
Total Non-Major Funds	1,092,399	485,150
Total	\$ 11,490,520	\$ 11,490,520

**Deferred Outflows of Resources**

Deferred outflows of resources for Washington Tobacco Asset Securitization Corporation includes an estimate of the present value of future tobacco settlement receipts in the amount of \$21,879,283 in accordance with Government Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This receivable is offset by an equal amount included in deferred inflows of resources. Also included in deferred outflows of resources is a deferred amount from debt refunding totaling \$43,685, net of amortization of \$25,750, as well as deferred outflows of resources related to pension in the amount of \$17,604,960. See the pension related disclosure on page 46 for details.

**Indebtedness**

**Retirement Plan**

The County and the Soil and Water Conservation District participate in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple-employer defined benefit retirement system. 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 fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions 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 may be found at

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Retirement Plan – Continued

Benefits Provided

[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, NY 12244.

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000, received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

*Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Retirement Plan – Continued

Benefits Provided – Continued

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary, for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

*Special Plans*

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans were available to certain police and retirement system members, sheriffs and correction officers.

*Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

*Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 ERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset of any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

*Ordinary Death Benefits*

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Retirement Plan – Continued

Benefits Provided – Continued

*Post-Retirement Benefit Increases*

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

Contribution

	<u>Washington County</u>	<u>Soil and Water Conservation District</u>
2016	\$ 3,717,054	\$ 25,885
2015	3,069,714	10,094
2014	4,680,064	30,966

The County paid 100% of the required contribution due on December 15, 2016, for the System's March 31, 2017, fiscal year.

Chapter 260 of the Laws of 2004 of the State of New York and Chapter 57 of the Laws of 2010 of the State of New York allow local employers to bond or amortize a portion of their retirement bill for up to 10 years under varying stipulations for each year. Washington County has always paid their entire required contribution each year.

Pension Liabilities; Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the County reported a liability of \$17,130,112 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Retirement Plan – Continued

Pension Liabilities; Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

As of December 31, 2016, Washington County's proportion was .1067278 percent.

For the year ended December 31, 2016, Washington County recognized pension expense of \$5,378,733. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Washington County</u>	<u>Soil and Water Conservation District</u>	<u>Washington County</u>	<u>Soil and Water Conservation District</u>
Differences between expected and actual experience	\$ 86,563	\$ 334	\$2,030,489	\$ 7,841
Changes of assumptions	4,568,084	17,641	-	-
Net difference between projected and actual earnings on pension plan investments	10,162,522	39,246	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,782	2,649,700	6,260
Employer contributions subsequent to the measurement date	<u>2,787,791</u>	<u>19,414</u>	<u>-</u>	<u>-</u>
Total	<u>\$17,604,960</u>	<u>\$ 83,417</u>	<u>\$4,680,189</u>	<u>\$ 14,101</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Retirement Plan – Continued

Pension Liabilities; Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

\$2,787,791 of deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. \$14,817,169 reported as deferred outflows of resources related to pensions and \$4,680,189 deferred inflows of resources related to pensions, net, reported in the New York State Retirement System Government Accounting Standards Board Report will be recognized in the County's pension expense as follows:

Years ending December 31,	
2017	\$ 2,502,082
2018	2,502,082
2019	2,502,082
2020	<u>2,630,734</u>
Total	<u>\$ 10,136,980</u>

\$19,414 of deferred outflows of resources related to pensions resulting from the Soil and Water Conservation District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. \$64,003 reported as deferred outflows of resources related to pensions and \$14,101 deferred inflows of resources related to pensions, net, reported in the New York State Retirement System Government Accounting Standards Board Report will be recognized in the County's pension expense as follows:

Years ending December 31,	
2017	\$ 13,209
2018	13,209
2019	13,209
2020	<u>10,275</u>
Total	<u>\$ 49,902</u>

Actuarial Assumptions

The total pension liability as of March 31, 2016, was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.8%
Investment rate of return (net of investment expense, including inflation)	7.0%
Cost of living adjustments	1.3%

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Retirement Plan – Continued

Actuarial Assumptions - Continued

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

The actuarial assumptions used in the April 1, 2015, 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 in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income, as well as historical investment data and plan performance.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016, (see investment policy note) are summarized below:

<u>Asset Class</u>	
Domestic equity	7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	4.00%

