

WASHINGTON COUNTY, NEW YORK

Independent Auditor's Report

Financial Statements and  
Supplementary Information

December 31, 2015

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, 2015 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 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, 2015, 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 61-63 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 23, 2016, 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 23, 2016

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2015

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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, 2015.

**FINANCIAL HIGHLIGHTS**

The 2% tax cap for 2014, 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 2015, 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. Because there was little activity in the business-type activities (the nursing home) in 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, such as budgetary comparisons.

**Government-wide Financial Statements**

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

The statement of net 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:

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

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2015

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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 2015.

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, 2015, 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.

### **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.

**WASHINGTON COUNTY, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2015

**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 \$61,128,781 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

	2015	2014
Assets:		
Current and Other Assets	\$56,882,284	\$58,727,772
Capital Assets Net	92,278,418	91,482,961
Total Assets	149,160,702	150,210,233
Deferred Outflows of Resources	25,675,259	22,579,348
Liabilities:		
Other Liabilities	15,338,697	19,456,750
Bonds and Other Long-Term Liabilities	73,237,565	65,407,906
Total Liabilities	88,576,262	84,864,656
Deferred Inflows of Resources	25,130,918	23,944,575
Net Position:		
Invested in Capital Assets	81,423,418	80,617,961
Restricted	10,620,582	13,359,351
Unrestricted (deficit)	(30,915,219)	(29,996,962)
Total Net Position	\$61,128,781	\$63,980,350

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended December 31, 2015

**Washington County - Changes in Net Position**

	2015	2014
<b>Revenues:</b>		
Program revenues:		
Charges for Services	\$ 5,513,489	\$ 9,006,324
Operating Grants and Contributions	24,645,057	22,913,291
Capital Grants and Contributions	1,029,791	3,332,008
<b>Total Program Revenues:</b>	<b>31,188,337</b>	<b>35,251,623</b>
General Revenues:		
Property Taxes and Tax Items	34,413,224	31,725,582
Non-Property Taxes	20,911,695	20,639,872
Miscellaneous and Intergovernmental transfer	1,875,175	2,302,159
Investment Earnings	80,899	89,029
Special Items: Loss on Sale of Nursing Home Facility	-	(1,049,914)
<b>Total General Revenues:</b>	<b>57,280,993</b>	<b>53,706,728</b>
<b>Total Program and General Revenues</b>	<b>88,469,330</b>	<b>88,958,381</b>
<b>Expenses:</b>		
Governmental Activities:		
General Government Support	11,290,431	12,245,345
Education	5,257,547	4,843,508
Public Safety	16,078,972	15,461,565
Health	5,586,244	5,791,297
Transportation	12,665,580	12,244,099
Economic Opportunity and Development	32,196,455	33,036,182
Culture and Recreation	1,080,691	1,019,326
Home and Community Services	4,066,173	3,398,094
Interest on Long-Term Debt	836,227	839,597
Nursing Home Activities	-	2,998,910
<b>Total Expenses:</b>	<b>89,058,320</b>	<b>91,877,923</b>
Net Changes in Net Position	(588,990)	(2,919,572)
Net Position, Beginning	63,980,350	66,889,989
Prior Period Adjustment	(2,262,579)	9,933
<b>Net Position, Ending</b>	<b>\$61,128,781</b>	<b>\$63,980,350</b>

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

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(\$2,262,579). The total net position of the County declined by \$2,851,569. The 2014 prior period adjustment was the result of the sale of the nursing home facility. Upon the sale, two capital project funds with assets and fund balances of \$9,933 were added to the general government assets and net position.

**GOVERNMENTAL ACTIVITIES**

**Revenues**

The total Governmental Activities revenues for 2015 were \$88,469,330, a decrease of \$489,021 from 2014. The largest contributing factor to this change was the decrease in nursing home revenue of \$3,378,110 net of an increase in the tax revenues of \$2,687,642. The tax revenue increase consisted, in part, of a levy increase of \$858,158; reduction of the allowance for uncollectable taxes account for \$1,000,000; and a net deferred tax revenue adjustment of \$400,783.

Operating grants and contributions were \$1,731,766 higher in 2015 than in 2014. This increase was primarily driven by a PDR grant in the planning department of \$604,843.; increased mental health aid in the amount of \$368,544; flexible funds for families in the Department of Social Services of \$690,523. and office of the aging of \$234,789. These increases were offset by a decrease in the handicapped children's revenue, which dropped \$257,295. Capital grants and contributions were lower in 2015 than in 2014 by \$2,302,217. The decrease was due primarily to bridge and rail improvement projects which were completed in 2014.

General revenues for 2015 were \$57,280,993 representing 64.75% of the total revenue. In 2014, the same revenues were \$53,706,728 representing 60.37% of the total overall County revenue. The General Revenue percentage is up from the previous year. The tax levy and sales tax revenues make up \$51.4 million of the \$57 million. The property tax increase in 2015 was \$858,158. Sales tax grew by \$275,749.

The County's investment earnings for 2015 were \$80,899, a decrease of \$8,130 from 2014 as a result of the continuing decline in interest rates. The County was earning a mere .15% as of December 31, 2015.

**Expenses**

The Governmental Activities expenses were \$89,058,320 in 2015. This is an increase from 2014, not including the nursing home expenses of \$2,998,910.

Listed below is a line-by-line overview of the major changes in each Governmental Activities expense category between 2014 and 2015.

**General Government Support** – Costs decreased by \$954,914 over 2014. This was due mainly to the redistribution of un-allocable expenses in accordance with GASB 34 between 2014 and 2015. This decrease of \$1,544,579 was offset by increases in the personnel and fringe benefit costs.

**Education** – Education cost saw an increase \$414,039 in 2015. The majority of the increase was the result of an increase in Community College capital expenses. These expenses are to be turned over to the College effective January 1, 2016.

**Public Safety** – Expenses increased by \$617,407 over 2014. This was mainly due to an increase in capital spending for the 911 center and computers in Sheriff's cars.

**Health** – Expenses decreased by \$205,053 over 2014 as a result of the agency continuing its reductions in staffing and other costs as a result of the sale of Home Health Services as of January 2, 2014.

**Transportation** – The 2015 increase in this category was \$421,481 due mainly to the increase in the amount of paving funded. This increase was offset by savings in the snow removal expenses due to the mild winter.

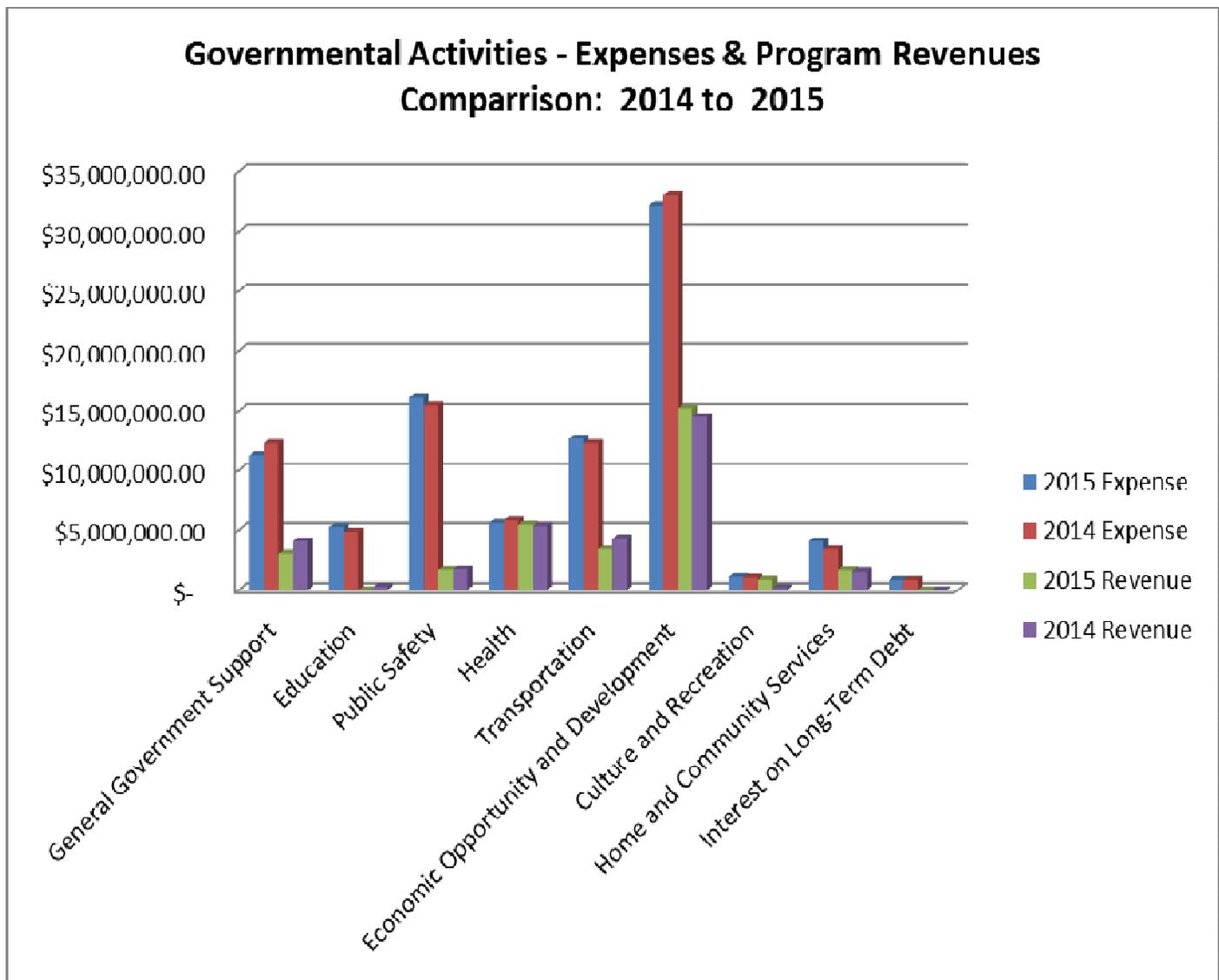
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**Economic Opportunity and Development** – This category shows the largest single obligation at 36.15% of the County's total Government Activities expenditures. The County expenses in this category were \$839,727 lower in 2015 than in 2014. This decrease was driven by a substantial savings in Medicaid. The savings, however, was offset by increases in other Social Service programs.

