

**COUNTY OF WARREN**

**Financial Statements as of  
December 31, 2011  
Together with  
Independent Auditors' Reports**

**Bonadio & Co., LLP**  
Certified Public Accountants

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT .....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	3-13
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of net assets.....	14
Statement of activities .....	15
Fund Financial Statements:	
Balance sheet - Governmental funds .....	16
Statement of revenue, expenditures, and changes in fund equity - Governmental funds .....	17
Combined statement of revenue, expenditures and changes in fund equity - Budget and actual - General fund .....	18
Reconciliation of total governmental fund balance to net assets of governmental activities .....	19
Reconciliation of the statement of revenue, expenditures, and changes in fund equity - governmental funds - to the statement of activities.....	20
Proprietary Fund Statements:	
Statement of net assets - Westmount Health Facility .....	21
Statement of revenue, expenses, and changes in net assets - Westmount Health Facility .....	22
Statement of cash flows - Westmount Health Facility.....	23
Fiduciary Fund Statements:	
Statement of fiduciary net assets .....	24
Statement of change in fiduciary net assets .....	24

**C O N T E N T S (Continued)**

	<u>Page</u>
Discretely Presented Component Units:	
Statement of net assets .....	25
Statement of revenue, expenditures, and changes in fund equity .....	26
Notes to basic financial statements .....	27-54
<b>REQUIRED REPORTS UNDER OMB CIRCULAR A-133</b>	
Report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i> .....	55-56
Independent Auditor's Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 .....	57-58
Schedule of expenditures of federal awards .....	59-60
Notes to schedule of expenditures of federal awards .....	61
Schedule of findings and questioned costs .....	62-63
Schedule of prior year audit findings .....	64

## INDEPENDENT AUDITORS' REPORT

August 8, 2012

To the Chairman and Members of  
the Board of Supervisors of the County of Warren:

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 the County of Warren, New York (the County) as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Westmount Health Facility (a proprietary fund), which represents 100 percent of the assets, net assets, and revenues of the business-type activities. We did not audit the financial statements of the Warren County Local Development Corporation, which represent 53 percent, 91 percent, and 4 percent, respectively, of the assets, net assets, and revenue of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Westmount Health Facility and Warren County Local Development Corporation, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Warren, New York as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

6 Wembley Court  
Albany, New York 12205  
p (518) 464-4080  
f (518) 464-4087

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
NYC • PERRY • GENEVA

## INDEPENDENT AUDITORS' REPORT (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2012, on our consideration of the County of Warren's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. The financial statements of Westmount Health Facility were not audited in accordance with *Government Auditing Standards*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 13 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 and the other auditors 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 regarding 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Warren's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **COUNTY OF WARREN**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2011**

---

Our discussion and analysis of the County of Warren, New York's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2011. This document should be read in conjunction with the County's financial statements which begin on page 14.

#### **FINANCIAL HIGHLIGHTS**

- The County's net assets increased by \$3.6 million as a result of this year's activity, which is illustrated in the Statement of Activities. Included in this amount is a \$0.9 million increase for the Westmount Health Facility under Business Type Activities.
- The County's \$154.2 million in governmental and business-type activity expenses were partially funded with program revenue of \$62.9 million with \$94.9 million funded with general revenue, which is illustrated in the Statement of Activities.
- The modified 2011 budget planned for a decrease in the General Fund balance of approximately \$49,000; however, there was an actual operating surplus of \$5.9 million, resulting in a budget surplus of \$6.0 million, which is illustrated in the Combined Statement of Revenue, Expenditures and Changes in Fund Equity - Budget and Actual - General Fund.
- During 2011, County of Warren implemented Governmental Accounting Standards Board (GASB) standard 54 which reclassifies fund balance characteristics into the following categories: non-spendable; restricted; committed; assigned; and unassigned.
- In November, the County received \$2.1 million in proceeds from the sale of the intermunicipal waste disposal plant, which was transferred to the general fund.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a set of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements begin thereafter. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

#### **REPORTING THE COUNTY AS A WHOLE**

Our analysis of the County as a whole begins with the Statement of Net Assets. One of the most important questions asked about the County's finances is, "Is the County, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a manner that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

## **REPORTING THE COUNTY AS A WHOLE (Continued)**

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities – Most of the County’s basic services are reported here, including public safety, public works, economic assistance, health, parks, and general support. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The County’s nursing home facility is reported here. Information included in the accompanying financial statements regarding the business-type activities were derived from separately issued audited financial statements which can be obtained from the Warren County Treasurer’s Office.
- Component units – The County includes three separate legal entities in its report – the Warren County Soil and Water Conservation District, the Warren County Local Development Corporation (LDC), and the Warren Tobacco Asset Securitization Corporation (WTASC). Although legally separate, these “component units” are important because the County is financially accountable for them. Information included in the accompanying financial statements regarding the WTASC and LDC was derived from separately issued audited financial statements which can be obtained from the Warren County Treasurer’s Office.

## **REPORTING THE COUNTY’S MOST SIGNIFICANT FUNDS**

Our analysis of the County’s major funds provides detailed information about the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County board of supervisors may establish other funds to help it control and manage resources for particular purposes. The County has three types of funds – Governmental, Fiduciary, and Proprietary.

- Governmental funds – Most of the County’s basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for expenditure. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash, as well as liabilities that will be paid using these resources. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be expended in the near future to finance the County’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations to the fund financial statements.
- Fiduciary funds - Used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and/or other funds.
- Proprietary funds – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

## **THE COUNTY AS TRUSTEE**

The County is responsible for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **THE COUNTY AS A WHOLE**

The County’s combined net assets increased from \$53.8 million to \$57.3 million. Net assets may serve over time as one useful indicator of a government’s financial condition. This reflects a \$3.6 million increase over the 2010 net asset amount. The majority of the County’s net assets are capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) net of related outstanding debt used to acquire those assets. The County uses these assets to provide services to citizens; consequently these assets are not available for future spending. Program expenses in 2011 for the County’s Governmental Activities increased by \$4.9 million, which represents a 3.5% increase. The 3.5% increase is primarily a result of the following attributing factors: a \$6.7 million increase in the retiree’s health insurance postemployment benefit obligation required by GASB #45; a \$1.7 million increase in sales tax distributions due to an increase in sales tax revenue for 2011; a \$1.3 million increase in intergovernmental transfer (IGT) local share costs as a result of the State paying 2010 and 2011 IGT funding in 2011; and a \$4.0 reduction resulting from the sale of the intermunicipal waste disposal plant in 2011 and the use of a debt service reserve fund to pay most of debt service requirements for 2011.

Current assets in 2011 for the County’s Governmental and Business-Type activities decreased by \$2.6 million and increased by \$1.7 million, respectively. The decrease associated with the County’s Governmental activities is primarily the result of a \$1.9 million decrease in cash for the Corinth Road capital project as the project nears completion. The increase associated with Business-Type activities is the result of the State paying the County \$2.9 million in intergovernmental transfer (IGT) funding relating to Medicaid for 2010 and 2011 with the County subsequently paying off a \$1.5 million revenue anticipation note for a net increase of \$1.4 million.

Long-term liabilities outstanding in 2011 for the County’s Governmental and Business-Type activities increased by \$5.7 million and \$0.4 million, respectively. The increase associated with the County’s Governmental activities is partially the result of a \$6.7 million increase in the postemployment benefit obligation required by GASB # 45. The increase associated with Business –Type activities is the result of a \$0.7 million increase in the postemployment benefit obligation required by GASB # 45.

Capital assets increased for the County’s Governmental activities by \$6.2 million which is primarily the result of a \$7.6 million increase to Construction in Progress relating to the Corinth Road project.

**THE COUNTY AS A WHOLE (Continued)**

Our analysis below focuses on the net assets (Table 1) which is discussed above and changes in net assets (Table 2) of the County's governmental and business-type activities.

**Table 1 Net Assets (In Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 57.4	\$ 60.0	\$ 3.2	\$ 1.5	\$ 60.6	\$ 61.5
Capital assets	<u>110.9</u>	<u>104.7</u>	<u>3.2</u>	<u>3.5</u>	<u>114.1</u>	<u>108.2</u>
Total assets	<u>\$ 168.3</u>	<u>\$ 164.7</u>	<u>\$ 6.4</u>	<u>\$ 5.0</u>	<u>\$ 174.7</u>	<u>\$ 169.7</u>
Long-term debt outstanding	\$ 79.0	\$ 73.3	\$ 5.9	\$ 5.5	\$ 84.9	\$ 78.8
Other liabilities	<u>31.2</u>	<u>35.9</u>	<u>1.3</u>	<u>1.2</u>	<u>32.4</u>	<u>37.1</u>
Total liabilities	<u>\$ 110.2</u>	<u>\$ 109.2</u>	<u>\$ 7.2</u>	<u>\$ 6.7</u>	<u>\$ 117.4</u>	<u>\$ 115.9</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 69.0	\$ 60.0	\$ 1.2	\$ 1.2	\$ 70.2	\$ 61.2
Restricted	4.4	5.8	-	-	4.4	5.8
Unrestricted	<u>(15.3)</u>	<u>(10.4)</u>	<u>(1.9)</u>	<u>(2.9)</u>	<u>(17.2)</u>	<u>(13.2)</u>
Total net assets	<u>\$ 58.1</u>	<u>\$ 55.4</u>	<u>\$ (0.8)</u>	<u>\$ (1.7)</u>	<u>\$ 57.3</u>	<u>\$ 53.8</u>

**THE COUNTY AS A WHOLE (Continued)**

**Table 2 Changes in Net Assets (In Millions)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Program revenue:						
Charges for services	\$ 20.5	\$ 22.2	\$ 6.4	\$ 4.9	\$ 26.9	\$ 27.1
Operating grants	25.9	28.7	0.3	0.2	26.3	28.9
Capital grants	9.7	12.8	-	-	9.7	12.8
General revenue:						
Property taxes	39.5	38.0	-	-	39.5	38.0
Other taxes	51.6	48.7	-	-	51.6	48.7
Other general revenue	1.0	1.2	2.8	0.1	3.9	1.3
Total revenue	<u>148.3</u>	<u>151.6</u>	<u>9.5</u>	<u>5.2</u>	<u>157.8</u>	<u>156.8</u>
Program expenses:						
General governmental support	38.8	35.3	-	-	38.8	35.3
Education	2.1	2.1	-	-	2.1	2.1
Public safety	26.8	25.7	-	-	26.8	25.7
Health	15.8	16.5	-	-	15.8	16.5
Transportation	15.5	12.7	-	-	15.5	12.7
Economic Assistance and Opportunity	41.1	39.4	-	-	41.1	39.4
Culture and recreation	1.6	1.5	-	-	1.6	1.5
Home and community services	2.1	5.5	-	-	2.1	5.5
Debt service	1.8	1.9	-	-	1.8	1.9
Westmount Health Facility	-	-	8.7	8.2	8.7	8.2
Total expenses	<u>145.5</u>	<u>140.6</u>	<u>8.7</u>	<u>8.2</u>	<u>154.2</u>	<u>148.8</u>
Change in net assets	<u>\$ 2.7</u>	<u>\$ 11.0</u>	<u>\$ 0.9</u>	<u>\$ (3.0)</u>	<u>\$ 3.6</u>	<u>\$ 8.0</u>

Program revenue –

Charges for services for Governmental Activities decreased by \$1.7 million from 2010, of which \$3.5 million is attributable to a decrease in local share for the Corinth Road capital project and \$2.1 million is an increase attributable to the sale of the intermunicipal waste disposal plant in 2011.

Charges for services for Business-Type Activities increased by \$1.5 million from 2010, of which \$0.6 million is attributable to an increase in private pay revenue and \$0.7 million is attributable to an increase in Medicaid funding.

## THE COUNTY AS A WHOLE (Continued)

Operating grants for Governmental Activities decreased by \$2.8 million from 2010, of which \$2.4 million relates to Economic Assistance and Opportunity and consists of the following Social Services programs: Medicaid program decreased by \$1.2 million; Child Care program decreased by \$0.7 million; and social services administration program decreased by \$0.5 million.

Capital grants for Governmental Activities decreased by \$3.1 million from 2010, of which \$2.2 million is attributable to the Corinth Road capital project.

### General revenue for Governmental Activities –

Sales and use taxes increased by \$2.9 million, of which \$3.5 million relates to an increase in sales tax revenues and \$0.9 million relates to a decrease in the amount of sales tax towns leave with the County to reduce taxes.