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. Based upon the 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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Retirement Plan – Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents Washington 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:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
County's proportionate share of the net pension liability:			
ERS	<u>\$38,627,159</u>	<u>\$17,130,112</u>	<u>\$ (1,033,973)</u>
Soil and Water Conservation District's Share of the net pension liability:			
ERS	<u>\$ 149,171</u>	<u>\$ 66,153</u>	<u>\$ (3,993)</u>

The components of the current year net pension liability of all employers as of March 31, 2016, were as follows:

	ERS (Dollars in Thousands)
Employers' total pension liability	\$172,303,544
Plan net position	<u>(156,253,265)</u>
Employers' net pension liability	<u>\$ 16,050,279</u>
Ratio of plan net position to the employers' total pension liability	90.7%

Prepaid Expense

The County paid 100% of the pension invoice for the pension year ended March 31, 2017, in the amount of \$3,717,054, prior to December 31, 2016. In accordance with the requirements of the New York State Comptroller, they reported prepaid expenses of \$929,264, which represents 25% of the invoice.

Accrued Expense

At December 31, 2016, the Soil and Water Conservation District accrued 75% of the pension invoice of \$25,885 for the pension year ended March 31, 2017, in the amount of \$19,414.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Due to Other Governments

The liability for due to other governments represents amounts owed at December 31, 2016 as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Trust and Agency Fund (other liabilities)</u>
Due to other counties	\$ 276,457	\$ -	\$ -
Due to New York State	852,143	-	671
Due to special districts	17,700	-	-
Due to central school districts	8,288,189	-	-
Due to villages and towns	<u>1,264,699</u>	<u>13,554</u>	<u>-</u>
Total	<u>\$ 10,699,188</u>	<u>\$ 13,554</u>	<u>\$ 671</u>

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

	<u>Fund Debt Retired By</u>	<u>Payable at January 1, 2016</u>	<u>Additions</u>	<u>Payments/ Reclassifications</u>	<u>Payable at December 31, 2016</u>	<u>Due Within One Year</u>
Bond anticipation notes payable	Capital Projects	\$7,000,000	\$9,200,000	\$ (7,000,000)	\$9,200,000	\$9,200,000
Compensated absences	General	907,633	143,085	-	1,050,718	-
Workers' compensation	Governmental Funds	2,244,455	752,531	(923,136)	2,073,850	-
OPEB liability	Governmental Funds	41,478,093	5,745,000	(2,960,300)	44,262,793	-
Pension liability	Governmental Funds	4,315,547	15,884,279	(3,069,714)	17,130,112	-
Landfill closing costs		206,837	-	(7,840)	198,997	-
State loans payable	Debt Service	155,000	-	(25,000)	130,000	25,000
General obligations and serial bonds	Debt Service	3,700,000	-	(450,000)	3,250,000	455,000
Bond premium		74,503	-	(10,217)	64,286	10,217
WTASC bonds	WTASC	<u>13,230,000</u>	<u>-</u>	<u>(855,000)</u>	<u>12,375,000</u>	<u>145,000</u>
Total		<u>\$73,312,068</u>	<u>\$31,724,895</u>	<u>\$(15,301,207)</u>	<u>\$89,735,756</u>	<u>\$ 9,835,217</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Bond Anticipation Notes

Bond anticipation notes, (BANs) as of December 31, 2016, represented short-term financing arrangements for two capital projects at an interest rate of .75% and .98%. One BAN in the amount of \$2,200,000 matures on March 31, 2017, and one BAN in the amount of \$7,000,000 matures on June 8, 2017.

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% due on April 15 and October 15 of each year.

\$ 130,000

General Obligation and Serial Bonds

\$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% to 3%. These bonds were used to refund 2003 public improvement bonds totaling \$3,060,000.

\$ 1,795,000

\$1,933,000 Public Improvement serial bonds, due in annual installments ranging from \$63,000 to \$160,000 through 2027 with interest ranging from 2.25% to 4%.

1,455,000

Total general obligation and serial bonds

\$ 3,250,000

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, 2016, was \$64,286.

Total interest expense for Washington County was \$819,941 for the year ended December 31, 2016.