**Culture and Recreation** – This category reflects a \$61,365 increase in 2015. Spending was up for youth programs.

**Home and Community Services** – Gross expenses increased by \$668,079. The increase was attributable mainly to a Purchase of Developmental Rights grant in the planning department.

**Interest on Long-Term Debt and Other Debt Service/Expenses** – The \$3,370 decrease in 2015 expenses is the effect of the bond schedule (see long-term liabilities).



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**BUSINESS-TYPE ACTIVITIES**

Due to the sale of the County run nursing home on January 31, 2014, there are no longer any Business-Type Activities to report.

**ANALYSIS OF THE COUNTY BUDGET AND FUND BASIS FINANCES IN 2015**

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 2015 by \$1,091,058. The major contributor to the increase was in the planning department and in the employee salary and benefit costs.

The 2015 revenues decreased by \$3,263,749 over 2014. The primary reason is the 2014 financials contained a one-time interfund transfer revenue for the residual Enterprise Fund Fund Equity. The State and Federal aid revenues, however, increased \$1,387,396 and \$775,899, respectively.

The unknown availability of State and Federal aid, along with future Medicaid costs and fringe benefits, are of great concern to the County. During 2016 and 2017, 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 2017 is estimated to be around .68%. The fund balance is approximately 19.657% of the next year's operating budget, of which \$2,879,697 was appropriated. The County has earmarked \$380,000 for nursing home legacy costs. The balance of the appropriation in the amount of \$2,499,697 will be used to offset 2016 operating expenses.

**Non-Major Funds**

Based upon available funds, the County was able to provide maintenance funding for its road and bridge projects and to resurface 18 miles of road in 2015. In order to maintain a 12-year paving project schedule, we must resurface 23 miles of road per 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 2015 budget to actual. General Fund revenues were higher than the amended budget by \$1,591,479. Expenditures were lower than the amended budget by \$4,932,866. The actual net increase in fund balance was \$897,496. 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.

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**CAPITAL ASSETS**

At the end of 2015, the County had \$92.278 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 \$795,457 over last year.

**Capital Assets Net of Depreciation**  
**Governmental Activities**

	2015	2014
Land and Improvements	\$ 711,003	\$ 711,003
Buildings and Improvements	23,628,288	24,756,037
Construction in Progress	7,644,961	6,177,765
Bridges	30,417,494	31,110,722
Roads	15,050,823	13,639,621
Infrastructure	6,927,490	6,880,898
Machinery and Equipment	7,898,359	8,206,915
<b>Total Capital Assets, Net</b>	<b>\$92,278,418</b>	<b>\$91,482,961</b>

**LONG-TERM DEBT**

**Bonds and Other Long Term Liabilities**  
**Governmental Activities**

	2015	2014
Bonds and Notes:		
General Obligation Bonds and Notes	\$ 3,855,000	\$ 4,315,000
Bond Anticipation Notes	7,000,000	6,550,000
WTASC Bonds	13,230,000	13,305,000
<b>Subtotal</b>	<b>24,085,000</b>	<b>24,170,000</b>
Landfill Closing Costs	206,837	215,908
OPEB Liability	41,478,093	37,767,393
Workers' Compensation	2,244,455	2,393,346
Compensated Absences	907,633	861,259
Pension Liability	4,315,547	-
<b>Subtotal</b>	<b>49,152,565</b>	<b>41,237,906</b>
<b>Total</b>	<b>\$73,237,565</b>	<b>\$65,407,906</b>

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

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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 2015 computation was \$4,938,446,174. The Constitutional Tax Limit is \$98,768,923, representing a .19% increase.

The constitutional tax margin for fiscal year ending December 31, 2015, is \$67,255,732 (\$98,768,923 tax limit less \$31,513,191, 2015 tax levies subject to tax limit).

The debt limit for fiscal year ending December 31, 2015, is \$345,691,232 (five year average full valuation of \$4,938,446,174 x 7%). As of the end of 2015, Washington County has a total of \$2,726,882, used in the calculation of the County debt limit. This outstanding debt is in the form of general obligation bonds and notes.

### **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 2015 Washington County tax levy was within the property tax cap limit.

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

The trend of declining revenues that began in mid-2008 has leveled off in 2015. The County's sales tax revenue increased by 1.4%, mortgage tax revenues and return on investments continue to decline.

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 retirement and 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 (5th) 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

Exhibit A

## Statement of Net Position

December 31, 2015

ASSETS	Primary Government Governmental Activities	Component Units	
		Washington County Local Development Corporation	Soil and Water Conservation District
Cash and cash equivalents	\$ 28,816,928	\$ 1,364,087	\$ -
Receivables, net	10,872,954	95,429	-
Due from state and federal governments	8,199,153	-	-
Due from other governments	84,313	-	-
Loans receivable	-	2,388,338	-
Inventories	970,220	-	-
Prepaid expenses	1,152,494	-	-
Restricted Assets:			
Cash	6,337,837	151,916	324,668
Receivables, net	448,385	315	-
Loans receivable	-	379,317	-
Leases receivable	-	33,510	-
Capital assets, net	92,278,418	-	-
<b>Total Assets</b>	<b>149,160,702</b>	<b>4,412,912</b>	<b>324,668</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount from tobacco settlement receivable	22,434,644	-	-
Deferred amount from debt refunding	50,629	-	-
Deferred amount related to pension	3,189,986	-	-
<b>Total Deferred Outflows of Resources</b>	<b>25,675,259</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>			
Accounts payable	3,014,949	101	-
Accrued liabilities	2,432,349	-	-
Due to other governments	8,950,977	-	-
Other liabilities	940,422	-	-
Noncurrent Liabilities:			
Due within one year	7,620,000	10,842	-
Due in more than one year	65,617,565	138,392	-
<b>Total Liabilities</b>	<b>88,576,262</b>	<b>149,335</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - unbilled sewer rent	356,773	-	-
Deferred revenue related to capital project	1,008,732	-	-
Deferred amount from tobacco settlement	22,434,644	-	-
Deferred amount from debt refunding	74,503	-	-
Deferred inflow related to pension	1,256,266	-	-
<b>Total Deferred Inflows of Resources</b>	<b>25,130,918</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	81,423,418	-	-
Restricted For:			
Debt service	915,308	-	-
Other purposes	9,705,274	415,824	324,668
Unrestricted (deficit)	(30,915,219)	3,847,753	-
<b>Total Net Position</b>	<b>\$ 61,128,781</b>	<b>\$ 4,263,577</b>	<b>\$ 324,668</b>