### General revenue for Business-Type Activities –

Other sources increased by \$2.7 million from 2010, of which \$2.9 million relates to the receipt of IGT funding from the State for 2010 and 2011.

### Program expenses –

General governmental support increased by \$3.5 million from 2010. Notable increases were a \$1.7 million increase in sales tax distributions due to an increase in sales tax revenue; a \$1.5 million increase in the retiree's health insurance postemployment benefit obligation required by GASB #45.

Transportation increased by \$2.8 million from 2010 primarily from less costs being capitalized from capital projects in 2011 than in 2010 which are reclassified from program expenses.

Home and community services decreased by \$3.4 million from 2010 of which \$4.0 million is attributable to the sale of the intermunicipal waste disposal plant in 2011 and the use of a debt reserve fund to pay most of the debt service requirements for 2011.

## THE COUNTY AS A WHOLE (Continued)

Table 3 presents the cost of each of the County's five largest governmental programs: economic assistance and opportunity, public safety, general support, transportation, and health – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities (In Millions)**

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Economic Assistance and Opportunity	\$ 41.1	\$ 22.1	\$ 39.4	\$ 18.4
Public safety	26.8	24.7	25.7	22.9
General support	38.8	23.0	35.3	16.7
Transportation	15.5	11.2	12.7	5.4
Health	15.8	3.7	16.5	3.8
All others	<u>7.6</u>	<u>4.7</u>	<u>11.0</u>	<u>9.8</u>
Totals	<u>\$ 145.5</u>	<u>\$ 89.4</u>	<u>\$ 140.6</u>	<u>\$ 77.0</u>

The increase in the Net Cost of Services for Economic Assistance and Opportunity is primarily the result of a \$2.4 million decrease in operating grants which is further explained in Table 2.

The increase in the Net Cost of Services for General Support is attributable to increases in cost of \$3.8 million and the decrease in capital grants of \$3.1 million which are further explained in Table 2.

The increase in the Net Cost of Services for Transportation is attributable to increases in cost of \$2.8 million and a decrease in charges for services in the amount of \$3.5 million relating to the Corinth Road capital project which are further explained in Table 2.

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$22.3 million, which was \$2.3 million more than last year's total of \$20.0 million. Included in this year's total change in fund balance is a current surplus of \$5.9 million in the County's General Fund. The County budgeted for a \$49,000 decrease in the General Fund resulting in a budget surplus of \$6.0 million for 2011. In addition, the Workers' Compensation Fund reported a deficit of \$0.8 million which is the result of a board decision to reduce the workers' compensation rates and use a portion of the workers' compensation reserve.

## THE COUNTY'S FUNDS (Continued)

A comparative overview of the Governmental Funds results for 2011 and 2010 follows. This includes more detailed information about sources and uses of funds in each year.

**Table 4 - Governmental Funds  
Summary of Revenue and Expenditures (In Millions)**

	2011 Revenue	2011 % of Total	2010 Revenue	2010 % of Total
Real property taxes	\$ 37.6	25.3%	\$ 35.6	23.6%
Real property tax items	2.1	1.4%	1.9	1.3%
Sales and use taxes	51.6	34.7%	48.7	32.2%
Departmental income	12.7	8.5%	12.5	8.3%
Intergovernmental charges	3.5	2.4%	4.0	2.6%
Use of money and property	1.0	0.7%	1.2	0.8%
Licenses and permits	0.1	0.1%	0.2	0.1%
Fines and forfeitures	0.4	0.3%	0.4	0.3%
Sale of property and comp for loss	2.7	1.8%	0.6	0.4%
Miscellaneous local sources	1.1	0.7%	4.5	3.0%
State aid	15.1	10.2%	16.9	11.2%
Federal aid	20.5	13.8%	24.6	16.3%
<b>Total revenue</b>	<b>\$ 148.5</b>	<b>100.0%</b>	<b>\$ 151.1</b>	<b>100.0%</b>
	2011 Expenditures	2011 % of Total	2010 Expenditures	2010 % of Total
General governmental support	\$ 35.3	24.0%	\$ 31.8	21.4%
Education	2.1	1.4%	2.1	1.4%
Public safety	21.7	14.7%	16.4	11.1%
Health	14.5	9.9%	13.9	9.4%
Transportation	23.1	15.7%	23.2	15.6%
Economic Assistance and Opportunity	40.1	27.2%	38.3	25.8%
Culture and recreation	1.4	0.9%	1.1	0.7%
Home and community services	1.9	1.3%	5.7	3.8%
Employee benefits	2.0	1.4%	10.9	7.3%
Debt service - principal and interest	5.0	3.4%	4.9	3.3%
<b>Total expenditures</b>	<b>\$ 147.2</b>	<b>100.0%</b>	<b>\$ 148.3</b>	<b>100.0%</b>

Real property taxes increased by \$2.0 million from 2010, of which \$4.4 million is attributable to an increase in property taxes for General Fund operations and \$2.5 million is attributable to a decrease for the Refuge and Garbage Fund which was sold in 2011.

Sale of property and compensation for loss increased by \$2.1 million from 2010 which is attributable to the sale of the intermunicipal waste disposal plant in 2011.

Miscellaneous local sources decreased by \$3.4 million from 2010, of which \$3.5 million is attributable to the local share required in 2010 for the Corinth Road capital project.

## **THE COUNTY'S FUNDS (Continued)**

Federal aid decreased by \$4.1 million from 2010, of which \$1.5 million is attributable to the Corinth Road Capital Project; \$1.2 million is attributable to a reduction in Federal stimulus funding for Social Services and \$0.5 million is related to a reduction of Federal stimulus funding for the Physically Handicapped program with Health Services.

General governmental support increased by \$3.5 million from 2010 of which \$1.7 million is attributable to an increase in sales tax distributions due to an increase in sales tax revenue; and \$2.3 million is attributable to an allocation of employee benefits to all departments starting in 2011.

Public safety increased by \$5.3 million from 2010 of which \$5.1 million is attributable to an allocation of certain employee benefits to all departments starting in 2011.

Home and community services decreased by \$3.8 million from 2010 of which \$4.0 million is attributable to the sale of the intermunicipal waste disposal plant in 2011 and the use of a debt service reserve fund to pay most of debt service requirements for 2011.

Employee benefits decreased by \$8.9 million from 2010 which is attributable to an allocation of certain employee benefits to all departments starting in 2011.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The County's original budget was increased by \$2.5 million during the course of the year. This amount includes \$1.2 million for insufficient appropriations relating to the Child Care program in Social Services; \$0.4 million for a Homeland Security grant; and \$0.4 million for an increase in the Tourism program.

The actual charges to appropriations (expenditures) were \$3.9 million below the final budget amounts. The most significant favorable variance occurred in health which was below budgeted amounts by \$3.5 million. The health variance consists of a \$0.5 million under expenditure for Health Services contractual services, a \$1.9 million under expenditure for the Physically Handicapped Children program and a \$0.4 million under expenditure for the Early Intervention program. Another significant favorable variance occurred in the County's Economic assistance and opportunity which was less than budgeted amounts by \$1.6 million. This variance consists of favorable variances of \$0.5 million for Social Services administration, \$0.5 million for Social Services Aid to Dependent Children, \$0.3 million for Social Services Child Care, \$0.2 million for Social Services Home Relief and \$0.2 million for Social Services for Recipients. This variance also consists of an unfavorable variance of \$0.8 million for the Social Services Medicaid program. A significant unfavorable variance occurred in the County's General government support which was \$1.7 million more than budgeted amounts. This variance primarily consists of \$2.1 million for distributions of sales tax due to an increase in sales tax revenue for 2011.

Resources available for appropriation were \$1.7 million more than the final budgeted amount. The most significant unfavorable variance occurred in the County's state aid which was less than budgeted amounts by \$3.1 million. This variance consists of unfavorable variances of \$1.1 million for the Physically Handicapped Children, \$0.5 for Social Services Aid to Dependent Children, \$0.3 for Social Services Home Relief and \$0.3 for Homeland Security. The most significant favorable variance occurred in the County's sales and use tax which exceeded budgeted amounts by \$6.2 million, of which \$1.9 million relates to the portion of occupancy tax revenues which are budgeted to be used in the subsequent year out of the reserve and \$4.3 million relates to an increase in sales tax revenue. There were no other significant unfavorable or favorable variances to discuss.

The final 2011 budget planned on a decrease in the General Fund balance of a \$49,000; however, the actual fund balance was increased by \$5.9 million, resulting in a budget surplus of \$6.0 million, which is explained in the above analysis.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2011, the County had \$110.8 million invested in a broad range of capital assets including equipment, buildings, airport facilities, jail, roads, and bridges (see Table 5 below).

**Table 5 Changes in Capital Assets (In Millions)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 4.9	\$ 4.9	\$ -	\$ -	\$ 4.9	\$ 4.9
Land improvements	-	-	0.1	0.1	0.1	0.1
Buildings and improvements	46.8	48.1	1.3	1.3	48.1	49.4
Vehicles and equipment	5.2	5.1	1.7	1.9	6.9	7.0
Infrastructure	25.0	24.6	-	-	25.0	24.6
Construction work in progress	<u>28.9</u>	<u>21.9</u>	<u>-</u>	<u>-</u>	<u>28.9</u>	<u>21.9</u>
Totals	<u>\$ 110.8</u>	<u>\$ 104.6</u>	<u>\$ 3.1</u>	<u>\$ 3.3</u>	<u>\$ 113.9</u>	<u>\$ 107.9</u>

This year's major additions included (in millions):

Corinth Road reconstruction, paid for with State and Federal aid and County funds (cost included in construction WIP with a total cost as of 12/31/11 of \$20.7)	\$7.6
Potter Brook Road reconstruction, paid for with State and County funds	\$0.4

### Debt

At year-end, the County had \$35.3 million in bonds outstanding versus \$37.2 million last year. There were no new bonds issued in 2011.

At year-end, the County had \$4.2 million in bond anticipation notes outstanding versus \$4.9 million last year. The debt consists of \$0.6 million for the Abatement and Demolition of Annex Building, \$0.4 million for the Sheriff vehicle/bridge rehabilitation, \$3.0 million for the Corinth Road Reconstruction and \$0.3 million for the purchase of Gaslight Village property.

At year-end, the County had \$4.3 million in capital leases outstanding versus \$4.7 million last year. There were no new capital leases in 2011.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. 2011 average unemployment in the County was 8.2% versus 8.2% the previous year. This is comparable with the 2011 State's average unemployment rate of 8.2% and the national average rate of 8.9%.

This indicator was taken into account when adopting the General Fund budget for 2012. Amounts available for appropriation in the General Fund budget are \$121.1 million, a decrease of \$1.3 million over the final 2011 budget of \$122.4 million. This represents a 1.1% decrease and is indicative of management's attempt to control spending.

If these estimates are realized, the County's General Fund balance is expected to decrease by \$2.8 million by the close of 2012. The County experienced cash flow problems in 2011 and needed to issue \$3.5 million in Tax Anticipation Notes in 2011 which were fully repaid in 2011. In 2011, the County issued \$1.5 million in revenue anticipation notes to address the lack of payment of IGT money from the State for the Westmount Health Facility. The notes were repaid in 2011. The County has not experienced cash flow problems in 2012.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's Office at Warren County Municipal Center, 1340 State Route 9, Lake George, NY 12845-9803.

Separate audited financial statements of Warren Tobacco Asset Securitization Corp. and Warren County Local Development Corp. (component units of the County) are also available by contacting the County Treasurer's Office at Warren County Municipal Center, 1340 State Route 9, Lake George, NY 12845-9803.