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

Years ending December 31,	<u>Principal</u>	<u>Interest</u>
2017	\$ 480,000	\$ 90,956
2018	490,000	79,481
2019	355,000	67,813
2020	365,000	58,753
2021	375,000	49,150
2022-2026	1,155,000	116,831
2027	<u>160,000</u>	<u>3,200</u>
Total	<u>\$ 3,380,000</u>	<u>\$ 466,184</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – 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>Term Bonds</u>	<u>Interest</u>	<u>Total Debt Service</u>
Years ending December 31,			
2017	\$ 145,000	\$ 660,056	\$ 805,056
2018	235,000	651,981	886,981
2019	245,000	641,781	886,781
2020	250,000	631,263	881,263
2021	265,000	620,319	885,319
2022-2026	1,525,000	2,899,232	4,424,232
2027-2031	1,950,000	2,477,500	4,427,500
2032-2036	2,500,000	1,923,750	4,423,750
2037-2041	3,215,000	1,213,125	4,428,125
2042-2045	<u>2,045,000</u>	<u>326,000</u>	<u>2,371,000</u>
Total	<u>\$ 12,375,000</u>	<u>\$ 12,045,007</u>	<u>\$ 24,420,007</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 \$1,488,069, as compared to its tobacco settlement revenues of \$1,549,811. 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.

Total interest expense for Washington Tobacco Asset Securitization Corporation was \$630,041 for the year ended December 31, 2016.

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, 2016, the Corporation has made nine loans. The terms are as follows:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Indebtedness – Continued**

Washington County Local Development Corporation (LDC) – Continued

Intermediary Relending Program Loan Payable - Continued

Installment contract to the U.S. Department of Agriculture payable in annual installments of \$12,339, including interest at 1%, through November 2028.

\$ 138,372

Less: current portion

(10,951)

Long-term debt, net of current portion

\$ 127,421

Maturities of long-term debt are as follows:

Years ending December 31,	<u>Principal</u>	<u>Interest</u>
2017	\$ 10,951	\$ 1,388
2018	11,060	1,279
2019	11,171	1,168
2020	11,283	1,056
2021	11,301	944
2022-2026	58,709	2,986
2027	23,897	243
	<u>\$ 138,372</u>	<u>\$ 9,064</u>

**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 \$1,050,718 for compensated absences were determined based upon a survey of each department made by the County Administrator.

**Other Postemployment Benefits (OPEB)**

Plan Description

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Other Postemployment Benefits (OPEB)-Continued**

Funding Policy

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

Accounting Policy

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

Other Disclosure Information

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

Due to the sale of the Pleasant Valley Infirmary in January of 2014, all of the nursing home's liability for other postemployment benefits are now the obligation of the County. Therefore, all disclosures will show the total County obligation only.

Annual OPEB Cost – Fiscal Year  
Ended December 31, 2016

Normal cost	\$ 3,238,100
Past service cost	<u>2,631,400</u>
Annual Required Contribution (ARC)	5,869,500
Interest on OPEB obligation	1,244,300
Adjustments to ARC	<u>(1,368,800)</u>
OPEB expense	<u>\$ 5,745,000</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Other Postemployment Benefits (OPEB) - Continued**

Other Disclosure Information - Continued

Reconciliation of Net OPEB Obligation	
At December 31, 2016:	
Net OPEB obligation at the beginning of the year	\$ 41,478,093
OPEB expense	5,745,000
Net OPEB contributions made during the fiscal year *	<u>(2,960,300)</u>
Net OPEB obligation at the end of the year	<u>\$ 44,262,793</u>
Percentage of expense contributed	51.5%

Reconciliation of Net OPEB Obligation	
At December 31, 2015:	
Net OPEB obligation at the beginning of the year	\$ 37,767,393
OPEB expense	6,506,300
Net OPEB contributions made during the fiscal year *	<u>(2,795,600)</u>
Net OPEB obligation at the end of the year	<u>\$ 41,478,093</u>
Percentage of expense contributed	43.0%

Reconciliation of Net OPEB Obligation	
At December 31, 2014:	
Net OPEB obligation at the beginning of the year	\$ 34,060,593
OPEB expense	6,286,500
Net OPEB contributions made during the fiscal year *	<u>(2,579,700)</u>
Net OPEB obligation at the end of the year	<u>\$ 37,767,393</u>
Percentage of expense contributed	41.0%

\* Estimated

**Actuarial Methods and Assumptions**

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

As of November 1, 2016, the most recent actuarial valuation, the liabilities were computed using the projected unit credit method with a thirty year amortization. The actuarial assumptions utilized a 3.0%

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Other Postemployment Benefits (OPEB) – Continued**

**Actuarial Methods and Assumptions - Continued**

discount rate. The valuation assumes a variable healthcare cost trend inflation rate ranging from 15.7% down to 3.9% and a payroll growth rate increase of 3% for contract migration. The actuary determined based on information provided by the County that the use of the November 1, 2016, valuation for a subsequent year was appropriate.