See Independent Auditor's Report and Notes

WASHINGTON COUNTY, NEW YORK

Statement of Activities

Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Units	
					Governmental Activities	Local Develop Corporation	Soil and Water
<b>Primary Government Governmental Activities:</b>							
General government	\$ 11,290,431	\$ 1,624,973	\$ 796,792	\$ 607,549	\$ (8,261,117)	\$ -	\$ -
Education	5,257,547	-	-	16,447	(5,241,100)	-	-
Public safety	16,078,972	341,903	1,288,382	10,191	(14,438,496)	-	-
Health	5,586,244	467,565	4,967,252	-	(151,427)	-	-
Transportation	12,665,580	835,156	2,154,156	395,604	(9,280,664)	-	-
Economic opportunity and development	32,196,455	640,305	14,567,220	-	(16,988,930)	-	-
Cultural and recreation	1,080,691	23,145	843,655	-	(213,891)	-	-
Home and community services	4,066,173	1,580,442	27,600	-	(2,458,131)	-	-
Interest on long-term debt	836,227	-	-	-	(836,227)	-	-
<b>Total Primary Government</b>	<b>\$ 89,058,320</b>	<b>\$ 5,513,489</b>	<b>\$ 24,645,057</b>	<b>\$ 1,029,791</b>	<b>(57,869,983)</b>	<b>-</b>	<b>-</b>
<b>Component Units:</b>							
Local Development Corporation	\$ 192,288	\$ 27,726	\$ 170,220	\$ -	-	5,658	-
Soil and Water District	805,951	15,100	653,834	-	-	-	(137,017)
<b>Total Component Units</b>	<b>\$ 998,239</b>	<b>\$ 42,826</b>	<b>\$ 824,054</b>	<b>\$ -</b>	<b>-</b>	<b>5,658</b>	<b>(137,017)</b>
<b>General Revenues:</b>							
Real property taxes and tax items					34,413,224	-	-
Non-property taxes					20,911,695	-	-
Miscellaneous and intergovernmental transfer					1,875,175	44,952	156,488
Investment earnings					80,899	120,033	14,597
<b>Total General Revenues, Special Items and Transfers</b>					<b>57,280,993</b>	<b>164,985</b>	<b>171,085</b>
Change in net position					(588,990)	170,643	34,068
Net Position-Beginning					63,980,350	4,092,934	290,600
Prior Period Adjustments					(2,262,579)	-	-
Net Position-Beginning, as Restated					61,717,771	4,092,934	290,600
Net Position-Ending					<b>\$ 61,128,781</b>	<b>\$ 4,263,577</b>	<b>\$ 324,668</b>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Exhibit C

Balance Sheet  
Governmental Funds

December 31, 2015

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	\$ 16,157,881	\$ 2,508,436	\$ 117,637	\$ 182,392	\$ 9,850,582	\$ 28,816,928
Taxes receivable (net of allowance for uncollectibles of \$500,000)	8,903,012	-	-	-	-	8,903,012
Accounts receivable (net of allowance for uncollectibles of \$55,500)	1,112,402	-	-	10,000	847,540	1,969,942
State and federal receivables	7,146,095	32,542	-	-	1,020,516	8,199,153
Due from other funds	438,039	19	-	-	280,799	718,857
Due from other governments	750	15,262	-	-	68,301	84,313
Inventories, at cost	6,067	302,381	-	-	661,772	970,220
Prepaid expenses	766,032	93,025	-	-	293,437	1,152,494
Restricted Assets:						
Cash	2,143,483	-	907,251	-	3,287,103	6,337,837
Other receivables	-	-	-	-	448,385	448,385
<b>Total Assets</b>	<b>36,673,761</b>	<b>2,951,665</b>	<b>1,024,888</b>	<b>192,392</b>	<b>16,758,435</b>	<b>57,601,141</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amount from tobacco settlement receivable	-	-	22,434,644	-	-	22,434,644
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 36,673,761</b>	<b>\$ 2,951,665</b>	<b>\$ 23,459,532</b>	<b>\$ 192,392</b>	<b>\$ 16,758,435</b>	<b>\$ 80,035,785</b>

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Exhibit C, Continued

Balance Sheet  
Governmental Funds

December 31, 2015

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	\$ 2,162,770	\$ 190,267	\$ -	\$ 82,301	\$ 579,611	\$ 3,014,949
Accrued liabilities	886,692	684,732	-	-	781,513	2,352,937
Other liabilities	792,059	-	-	-	148,363	940,422
Due to other funds	39,168	175,477	-	61,678	423,095	699,418
Due to other governments	8,936,417	5,399	-	-	9,161	8,950,977
BANS payable	-	-	-	6,445,000	555,000	7,000,000
Payables From Restricted Assets:						
Due to other funds	-	-	-	-	19,439	19,439
<b>Total Liabilities</b>	<b>12,817,106</b>	<b>1,055,875</b>	<b>-</b>	<b>6,588,979</b>	<b>2,516,182</b>	<b>22,978,142</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	2,905,553	-	22,434,644	-	1,365,505	26,705,702
<b>FUND EQUITY (DEFICIT)</b>						
Fund Balances:						
Nonspendable	772,099	395,406	-	-	955,209	2,122,714
Assigned	3,592,068	1,500,384	117,637	-	6,124,917	11,335,006
Restricted	3,890,403	-	907,251	-	5,822,928	10,620,582
Unassigned	12,696,532	-	-	(6,396,587)	(26,306)	6,273,639
<b>Total Fund Equity (Deficit)</b>	<b>20,951,102</b>	<b>1,895,790</b>	<b>1,024,888</b>	<b>(6,396,587)</b>	<b>12,876,748</b>	<b>30,351,941</b>
<b>Committments and Contingencies</b>						
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity (Deficit)</b>	<b>\$ 36,673,761</b>	<b>\$ 2,951,665</b>	<b>\$ 23,459,532</b>	<b>\$ 192,392</b>	<b>\$ 16,758,435</b>	<b>\$ 80,035,785</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, 2015

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	\$ 33,555,315	\$ -	\$ -	\$ -	\$ 521,540	\$ 34,076,855
Non-property taxes	20,911,695	-	-	-	-	20,911,695
Departmental income	2,699,101	-	-	-	1,715,483	4,414,584
Intergovernmental charges	441,027	835,156	-	-	9,031,042	10,307,225
Use of money and property	210,385	1,223	1	1,716	78,652	291,977
Licenses and permits	-	-	-	-	44,460	44,460
Fines and forfeitures	146,930	-	-	-	-	146,930
Sale of property and compensation for loss	69,300	16,756	-	-	314,981	401,037
Miscellaneous local sources	223,365	15,550	767,288	2,239	982,683	1,991,125
Interfund revenues	582,902	-	-	-	3,264,771	3,847,673
State aid	11,672,155	2,144,356	-	-	883,339	14,699,850
Federal aid	8,902,795	(8,840)	-	-	1,321,118	10,215,073
<b>Total Revenues</b>	<b>79,414,970</b>	<b>3,004,201</b>	<b>767,289</b>	<b>3,955</b>	<b>18,158,069</b>	<b>101,348,484</b>
<b>EXPENDITURES</b>						
Current:						
General government support	8,600,533	-	22,755	-	2,736,448	11,359,736
Education	4,218,647	-	-	-	882,367	5,101,014
Public safety	10,244,639	287,457	-	-	144,544	10,676,640
Health	4,476,936	-	-	-	-	4,476,936
Transportation	-	10,698,284	-	-	3,121,948	13,820,232
Economic opportunity and development	26,430,976	-	-	-	1,037,882	27,468,858
Cultural and recreation	849,709	-	-	-	-	849,709
Home and community services	1,414,112	-	-	849,682	1,302,173	3,565,967
Employee benefits	10,568,830	1,819,349	-	-	8,874,432	21,262,611
Debt Service:						
Principal retirement	-	-	75,000	-	565,000	640,000
Interest	-	-	652,831	-	201,329	854,160
<b>Total Expenditures</b>	<b>66,804,382</b>	<b>12,805,090</b>	<b>750,586</b>	<b>849,682</b>	<b>18,866,123</b>	<b>100,075,863</b>
Excess (Deficit) of Revenues Over (Under) Expenditures	12,610,588	(9,800,889)	16,703	(845,727)	(708,054)	1,272,621