**COUNTY OF WARREN**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	Primary Government			Component Units
	Governmental Activities	Business Type	Total	
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 11,451,887	\$ 2,666,371	\$ 14,118,258	\$ 824,712
Restricted cash	4,507,869	16,380	4,524,249	-
Investments	-	-	-	437,679
Taxes receivable, net of an allowance for uncollectible taxes of \$100,000	13,145,256	-	13,145,256	-
Accounts receivable, net of allowance for uncollectible amounts of \$90,675	2,396,606	474,422	2,871,028	700,000
Loans receivable, current portion, net of allowance for doubtful accounts of \$133,500	-	-	-	206,149
State and federal receivables	21,504,600	-	21,504,600	-
Due from other funds, net	1,551,496	-	1,551,496	-
Due from other governments	1,179,064	12,830	1,191,894	-
Prepaid expenses	1,287,635	-	1,287,635	-
Inventory	329,659	46,870	376,529	-
Other current assets	42,000	27,562	69,562	-
<b>Total current assets</b>	<b>57,396,072</b>	<b>3,244,435</b>	<b>60,640,507</b>	<b>2,168,540</b>
<b>NONCURRENT ASSETS:</b>				
Due from other governments	-	96,646	96,646	-
Loan receivable, net of current portion	-	-	-	807,593
Bond issuance costs, net	-	-	-	101,271
Capital assets, net	110,891,112	3,073,815	113,964,927	-
<b>Total noncurrent assets</b>	<b>110,891,112</b>	<b>3,170,461</b>	<b>114,061,573</b>	<b>908,864</b>
<b>Total Assets</b>	<b>\$ 168,287,184</b>	<b>\$ 6,414,896</b>	<b>\$ 174,702,080</b>	<b>\$ 3,077,404</b>
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	4,188,102	78,344	4,266,446	-
Accrued expenses	1,747,840	589,986	2,337,826	20,376
Retainages payable	6,000	-	6,000	-
Capital lease obligations	139,031	307,734	446,765	-
Bonds and notes payable	1,939,000	-	1,939,000	160,000
Bond anticipation notes	4,242,215	-	4,242,215	-
Other current liabilities	103,710	56,127	159,837	-
Due to other governments	15,754,313	-	15,754,313	9,861
Compensated absences	2,468,900	225,363	2,694,263	-
Deferred revenue	600,037	-	600,037	122
<b>Total current liabilities</b>	<b>31,189,148</b>	<b>1,257,554</b>	<b>32,446,702</b>	<b>190,359</b>
<b>LONG-TERM LIABILITIES:</b>				
Bonds payable	33,317,000	-	33,317,000	6,697,692
Capital lease obligations	2,239,813	1,594,715	3,834,528	-
Compensated absences	3,950,638	247,564	4,198,202	-
Other postemployment benefits	36,780,904	4,051,589	40,832,493	-
Settlements and claims	2,751,842	-	2,751,842	-
<b>Total long-term liabilities</b>	<b>79,040,197</b>	<b>5,893,868</b>	<b>84,934,065</b>	<b>6,697,692</b>
<b>Total liabilities</b>	<b>110,229,345</b>	<b>7,151,422</b>	<b>117,380,767</b>	<b>6,888,051</b>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related debt	69,014,053	1,171,366	70,185,419	-
Restricted	4,357,032	27,094	4,384,126	-
Unrestricted	(15,313,246)	(1,934,986)	(17,248,232)	(3,810,647)
<b>Total net assets</b>	<b>\$ 58,057,839</b>	<b>\$ (736,526)</b>	<b>\$ 57,321,313</b>	<b>\$ (3,810,647)</b>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Net (Expense) Revenue and Changes in Net Assets							
	Expenses	Program Revenue			Primary Government			Component Units
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General governmental support	\$ 38,795,817	\$ 5,314,094	\$ 720,607	\$ 9,719,819	\$ (23,041,297)	\$ -	\$ (23,041,297)	\$ -
Education	2,114,661	-	-	-	(2,114,661)	-	(2,114,661)	-
Public safety	26,759,655	1,409,183	655,582	27,433	(24,667,457)	-	(24,667,457)	-
Health	15,820,051	5,668,499	6,479,484	-	(3,672,068)	-	(3,672,068)	-
Transportation	15,490,515	2,723,426	1,564,346	-	(11,202,743)	-	(11,202,743)	-
Economic Assistance and Opportunity	41,071,581	2,610,280	16,376,580	-	(22,084,721)	-	(22,084,721)	-
Culture and recreation	1,574,083	150,862	129,812	-	(1,293,409)	-	(1,293,409)	-
Home and community services	2,120,370	2,527,453	-	-	407,083	-	407,083	-
Interest	1,780,710	98,598	-	-	(1,682,112)	-	(1,682,112)	-
Total governmental activities	145,527,443	20,502,395	25,926,411	9,747,252	(89,351,385)	-	(89,351,385)	-
Business-type activities:								
Westmount Health Facility	8,659,617	6,373,610	345,383	-	-	(1,940,624)	(1,940,624)	-
Total primary government	\$ 154,187,060	\$ 26,876,005	\$ 26,271,794	\$ 9,747,252	\$ (89,351,385)	\$ (1,940,624)	\$ (91,292,009)	\$ -
<b>COMPONENT UNITS:</b>								
Soil and Water Conservation District	\$ 634,124	\$ 308,410	\$ 452,703					\$ 126,989
Local Development Corp.	122,881	62,977	-					(59,904)
Warren TASC	959,586	-	-					(959,586)
Total component units	\$ 1,716,591	\$ 371,387	\$ 452,703					\$ (892,501)
<b>GENERAL REVENUE:</b>								
Real property taxes					\$ 37,382,228	\$ -	\$ 37,382,228	\$ -
Real property tax items					2,106,089	-	2,106,089	-
Sales and use taxes					51,562,849	-	51,562,849	-
Use of money and property					1,039,849	2,599	1,042,448	27,868
Other sources					-	2,778,647	2,778,647	677,610
Total general revenue					\$ 92,091,015	\$ 2,781,246	\$ 94,872,261	\$ 705,478
<b>OTHER SOURCES (USES):</b>								
Interfund transfers					\$ (97,447)	\$ 97,447	\$ -	
Change in net assets					\$ 2,642,183	\$ 938,069	\$ 3,580,252	\$ (187,023)
Net assets - beginning of year					55,415,656	(1,674,595)	53,741,061	(3,623,624)
Net assets - end of year					\$ 58,057,839	\$ (736,526)	\$ 57,321,313	\$ (3,810,647)

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	General	Special Grant	Refuse and Garbage	County Road	Road Machinery	Workers' Compensation	Capital Projects	Other Governmental	Total
<b>ASSETS:</b>									
Cash	\$ 7,984,147	\$ 22,204	\$ 444,824	\$ 1,354,955	\$ 980,671	\$ -	\$ 649,390	\$ 15,696	\$ 11,451,887
Restricted cash	425,440	-	-	-	-	3,496,044	472,518	113,867	4,507,869
Taxes receivable, net of an allowance for uncollectible taxes of \$100,000	13,145,256	-	-	-	-	-	-	-	13,145,256
Accounts receivable, net of allowance for uncollectible amounts of \$90,675	1,954,471	-	332,050	102,500	3,691	-	-	3,894	2,396,606
Due from other funds	7,663,457	-	-	-	59,563	-	452,108	181,152	8,356,280
State and federal receivables	10,509,744	53,835	-	1,386,496	736	-	9,553,789	-	21,504,600
Due from other governments	605,647	-	74,887	-	245,650	-	252,535	345	1,179,064
Prepaid expenditures	1,188,555	-	-	79,877	19,203	-	-	-	1,287,635
Inventory	81,740	-	-	65,857	182,062	-	-	-	329,659
Miscellaneous other assets	42,000	-	-	-	-	-	-	-	42,000
	<u>\$ 43,600,457</u>	<u>\$ 76,039</u>	<u>\$ 851,761</u>	<u>\$ 2,989,685</u>	<u>\$ 1,491,576</u>	<u>\$ 3,496,044</u>	<u>\$ 11,380,340</u>	<u>\$ 314,954</u>	<u>\$ 64,200,856</u>
<b>LIABILITIES:</b>									
Accounts payable	\$ 2,068,868	\$ 2,366	\$ -	\$ 117,691	\$ 160,973	\$ 649,474	\$ 1,188,730	\$ -	\$ 4,188,102
Accrued expenses	1,196,445	11,460	-	95,828	21,951	3,496	537	37,519	1,367,236
Retainages payable	-	-	-	-	-	-	6,000	-	6,000
Other liabilities	103,710	-	-	-	-	-	-	-	103,710
Compensated absences	2,243,212	16,550	-	162,933	38,983	7,222	-	-	2,468,900
Bond anticipation notes	-	-	-	-	-	-	4,242,215	-	4,242,215
Due to other funds	463,560	39,707	53,289	40,994	118,148	9,908	6,079,178	-	6,804,784
Due to other governments	15,739,253	4,505	-	-	87	1,409	9,059	-	15,754,313
Deferred revenue	6,919,728	1,451	-	-	-	-	1,220	-	6,922,399
Total liabilities	<u>28,734,776</u>	<u>76,039</u>	<u>53,289</u>	<u>417,446</u>	<u>340,142</u>	<u>671,509</u>	<u>11,526,939</u>	<u>37,519</u>	<u>41,857,659</u>
<b>FUND BALANCES:</b>									
Nonspendable									
Inventory	81,740	-	-	65,857	182,062	-	-	-	329,659
Total nonspendable fund balance	<u>81,740</u>	<u>-</u>	<u>-</u>	<u>65,857</u>	<u>182,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,659</u>
Restricted									
Debt service	-	-	-	-	-	-	-	61,372	61,372
Capital	241,101	-	-	-	-	-	-	-	241,101
Other	1,230,024	-	-	-	-	2,824,535	-	-	4,054,559
Total restricted fund balance	<u>1,471,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,824,535</u>	<u>-</u>	<u>61,372</u>	<u>4,357,032</u>
Assigned									
Unappropriated	113,845	-	735,472	1,956,382	219,372	-	-	116,063	3,141,134
Appropriated for subsequent year expenditures	2,766,673	-	63,000	550,000	750,000	-	-	100,000	4,229,673
Total assigned fund balance	<u>2,880,518</u>	<u>-</u>	<u>798,472</u>	<u>2,506,382</u>	<u>969,372</u>	<u>-</u>	<u>-</u>	<u>216,063</u>	<u>7,370,807</u>
Unassigned									
	10,432,298	-	-	-	-	-	(146,599)	-	10,285,699
Total fund balance	<u>14,865,681</u>	<u>-</u>	<u>798,472</u>	<u>2,572,239</u>	<u>1,151,434</u>	<u>2,824,535</u>	<u>(146,599)</u>	<u>277,435</u>	<u>22,343,197</u>
	<u>\$ 43,600,457</u>	<u>\$ 76,039</u>	<u>\$ 851,761</u>	<u>\$ 2,989,685</u>	<u>\$ 1,491,576</u>	<u>\$ 3,496,044</u>	<u>\$ 11,380,340</u>	<u>\$ 314,954</u>	<u>\$ 64,200,856</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Special Grant	Refuse and Garbage	County Road	Road Machinery	Workers' Compensation	Capital Projects	Other Governmental	Total
<b>REVENUE:</b>									
Real property taxes	\$ 27,578,528	\$ -	\$ 2,111,759	\$ 7,551,147	\$ 392,098	\$ -	\$ -	\$ 4,651	\$ 37,638,183
Real property tax items	2,106,089	-	-	-	-	-	-	-	2,106,089
Sales and use taxes	51,562,849	-	-	-	-	-	-	-	51,562,849
Departmental income	12,650,087	-	-	-	-	-	-	7,987	12,658,074
Intergovernmental charges	1,181,727	-	81,739	42,972	1,567,289	524,488	-	133,211	3,531,426
Use of money and property	862,077	30	96,000	-	-	55,112	488	26,142	1,039,849
Licenses and permits	141,400	-	-	-	-	-	-	-	141,400
Fines and forfeitures	416,849	-	-	-	-	-	-	-	416,849
Sale of property and compensation for loss	496,341	-	2,079,140	23,359	75,644	-	31,210	-	2,705,694
Miscellaneous local sources	383,994	-	385,417	1,930	150	158	279,263	-	1,050,912
State aid	12,734,461	-	-	1,409,137	-	-	991,109	-	15,134,707
Federal aid	10,551,310	1,076,264	-	141,666	11,613	-	8,756,143	-	20,536,996
<b>Total revenue</b>	<b>120,665,712</b>	<b>1,076,294</b>	<b>4,754,055</b>	<b>9,170,211</b>	<b>2,046,794</b>	<b>579,758</b>	<b>10,058,213</b>	<b>171,991</b>	<b>148,523,028</b>
<b>EXPENDITURES:</b>									
General governmental support	33,672,847	-	-	72,091	69,603	1,400,202	97,488	-	35,312,231
Education	2,114,661	-	-	-	-	-	-	-	2,114,661
Public safety	20,958,393	-	-	569,290	-	-	157,817	-	21,685,500
Health	14,518,590	-	-	-	-	-	-	-	14,518,590
Transportation	789,875	-	-	7,284,382	1,840,075	-	13,223,708	-	23,138,040
Economic assistance and opportunity	39,326,607	772,985	-	-	-	-	-	-	40,099,592
Culture and recreation	1,246,666	-	-	-	-	-	125,832	-	1,372,498
Home and community services	1,075,651	303,309	114,005	-	-	-	442,877	11,986	1,947,828
Employee benefits	1,815,125	-	-	37,620	6,230	-	-	133,211	1,992,186
Debt service - interest	132,149	-	6,664	15,066	-	-	-	1,680,793	1,834,672
Debt service - principal	404,484	-	-	816,666	-	-	-	1,927,000	3,148,150
<b>Total expenditures</b>	<b>116,055,048</b>	<b>1,076,294</b>	<b>120,669</b>	<b>8,795,115</b>	<b>1,915,908</b>	<b>1,400,202</b>	<b>14,047,722</b>	<b>3,752,990</b>	<b>147,163,948</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>4,610,664</b>	<b>-</b>	<b>4,633,386</b>	<b>375,096</b>	<b>130,886</b>	<b>(820,444)</b>	<b>(3,989,509)</b>	<b>(3,580,999)</b>	<b>1,359,080</b>
<b>OTHER SOURCES (USES):</b>									
Interfund transfers in	3,699,751	-	-	-	-	-	537,327	2,156,659	6,393,737
Interfund transfers (out)	(2,282,380)	-	(3,364,558)	(196,065)	(176,714)	-	(374,020)	-	(6,393,737)
Interfund transfers (out) - enterprise fund	(97,447)	-	-	-	-	-	-	-	(97,447)
BANs redeemed from appropriations	-	-	-	-	-	-	1,094,637	-	1,094,637
<b>Total other sources (uses)</b>	<b>1,319,924</b>	<b>-</b>	<b>(3,364,558)</b>	<b>(196,065)</b>	<b>(176,714)</b>	<b>-</b>	<b>1,257,944</b>	<b>2,156,659</b>	<b>997,190</b>
<b>REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>5,930,588</b>	<b>-</b>	<b>1,268,828</b>	<b>179,031</b>	<b>(45,828)</b>	<b>(820,444)</b>	<b>(2,731,565)</b>	<b>(1,424,340)</b>	<b>2,356,270</b>
<b>FUND EQUITY - beginning of year</b>	<b>8,935,093</b>	<b>-</b>	<b>(470,356)</b>	<b>2,393,208</b>	<b>1,197,262</b>	<b>3,644,979</b>	<b>2,584,966</b>	<b>1,701,775</b>	<b>19,986,927</b>
<b>FUND EQUITY - end of year</b>	<b>\$ 14,865,681</b>	<b>\$ -</b>	<b>\$ 798,472</b>	<b>\$ 2,572,239</b>	<b>\$ 1,151,434</b>	<b>\$ 2,824,535</b>	<b>\$ (146,599)</b>	<b>\$ 277,435</b>	<b>\$ 22,343,197</b>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE:</b>				
Real property taxes	\$ 27,388,823	\$ 27,388,823	\$ 27,578,528	\$ 189,705
Real property tax items	1,640,000	1,640,000	2,106,089	466,089
Sales and use tax	45,393,000	45,393,000	51,562,849	6,169,849
Departmental income	13,351,870	13,420,237	12,650,087	(770,150)
Intergovernmental charges	1,444,611	1,444,611	1,181,727	(262,884)
Use of money and property	867,746	867,746	862,077	(5,669)
Licenses and permits	123,000	148,596	141,400	(7,196)
Fines and forfeitures	272,825	287,263	416,849	129,586
Sale of property and compensation for loss	493,400	524,095	496,341	(27,754)
Miscellaneous local sources	643,154	679,272	383,994	(295,278)
State aid	15,041,482	15,841,086	12,734,461	(3,106,625)
Federal aid	11,065,855	11,290,258	10,551,310	(738,948)
<b>Total revenue</b>	<u>117,725,766</u>	<u>118,924,987</u>	<u>120,665,712</u>	<u>1,740,725</u>
<b>EXPENDITURES:</b>				
General government support	31,810,110	31,944,098	33,672,847	(1,728,749)
Education	2,097,161	2,122,161	2,114,661	7,500
Public safety	20,407,190	21,274,180	20,958,393	315,787
Health	17,762,640	17,994,797	14,518,590	3,476,207
Transportation	795,673	827,623	789,875	37,748
Economic assistance and opportunity	39,718,638	40,926,146	39,326,607	1,599,539
Culture and recreation	1,193,777	1,321,062	1,246,666	74,396
Home and community services	1,080,372	1,088,501	1,075,651	12,850
Employee benefits	2,067,934	1,936,272	1,815,125	121,147
Debt service - principal and interest	561,064	561,064	536,633	24,431
<b>Total expenditures</b>	<u>117,494,559</u>	<u>119,995,904</u>	<u>116,055,048</u>	<u>3,940,856</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>231,207</u>	<u>(1,070,917)</u>	<u>4,610,664</u>	<u>5,681,581</u>
<b>OTHER SOURCES (USES):</b>				
Interfund transfers in	-	3,412,743	3,699,751	287,008
Interfund transfers (out)	(2,003,077)	(2,391,262)	(2,282,380)	108,882
Interfund transfers (out) - enterprise fund	-	-	(97,447)	(97,447)
<b>Total other sources (uses)</b>	<u>(2,003,077)</u>	<u>1,021,481</u>	<u>1,319,924</u>	<u>298,443</u>
<b>REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES, ENCUMBRANCES, AND OTHER USES</b>	<u>(1,771,870)</u>	<u>(49,436)</u>	<u>5,930,588</u>	<u>5,980,024</u>
<b>FUND EQUITY - beginning of year</b>	<u>8,935,093</u>	<u>8,935,093</u>	<u>8,935,093</u>	<u>-</u>
<b>FUND EQUITY - end of year</b>	<u>\$ 7,163,223</u>	<u>\$ 8,885,657</u>	<u>\$ 14,865,681</u>	<u>\$ 5,980,024</u>