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

**Deferred Inflows of Resources**

Deferred inflows of resources represents unbilled sewer rents of \$369,961 and deferred tax, tobacco settlement, and capital project revenues of \$21,879,283, in addition to deferred inflows of resources related to the pension in the amount of \$4,680,189, details of which can be found in the pension disclosures on page 46.

The Soil and Water Conservation District has deferred inflows of resources in the form of cash or accounts receivable for revenue that has not yet been earned.

**Operating Leases**

On April 22, 2013, the County signed a lease agreement with Earth Waste & Metals, a third party, to lease five transfer stations for a period of five years with an option to purchase the properties, expiring April 21, 2018. Rent payments are to be received in the amount of \$5,000 per month. An option fee of \$147,371 was received upon execution of the agreement. The option price and a declining percentage of the rental payments will be applied to the purchase price of \$1,473,712 depending upon the date the option is exercised. Stock and inventory were purchased for \$470,000. The option price of \$147,371 is recorded as a deposit and is included in other liabilities in the non-major funds. Rent revenue for 2016 of \$60,000 is recorded as use of money and property in the non-major funds.

Future minimum lease payments to be received are as follows:

Years ending	
December 31	
2017	\$ 60,000
2018	<u>15,000</u>
Total	<u>\$ 75,000</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Contingent Liabilities**

In June of 2006, the County modified its agreement with the County's health insurance provider, Blue Shield, to pay claims only, plus administrative expenses for health insurance benefits for its employees and qualified retirees. The plan has a stop loss insurance coverage that pays all individual claims over \$100,000 on an annual basis. The County's broker tracks all claims to insure the County receives proper credit from the health insurance provider.

Should the County change providers or plans, the fund will be responsible for all claims incurred during the effective date of the plan. As of December 31, 2016, the amount required to terminate the current contract is \$723,572 and is recorded in accrued liabilities.

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 Trust & 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-insurance Fund for Health Insurance, accordingly.

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.*

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Contingent Liabilities - Continued**

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

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

In 1994 the County joined NYMIR (New York Municipal Insurance Reciprocal) for its municipal property and casualty insurance. NYMIR is a consortium whose members are all municipalities. The subscribers pay a 25% capitalization fee that is based on each subscriber's annual premium and is paid over a five year period. This capitalization fee amounts to approximately \$24,000 per year. The County may be eligible for future dividends if the consortium does well or may be liable for its share of ownership if a major loss occurs. NYMIR does carry re-insurance with other companies. The County's premiums charged to 2016 expenditures approximated \$478,000.

The County established its own self-insurance plan for Workers' Compensation under Local Law Nos. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality for participation. There were 61 participants at December 31, 2016, 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 \$3,023,747, which includes amounts owed for prior employees of the Pleasant Valley Infirmary. \$2,073,850 of the liability is reported in the County's long-term debt and includes \$774,415 related to the Pleasant Valley Infirmary formerly recorded in the Enterprise Fund. 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 Self-insurance 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, which is included in restricted fund balance. Claims and judgments calculated for 2016 totaled \$923,136.

Changes in the Workers' Compensation aggregate claims liabilities for the years ended December 31, 2016 and 2015 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2016	\$ 3,002,492	\$ 944,391	\$ (923,136)	\$ 3,023,747
2015	3,036,082	1,171,607	(1,205,197)	3,002,492

**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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Contingent Liabilities - Continued**

**Contingent Liabilities Related to the Former Pleasant Valley Enterprise Fund – Continued**

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 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.

**Fund Balances**

At December 31, 2016, Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type definitions in the Government Fund Statements are as follows:

Nonspendable amounts represent the following:

Prepaid expenses of \$808,778 in the General Fund, \$105,924 in the County Road Fund and \$303,269 in the non-major funds.

Inventories of \$12,102 in the General Fund, \$397,304 in the County Road Fund and \$738,506 in the non-major funds.

Restricted funds represent the following:

Workers' Compensation reserve of \$902,113, \$1,000,000 in tax litigation reserve, \$162,190 in restricted crime proceeds and \$1,355,728 legacy reserve (for future Workers' Compensation and retiree health insurance) as a result of the sale of the Pleasant Valley Infirmary in the General Fund.

Debt reserve of \$929,095 in Washington Tobacco Asset Securitization Corporation component unit and \$1,292,401 in the Debt Service Fund.

Workers' Compensation reserve of \$1,750,000 in the non-major Workers' Compensation Self-insurance Fund.

Sewer capital and repair reserves totaling \$1,585,101 in the non-major sewer funds.

Capital project reserves of \$1,996,986 in the non-major funds.