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, 2015

	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	553,664	9,908,073	-	-	2,620,654	13,082,391
Operating transfers out	(12,266,756)	(11,324)	-	-	(804,311)	(13,082,391)
BANs redeemed from appropriations	-	-	-	105,000	-	105,000
Premium on bonds and bond anticipation notes	-	-	-	-	66,990	66,990
<b>Total Other Financing Sources (Uses)</b>	<b>(11,713,092)</b>	<b>9,896,749</b>	<b>-</b>	<b>105,000</b>	<b>1,883,333</b>	<b>171,990</b>
<b>Net Changes in Fund Balances (Deficit)</b>	<b>897,496</b>	<b>95,860</b>	<b>16,703</b>	<b>(740,727)</b>	<b>1,175,279</b>	<b>1,444,611</b>
Fund Balances (Deficit) at Beginning of Year	20,053,606	1,799,930	1,008,185	(5,655,860)	11,701,469	28,907,330
Fund Balances (Deficit) at End of Year	<u>\$ 20,951,102</u>	<u>\$ 1,895,790</u>	<u>\$ 1,024,888</u>	<u>\$ (6,396,587)</u>	<u>\$ 12,876,748</u>	<u>\$ 30,351,941</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, 2015

REVENUES	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Real property taxes and tax items	\$ 33,006,365	\$ 33,006,365	\$ 33,555,315	\$ 548,950
Non-property taxes	19,577,500	19,577,500	20,911,695	1,334,195
Departmental income	2,707,955	2,707,955	2,699,101	(8,854)
Intergovernmental charges	489,094	489,094	441,027	(48,067)
Use of money and property	212,900	212,900	210,385	(2,515)
Fines and forfeitures	114,000	114,000	146,930	32,930
Sale of property and compensation for loss	18,650	18,650	69,300	50,650
Miscellaneous local sources	57,100	62,100	223,365	161,265
Interfund revenues	534,763	550,963	582,902	31,939
State aid	11,367,456	12,366,471	11,672,155	(694,316)
Federal aid	8,576,879	8,717,493	8,902,795	185,302
<b>Total Revenues</b>	<b>76,662,662</b>	<b>77,823,491</b>	<b>79,414,970</b>	<b>1,591,479</b>
<b>EXPENDITURES</b>				
Current:				
General government support	9,313,570	9,552,581	8,661,398	891,183
Education	4,602,685	4,674,829	4,218,790	456,039
Public safety	10,557,996	11,194,890	10,580,659	614,231
Health	4,626,873	4,819,714	4,477,981	341,733
Transportation	-	-	-	-
Economic opportunity and development	28,454,581	27,722,073	26,431,174	1,290,899
Cultural and recreation	867,031	950,005	849,909	100,096
Home and community services	805,900	1,497,237	1,414,112	83,125
Employee benefits	11,719,757	11,724,390	10,568,830	1,155,560
<b>Total Expenditures</b>	<b>70,948,393</b>	<b>72,135,719</b>	<b>67,202,853</b>	<b>4,932,866</b>
<b>Excess of Revenues Over Expenditures</b>	<b>5,714,269</b>	<b>5,687,772</b>	<b>12,212,117</b>	<b>6,524,345</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	469,814	553,664	83,850
Operating transfers out	(8,924,211)	(12,266,756)	(12,266,756)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(8,924,211)</b>	<b>(11,796,942)</b>	<b>(11,713,092)</b>	<b>83,850</b>
<b>Net Change in Fund Balance - Budget Basis</b>	<b>\$ (3,209,942)</b>	<b>\$ (6,109,170)</b>	<b>499,025</b>	<b>\$ 6,608,195</b>
Encumbrances Included in Actual			398,471	
<b>Net Change in Fund Balance</b>			<b>897,496</b>	
Fund Balance at Beginning of Year			20,053,606	
<b>Fund Balance at End of Year</b>			<b>\$ 20,951,102</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, 2015

REVENUES	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Real property taxes and tax items	\$ -	\$ -	\$ -	\$ -
Non-property taxes	-	-	-	-
Departmental income	-	-	-	-
Intergovernmental charges	1,007,000	1,007,000	835,156	(171,844)
Use of money and property	2,500	2,500	1,223	(1,277)
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	10,500	18,545	16,756	(1,789)
Miscellaneous local sources	15,500	15,500	15,550	50
Interfund revenues	-	-	-	-
State aid	1,940,357	2,144,356	2,144,356	-
Federal aid	-	-	(8,840)	(8,840)
<b>Total Revenues</b>	<b>2,975,857</b>	<b>3,187,901</b>	<b>3,004,201</b>	<b>(183,700)</b>
<b>EXPENDITURES</b>				
Current:				
General government support	-	-	-	-
Education	-	-	-	-
Public safety	306,136	312,780	287,457	25,323
Health	-	-	-	-
Transportation	10,275,015	11,106,084	10,698,284	407,800
Economic opportunity and development	-	-	-	-
Cultural and recreation	-	-	-	-
Home and community services	-	-	-	-
Employee benefits	1,967,965	1,867,965	1,819,349	48,616
<b>Total Expenditures</b>	<b>12,549,116</b>	<b>13,286,829</b>	<b>12,805,090</b>	<b>481,739</b>
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	<b>(9,573,259)</b>	<b>(10,098,928)</b>	<b>(9,800,889)</b>	<b>298,039</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	8,723,259	9,908,073	9,908,073	-
Operating transfers out	-	(11,324)	(11,324)	-
<b>Total Other Financing Sources (Uses)</b>	<b>8,723,259</b>	<b>9,896,749</b>	<b>9,896,749</b>	<b>-</b>
<b>Net Change in Fund Balance - Budget Basis</b>	<b>\$ (850,000)</b>	<b>\$ (202,179)</b>	<b>95,860</b>	<b>\$ 298,039</b>
Encumbrances Included in Actual			-	
Net Change in Fund Balance			95,860	
Fund Balance at Beginning of Year			1,799,930	
Fund Balance at End of Year			<u>\$ 1,895,790</u>	

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

Statement of Net Position  
Fiduciary Fund

December 31, 2015

	Fiduciary Fund Type Agency Fund
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 616,299
Restricted cash	39,363
Other receivables	<u>71,594</u>
Total Current Assets	<u>727,256</u>
Total Assets	<u>727,256</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Other liabilities	<u>727,256</u>
Total Current Liabilities	<u>727,256</u>
Total Liabilities	<u>727,256</u>
<b>NET POSITION</b>	
Unrestricted	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

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, 2015

ASSETS	Total Governmental Funds	Long-Term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	\$ 28,816,928	\$ -	\$ -	\$ 28,816,928
Taxes receivable, net	8,903,012	-	(8,903,012)	-
Accounts receivable, net	1,969,942	-	(1,969,942)	-
Receivables, net	-	-	10,872,954	10,872,954
State and federal receivables	8,199,153	-	-	8,199,153
Due from other funds	718,857	-	(718,857)	-
Due from other governments	84,313	-	-	84,313
Inventories, at cost	970,220	-	-	970,220
Prepaid expenses	1,152,494	-	-	1,152,494
Restricted Assets:				
Cash	6,337,837	-	-	6,337,837
Other receivables	448,385	-	-	448,385
Capital assets, net	-	92,278,418	-	92,278,418
<b>Total Assets</b>	<b>57,601,141</b>	<b>92,278,418</b>	<b>(718,857)</b>	<b>149,160,702</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount from tobacco settlement receivable	22,434,644	-	-	22,434,644
Deferred amount from debt refunding	-	50,629	-	50,629
Deferred amount related to pension	-	3,189,986	-	3,189,986
<b>Total Deferred Outflows of Resources</b>	<b>22,434,644</b>	<b>3,240,615</b>	<b>-</b>	<b>25,675,259</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 80,035,785</b>	<b>\$ 95,519,033</b>	<b>\$ (718,857)</b>	<b>\$ 174,835,961</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, 2015