The accompanying notes are an integral part of these statements.

## COUNTY OF WARREN

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2011

---

Fund balance - All governmental funds	\$ 22,343,197
Amounts reported for governmental activities in the statement of net assets are different due to the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	110,891,112
Long-term liabilities, including bonds payable and other debt, are not due and payable in the current period and are, therefore, not reported in the funds.	(44,337,324)
Other postemployment benefits liability	(36,780,904)
Deferral of income earned in the current year is recognized as revenue under the accrual basis of accounting.	6,322,362
Interest payable at December 31, 2011, in the government-wide statements under full accrual accounting	<u>(380,604)</u>
Net assets of governmental activities	<u>\$ 58,057,839</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

Net changes in fund equity - Total governmental funds	\$ 2,356,270
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	10,733,941
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(4,516,089)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets	3,148,150
Bond anticipation notes redeemed from appropriations are not recognized as revenue in the statement of activities	(1,094,637)
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities, this revenue is recorded as earned upon levy	(255,955)
Accrued postemployment benefits, long-term portion of compensated absences, and settlements and claims do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(7,783,459)
Interest is accrued on the outstanding bonds on the statement of net assets but is not recorded as an expenditure in the government funds	<u>53,962</u>
Change in net assets - Governmental activities	<u>\$ 2,642,183</u>

The accompanying notes are an integral part of these statements.

# COUNTY OF WARREN

## WESTMOUNT HEALTH FACILITY STATEMENT OF NET ASSETS - PROPRIETARY FUND DECEMBER 31, 2011

---

### ASSETS:

#### Current assets:

Cash	\$ 2,666,371
Restricted cash	16,380
Assets limited as to use	27,562
Patient accounts receivable, net	474,422
Inventories	46,870
Due from County	<u>12,830</u>

Total current assets 3,244,435

#### Long-term assets:

Due from County	96,646
Property, plant, and equipment, net	<u>3,073,815</u>

Total long-term assets 3,170,461

\$ 6,414,896

### LIABILITIES:

#### Current liabilities:

Current portion of capital lease payable	\$ 307,734
Accounts payable	78,344
Accrued payroll and related benefits	144,816
Vacation leave and related benefits	225,363
Due to County	445,170
Due to third party payers	39,278
Patient funds	16,380
Other current liabilities	<u>469</u>

Total current liabilities 1,257,554

#### Long-term liabilities:

Long-term portion of capital lease payable	1,594,715
Postemployment health benefits	4,051,589
Sick leave and related benefits	<u>247,564</u>

Total long-term liabilities 5,893,868

Total liabilities 7,151,422

### NET ASSETS:

Invested in property and equipment, net of debt	1,171,367
Restricted	27,094
Unrestricted	<u>(1,934,987)</u>

Total net assets (736,526)

\$ 6,414,896

The accompanying notes are an integral part of these statements.

## COUNTY OF WARREN

### WESTMOUNT HEALTH FACILITY STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND FOR THE YEAR ENDED DECEMBER 31, 2011

---

Operating revenue:	
Net patient service revenue	\$ 6,363,545
Other operating revenue	<u>10,065</u>
Total operating revenue	<u>6,373,610</u>
Operating expenses:	
Nursing services	2,585,666
Ancillary services	415,954
Dietary services	696,745
Housekeeping	243,714
Laundry service	93,383
Maintenance	409,693
Administrative and fiscal services	593,768
Employee benefits	2,570,876
New York State tax assessment	408,040
Depreciation	323,986
Provision for bad debts	<u>214,469</u>
Total operating expenses	<u>8,556,294</u>
Loss from operations	<u>(2,182,684)</u>
Non-operating revenue (expense):	
Indirect costs and operating transfers from County	345,383
Intergovernmental transfers	2,873,771
Interest income	2,599
Interest expense	(103,323)
Other	<u>2,323</u>
Total non-operating revenue	<u>3,120,753</u>
Change in net assets	938,069
Net assets - beginning of year	<u>(1,674,595)</u>
Net assets - end of year	<u>\$ (736,526)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**WESTMOUNT HEALTH FACILITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

CASH FLOW FROM OPERATING ACTIVITIES:	
Cash received from patient services	\$ 6,792,072
Cash payments to suppliers for goods and services	(1,405,825)
Cash payments to employees for services	(5,462,758)
Other operating revenue	<u>10,065</u>
Net cash flow from operating activities:	<u>(66,446)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from County	97,447
Intergovernmental transfers	2,873,771
Other	<u>2,323</u>
Net cash flow from noncapital financing activities	<u>2,973,541</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on capital lease	(294,656)
Payments of interest	(103,323)
Capital expenditures	<u>(36,746)</u>
Net cash flow from capital and related financing activities	<u>(434,725)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest income	28,135
Net change in assets whose use is limited	<u>2,599</u>
Net cash flow from investing activities	<u>30,734</u>
CHANGE IN CASH	2,503,104
CASH - beginning of year	<u>163,267</u>
CASH - end of year	<u>\$ 2,666,371</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN)	
OPERATING ACTIVITIES:	
Income (loss) from operations	\$ (2,182,684)
Adjustments to reconcile income (loss) from operations to net cash flow (used in) from operating activities:	
Depreciation	323,986
Provisions for bad debts	214,469
Indirect services and operating transfers from County	247,936
Change in:	
Accounts receivable	(168,939)
Inventories	(11,439)
Prepaid expenses	92,056
Accounts payable	910
Due to/from third party payers	597,466
Accrued items	4,623
Due to/from County	86,991
Postemployment health benefits	737,107
Deferred revenue	<u>(8,928)</u>
Net cash flow from operating activities	<u>\$ (66,446)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2011**

---

<b>ASSETS:</b>	Private Purpose Trust	Agency
Cash	\$ 3,781	\$ 3,606,641
Accounts receivable	-	254,312
Due from other funds	-	459,677
Due from other governments	-	675,572
Other assets	-	150,602
Total assets	<u>\$ 3,781</u>	<u>\$ 5,146,804</u>
 <b>LIABILITIES:</b>		
Due to other funds	-	1,568,024
Agency liabilities	-	3,578,780
Total liabilities	-	<u>\$ 5,146,804</u>
 <b>NET ASSETS</b>	 <u>\$ 3,781</u>	

**COUNTY OF WARREN**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

	Private Purpose Trust
<b>ADDITIONS:</b>	
Investment earnings	\$ 6
 <b>DEDUCTIONS:</b>	
Economic Assistance and Opportunity	223
NET DECREASE	(217)
NET ASSETS - beginning of year	3,998
NET ASSETS - end of year	<u>\$ 3,781</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**STATEMENT OF NET ASSETS - COMPONENT UNITS  
DECEMBER 31, 2011**