Assigned funds include the following:

Encumbrances:

General Fund of \$144,765.

Appropriations to meet expenditures for 2017:

General Fund of \$2,760,386 and County Road Fund of \$547,042.

Funds reserved by the Board of Supervisors for various purposes in the General Fund, including public safety and tax abatement of \$375,043.

Positive fund balances in all of the governmental funds except the General Fund of \$4,958,612.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**Joint Ventures**

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

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

Adirondack Community College financial statement date: August 31, 2016

Total assets	\$ 39,569,712
Total deferred outflows of resources	5,215,304
Total liabilities	27,545,766
Total deferred inflows of resources	1,605,505
Joint net position	15,633,745
Total revenues	34,194,633
Total expenditures	34,947,586

Joint Venture Net Position consists of the following:

Net investment in capital assets	\$ 26,561,121
Restricted	360,000
Unrestricted (deficit)	<u>(11,287,376)</u>
Total	<u>\$ 15,633,745</u>

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, NY 12804.

At December 31, 2015, the County's financial statements included several capital projects involving Adirondack Community College, due to their oversight of the projects. On January 1, 2016, all assets and liabilities of these capital project funds were transferred to the College for inclusion on their financial statements. At December 31, 2016, the statement of revenues, expenditures and changes in fund balances – governmental funds includes a transfer to joint venture, the total of the fund balances of all of the projects transferred in the amount of \$293,272. This same amount is included in the transfers line of the government-wide statement of activities.

**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 contribution and employees made \$391,721 in contributions to the deferred compensation plan for the year ended December 31, 2016.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**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).

\$109,687 is reported as landfill closure and postclosure care in accrued liabilities at the Easton Landfill at December 31, 2016 and represents the estimated costs of future monitoring for 13 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 13 years.

\$89,310 is reported as postclosure care in accrued liabilities for the Fort Ann Landfill on December 31, 2016 and represents the estimated costs of future monitoring for 13 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 13 years.

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

There were no landfill closure and postclosure care expenditures recognized in 2016.

**Tax Abatement Agreements**

Statement No. 77 of the Governmental Accounting Standards Board, "*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, 2016, Washington County had 12 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 2016</u>
Warren Washington County Industrial Development Agency	8	2016 - 2026	\$ 69,225
Town and Village of Greenwich, New York	1	2044	7,258
Village of Hudson Falls, New York	1	2031	15,005
Village of Cambridge, New York	2	2017-2020	7,447
<b>Totals</b>	<b>12</b>		<b>\$ 98,935</b>

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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2016

**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.

**Prior Period Adjustment**

The Soil and Water Conservation District has a prior period adjustment totaling \$231,986 which reflects a correction of reporting errors. In the past, the organization failed to record their financial statements on a full accrual basis, including the requisite pension reporting under GASB 68.

**Subsequent Events**

The County has evaluated all events through September 26, 2017, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.

## WASHINGTON COUNTY, NEW YORK

## Schedule of Funding Progress for Other Postemployment Benefits

Year Ended December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
November 1, 2016:	\$ -	\$ 79,741,200	\$ 79,741,200	0%	\$ 25,222,683	316%
November 1, 2014:	\$ -	\$ 82,686,400	\$ 82,686,400	0%	\$ 24,802,396	333%
November 1, 2012:	\$ -	\$ 83,635,700	\$ 83,635,700	0%	\$ 30,092,887	278%

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of the Proportionate Share of the Net Pension Liability

Year Ended December 31, 2016

New York ERS Pension Plan

	<u>2016</u>	<u>2015</u>
<u>Washington County</u>		
Proportion of the net pension liability	0.1067278%	0.1277452%
Proportionate share of the net pension liability	\$ 17,130,112	\$ 4,315,547
Covered employee payroll	\$ 22,411,473	\$ 26,603,829
Proportionate share of the net pension liability as a percentage of covered-employee payroll	76.43%	16.22%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%
<u>Soil and Water Conservation District</u>		
Proportion of the net pension liability	0.0004122%	0.0004062%
Proportionate share of the net pension liability	\$ 66,153	\$ 13,723
Covered employee payroll	\$ 104,744	\$ 159,953
Proportionate share of the net pension liability as a percentage of covered-employee payroll	63.16%	8.58%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%

This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County is presenting the information for years that are available.