LIABILITIES	Total Governmental Funds	Long-Term Assets, Liabilities (1)	Reclasses and Eliminations	Statement of Net Position Totals
Accounts payable	\$ 3,014,949	\$ -	\$ -	\$ 3,014,949
Accrued liabilities	2,352,937	79,411	1	2,432,349
Other liabilities	940,422	-	-	940,422
Due to other funds	699,418	-	(699,418)	-
Due to other governments	8,950,977	-	-	8,950,977
BANS payable	7,000,000	-	(7,000,000)	-
Payables From Restricted Assets:				
Due to other funds	19,439	-	(19,439)	-
Noncurrent Liabilities:				
Due within one year	-	620,000	7,000,000	7,620,000
Due in more than one year	-	65,617,565	-	65,617,565
	<u>22,978,142</u>	<u>66,316,976</u>	<u>(718,856)</u>	<u>88,576,262</u>
<b>Total Liabilities</b>				
	<u>22,978,142</u>	<u>66,316,976</u>	<u>(718,856)</u>	<u>88,576,262</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	26,705,702	(2,905,553)	-	23,800,149
Deferred amount from debt refunding	-	74,503	-	74,503
Deferred inflow related to pension	-	1,256,266	-	1,256,266
	<u>26,705,702</u>	<u>(1,574,784)</u>	<u>-</u>	<u>25,130,918</u>
<b>Total Deferred Inflows of Resources</b>				
	<u>26,705,702</u>	<u>(1,574,784)</u>	<u>-</u>	<u>25,130,918</u>
FUND EQUITY/NET POSITION				
Net investment in capital assets	-	-	81,423,418	81,423,418
Restricted for:				
Debt service	-	-	915,308	915,308
Other purposes	-	-	9,705,274	9,705,274
Unrestricted	-	30,776,841	(61,692,060)	(30,915,219)
Nonspendable	2,122,714	-	(2,122,714)	-
Assigned	11,335,006	-	(11,335,006)	-
Restricted	10,620,582	-	(10,620,582)	-
Unassigned	6,273,639	-	(6,273,639)	-
	<u>30,351,941</u>	<u>30,776,841</u>	<u>(1)</u>	<u>61,128,781</u>
<b>Total Fund Equity</b>				
	<u>30,351,941</u>	<u>30,776,841</u>	<u>(1)</u>	<u>61,128,781</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Equity (Deficit)</b>	<u>\$ 80,035,785</u>	<u>\$ 95,519,033</u>	<u>\$ (718,857)</u>	<u>\$ 174,835,961</u>

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, 2015

## (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	\$ 174,215,610
Less: accumulated depreciation	<u>(81,937,192)</u>
Capital assets, net	<u>\$ 92,278,418</u>

To recognize deferred outflows of resources from debt refunding	\$ 50,629
To recognize deferred outflows related to pension	<u>3,189,986</u>
Total deferred outflows of resources	<u>\$ 3,240,615</u>

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

Accrued interest	<u>\$ 79,411</u>
------------------	------------------

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

Bonds and loans payable	\$ 17,085,000
Landfill closing cost	206,837
Compensated absences	907,633
Workers' compensation	2,244,455
OPEB liability	41,478,093
Pension liability	<u>4,315,547</u>
Total noncurrent liabilities	<u>\$ 66,237,565</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	\$ (2,905,553)
To recognize deferred inflows of resources from debt refunding, net of accumulated amortization	74,503
To recognize deferred inflows of resources related to pension	<u>1,256,266</u>
Total deferred inflows of resources	<u>\$ (1,574,784)</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, 2015

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)	\$ 114,602,865
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.	336,369
Interfund revenues are used to charge the costs of certain activities, such as telecommunications, mailing and printing to individual funds. These interfund revenues are reported with governmental activities, but eliminated for the statement of activities.	(4,222,759)
To eliminate interfund revenues of self insurance funds for workers' compensation and health insurance premiums.	(8,885,555)
To eliminate interfund revenue to redeem bond anticipation notes.	(105,000)
To eliminate interfund transfers.	(13,082,391)
To recognize the loss on disposition of capital assets.	<u>(174,199)</u>
	<u><u>\$ 88,469,330</u></u>

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

Charges for services	\$ 5,513,489	
Operating grants and contributions	24,645,057	
Capital grants and contributions	1,029,791	
General revenues and transfers	<u>57,280,993</u>	
Total Revenues of Governmental Activities (Exhibit B)		<u><u>\$ 88,469,330</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, 2015

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)	\$ 113,158,254
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 (\$7,975,697) exceeded depreciation (\$7,006,042).	(969,655)
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.	3,710,700
Interfund expenditures are eliminated against the respective interfund revenues.	(4,222,759)
To eliminate interfund transfers.	(13,082,391)
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.	(535,000)
To eliminate interfund expense related to revenue to redeem bond anticipation note.	(105,000)
To eliminate interfund expenditures for workers' compensation and health insurance premiums.	(8,885,555)
To recognize compensated absences expense for current year change in liability.	46,374
To recognize landfill closing costs for current year change in liability.	(9,071)
To recognize current year effect of change in workers' compensation liability.	(148,891)
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.	119,248
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.	(17,934)
Total Expenses of Governmental Activities (Exhibit B)	<u>\$ 89,058,320</u>

See Independent Auditor's Report and Notes

# WASHINGTON COUNTY, NEW YORK

## Notes to Financial Statements

December 31, 2015

### **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, 2015

**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, 2015

**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 Fund  
Used to account for taxes and other revenues which are raised or received to provide related services to an area which encompasses less than the whole county.
- d. Solid Waste Management  
Used to account for 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, 2015

**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 Fund

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

Component Units

Used to report the activities of the following entities:

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

See pages 31-32, 41 and 50-52 for further information.

Capital Assets

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

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, 2015

**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. Budgets are prepared for the proprietary fund primarily to establish any estimated contributions required from other funds.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**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)	\$ 67,202,853	\$ 12,805,090
Less: encumbrances recorded in budget comparison (not GAAP)	<u>(398,471)</u>	<u>-</u>
GAAP Basis (Exhibit D)	<u>\$ 66,804,382</u>	<u>\$ 12,805,090</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 Legislators. 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, 2015 bank balances were collateralized and insured as follows:

Total on deposit	\$ 32,633,387
Insured by FDIC	(428,772)
Collateralized by pledged securities held by the financial institutions	<u>(32,204,615)</u>
Uninsured and uncollateralized	<u>\$ -</u>

Washington Tobacco Asset Securitization Corporation, a component unit has \$117,637 on deposit at a local bank on December 31, 2015, which was fully insured by the FDIC.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Summary of Significant Accounting Policies – Continued**

Cash and Cash in Time Deposits - Continued

Washington County Local Development Corporation, a component unit had the following on deposit at December 31, 2015:

Total on deposit	\$ 1,516,003
Insured by FDIC	(522,000)
Collateralized by pledged securities and letter of credit held by the financial institutions	<u>(994,003)</u>
Uninsured and uncollateralized	<u>\$ -</u>

The Soil and Water Conservation District, a component unit, had the following on deposit at December 31, 2015:

Total on deposit	\$ 330,391
Insured by FDIC	(309,003)
Collateralized by pledged securities held by the financial institutions	<u>(21,388)</u>
Uninsured and uncollateralized	<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, 2015

**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 412 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 \$1,903,379 as an expenditure during 2015.

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 relieved 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, 2015

**Summary of Significant Accounting Policies – Continued**

Revenue Recognition, Property Taxes – Continued

December 31, 2015 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 \$628,000 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 payor 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, 2015.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**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 Legislators and may be used from any unassigned balance.

Adoption of New Accounting Pronouncement

During the year ended December 31, 2015, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*; *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No 68 and GASB Statement No. 82, Pension Issues, an Amendment of GASB Statements No. 68 and No. 73*. These pronouncements establish accounting and financial reporting standards related to reporting for a government's pension liability. GASB Statements No. 68 and 71 were effective for fiscal years beginning after June 15, 2014 and GASB No. 82 encourages early implementation.

Future Impacts of Accounting Pronouncements

The County has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 72; *Fair Value Measurement and Application*; 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. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local*

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Summary of Significant Accounting Policies – Continued**

**Future Impacts of Accounting Pronouncements - Continued**

*Governments; GASB Statement No. 77, Tax Abatement Disclosures; GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans; GASB Statement No. 79, Certain External Investment Pools and Pool Participants; GASB Statement No. 80, Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14; and GASB Statement No. 81, Irrevocable Split-Interest Agreements, effective after the year ended December 31, 2015. 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, 2015

**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, 2015:

<u>Fund</u>	<u>Deficit Fund Balances</u>
Governmental Funds:	
Capital Project – Clinton Street CP rail	\$ 25,067
Capital Project – Homeland security grants	832
Capital Project – Replacement of light fixtures	406
Capital Project – ACC facilities improvement plan	1
Capital Project – Sewer district #2 long-term control plan	<u>6,396,587</u>
 Total	 <u>\$ 6,422,893</u>

These deficits will be relieved through additional appropriations.