---

	Soil and Water Conservation <u>District</u>	Local Development <u>Corp.</u>	Warren <u>TASC</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash	\$ 155,702	\$ 626,884	\$ 42,126	\$ 824,712
Investments	-	-	437,679	437,679
Loans receivable, net of allowance for doubtful accounts of \$133,500	-	1,013,742	-	1,013,742
Accounts receivable	-	-	700,000	700,000
Bond issuance costs, net	-	-	<u>101,271</u>	<u>101,271</u>
 Total assets	 <u>155,702</u>	 <u>1,640,626</u>	 <u>1,281,076</u>	 <u>3,077,404</u>
<b>LIABILITIES:</b>				
Accounts payable	-	122	-	122
Accrued expenses	-	-	20,376	20,376
Due to other governments	113	9,748	-	9,861
Bonds and notes payable	-	-	<u>6,857,692</u>	<u>6,857,692</u>
 Total liabilities	 <u>113</u>	 <u>9,870</u>	 <u>6,878,068</u>	 <u>6,888,051</u>
 <b>NET ASSETS</b>	 <u><u>\$ 155,589</u></u>	 <u><u>\$ 1,630,756</u></u>	 <u><u>\$ (5,596,992)</u></u>	 <u><u>\$ (3,810,647)</u></u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

	Soil and Water Conservation <u>District</u>	Local Development <u>Corp.</u>	Warren <u>TASC</u>	<u>Total</u>
Revenue:				
Departmental income	\$ 23,906	\$ 13,208	\$ -	\$ 37,114
Use of money and property	646	39,238	27,868	67,752
Sale of property and compensation for loss	3,573	-	677,610	681,183
Miscellaneous local sources	280,285	10,531	-	290,816
State aid	<u>452,703</u>	<u>-</u>	<u>-</u>	<u>452,703</u>
Total revenue	<u>761,113</u>	<u>62,977</u>	<u>705,478</u>	<u>1,529,568</u>
Expenditures:				
General governmental support	634,124	122,881	712,406	1,469,411
Debt service - interest	<u>-</u>	<u>-</u>	<u>247,180</u>	<u>247,180</u>
Total expenditures	<u>634,124</u>	<u>122,881</u>	<u>959,586</u>	<u>1,716,591</u>
Excess of revenue over expenditures	126,989	(59,904)	(254,108)	(187,023)
FUND EQUITY - beginning of year	<u>28,600</u>	<u>1,690,660</u>	<u>(5,342,884)</u>	<u>(3,623,624)</u>
FUND EQUITY - end of year	<u>\$ 155,589</u>	<u>\$ 1,630,756</u>	<u>\$ (5,596,992)</u>	<u>\$ (3,810,647)</u>

The accompanying notes are an integral part of these statements.

## COUNTY OF WARREN

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

---

#### 1. NATURE OF OPERATIONS

County of Warren, New York (the County) was established in 1813 and is governed by County law and other general laws of the State of New York. The governing body consists of 20 supervisors. The Chairman of the Board of Supervisors, elected by the board each year, is the Chief Executive Officer of the County. The County Treasurer, elected for 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 principal services: police and law enforcement, educational assistance, economic assistance, health and nursing services, maintenance of County roads, and waste management services.

#### Reporting Entity

The reporting entity consists of (a) the primary government which is County of Warren, (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 upon several criteria set forth in generally accepted accounting principles, including legal standing, fiscal dependency, financial accountability, selection of governing authority, ability to significantly influence operations, and the primary government's economic benefit from resources of the affiliated entity.

Based on the application of these criteria, the County has determined that the Warren County Local Development Corporation (the "LDC"), the Warren County Soil and Water Conservation District (the "District") and the Warren Tobacco Asset Securitization Corp. (WTASC) are component units and their activities have been included in the financial reporting entity.

Component units of the County include the following:

*Warren County Local Development Corporation (LDC)* – This component unit was established as a non-profit corporation created to promote the economic development of the County.

*Warren County Soil and Water Conservation District (the District)* – This component unit accounts for revenue and expenditures of the district in accordance with the provisions of the Soil and Water Conservation District Law.

*Warren Tobacco Asset Securitization Corp. (WTASC)* - This component unit is a non-profit corporation created solely for the purpose of acquiring from Warren County certain rights under the Master Settlement Agreement with respect to tobacco litigation.

## 1. NATURE OF OPERATIONS (Continued)

### Reporting Entity (Continued)

WTASC is an instrumentality of, but separate and apart from, the County. WTASC is primarily dependent on the future proceeds from the tobacco settlement to meet its future debt service obligations. These debt obligations are the sole responsibility of WTASC.

Various jointly governed organizations entered into between the County and other state and local governmental entities (see Note 15) are excluded from the reporting entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the acceptable standards setting body for establishing governmental accounting and financial reporting principles. The County's business-type activities are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board for proprietary funds. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the proprietary fund financial statements to the extent they do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The County's business-type activities have elected not to follow subsequent private sector guidance. The following is a summary of the more significant policies.

The County's financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund level financial statements, which provide more detailed information.

### *Government-Wide Financial Statements*

The Statement of Net Assets and the Statement of Activities present financial information about the County's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange 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 revenue 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 revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Fund Financial Statements*

The County uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund 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.

The accounts of the County are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the County are as follows:

### Governmental Fund Types

Governmental funds are those in which most governmental functions of the County are reported. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities (except those accounted for in the proprietary and fiduciary funds) are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the County's governmental fund types:

- General Fund - The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Grant Fund - Established to account for the use of federal monies received under the Job Training Partnership Act and Community Development Act.
- County Road Fund - Established to account for revenue and expenditures related to the construction and maintenance of County roads in accordance with New York State laws.
- Road Machinery Fund - Established to account for revenue and expenditures related to the purchase, repair, maintenance, and storage of highway machinery, tools, and equipment in accordance with New York State laws.
- Risk Retention Fund - Established to account for revenue and expenditures related to the unemployment self-insurance program.
- Workers' Compensation Fund - Established to account for revenue and expenditures related to the workers' compensation self-insurance program.
- Refuse and Garbage Fund - Established to account for revenue and expenditures associated with recycling and waste management programs.
- Sewer Fund - Established to account for revenue and expenditures related to operation of an industrial park sewer district.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Governmental Fund Types (Continued)

- Capital Projects - The capital projects fund is used to account for financial resources used for the acquisition or construction of major capital projects (other than those reported in the proprietary fund type).
- Debt Service Fund - The debt service fund is used to account for the payment of interest and principal on long-term debt. Unexpended balances of proceeds and earnings on proceeds of borrowings for capital projects are transferred from the capital projects fund and held until appropriated.

### Proprietary Fund Type

A proprietary fund is used to account for the County's on-going organizations and activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The County maintains the following proprietary fund type:

- Enterprise Fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County maintains an enterprise fund to account for the Westmount Health Facility which is a New York State licensed, 80-bed, skilled nursing and health-related facility.

### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and/or other funds.

The County's expendable trust fund consists primarily of money donated for specific projects or improvements at the Westmount Health Facility.

### Basis of Accounting and Measurement Focus

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The modified accrual basis of accounting and current measurement focus is followed by the governmental and fiduciary funds and the component units. Under the modified accrual basis of accounting, revenue is recorded when it is susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter (within 60 days of year-end) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, pension contributions, and compensated absences, are recorded when the liability is incurred, if measurable.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Accounting and Measurement Focus (Continued)

In applying the susceptible-to-accrual concept to state and federal aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of this revenue. In one, monies must be expended on the specific purpose or project before any amounts are recorded as revenue by the County; therefore, revenue is recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenue at the time of receipt.

Sales taxes collected and held by the state at year-end on behalf of the County are also recognized as revenue. Other revenue, except for property taxes (see Note 6), is recorded when received in cash because they are generally not measurable until actually received.

The accrual basis of accounting and economic resources focus is used by the enterprise fund. Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when incurred. Westmount Health Facility recognizes revenue at standard room rates as patient days are incurred. A contractual allowance is recorded for the difference between the standard room rate and the reimbursement rate received from third-party payers. The rate established by the third-party payers is based on the defined cost of service in providing patient care and is subject to audit by the third-party payers. Any adjustments to reimbursement rates resulting from these audits are recognized in the year they become known and are measurable.

The County-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange 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.

### Budgetary Data

#### *General Budget Process*

Prior to November 15, the Budget Officer submits to the board of supervisors a proposed tentative operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers' comments. Prior to December 20, the budget is adopted by the board of supervisors. The County Administrator is authorized to approve certain budget transfer requests within departments, within a fund; however, any revisions that alter total expenditures of any department or fund must be approved by the board of supervisors. For year-end financial reporting, adjustments are made to actual results to conform to modified budget classifications and reflect year-end encumbrances.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Budgetary Data (Continued)

#### *Budget Basis of Accounting*

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

County Board of Supervisors has amended the 2011 budgets, as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Original adopted budget	\$ 119,497,636	\$ 13,610,985
Encumbrances carried forward	1,013,727	538,359
Appropriation adjustments	<u>1,875,803</u>	<u>4,156,843</u>
Amended budget	<u>\$ 122,387,166</u>	<u>\$ 18,306,187</u>

### Encumbrances

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

### Use of Estimates

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

### Cash and Restricted Cash

For purposes of reporting the statement of cash flows, the County includes all cash accounts and certificates of deposit that are not subject to withdrawal restrictions or penalties as cash on the accompanying balance sheet.

### Inventories

Inventories that are comprised of general supplies (general fund), prescription drugs, medical and other supplies (enterprise fund), sand (county road fund), and gasoline (road machinery fund) are valued at the lower of cost or market (first-in, first-out method).

### Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2003. For assets acquired prior to January 1, 2003, estimated historical costs were used. Donated assets are reported at estimated fair market value at the time received. In accordance with generally accepted accounting principles.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Capital Assets (Continued)

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the County-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$25,000	N/A	N/A
Buildings and improvements	50,000	Straight-line	40
Vehicles and equipment	5,000	Straight-line	5-10
Land improvements	25,000	Straight-line	20
Infrastructure	250,000	Straight-line	10-40

### Compensated Absences

Under the terms of union contracts, employees are allowed to accrue sick leave at the rate of one day per month (12 days per year). Sick leave credits may be accumulated to a maximum of 140 days. Upon retirement, an employee is entitled to be paid in cash at an hourly rate then in effect for one-half of the accumulated sick leave to his credit, with a maximum of 70 days. Except for the portion of sick leave attributable to proprietary fund type employees that has been recorded as an expense when earned in the proprietary fund type, the liability for sick leave is recorded only on the government-wide statements since it is anticipated that none of the liability will be liquidated with expendable available financial resources.

Based upon the number of years of service, employees are entitled to vacation ranging from 2 to 20 days which vest on January 1 of each year for the following year's employment. The liability will be liquidated with expendable available financial resources; therefore, it is accounted for in the respective governmental fund type in accordance with generally accepted accounting principles.

### Other Postemployment Benefits

In addition to providing retirement benefits, the County provides certain health benefits for retired employees. Substantially all of the County's employees have the option of receiving these benefits that are provided by an insurance company upon retirement. At the fund level, the County recognizes the cost of providing these benefits as the premiums are paid. The costs recognized in 2011 approximated \$2,880,000 for 483 retirees and survivors.

In accordance with generally accepted accounting principles, the County has recorded in the government-wide statement of net assets an accrual for other postemployment benefits totaling \$40,832,493 as of December 31, 2011.

### Property Taxes

County property taxes are levied annually no later than December 31<sup>st</sup> and become a lien on January 1. Accordingly, property tax is recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period of 60 days thereafter. Delinquent property taxes not collected at year-end (excluding collections in the 60-day subsequent period) are included in deferred revenue.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Non-Property Tax Items

Non-property tax items consist of sales and use taxes and hotel occupancy taxes.

### Deferred Revenue

The County reports deferred revenue in its financial statements. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the County before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the County has legal claim to resources, the liability for deferred revenue is removed and revenue is recognized.

### Fund Equity

The Capital Projects Fund had a deficit fund balance of \$146,599 at December 31, 2011. This will be funded when the County obtains permanent financing for the \$4,242,215 of short-term debt.

### Equity Classifications – Government Wide Statements

Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations for other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The County's policy is to use restricted resources prior to utilizing unrestricted funds.