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Pension Contributions

Year Ended December 31, 2016

## New York ERS Pension Plan

	<u>2016</u>	<u>2015</u>
<u>Washington County</u>		
Contractually required contribution	\$ 3,069,714	\$ 4,680,064
Contributions in relation to the contractually required contribution	<u>(3,069,714)</u>	<u>(4,680,064)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 22,411,473	\$ 26,603,829
Contributions as a percentage of covered employee payroll	13.70%	17.59%
<u>Soil and Water Conservation District</u>		
Contractually required contribution	\$ 10,094	\$ 30,966
Contributions in relation to the contractually required contribution	<u>(10,094)</u>	<u>(30,966)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 104,744	\$ 159,953
Contributions as a percentage of covered employee payroll	9.64%	19.36%

The contributions reflect the amount due for the March 31 year end of the pension plan for each year reported.

This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County is presenting the information for years that are available.

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Labor</u>				
Employment and Training Program Passed Through Saratoga County, New York:				
WIA Cluster:				
WIA Adult Program	17.258	MOU16	\$ 163,563	\$ 163,563
WIA Dislocated Workers	17.278	MOU16	143,963	143,963
WIA Youth Activities	17.259	MOU16	127,185	127,185
Total WIA Cluster			<u>434,711</u>	434,711
Trade Adjustment Assistance	17.245	MOU16	456,356	456,356
Workforce Innovation Fund	17.283	MOU16	3,607	3,607
Total U.S. Department of Labor			<u>894,674</u>	894,674
<u>U.S. Federal Emergency Management Agency</u>				
U.S. Department of Homeland Security				
Passed Through NYS Division of Homeland Security and Emergency Services:				
Law Enforcement Terrorist Prevention Program	97.067	C974340		57,729
		C974350		35,398
		C974352		19,767
		C974360		6,995
				<u>119,889</u>
Emergency Performance Grants	97.042	T837655		28,608
		T837635		23,601
		T837645		28,371
				<u>80,580</u>
Total U.S. Federal Emergency Management Agency				200,469
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Office of Temporary and Disability Assistance:				
SNAP Cluster:				
Supplemental Nutrition Assistance Program	10.561			713,464

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Agriculture - Continued</u>				
Passed Through New York State Office of Temporary and Disability Assistance:				
Supplemental Food W.I.C.	10.557	DOH1-C30442GG-3450000	1,041,745	
Passed Through New York State Department of Health:				
Supplemental Food W.I.C.	10.557	DOH1-C30442GG-3450000	<u>521,300</u>	1,563,045
Rural Development Intermediary Relending Program (Through Washington County LDC-Component Unit) January 1, 2016 Loan Balance \$149,234	10.767			12,339
Regional Conservation Partnership Program	10.930			<u>5,781</u>
Total U.S. Department of Agriculture				2,294,629
<u>U.S. Department of Transportation</u>				
Passed Through New York State Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Construction Program:				
Multiple Bridges	20.205	D035290	18,060	
CR 10 Bridge		D034999	66,676	
CR 113 Bridge		D034911	<u>68,409</u>	153,145
National Traffic Safety Board Administration				
Passed Through New York State Traffic Safety Board:				
Highway Safety Cluster:				
Speed and Seatbelt Compliance Grant	20.600	DMV1-T006143-3700393	11,037	
DWI Crackdown Grant	20.600	C002123-3700393	7,350	
Occupant Protection Incentive Grant	20.602	DMV1-T005992-3700393	<u>13,403</u>	31,790
Total Highway Safety Cluster				<u>31,790</u>
Total U.S. Department of Transportation				184,935

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Election Assistance Commission</u>				
Passed Through New York State Board of Elections:				
Help America Vote Act Grant	90.401	C003251		<u>6,592</u>
Total U.S. Election Assistance Commission				6,592
<u>U.S. Department of Health and Human Services</u>				
Passed Through New York State Department of Health:				
Immunization Grant	93.268	C028328		27,034
Passed Through Health Research Incorporated				
Public Health Emergency Preparedness	93.069	1629-10		38,259
Medicaid Cluster:				
Passed Through New York State				
Department of Health:				
Medical Assistance Program	93.778			777,052
TANF Cluster:				
Passed Through Office of Temporary				
and Disability Assistance:				
Assistance Payments / Maintenance (TANF)	93.558		2,820,965	
Safety Net	93.558		92,678	
Passed Through Saratoga County, New York:				
TANF Summer Youth Employment	93.558	PY16SYEP	79,201	<u>79,201</u>
Total TANF Cluster				2,992,844