**Restricted Assets**

Restricted assets are as follows:

	<u>Cash Checking and Savings</u>	<u>Loans and Other Receivables</u>
General fund	\$ 2,143,483	\$ -
Special revenue	1,750,000	448,365
Capital projects	1,537,103	-
Agency	39,363	-
Local Development Corporation	151,916	413,142
Soil and Water District	324,668	-
Washington Tobacco Asset Securitization Corporation	<u>907,251</u>	<u>-</u>
 Total	 <u>\$ 6,853,784</u>	 <u>\$ 861,507</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 Funds (workers' compensation claims and employee health benefit claims).

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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

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

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

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

**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 net receivable of \$2,767,655, there is an allowance for doubtful accounts of \$24,712; \$350,300 due within one year and \$2,417,355 due thereafter through 2030.

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, 2015, was \$33,510.

Lease payments receivable consisted of the following at December 31, 2015:

Years ending	
December 31	
2016	\$ 5,155
2017	5,155
2018	5,155
2019	5,155
2020	5,155
Thereafter	<u>7,735</u>
Total	<u>\$ 33,510</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, 2015

**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 \$0 in the year ended December 31, 2015.

**Changes in Capital Assets**

A summary of changes in capital assets is as follows:

	Balance January 1, 2015	Additions	Retirements/ Reclass- ifications	Balance December 31, 2015
<b>Governmental Funds:</b>				
Land	\$ 711,003	\$ -	\$ -	\$ 711,003
Buildings	46,447,838	-	-	46,447,838
Construction in progress	6,177,765	2,114,594	(647,398)	7,644,961
Improvements	801,544	-	53,170	854,714
Bridges	36,804,637	453,093	-	37,257,730
Roads	38,125,657	3,990,582	-	42,116,239
Infrastructure	13,523,669	-	323,536	13,847,205
Machinery and equipment	24,631,912	1,417,428	(713,420)	25,335,920
<b>Total cost</b>	<b>167,224,025</b>	<b>7,975,697</b>	<b>(984,112)</b>	<b>174,215,610</b>
<b>Less: accumulated depreciation:</b>				
Buildings	(22,303,498)	(1,124,960)	-	(23,428,458)
Improvements	(189,847)	(55,959)	-	(245,806)
Bridges	(5,693,915)	(1,146,321)	-	(6,840,236)
Roads	(24,486,036)	(2,579,380)	-	(27,065,416)
Infrastructure	(6,642,771)	(276,944)	-	(6,919,715)
Machinery and equipment	(16,424,997)	(1,822,478)	809,914	(17,437,561)
<b>Total accumulated depreciation</b>	<b>(75,741,064)</b>	<b>(7,006,042)</b>	<b>809,914</b>	<b>(81,937,192)</b>
<b>Total cost, net</b>	<b>\$ 91,482,961</b>	<b>\$ 969,655</b>	<b>\$ (174,198)</b>	<b>\$ 92,278,418</b>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Changes in Capital Assets - Continued**

Depreciation was charged to governmental funds as follows:

General Government	\$ 419,689
Public Safety	938,520
Health and Sanitation	44,143
Transportation	4,678,366
Economic Assistance	102,742
Culture and Recreation	12,607
Home and Community	809,975
	<hr/>
Total	<u>\$ 7,006,042</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, 2015 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 438,039	\$ 39,168
County Road Fund	19	175,477
Sewer District #2 Long-Term Control Plan Capital Project	-	61,678
Non-Major Funds:		
Special Revenue Funds:		
Car Pool	34,801	5,154
County Road Machinery	177,875	419
Sewer District #1	-	2,000
Sewer District #2	63,678	965
Solid Waste Management	-	421
Self-Insured Health Benefits Fund	-	300
Self-Insurance – Workers’ Compensation	-	19,139
Capital Projects Funds	4,445	414,136
Total Non-Major Funds	<hr/> 280,799	<hr/> 442,534
Total	<hr/> <u>\$ 718,857</u>	<hr/> <u>\$ 718,857</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, 2015

**Interfund Transactions – Continued**

Interfund transfers during the year were as follows:

	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 553,664	\$ 12,266,756
County Road Fund	9,908,073	11,324
Non-Major Funds:		
Special Revenue Funds:		
County Road Machinery	-	334,814
Sewer District #2	250,647	-
Self-Insured Health Benefits Fund	-	135,000
Capital Project Funds	589,934	334,497
Debt Service Fund	1,780,073	-
Total Non-Major Funds	2,620,654	804,311
Total	\$ 13,082,391	\$ 13,082,391

**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 \$22,434,644 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 \$50,629, net of amortization of \$18,806, as well as deferred outflows of resources related to pension in the amount of \$3,189,986. See the pension related disclosure on page 45 for details.

**Indebtedness**

**Retirement Plan**

The County participates 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 [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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

Retirement Plan – Continued

Benefits Provided

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, 2015

**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.

*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

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

Retirement Plan – Continued

Benefits Provided – Continued

*Post-Retirement Benefit Increases - Continued*

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.

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Contributions for the current year and two preceding years were as follows:

2015	\$ 3,069,714
2014	4,680,064
2013	5,776,706

The County paid 100% of the required contribution due on December 15, 2015 for the System's March 31, 2016 fiscal year.

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

At December 31, 2015, the County reported a liability of \$4,315,547 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, 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.

As of December 31, 2015, Washington County's proportion was .1277452 percent.

For the year ended December 31, 2015, Washington County recognized pension expense of \$3,591,547. At December 31, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

Retirement Plan – Continued

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 138,145	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	749,556	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,256,266
Employer contributions subsequent to the measurement date	<u>2,302,285</u>	<u>-</u>
Total	<u>\$ 3,189,986</u>	<u>\$ 1,256,266</u>

\$887,701 reported as deferred outflows of resources related to pensions and \$1,256,266 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,	
2016	\$ (92,141)
2017	(92,141)
2018	(92,141)
2019	<u>(92,142)</u>
Total	<u>\$ (368,565)</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

Retirement Plan – Continued

Actuarial Assumptions

The total pension liability as of March 31, 2015, was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions:

Inflation	2.7%
Salary increases	4.9%
Investment rate of return (net of investment expense, including inflation)	7.5%

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 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, 2014, valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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, 2015 (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 7.5%. 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,

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

Retirement Plan – Continued

Discount Rate – Continued

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.

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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability:			
ERS	<u>\$28,764,989</u>	<u>\$ 4,315,547</u>	<u>\$(16,325,844)</u>

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of all employers as of March 31, 2015, were as follows:

	ERS (Dollars in Thousands)
Employers' total pension liability	\$164,591,504
Plan net position	<u>(161,213,259)</u>
Employers' net pension liability	<u>\$ 3,378,245</u>
Ratio of plan net position to the employers' total pension liability	97.9%

Prepaid Expense

The County paid 100% of the pension invoice for the pension year ended March 31, 2016, in the amount of \$3,069,714, prior to December 31, 2015. In accordance with the requirements of the New York State Comptroller, they reported prepaid expenses of \$767,429, which represents 25% of the invoice.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

Retirement Plan – Continued

Restatement of Net Position

For the fiscal year ended December 31, 2015, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*, in addition to GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The implementation of these statements resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the County’s participation in the New York State Employees’ retirement system.

The County’s net position has been restated for pension obligations as follows:

Government-wide statements:

GASB Statement No. 68 implementation:

Beginning deferred outflows of resources	\$ 3,510,050
Beginning pension liability	<u>(5,772,629)</u>

Net decrease related to cumulative effect of change in accounting principle	<u>\$ (2,262,579)</u>
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Due to Other Governments

The liability for due to other governments represents amounts owed at December 31, 2015 as follows:

	General Fund	Special Revenue Funds	Trust and Agency Fund (included in other liabilities)
Due to other counties	\$ 236,289	\$ 1,512	\$ -
Due to New York State	828,896	-	671
Due to special districts	17,700	-	-
Due to central school districts	6,973,957	-	-
Due to villages and towns	<u>879,575</u>	<u>13,048</u>	<u>-</u>
Total	<u>\$ 8,936,417</u>	<u>\$ 14,560</u>	<u>\$ 671</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

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

	Payable at January 1, 2015	Additions	Payments/ Reclassifications	Payable at December 31, 2015	Due Within One Year	Due in More Than One Year
Bond anticipation notes payable	\$ 6,550,000	\$ 555,000	\$ (105,000)	\$ 7,000,000	\$ 7,000,000	\$ -
Compensated absences	861,259	46,374	-	907,633	-	907,633
Workers' compensation	2,393,346	1,056,306	(1,205,197)	2,244,455	-	2,244,455
OPEB liability	37,767,393	6,506,300	(2,795,600)	41,478,093	-	41,478,093
Pension liability	5,772,629	3,222,981	(4,680,063)	4,315,547	-	4,315,547
Landfill closing costs	215,908	-	(9,071)	206,837	-	206,837
State loans payable	180,000	-	(25,000)	155,000	25,000	130,000
General obligations and serial bonds	4,135,000	-	(435,000)	3,700,000	450,000	3,250,000
WTASC bonds	13,305,000	-	(75,000)	13,230,000	145,000	13,085,000
Total	<u>\$ 71,180,535</u>	<u>\$11,386,961</u>	<u>\$ (9,329,931)</u>	<u>\$ 73,237,565</u>	<u>\$ 7,620,000</u>	<u>\$ 65,617,565</u>

**Bond Anticipation Notes**

Bond anticipation notes, (BANS) as of December 31, 2015 represented short-term financing arrangements for two capital projects at an interest rate of 1.25%. One BAN in the amount of \$6,445,000 matures on June 14, 2016 and one BAN in the amount of \$555,000 matures on June 15, 2016.