### Equity Classifications - Governmental Fund Statements

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the general fund.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Equity Classifications - Governmental Fund Statements (Continued)

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance consists of the following at December 31, 2011:

	<u>General</u>	<u>Workers' Compensation</u>	<u>Debt Service</u>	<u>Total</u>
Workers' Compensation	\$ -	\$ 2,824,535	\$ -	\$ 2,824,535
Debt service	-	-	61,372	61,372
Capital	241,101	-	-	241,101
Occupancy tax	848,113	-	-	848,113
Probation	2,368	-	-	2,368
Forfeit crime	274,496	-	-	274,496
Stop DWI	105,047	-	-	105,047
	<u>1,471,125</u>	<u>2,824,535</u>	<u>61,372</u>	<u>4,357,032</u>
Total restricted fund balance	<u>\$ 1,471,125</u>	<u>\$ 2,824,535</u>	<u>\$ 61,372</u>	<u>\$ 4,357,032</u>

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the County's highest level of decision making authority, i.e., the Board of Supervisors. The County has no committed fund balances as of December 31, 2011.

Assigned fund balance – Includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances are classified as assigned fund balance. As of December 31, 2011, the County's encumbrances were classified as follows:

Assigned - unappropriated fund balance:

	<u>General</u>	<u>Refuse and Garage</u>	<u>County Road</u>	<u>Road Machinery</u>
General support	\$ 18,476	\$ -	\$ -	\$ -
Public safety	58,213	-	-	-
Health	9,937	-	-	-
Transportation	-	-	147,914	24,006
Economic assistance and opportunity	26,514	-	-	-
Home and community services	705	9,750	-	-
	<u>113,845</u>	<u>9,750</u>	<u>147,914</u>	<u>24,006</u>
Total encumbrances	<u>\$ 113,845</u>	<u>\$ 9,750</u>	<u>\$ 147,914</u>	<u>\$ 24,006</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the County.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Equity Classifications - Governmental Fund Statements (Continued)

#### Order of Fund Balance Spending Policy

The County's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

## 3. 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.

### Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities

Total fund balances of the County's governmental funds differ from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets versus the solely current financial resources focus of the governmental fund balance sheets.

### Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

#### Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue 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.

#### 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.

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND COUNTY-WIDE STATEMENTS (Continued)**

Long-Term Debt Transaction Differences

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

**4. CASH AND INVESTMENTS**

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

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Generally accepted accounting principles direct that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance. As of December 31, 2011, all of the County's cash and investment balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the County's name:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	<u>\$ 23,695,020</u>	<u>\$ 20,311,871</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	\$ 20,311,871	
Covered by FDIC insurance	<u>3,383,149</u>	
Total	<u>\$ 23,695,020</u>	

The County does not typically purchase investments for a long enough duration to cause it to be believed that it is exposed to any material interest rate risk.

The County does not purchase investments denominated in foreign currency, and is not exposed to foreign currency risk.

For purposes of reporting the statement of cash flows for proprietary fund type, the County includes all cash accounts which are not subject to withdrawal restrictions or penalties as cash.

Investments are stated at fair value, which approximates cost and consist solely of commercial paper. Substantially all investments are restricted for debt service as of December 31, 2011.

## 5. RESTRICTED ASSETS - CASH AND CASH IN TIME DEPOSITS

Restricted cash consisted of the following:

<u>Fund</u>	<u>Restricted Balance</u>	<u>Restriction</u>
General	\$ 425,440	Reserve for capital project acquisitions, construction, and reconstruction.
Special revenue	\$ 96,127	Unemployment insurance
	<u>3,496,044</u>	Workers' compensation insurance
Total special revenue	\$ 3,592,171	
Capital Projects	\$ 472,518	Reserve for capital project acquisitions, construction, and reconstruction.
Enterprise	\$ 16,380	Patient funds
Debt Service	\$ 17,740	Reserve for debt service

## 6. PROPERTY TAXES

Real property tax levies are fully accrued at the beginning of the fiscal year and are received and accounted for in the general fund. Accruals for amounts "due other funds" are recorded in the general fund for the portion of the tax revenue allocated to other funds. The current year's property taxes are levied and the prior year's unpaid school, village, and town taxes are re-levied on a warrant to collect taxes by December 31, based on the full assessed value of real property within the County. The towns are responsible for collection of the tax warrant until March 31. At that time, settlement proceedings take place wherein the County becomes the tax collecting agent and the towns receive full credit for their entire levy. The County becomes the enforcement agent for tax liens on all County real property except property within the City of Glens Falls. This municipality assesses and collects all city and County taxes on property within the municipality and serves as the enforcement agent for tax liens on such property. County taxes collected by this municipality are remitted to the County periodically.

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the general fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable \$(9,848,066) that represents taxes re-levied for the city, the village, and school districts and taxes levied for the special assessment district is included in due to other governments. Another portion of the receivable \$(6,322,362) is not considered available under the modified accrual basis of accounting and is included in liabilities as deferred revenue.

## 7. LOANS RECEIVABLE

Loans receivable are stated at principal plus accrued interest, if any. Such receivables are placed on non-accrual status when management believes, after considering economic conditions and collection efforts, that the loan is impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on non-accrual loans is recognized only to the extent cash payments are received. Interest on loans is recognized over the term of the loan and is calculated using the compounded-interest method on principal amounts outstanding.

**7. LOANS RECEIVABLE (Continued)**

The LDC maintains a micro-enterprise loan program. Loans receivable as of December 31, 2011 were \$1,147,242 less an allowance for doubtful accounts of \$133,500. These loans interest rates ranging from 3% to 8% and are amortized over periods ranging from 3 to 7 years.

Expected repayment on the loans receivable is as follows:

For the Year Ending December 31,

2012	\$	230,831
2013		216,263
2014		190,759
2015		165,322
2016		73,403
Thereafter		<u>270,664</u>
Total	\$	<u>1,147,242</u>

**8. STATE AND FEDERAL RECEIVABLES**

State and federal receivables are comprised of the following:

<u>Fund</u>	<u>Balance</u>	<u>Description</u>
General	<u>\$ 10,509,744</u>	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
Special revenue	<u>\$ 1,441,067</u>	Claims for reimbursement of expenditures for job training programs and highway improvements.
Capital projects	<u>\$ 9,553,789</u>	Claims for reimbursement of expenditures for various capital projects.

## 9. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance at January 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2011</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 4,940,874	\$ -	\$ -	\$ 4,940,874
Construction in progress	<u>21,903,925</u>	<u>8,352,212</u>	<u>1,335,199</u>	<u>28,920,938</u>
Total nondepreciable assets	<u>26,844,799</u>	<u>8,352,212</u>	<u>1,335,199</u>	<u>33,861,812</u>
Capital assets that are depreciated:				
Land improvements	362,210	-	-	362,210
Buildings and improvements	62,273,995	-	-	62,273,995
Vehicles and equipment	16,206,640	1,394,572	59,370	17,541,842
Infrastructure	<u>48,054,285</u>	<u>2,322,357</u>	<u>-</u>	<u>50,376,642</u>
Total depreciated assets	<u>126,897,130</u>	<u>3,716,929</u>	<u>59,370</u>	<u>130,554,689</u>
Less: Accumulated depreciation				
Land improvements	333,541	18,111	-	351,652
Buildings and improvements	14,162,465	1,378,295	-	15,540,760
Vehicles and equipment	11,106,115	1,256,525	59,370	12,303,270
Infrastructure	<u>23,466,549</u>	<u>1,863,158</u>	<u>-</u>	<u>25,329,707</u>
Total accumulated depreciation	<u>49,068,670</u>	<u>4,516,089</u>	<u>59,370</u>	<u>53,525,389</u>
Total capital assets, net	<u>\$ 104,673,259</u>	<u>\$ 7,553,052</u>	<u>\$ 1,335,199</u>	<u>\$ 110,891,112</u>
Proprietary fund:				
Capital assets that are not depreciated:				
Land	\$ 25,100	\$ -	\$ -	\$ 25,100
Construction in progress	<u>17,150</u>	<u>-</u>	<u>12,350</u>	<u>4,800</u>
Total nondepreciable assets	<u>42,250</u>	<u>-</u>	<u>12,350</u>	<u>29,900</u>
Capital assets that are depreciated:				
Land improvements	224,730	-	-	224,730
Buildings and improvements	2,984,063	-	-	2,984,063
Vehicles and equipment	<u>4,927,828</u>	<u>22,085</u>	<u>-</u>	<u>4,949,913</u>
Total depreciated assets	<u>8,136,621</u>	<u>22,085</u>	<u>-</u>	<u>8,158,706</u>
Less: Accumulated depreciation				
Land improvements	76,860	8,554	-	85,414
Buildings and improvements	1,691,497	86,066	-	1,777,563
Vehicles and equipment	<u>3,049,459</u>	<u>202,355</u>	<u>-</u>	<u>3,251,814</u>
Total accumulated depreciation	<u>4,817,816</u>	<u>296,975</u>	<u>-</u>	<u>5,114,791</u>
Total capital assets, net	<u>\$ 3,361,055</u>	<u>\$ (274,890)</u>	<u>\$ 12,350</u>	<u>\$ 3,073,815</u>

**9. CAPITAL ASSETS (Continued)**

Depreciation expense of \$4,516,089 is allocated to specific functions over the governmental activities as follows:

General government support	\$ 270,429
Public safety	918,312
Health	30,376
Transportation	2,736,353
Economic Assistance and Opportunity	489,709
Culture and recreation	16,868
Home and community	<u>54,042</u>
	<u>\$ 4,516,089</u>

**10. DEFERRED REVENUE**

Deferred revenue consists of the following at December 31, 2011:

General fund:	
Property tax revenue	\$ 6,322,362
Miscellaneous grant revenue	96,679
Mental health programs	491,458
Sheriff grant program	6,704
Tourism program revenue	<u>2,525</u>
Total	<u>\$ 6,919,728</u>
Special revenue funds:	
Grant revenue	<u>\$ 1,451</u>
Capital Projects:	
Grant revenue	<u>\$ 1,220</u>

**11. SHORT-TERM FINANCING**

Bond Anticipation Notes

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects funds. Principal payments on BANs must be made annually. Debt service expenditures are recorded in the fund that benefited from the project financed by the note; e.g. the general or special revenue funds.

## 11. SHORT-TERM FINANCING (Continued)

### Bond Anticipation Notes (Continued)

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The following BANs were outstanding at December 31, 2011:

Sheriff Vehicle and Bridge Rehab dated April 8, 2011 due April 6, 2012 with interest at 1.95%	\$ 397,000
Abatement and demolition of Annex Building dated April 28, 2011 due April 27, 2012 with interest at 1.95%	461,718
Abatement and demolition of Annex Building dated October 7, 2011 due October 5, 2012 with interest at 1.49%	116,830
Corinth Road reconstruction dated July 29, 2011 due July 27, 2012 with interest at 1.32%	3,000,000
Purchase of Gaslight Village Property dated February 28, 2011, due February 28, 2012 with interest at 1.95%.	<u>266,667</u>
Total BANs outstanding at County of Warren as of December 31, 2011.	<u>\$4,242,215</u>

A summary of changes in short-term debt is as follows:

	Balance at January 1, <u>2011</u>	<u>Increase</u>	<u>Decrease</u>	Balance at December 31, <u>2011</u>
<u>Governmental activity short-term financing</u>				
Bond anticipation notes:				
Flood BAN	\$ 816,666	\$ -	\$ 816,666	\$ -
DPW Construction BAN	3,000,000	3,000,000	3,000,000	3,000,000
Abatement & Demolition BAN	146,038	116,830	146,038	116,830
Abatement & Demolition BAN	577,148	461,718	577,148	461,718
Gaslight Village BAN	400,000	266,667	400,000	266,667
Sheriff Vehicle/Bridge Rehab	-	<u>397,000</u>	-	<u>397,000</u>
Total bond anticipation notes	4,939,852	4,242,215	4,939,852	4,242,215
Tax anticipation note	2,500,000	-	2,500,000	-
Budget note - waste management fund	600,000	-	600,000	-
Total short-term financing	<u>\$ 8,039,852</u>	<u>\$ 4,242,215</u>	<u>\$ 8,039,852</u>	<u>\$ 4,242,215</u>

## 12. LONG-TERM DEBT

A summary of changes in long-term debt are as follows:

	Balance at January 1, 2011	Increase	Decrease	Balance at December 31, 2011
Governmental activity:				
Serial bonds	\$ 37,183,000	\$ -	\$ 1,927,000	\$ 35,256,000
Capital lease obligations	2,505,220	-	126,376	2,378,844
Compensated absences	3,748,927	201,711	-	3,950,638
Self-insurance claims payable	<u>1,566,003</u>	<u>1,185,839</u>	<u>-</u>	<u>2,751,842</u>
Total governmental long-term debt	<u>\$ 45,003,150</u>	<u>\$ 1,387,550</u>	<u>\$ 2,053,376</u>	<u>\$ 44,337,324</u>
Enterprise fund:				
Capital lease obligations	<u>\$ 2,197,106</u>	<u>\$ -</u>	<u>\$ 294,657</u>	<u>\$ 1,902,449</u>
Component unit (WTASC):				
Serial bonds - Net of bond discount	<u>\$ 6,737,624</u>	<u>* \$ 240,068</u>	<u>\$ 120,000</u>	<u>\$ 6,857,692</u>

\* Increase in present value of bonds

Interest on all debt for the year was composed of:

Interest paid	\$ 1,834,672
Add: Current year accrued interest	380,604
Less: Prior year accrued interest	<u>(434,566)</u>
Total expense	<u>\$ 1,780,710</u>

### Bonds Payable

The County's bonds are comprised of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/11</u>
Governmental activity:					
Public Improvement Serial Bonds 2003	07/15/03	\$ 23,000,000	4.00%	2023	\$ 13,800,000
Public Improvement Serial Bonds 2009	12/30/2009	21,480,000	2.61%	2034	20,440,000
Airport Hanger Serial Bond 2010	4/12/2010	800,000	3.75%	2015	640,000
ACC Computer Software Serial Bonds 2010	7/14/2010	<u>468,000</u>	3.04%	2015	<u>376,000</u>
Total general long-term debt		<u>\$ 45,748,000</u>			<u>\$ 35,256,000</u>

## 12. LONG-TERM DEBT (Continued)

### Bonds Payable (Continued)

The WTASC bonds are comprised of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/11</u>
Governmental activity:					
Tobacco Settlement Bonds - 2001 Series	2001	\$ 5,540,000	5.0%-6.0%	2025	\$ 4,300,000
Tobacco Settlement Bonds - 2005 Series	2005*	<u>1,852,507</u>	6.0%-7.15%	2031	<u>2,557,692</u>
Total general long-term debt account group		<u>\$ 7,392,507</u>			<u>\$ 6,857,692</u>

\* Net of bond discount

The County's future bond debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 1,939,000	\$ 1,510,076	\$ 3,449,076
2013	1,954,000	1,438,581	3,392,581
2014	1,974,000	1,366,618	3,340,618
2015	1,999,000	1,288,334	3,287,334
2016	1,765,000	1,209,021	2,974,021
2017-2021	9,245,000	4,946,720	14,191,720
2022-2026	6,745,000	2,965,149	9,710,149
2027-2031	5,620,000	1,622,057	7,242,057
2032-2034	<u>4,015,000</u>	<u>343,199</u>	<u>4,358,199</u>
Total	<u>\$ 35,256,000</u>	<u>\$ 16,689,755</u>	<u>\$ 51,945,755</u>

## 12. LONG-TERM LIABILITIES (Continued)

### Bonds Payable (Continued)

WTASC:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 45,000	\$ 239,510	\$ 284,510
2013	45,000	237,004	282,004
2014	50,000	234,497	284,497
2015	55,000	231,712	286,712
2016	60,000	228,649	288,649
2017-2021	-	1,126,533	1,126,533
2022-2026	330,000	1,117,342	1,447,342
2027-2031	885,000	936,596	1,821,596
2032-2036	915,000	691,237	1,606,237
2037-2041	2,083,001	401,597	2,484,598
2042-2043	645,000	54,308	699,308
2050	673,247	6,095,943	6,769,190
2055	440,128	7,743,362	8,183,490
2060	631,316	17,399,586	18,030,902
	<u>\$ 6,857,692</u>	<u>\$ 36,737,876</u>	<u>\$ 43,595,568</u>
Total			

Capital leases are comprised of the following at December 31, 2011:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/11</u>
<u>Governmental:</u>					
Countryside capital improv.	10/27/2006	\$ 327,339	2.85%	1/1/2022	\$ 254,856
Mun. Center capital improv.	7/20/2007	<u>2,496,750</u>	3.70%	12/1/2022	<u>2,123,988</u>
		2,824,089			2,378,844
<u>Enterprise Fund:</u>					
Co-generation plant	5/20/2005	<u>3,626,548</u>	4.35%	4/20/2018	<u>1,902,449</u>
Total capital leases		<u>\$ 6,450,637</u>			<u>\$ 4,281,293</u>

## 12. LONG-TERM LIABILITIES (Continued)

### Bonds Payable (Continued)

The County's Capital Lease Debt Service requirements are as follows:

2012	\$	602,282
2013		618,069
2014		626,369
2015		636,369
2016		644,369
2017-2021		1,676,057
2022		<u>297,921</u>
Total minimum lease payments		5,101,436
Less: Amounts representing interest costs		<u>820,143</u>
Present value of minimum lease		<u>\$ 4,281,293</u>

## 13. RETIREMENT BENEFITS

### Plan Description

The County participates in the New York State and Local Employees' Retirement System (ERS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits, as well as death and disability benefits. Obligations of employers and employees to contribute benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

### 13. RETIREMENT BENEFITS (Continued)

#### Funding Policy

The Systems are noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The County is required to contribute at an actuarially determined rate. The required contribution for the current year and two preceding years were:

	<u>ERS</u>
2011	<u>\$5,473,261</u>
2010	<u>\$3,843,808</u>
2009	<u>\$2,878,928</u>

The County's contribution made to the Systems was equal to 100 percent of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.5% interest factor added. Local governments were given the option to prepay this liability. The County of Warren elected to make the full payment on December 15, 1989.

### 14. POSTEMPLOYMENT HEALTH CARE BENEFITS

#### Plan Description

The County provides certain health care benefits for retired employees of the County. The County administers the Retirement Benefits Plan (the "Retirement Plan") as a single-employer defined benefit Other Postemployment Benefit (OPEB) Plan.

In general, the County provides health insurance coverage for retired employees and their survivors. Substantially all the County's employees may become eligible for this benefit if they retire with 25 years of service to the County.

The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at December 31, 2011, was 483. The Retirement 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.

**14. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Funding Policy

The obligations of the Retirement Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 20%, depending on when the employee was hired. The County will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the Retirement Plan are paid by the County. The County currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2011 by the County was \$2,879,821.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year plus the amortization of the unfunded actuarial accrued liability over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Retirement Plan, and the changes in the County's net OPEB obligation:

Annual required contribution	\$ 10,807,045
Interest on net OPEB obligation	1,340,105
Adjustment to ARC	<u>(1,937,461)</u>
Annual OPEB cost (expense)	10,209,689
Contributions made	<u>(2,879,821)</u>
Increase in net OPEB obligation	7,329,868
Net OPEB obligation - beginning of year	<u>33,502,625</u>
Net OPEB obligation - end of year	<u><u>\$ 40,832,493</u></u>
Percentage of annual OPEB cost contributed	28.2%

The following table provides trend information for the Retirement Plan:

	<u>Annual OPEB costs</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 10,209,689	\$ 2,879,821	28.2%	\$ 40,832,493
2010	\$ 9,803,298	\$ 2,538,938	25.9%	\$ 33,502,625
2009	\$ 15,830,553	\$ 2,088,525	13.2%	\$ 26,238,265

#### 14. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

##### Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Retirement Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Retirement Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the AAL.

##### Schedule of Funding Progress for the County's Plan

<u>Actuarial Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability (UAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a % of Covered Payroll</u>
1/1/2011	\$ -	111,776,147	111,776,147	0.00%	36,387,907	307.18%
1/1/2010	\$ -	101,408,844	101,408,844	0.00%	36,046,238	281.33%
1/1/2009	\$ -	149,893,082	149,893,082	0.00%	36,796,657	407.36%

##### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2010 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	8% or 9.5% initially, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 5.0% after seven years, depending on age of retirees.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	N/A
Amortization basis	Open

\* As the plan is unfunded, the assumed discount rate considers that the County's investment assets are low risk in nature, such as money market funds or certificates of deposit.

## 15. JOINTLY GOVERNED ORGANIZATIONS

### Adirondack Community College

The operation of Adirondack Community College is undertaken jointly with Washington County, under the provisions of Article 126 of the Education Law, and is excluded from the County's financial statements. Separate financial statements are issued for the college. The County's share of the operating costs for the year ended December 31, 2011 was \$1,772,161.

### Lake Champlain-Lake George Regional Planning Board

The operation of the Lake Champlain-Lake George Regional Planning Board is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Article 12-6, Section 239-b of the General Municipal Law and is excluded from the County's financial statements. Separate financial statements are issued for the board. The County's share of the operating costs for the year ended December 31, 2011 was \$7,000.

### Lake Champlain-Lake George Regional Development Corporation

The operation of the Lake Champlain-Lake George Regional Development Corporation is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Section 402 and 1411 of the Not-for-Profit Corporation Law of New York State and is excluded from the County's financial statements. Separate financial statements are issued for the corporation. The County's share of the operating costs for the year ended December 31, 2011 was \$0.

### Counties of Warren and Washington Industrial Development Agency

The agency was created in 1971 by the Warren and Washington County Boards of Supervisors under the provisions of Chapter 862 of 1971 Laws of New York State for the purpose of encouraging economic growth in the Counties of Warren and Washington and is excluded from the financial statements. The County's share of the operating costs for the year ended December 31, 2011 was \$0.

## 16. OPERATING TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

During the course of normal operations, the County records numerous transactions between funds including expenditures for the provision of services, as well as transfers between funds to finance various projects or debt payments.

Individual interfund receivable and payable balances arising from these transactions as of December 31, 2011, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 7,663,457	\$ 463,560
Special revenue funds	97,083	262,046
Capital projects fund	452,108	6,079,178
Debt service fund	143,632	-
Enterprise fund	-	443,149
Fiduciary funds	<u>459,677</u>	<u>1,568,024</u>
Total	<u>\$ 8,815,957</u>	<u>\$ 8,815,957</u>

**16. OPERATING TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES  
(Continued)**

Interfund balances are used:

- To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them primarily;
- To move expenditures from chargeable funds to a single fund for disbursement, and;
- To compensate for the time lag between the dates that interfund goods and services are provided or reimbursable and the payments are actually made between the funds.

Interfund transfers throughout the year ended December 31, 2011, were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 3,699,751	\$ 2,379,827
Refuse and Garbage	-	3,364,558
County Road	-	196,065
Road Machinery	-	176,714
Enterprise Funds	97,447	-
Capital projects fund	537,327	374,020
Debt Service	<u>2,156,659</u>	<u>-</u>
 Total	 <u>\$ 6,491,184</u>	 <u>\$ 6,491,184</u>

Interfund transfers are used:

- To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them,
- To fund capital projects from operating funds.

**17. COMMUNITY DEVELOPMENT - SMALL CITIES PROGRAM**

Information on Community Development - Small Cities Program grants for the year ended December 31, 2011 is as follows:

<u>Grant</u>	<u>Grantee</u>	<u>Expenditures</u>	<u>Program Revenue</u>	<u>State Revenue</u>	<u>Federal Revenue</u>	<u>Total Revenue</u>
CD68	Warren County	\$ 59,305	\$ -	\$ -	\$ 59,305	\$ 59,305
CD71	Warren County	236,766	-	-	236,766	236,766
CD72	Warren County	<u>7,238</u>	<u>-</u>	<u>-</u>	<u>7,238</u>	<u>7,238</u>
 Total		 <u>\$ 303,309</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 303,309</u>	 <u>\$ 303,309</u>

## 18. COMMITMENTS AND CONTINGENCIES

### Lawsuits

The County has been named, in the normal course of operations, as a defendant in numerous claims of an indeterminate amount. In the opinion of the County, after considering all relevant facts, the ultimate losses not covered by insurance resulting from such litigation would be immaterial in relation to the financial position of the County.

### Hudson River-Black River Regulating District

The County has received assessment notices from Hudson River-Black Regulating District (the District) for the County's portion of the 2009, 2010, and 2011 operating and maintenance cost of the District totaling \$1,018,494. Four other Counties (Albany, Rensselaer, Saratoga, and Washington) have also been identified by the District and requested to pay differing proportioned amounts of assessment. The apportionment and request for payment was challenged by Warren County and the other Counties in the Supreme Court for the State of New York. The lawsuit seeks relief on a number of grounds.