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Health and Human</u>				
<u>Services - Continued</u>				
Passed Through Office of Temporary and Disability Assistance:				
Foster Care - Title IV-E	93.658			1,124,116
Adoption Assistance	93.659			572,383
Child Support Enforcement Title IV-D	93.563			347,302
Low Income Home Energy Assistance	93.568			2,593,714
Passed Through New York State Office of Aging:				
Aging Cluster:				
Special Programs for the Aging, Title III-C	93.045		123,015	
Special Programs for the Aging, Title III-B	93.044		62,877	
Nutrition Services Incentive Program	93.053		<u>56,392</u>	
Total Aging Cluster				242,284
Passed Through New York State Office of Aging:				
Special Programs for the Aging, Title III-D	93.043			1,800
Title III-E	93.052			33,187
HIICAP	93.779			27,473
Affordable Care Act-Medicare Improvements	93.518			8,306
Passed Through New York Office of Children and Family Services:				
CCFD Cluster:				
Child Care, Title IV-E	93.596			1,169,915

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Agency Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Health and Human Services - Continued</u>				
Passed Through New York State Office of Alcoholism and Substance Abuse:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959			<u>261,478</u>
Total U.S. Department of Health and Human Services				10,217,147
<u>U.S. Department of Education</u>				
Passed Through NYS Department of Health:				
Special Education Grants for Infants and Families	84.181	C027517		<u>40,877</u>
Total U.S. Department of Education				40,877
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through New York State Department of Homes and Community Renewal:				
Community Development Block grants	14.228	1202ED848-15		<u>337,000</u>
Total U.S. Department of Housing and Urban Development				337,000
<u>U.S. Department of Justice</u>				
Drug Enforcement Administration:				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant	16.580			<u>10,617</u>
Total U.S. Department of Justice				<u>10,617</u>
Total Federal Expenditures			<u>\$ 973,875</u>	<u>\$ 14,186,940</u>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

### Notes to Schedule of Expenditures of Federal Awards

December 31, 2016

#### **General**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Washington County, New York for the year ended December 31, 2016. Washington County's reporting entity is defined in the notes to the County's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, are included on the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Washington County, New York, it is not intended to and does not present the financial position, changes in net assets or cash flows of Washington County, New York.

#### **Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in the notes to the County's basic financial statements. The non-federal share of expenditures, if any, is excluded from the schedule. The expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Indirect Cost Rates**

The County has elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

#### **U.S. Department of Agriculture Intermediary Relending Program**

The loan balance of the Washington County Local Development Corporation, a discretely presented component unit of Washington County, New York, at January 1, 2016 was \$149,234. They made principal payments of \$10,862 and interest payments of \$1,477 during 2016, leaving an ending balance at December 31, 2016, of \$138,372. See footnotes to financial statements.

#### **Subrecipients**

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

WASHINGTON COUNTY, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

December 31, 2016

**Subrecipients - Continued**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided Subrecipients</u>
<u>U.S. Department of Labor</u>		
To Washington County Economic Opportunity Council, Inc./Employment and Training Program:		
WIA:		
WIA Adult Program	17.258	\$ 163,563
WIA Dislocated Workers	17.278	143,963
WIA Youth Activities	17.259	<u>127,185</u>
Total WIA Funds		434,711
Trade Adjustment Assistance	17.245	456,356
Workforce Innovation Fund	17.283	<u>3,607</u>
Total U.S. Department of Labor		894,674
<u>U.S. Department of Health and Human Services</u>		
To Washington County Economic Opportunity Council, Inc./Employment and Training Program:		
TANF Summer Youth Employment	93.558	<u>79,201</u>
Total Amounts Provided to Subrecipients		<u>\$ 973,875</u>



WHITTEMORE, DOWEN  
& RICCIARDELLI, LLP

333 Aviation Road, Bldg B  
Queensbury, NY 12804  
Ph: (518)792-0918  
Fax: (518)743-0882  
www.wdr CPA.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Washington County, New York's basic financial statements and have issued our report thereon dated September 26, 2017. Our report includes a reference to other auditors who audited the financial statements of Washington County Local Development Corporation, a discretely presented component unit of Washington County, New York, as described in our report on Washington County, New York's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (2016-001)

## **Compliance and Other Matters**

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

## **Washington County, New York's Response to Finding**

Washington County, New York's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Washington County, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

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

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP  
Queensbury, New York

September 26, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited Washington County, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Washington County, New York's major federal programs for the year ended December 31, 2016. Washington County, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Washington County, New York's basic financial statements include the operations of the Washington County Local Development Corporation (LDC), a discretely presented component unit. The LDC was audited by other auditors. The expenditures of federal awards include amounts for the LDC of which we are aware; however, there may be amounts of which we are not aware that were not included, as the financial statements for the LDC did not contain a Schedule of Expenditures of Federal Awards.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Washington County, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Washington County, New York's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Washington County, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