**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.

\$ 155,000

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

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. \$ 2,135,000

\$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%. 1,565,000

Total general obligation and serial bonds \$ 3,700,000

Total interest expense for Washington County was \$836,227 for the year ended December 31, 2015.

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

	<u>Principal</u>	<u>Interest</u>
Years ending		
December 31,		
2016	\$ 475,000	\$ 105,633
2017	480,000	90,956
2018	490,000	79,481
2019	355,000	67,812
2020	365,000	58,753
2021-2025	1,375,000	156,481
2026-2027	<u>315,000</u>	<u>12,700</u>
Total	<u>\$ 3,855,000</u>	<u>\$ 571,816</u>

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.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**Indebtedness – Continued**

Washington Tobacco Asset Securitization Corporation (WTASC) – Continued

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,			
2016	\$ 145,000	\$ 666,219	\$ 811,219
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
2021-2025	1,455,000	2,969,345	4,424,345
2026-2030	1,855,000	2,572,206	4,427,206
2031-2035	2,380,000	2,045,750	4,425,750
2036-2040	3,055,000	1,369,875	4,424,875
2041-2045	3,465,000	502,750	3,967,750
	<u>\$ 13,230,000</u>	<u>\$ 12,711,226</u>	<u>\$ 25,941,226</u>
Total			

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 \$727,831, as compared to its tobacco settlement revenues of \$767,288. 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 \$652,566 for the year ended December 31, 2015.

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, 2015, the Corporation has drawn down \$300,000 and has made eight loans. The terms are as follows:

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**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.

\$ 149,234

Less: current portion

(10,842)

Long-term debt, net of current portion

\$ 138,392

Maturities of long-term debt are as follows:

Years ending December 31,	<u>Principal</u>	<u>Interest</u>
2016	\$ 10,842	\$ 1,497
2017	10,951	1,388
2018	11,060	1,279
2019	11,171	1,168
2020	11,283	1,056
2021-2025	58,128	3,567
2026-2027	35,799	605
	<u>\$ 149,234</u>	<u>\$ 10,560</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 \$907,633 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, 2015

**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, 2015

Normal cost	\$ 3,769,800
Past service cost	<u>2,849,800</u>
Annual Required Contribution (ARC)	6,619,600
Interest on OPEB obligation	1,133,000
Adjustments to ARC	<u>(1,246,300)</u>
OPEB expense	<u>\$ 6,506,300</u>

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

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

Other Disclosure Information - Continued

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%

Reconciliation of Net OPEB Obligation	
At December 31, 2013:	
Net OPEB obligation at the beginning of the year	\$ 29,035,271
OPEB expense	7,320,900
Net OPEB contributions made during the fiscal year *	<u>(2,295,578)</u>
Net OPEB obligation at the end of the year	<u>\$ 34,060,593</u>
Percentage of expense contributed	31.4%

\* 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, 2014, 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, 2015

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

**Actuarial Methods and Assumptions - Continued**

discount rate. The valuation assumes a variable healthcare cost trend inflation rate ranging from 7.9% down to 4.3% and a postretirement benefit increase of 3% for contract migration. The actuary determined based on information provided by the County that the use of the November 1, 2014 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 deferred tax, tobacco settlement, and capital project revenues of \$23,800,149, in addition to a deferred amount from debt refunding totaling \$74,503, the bond premium received in 2013 on debt refinancing of \$102,174, net of amortization of \$27,671. The third component of deferred inflows of resources is related to the pension in the amount of \$1,256,266, details of which can be found in the pension disclosures on page 45.

**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 2015 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	
2016	\$ 60,000
2017	60,000
2018	15,000
	<hr/>
Total	\$ 135,000

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**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, 2015, the amount required to terminate the current contract is \$677,353 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, 2015

**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 2015 expenditures approximated \$448,000.

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, 2015. 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 \$3,002,492, which includes amounts owed for prior employees of the Pleasant Valley Infirmary. \$2,244,455 of the liability is reported in the County’s long-term debt and includes \$879,055 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 2015 totaled \$1,205,197.

Changes in the Workers’ Compensation aggregate claims liabilities for the years ended December 31, 2015 and 2014 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Liability End of Year
2015	\$ 3,036,082	\$ 1,171,607	\$ (1,205,197)	\$ 3,002,492
2014	3,011,090	904,864	(879,872)	3,036,082

**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, 2015

**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, 2015, 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 \$766,032 in the general fund, \$93,025 in the county road fund and \$293,437 in the non-major funds.

Inventories of \$6,067 in the general fund, \$302,381 in the county road fund and \$661,772 in the non-major county road machinery fund.

Restricted funds represent the following:

Workers' Compensation reserve of \$902,113, \$1,000,000 in tax litigation reserve, \$277,122 in restricted crime proceeds and \$1,711,168 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 \$907,251 in Washington Tobacco Asset Securitization Corporation component unit and \$8,057 in the Sewer District #2 fund.

Worker' compensation reserve of \$1,750,000 in the non-major workers' compensation self-insurance fund.

Sewer capital and repair reserves totaling \$1,759,820 in the non-major sewer funds.

Capital project reserves of \$2,305,049 in the non-major funds.

Assigned funds include the following:

Encumbrances:

General fund of \$398,471.

Appropriations to meet expenditures for 2016:

General fund of \$2,879,697 and county road fund of \$770,584.

Funds reserved by the Board of Supervisors for various purposes in the general fund, including public safety and tax abatement of \$313,900.

Positive fund balances in all of the governmental funds except the general fund of \$6,972,354.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**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, 2015

Total assets	\$ 37,060,398
Total deferred outflows of resources	583,148
Total liabilities	19,318,776
Total deferred inflows of resources	1,938,072
Joint net position	16,386,698
Total revenues	33,435,117
Total expenditures	34,439,933

Joint Venture Net Position consists of the following:

Net investment in capital assets	\$ 25,385,869
Restricted	360,000
Unrestricted (deficit)	<u>(9,359,171)</u>
Total	<u>\$ 16,386,698</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.

**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 \$408,729 in contributions to the deferred compensation plan for the year ended December 31, 2015.

WASHINGTON COUNTY, NEW YORK

Notes to Financial Statements

December 31, 2015

**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).

\$114,361 is reported as landfill closure and postclosure care in accrued liabilities at the Easton Landfill at December 31, 2015 and represents the estimated costs of future monitoring for 14 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 14 years.

\$92,475 is reported as postclosure care in accrued liabilities for the Fort Ann Landfill on December 31, 2015 and represents the estimated costs of future monitoring for 14 years. These amounts are based on past expenditures and an annual escalation of 3.5% for each of the following 14 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 2015.