The Supreme Court denied the Counties' request to set aside the District's assessment against the Counties. The Counties filed an appeal which was perfected and argued in the Appellate Division, Third Department. The Appellate Division affirmed in part the Supreme Court decision but remitted the proceeding to the District to recalculate the assessment for benefits derived by New York State which should reduce the assessment to the Counties.

The County continues to believe that there is a moderate to high risk that the District will prevail in the litigation. The County has accrued \$1,000,000 as a potential obligation to the District in settlements and claims as of December 31, 2011.

### Fenimore vs. Warren County

The County has been named as defendant in a wrongful death claim. The lawsuit claims that due to negligent design, construction, maintenance and repair of County Route 21 an automobile accident occurred causing death. The case is still in the discovery phase. The County believes material risk of loss is moderate to high. No amount has been accrued as the case is still in discovery stage and the estimated liability is indeterminable as of the date of these statements.

### Self-Insurance

The County sponsors and participates in a self-insurance plan for workers' compensation under Local Law No. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan is open to any eligible municipality, school district, or public entity for participation. At December 31, 2011, there were 43 participants, including the County. The County is responsible for administration of the plan and its reserves. Participant contributions, except for Westmount, which are financed on a pay-as-you-go basis, are financed on an estimated claim basis with excess contributions transferred to the reserve at the end of the fiscal year. Liabilities are recorded when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment yield assumptions of 3%. These liabilities are recorded at their present value of \$1,751,842 in the general long-term debt account group and \$494,997 in the special revenue fund, which represents the portion to be liquidated with expendable and available financial resources as of December 31, 2011. Benefits and awards expenditures for the year ended December 31, 2011, were \$908,210.

## 18. COMMITMENTS AND CONTINGENCIES (Continued)

### Grant Programs

The County participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The County believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the County's financial position or results of operations. The County has entered into cooperation agreements with towns within the County and compliance audits by the grantors or their representatives. The County believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not have a material effect on the County's financial position or results of operations.

### Westmount Medicaid Reimbursement

As stated in Note 2, Medicaid revenue is recognized when earned based upon tentative rates which are subject to audit and retroactive adjustment. An audit of the Medicaid cost report for 2002 has not been commenced.

It has been the position of the State of New York to audit each rate year, although these audits are usually performed several years after the fact. The final outcome of these audit settlements cannot be determined at this time.

In addition, each year's Medicaid rate includes a trend factor, which is intended to compensate for inflation. The initial trend factor for each Medicaid rate year is subsequently adjusted based upon actual experience. Final trend factor adjustments, which may be positive or negative, cannot be determined at this time.

No provision has been made in the financial statements for future audit settlements or trend factor adjustments.

### Public Health Reimbursement

The County Public Health Department recognizes revenue when earned based upon tentative rates that are subject to audit and retroactive adjustment by third-party payers.

There has been no provision made in these general-purpose financial statements for future audit settlements or rate adjustments.

### EPA Grant

In April 1995, the County received notification of grant approval in the amount of \$20 million from the United States Environmental Protection Agency. The grant funds are to be used to upgrade sanitary sewer systems in the Lake George Basin area. The grant agreement requires the County to contribute \$1.3 million to the project, or 5% of project costs. The State agreed to contribute \$2.4 million to the project. Total County expenditures for the project through 2011 totaled \$23,480,238.

### Tobacco Settlement

The State of New York is estimated to receive approximately \$25 billion over the next 25 years as a result of a comprehensive settlement among 46 states and U.S. territories and all the major tobacco companies. The settlement represents reimbursement to the State for medical costs incurred, primarily paid by Medicaid, from treating smoking-related illnesses. Since the counties of the State and New York City pay a share of Medicaid costs, the State has apportioned approximately half the settlement funds to these localities.

## **19. SUBSEQUENT EVENTS**

On February 28, 2012, the County issued a \$133,334 Bond Anticipation Note for the purchase of Gaslight Village Property, maturing February 28, 2013 with interest at 1.95%.

On April 6, 2012, the County issued a \$397,000 Bond Anticipation Note for the purchase of sheriff vehicles and bridge rehabilitation, maturing April 6, 2013 with interest at 1.95%.

On February 17, 2012, the County authorized the issuance of refunding bonds not exceeding \$14,700,000 to pay the 2003 Public Improvement Serial Bonds with an outstanding balance of \$13,800,000 as of December 31, 2011.

On February 21, 2012, the County repaid a \$3,000,000 Bond Anticipation Note dated July 29, 2011, for Corinth Road reconstruction.

On April 27, 2012, the County issued a \$346,288 Bond Anticipation Note for the abatement and demolition of the Social Services building, maturing April 28, 2013, with interest at 1.95%.

**REQUIRED REPORTS UNDER OMB CIRCULAR A-133**

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

August 8, 2012

To the Chairman and Members of  
the Board of Supervisors of the County of Warren:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren as of and for the year ended December 31, 2011, which collectively comprise the County of Warren's basic financial statements and have issued our report thereon dated August 8, 2012. Our report includes references to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Westmount Health Facility (a proprietary fund) and Warren County Local Development Corp. (a discretely presented component unit), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Westmount Health Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the County of Warren is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered the County of Warren's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Warren's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Warren's internal control over financial reporting.

*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 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.

6 Wembley Court  
Albany, New York 12205  
p (518) 464-4080  
f (518) 464-4087

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
NYC • PERRY • GENEVA

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)**

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

August 8, 2012

To the Chairman and Members of  
the Board of Supervisors of the County of Warren:

**Compliance**

We have audited the compliance of the County of Warren with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect each of the County of Warren's major federal programs for the year ended December 31, 2011. The County of Warren's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Warren's management. Our responsibility is to express an opinion on the County of Warren's compliance based on our audit.

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

In our opinion, the County of Warren complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

6 Wembley Court  
Albany, New York 12205  
p (518) 464-4080  
f (518) 464-4087

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
NYC • PERRY • GENEVA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)**

**Internal Control Over Compliance**

Management of the County of Warren is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Warren's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Warren'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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

COUNTY OF WARREN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:		
Passed through State Office of Children and Family Services:		
Temporary Aid For Needy Families (TANF)	93.558	\$ 1,797,147
Child Welfare Services (State Grants)	93.645	20,523
Foster Care (Title IV-E)	93.658	1,662,840
ARRA - Foster Care (Title IV-E)	93.658	73,014
Adoption Assistance	93.659	4,765
ARRA- Adoption Assistance	93.659	46,063
Social Services Block Grant	93.667	318,318
ARRA - Immunization	93.712	19,855
Passed through State Office of Temporary and Disability Assistance:		
Child Support Enforcement (Title IV-D)	93.563	382,848
ARRA Child Support Enforcement (Title IV-D)	93.563	26,357
Low-Income Home Energy Assistance	93.568	3,566,204
Medical Assistance Program (Medicaid, Title XIX)	93.778	1,864,551
ARRA Medical Assistance Program (Medicaid, Title XIX)	93.778	842,050
Passed through State Office of Alcoholism and Substance Abuse Services:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	221,302
Passed through State Office for Aging:		
Special Programs for the Aging, Title VII, Chapter 3 - Programs for prevention of elder abuse, neglect, and exploitation	93.041	12,720
Special Programs for the Aging, Title III, Part D - Disease prevention and health promotion services	93.043	5,750
Special Programs for Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	^93.044	102,076
Special Programs for Aging, Title III, Part C - Nutrition service	^93.045	176,041
National Family Caregiver Support, Title III, Part E	93.052	62,887
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	88,650
Passed through State Department of Health:		
Centers for disease control and prevention - Investigation and technical assistance	93.283	94,662
Temporary Assistance for Needy Families - Summer	93.558	37,841
Preventive Health and Health Services Block Grant	93.991	23,406
Maternal and Child Health Services Block Grant to the States	93.994	<u>20,295</u>
Total U.S. Department of Health and Human Services		<u>11,470,165</u>
U.S. Department of Education:		
Passed through State Department of Education:		
Special Education - Grants for Infants and Families	84.181	<u>40,936</u>
U.S. Department of Energy		
Passed through State Office for Aging		
Weatherization Assistance for Low-Income Persons	81.042	<u>24,886</u>
U.S. Department of Justice		
	16.004	33,535
Criminal Alien Assistance Program	16.606	47,269
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>22,190</u>
Total U.S. Department of Justice		<u>102,994</u>

(continued)

COUNTY OF WARREN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011**

U.S. Department of Labor:		
Passed through Saratoga County, New York:		
Workforce Investment Act Adult Programs	*17.258	378,424
ARRA Workforce Investment Act Adult Program	*17.258	159
Workforce Investment Act Youth Activities	*17.259	195,196
ARRA Workforce Investment Act Youth Activities	*17.259	3,813
Workforce Investment Act Dislocated Workers	*17.260	152,625
ARRA - Workforce Investment Act Dislocated Workers	*17.260	1,910
ARRA - Incentive Grants - WIA Section 503	*17.267	<u>2,988</u>
Total U.S. Department of Labor		<u>735,115</u>
U.S. Department of Agriculture:		
Passed through State Office of Temporary and Disability Assistance:		
State administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	583,195
Passed through State Health Department:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	1,248,865
Passed through State Office for the Aging:		
Nutrition Services Incentive Program	93.053	<u>86,123</u>
Total U.S. Department of Agriculture		<u>1,918,183</u>
U.S. Election Assistance Commission:		
Passed through State Board of Elections:		
Help America Vote Act - Requirements Payments	90.401	<u>6,309</u>
U.S. Department of Homeland Security:		
Passed through State Emergency Management Office:		
Disaster Grants - Public Assistance	97.036	775,100
Emergency Management Performance Grant	97.042	35,624
Homeland Security Grant Program	97.067	<u>174,722</u>
Total U.S. Department of Homeland Security		<u>985,446</u>
Environmental Protection Agency:		
Direct Program:		
Construction Grants for Wastewater Treatment Works	66.418	<u>327,259</u>
U.S. Department of Transportation:		
Direct Program:		
Airport Improvement Program	20.106	1,167,977
Passed through State Department of Transportation:		
ARRA - Highway Planning and Construction	20.205	103,683
Highway Planning and Construction	20.205	<u>6,521,461</u>
Total U.S. Department of Transportation		<u>7,793,121</u>
U.S. Department of Housing and Urban Development:		
Passed through State Division of Housing and Community Renewal:		
CDBG - HOME Investment Partnerships Program	14.239	296,071
CDBG - State's Program	14.228	<u>7,238</u>
Total U.S. Department of Housing and Urban Development		<u>303,309</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 23,707,723</u>

^ Special programs for the aging cluster

\* Workforce investment act cluster

The accompanying notes are an integral part of this schedule.

## COUNTY OF WARREN

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

---

#### 1. GENERAL

The preceding schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of County of Warren. County of Warren's reporting entity is defined in the County's financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other government agencies, is included on the schedule.

#### 2. BASIS OF ACCOUNTING

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

#### 3. INDIRECT COSTS

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

#### 4. MATCHING COSTS

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

#### 5. SUB-RECIPIENTS

No amounts were provided to sub-recipients.

#### 6. NONCASH AWARDS

A significant portion of federal award programs do not involve cash awards to the County of Warren, New York. The value of these noncash awards has been recorded as expenditures on the Statement of Expenditures of Federal Awards. Those relating to the County are as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
U.S. Department of Agriculture Special Supplemental Food Program for Women, Infants and Children Value of Food Instruments	10.557	\$896,938
U.S. Department of Health and Human Services Low Income Home Energy Assistance Value of NYS Comptroller expenditures	93.568	\$3,272,983

# COUNTY OF WARREN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2011

---

### SECTION 1. SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  no

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weakness(es)?  yes  no

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

**COUNTY OF WARREN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011 (Continued)**

---

**SECTION 1. SUMMARY OF AUDITORS' RESULTS (Continued)**

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program (Medicaid, Title XIX)
93.778	ARRA Medical Assistance Program (Medicaid, Title XIX)
97.036	Disaster Grants – Public Assistance
20.106	Airport Improvement Program
20.205	ARRA- Highway Planning and Construction
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:

\$711,232

Auditee qualified as low-risk auditee?

yes       no

**SECTION 2. FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION 3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**COUNTY OF WARREN**

**STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

**SECTION 1. FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION 2. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.