## Report on Internal Control Over Compliance

Management of Washington County, New York, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington County, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington County, New York's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP  
Queensbury, New York

September 26, 2017

WASHINGTON COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2016

Section I – Summary of Auditor's Results

I. Financial Statements

- A. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:
1. Unmodified with explanatory language relating the fact that we did not audit the financial statements of Washington County Local Development Corporation, a discretely presented component unit of Washington County, New York. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for that entity is based solely on the reports of the other auditors.
- B. Internal control over financial reporting:
1. Material weaknesses identified? \_\_\_\_\_ Yes  X  No
  2. Significant deficiencies identified?  X  Yes \_\_\_\_\_ None reported
- C. Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

II. Federal Awards

- A. Internal control over major federal programs:
1. Material weaknesses identified? \_\_\_\_\_ Yes  X  No
  2. Significant deficiencies identified? \_\_\_\_\_ Yes  X  None reported
- B. Types of auditor's report issued on noncompliance for major programs:
1. Unmodified
- C. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes  X  No

WASHINGTON COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2016

Section I - Summary of Auditor's Results - Continued

II. Federal Awards – Continued

D. Identification of major programs

<u>**CFDA Numbers</u>	<u>Name of Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
93.658	Foster Care Title IV-E

\*\* CFDA numbers and determination of clusters based upon OMB Compliance Supplement dated June 2016.

E. The dollar threshold used to distinguish Type A and Type B programs was \$750,000.

F. Auditee qualified as low-risk auditee?      X   Yes           No

WASHINGTON COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2016

Section II - Financial Statement Findings

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2016-001	<p><u>Criteria:</u> Risk should be assessed by an entity to assist with the establishment of relevant operating procedures and to ensure sufficient internal control.</p> <p><u>Condition:</u> Management nor the Board of Supervisors of Washington County have documented any form of risk assessment over the financial operations of the County. This is a repeat finding from 2007 through 2015.</p> <p><u>Context:</u> The fact that the County has not conducted a risk assessment each year has been noted in its response to the question on their Annual Update Document Form filed with New York State.</p> <p><u>Effect:</u> By not studying risks and not documenting the study, the County is taking a chance that a significant risk of misappropriation and/or misstatement of the financial statements exists and is not being considered in the preparation of its financial statements.</p> <p><u>Cause of Condition:</u> The County has not completed a risk assessment.</p> <p><u>Recommendation:</u> Management and the Board Audit Committee should conduct a risk assessment regarding the County's financial operations. The assessment should be documented and maintained as part of the County's formal policies and procedures.</p> <p><u>Views of Responsible Officials and Planned Corrective Actions:</u> The County will develop a formal risk assessment of financial operations to be approved by the Board of Supervisors. The assessment will be reviewed and updated by the Finance Committee of the Board of Supervisors.</p>	N/A

## WASHINGTON COUNTY, NEW YORK

Schedule of Status of Findings and Questioned Costs  
From 2015 Report

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2015-001	<p data-bbox="391 470 1149 562"><u>Failure to Document Risk Assessment:</u> Management nor the Board of Supervisors have documented any form of risk assessment over the financial operations of the County.</p> <p data-bbox="391 590 1044 625"><u>Status:</u> The finding was repeated in 2016 as 2016-001.</p>	N/A
2015-002	<p data-bbox="391 653 1149 745"><u>Failure to File Public Notice of Audit Timely:</u> The County failed to publish notice of the 2014 audit within 10 days of filing the audit report by the County Clerk.</p> <p data-bbox="391 772 1149 835"><u>Status:</u> The County published the notice of the 2015 audit timely.</p>	N/A
2015-003	<p data-bbox="391 863 1149 1165"><u>Failure to timely issue the 2014 financial statement:</u> The County received a notice from the New York State Department of Health that it failed to complete the audited financial statements for the year ended December 31, 2014, within nine months after the end of the fiscal year. The audited financial statements were dated in January of 2016. However, the data collection form was filed timely. The Federal Audit Clearinghouse extended its due date for December 31, 2014, year ends to February 1, 2016, due to issues with their computer system security.</p> <p data-bbox="391 1199 1138 1230"><u>Status:</u> The County timely issued its 2015 financial statements.</p>	N/A