**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.

**Subsequent Events**

The County has evaluated all events through September 23, 2016, 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, 2015

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, 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%
November 1, 2010:	\$ -	\$ 79,080,600	\$ 79,080,600	0%	\$ 30,549,456	259%

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, 2015

New York ERS Pension Plan

	<u>2015</u>
Proportion of the net pension liability	0.1277452%
Proportionate share of the net pension liability	\$ 4,315,547
Covered employee payroll	\$ 26,603,829
Proportionate share of the net pension liability as a percentage of covered-employee payroll	16.22%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015

New York ERS Pension Plan

	<u>2015</u>
Contractually required contribution	\$ 4,680,064
Contributions in relation to the contractually required contribution	<u>(4,680,064)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 26,603,829
Contributions as a percentage of covered employee payroll	17.59%

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 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 Expenditures of Federal Awards

Year Ended December 31, 2015

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		\$ 150,494	\$ 150,494
WIA Dislocated Workers	17.278		238,344	238,344
WIA Youth Activities	17.259		<u>125,204</u>	<u>125,204</u>
Total WIA Cluster			514,042	514,042
Trade Adjustment Assistance	17.245		379,368	379,368
Workforce Innovation Fund	17.283		<u>68,414</u>	<u>68,414</u>
Total U. S. Department of Labor			961,824	961,824
<u>U.S. Federal Emergency Management Agency</u>				
U.S. Department of Homeland Security				
Passed Through NYS Division of Homeland Security and Emergency Services:				
Security Grant Program	97.067	C974310		8,953
		C974320		25,940
		C974330		58,810
		C974340		(11,062)
		T974312		(296)
		T974342		(500)
		T974342		<u>19,977</u>
Total U.S. Federal Emergency Management Agency				101,822

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015

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</u>				
Passed Through New York State Office of Temporary and Disability Assistance:				
SNAP Cluster:				
Supplemental Nutrition Assistance Program	10.561			620,148
Passed Through New York State Office of Temporary and Disability Assistance:				
Supplemental Food W.I.C.	10.557		1,071,095	
Passed Through New York State Department of Health:				
Supplemental Food W.I.C.	10.557		<u>441,815</u>	1,512,910
Rural Development Intermediary Relending Program (Through Washington County LDC-Component Unit) January 1, 2015 Loan Balance \$160,090				
	10.767			<u>12,339</u>
Total U.S. Department of Agriculture				2,145,397
<u>U.S. Department of Transportation</u>				
Passed Through New York State Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Construction Program:				
CR 16 Bridge	20.205		86,180	
CR 113 Bridge			<u>87,120</u>	173,300
National Traffic Safety Board Administration Passed Through New York State Traffic Safety Board:				
Highway Safety Cluster:				
DWI Crackdown Grant	20.600	C002123-3700393	7,721	
Child Passenger Safety Seat Grant	20.602		<u>10,918</u>	18,639
Total Highway Safety Cluster				<u>18,639</u>
Total U. S. Department of Transportation				191,939

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015

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		8,114
Total U.S. Election Assistance Commission				8,114
<u>U.S. Department of Health and Human Services</u>				
Passed Through New York State Department of Health:				
Immunization Grant	93.268			28,200
Passed Through Health Research Incorporated				
Bio-Terrorism Grant	93.069	1629-10		43,722
Medicaid Cluster:				
Passed Through New York State				
Department of Health:				
Medical Assistance Program	93.778		775,450	
Passed Through New York State Office of Alcoholism				
and Substance Abuse:				
Medicaid Salary Sharing	93.778		12,026	
Passed Through New York State Office of Mental				
Health:				
Medicaid Salary Sharing	93.778		25,314	
Total Medicaid Cluster				812,790
TANF Cluster:				
Passed Through Office of Temporary				
and Disability Assistance:				
Assistance Payments / Maintenance (TANF)	93.558		4,371,771	
Safety Net	93.558		58,896	
Passed Through Hudson Headwaters Health Network:				
TANF Summer Youth Employment	93.558		76,057	
Total TANF Cluster				4,506,724

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015

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 Office of Temporary and Disability Assistance:				
Foster Care	93.658			504,259
Adoption Assistance	93.659			15,282
Child Support Enforcement Title IV-D	93.563			242,394
Low Income Home Energy Assistance	93.568			3,215,772
Passed Through New York State Office of Aging:				
Aging Cluster:				
Special Programs for the Aging, Title III-C	93.045		116,370	
Special Programs for the Aging, Title III-B	93.044		59,957	
Nutrition Services Incentive Program	93.053		<u>54,116</u>	
Total Aging Cluster				230,443
Passed Through New York State Office of Aging:				
Special Programs for the Aging, Title III-D	93.043			3,600
Title III-E	93.052			23,728
HIICAP	93.779			54,722
M.I.P.P.A.	93.518			13,943
Passed Through New York Office of Children and Family Services:				
CCFD Cluster:				
Child Care, Title IV-E	93.596			936,238

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015

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>235,642</u>	
Total U.S. Department of Health and Human Services					10,867,459
<u>U.S. Department of Education</u>					
Passed Through NYS Department of Health:					
Early Intervention Administration	84.181	C027517		<u>24,053</u>	24,053
<u>U.S. Department of Justice</u>					
Drug Enforcement Administration:					
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant	16.580			<u>11,512</u>	
Total U. S. Department of Justice					11,512
<u>U.S. Environmental Protection Agency</u>					
Passed Through NYS Department of Health:					
Radon Grant	66.032	T027076		<u>2,311</u>	<u>2,311</u>
Total Federal Expenditures			<u>\$ 961,824</u>	<u>\$ 14,314,431</u>	

See Independent Auditor's Report and Notes

## WASHINGTON COUNTY, NEW YORK

### Notes to Schedule of Expenditures of Federal Awards

December 31, 2015

#### **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, 2015. 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 County's loan balance at January 1, 2015 was \$160,090. They made principal payments of \$10,856 and interest payments of \$1,483 during 2015, leaving an ending balance at December 31, 2015, of \$149,234. 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, 2015

<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	\$ 150,494	
WIA Dislocated Workers	17.278	238,344	
WIA Youth Activities	17.259	<u>125,204</u>	
Total WIA Funds			514,042
Trade Adjustment Assistance	17.245 **		379,368
Workforce Innovation Fund	17.283		<u>68,414</u>
Total U.S. Department of Labor			<u>\$ 961,824</u>

\*\* This program was audited as a major program by the subrecipient's auditor for the year ended March 31, 2015. Reference should be made to the subrecipient's audit report for information related to that audit.

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, 2015, 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 23, 2016.

**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. (2015-001)

## **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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003.

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

Washington County, New York's response to the findings 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 23, 2016

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, 2015. 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.

***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, 2015.

**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 23, 2016

WASHINGTON COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2015

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

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, 2015

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>
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care Title IV-E
93.558	Temporary Assistance for Needy Families (TANF) Cluster

\*\* CFDA numbers and determination of clusters based upon OMB Compliance Supplement dated June 2015.

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

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

WASHINGTON COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2015

Section II - Financial Statement Findings

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2015-001	<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 2014.</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
2015-002	<p><u>Criteria:</u> Section 35.2 of General Municipal Law requires a public notice regarding each year's audit be published in a local newspaper within 10 days of filing the audit report by the County Clerk.</p> <p><u>Condition:</u> Washington County failed to publish notice of the 2014 audit in a timely manner.</p> <p><u>Context:</u> As part of compliance testing, it was discovered that the notice for 2014 was published on June 2, 2016, more than four months after the statements were issued.</p> <p><u>Effect:</u> By not publishing notice of the 2014 audit timely, the public may not be aware of their right to review the document when it is issued.</p> <p><u>Cause of Condition:</u> The cause appears to be management oversight.</p>	N/A

WASHINGTON COUNTY, NEW YORK  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2015

Section II - Financial Statement Findings - Continued

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2015-002	<p><u>Recommendation:</u> Ensure that the notice is filed timely in the future.</p> <p><u>Views of Responsible Officials and Planned Corrective Actions:</u> The County Treasurer will ensure that the notice is timely filed in the future.</p>	
2015-003	<p><u>Criteria:</u> Single Audit reports are required to be submitted to the Federal Audit Clearing House within 30 days of completion and no later than nine months after the end of the fiscal year under audit.</p> <p><u>Condition:</u> Washington County failed to timely file the audited financial statements for the year ended December 31, 2014. The filing deadline was September 30, 2015, and the audit was filed on January 21, 2016.</p> <p><u>Context:</u> The auditors were aware of the late filing as their report was dated January 18, 2016.</p> <p><u>Effect:</u> Audit reports that are not timely filed could result in sanctions imposed by government agencies.</p> <p><u>Cause of Condition:</u> The audit was completed after September 30, 2015, because a GASB 45 actuarial report was not received in a timely manner. The failure to timely request the report was due to a management oversight.</p> <p><u>Recommendation:</u> We recommend that all information required for the annual audit be requested by management well in advance of the scheduled audit.</p> <p><u>Views of Responsible Officials and Planned Corrective Actions:</u> The issue was discussed with the County Treasurer, who indicated that he will ensure that future reports are filed in a timely manner.</p>	N/A

## WASHINGTON COUNTY, NEW YORK

Schedule of Status of Findings and Questioned Costs  
From 2014 Report

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Cost</u>
2014-001	<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.  <u>Status</u> : The finding was repeated in 2015 as 2015-001.	N/A