

COUNTY OF WARREN

FINANCIAL STATEMENTS AND REQUIRED REPORTS

UNDER OMB CIRCULAR A-133

DECEMBER 31, 2006

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**COUNTY OF WARREN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

Our discussion and analysis of County of Warren, New York's financial performance provides an overview of the County's financial activities for the year ended December 31, 2006. This document should be read in conjunction with the County's financial statements which begin on page 11.

FINANCIAL HIGHLIGHTS

- The County's net assets decreased by \$5.2 million as a result of this year's activity, which is illustrated in the Statement of Activities.
- The County's \$117.9 million in governmental and business-type activity expenses was partially funded with program revenue of \$52.7 million with \$60.0 million funded with general revenue, which is illustrated in the Statement of Activities.
- The modified 2006 budget planned for a reduction in the General Fund balance of \$7.4 million; however, the actual operating deficit was only \$6.9 million, resulting in a budget surplus of \$.5 million, which is illustrated in the Combined Statement of Revenue, Expenditures, Encumbrances, and Changes in Fund Equity - Budget and Actual - General Fund.
- The Capital Projects fund reported a deficit this year of \$3.4 million, of which \$1.2 million relates to expended grant proceeds and a transfer of unspent bond proceeds to the Debt Service Fund to service debt for the Public Safety Building, which is illustrated in the Statement of Revenue, Expenditures, and Changes in Fund Equity - Governmental Funds.

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.

**COUNTY OF WARREN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

REPORTING THE COUNTY AS A WHOLE (CONT.)

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.
- 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, and the Warren Tobacco Asset Securitization Corporation. 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 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's two types of funds – Governmental and Proprietary – use different accounting methods.

- 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.
- 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.

**COUNTY OF WARREN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

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 decreased from \$46.5 million to \$41.3 million. Net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County's Governmental Activities exceeded its liabilities at December 31, 2006, by \$38.8 million. This reflects a \$6.1 million decrease over the 2005 net asset amount. The assets of the County's Business-Type activities exceeded its liabilities at December 31, 2005 by \$2.5 million. This reflects a \$.9 million increase over the 2005 net asset amount. The majority of the County's net assets is capital assets (e.g. land, buildings, machinery, and equipment) less any 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 2006 for both the County's Governmental Activities and Business-Type Activities are comparable to prior year amounts (less than a five percent increase), which is reflective of the County's attempt to control costs.

Our analysis below focuses on the net assets (Table 1) 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 49.4	\$ 59.1	\$ 2.0	\$ 1.5	\$ 51.4	\$ 60.6
Capital assets	43.6	42.8	4.6	4.6	48.3	47.4
Total assets	\$ 93.1	\$ 101.9	\$ 6.6	\$ 6.1	\$ 99.7	\$ 108.0
Long-term debt outstanding	25.5	25.6	3.3	3.5	28.7	29.1
Other liabilities	28.7	31.4	0.8	1.0	29.5	32.4
Total liabilities	\$ 54.2	\$ 57.0	\$ 4.1	\$ 4.5	\$ 58.2	\$ 61.5
Net assets:						
Invested in capital assets, net of debt	\$ 21.5	\$ 27.0	\$ 1.2	\$ 1.3	\$ 22.7	\$ 28.3
Unrestricted	17.4	17.9	1.3	0.3	18.7	18.2
Total net assets	\$ 38.9	\$ 44.9	\$ 2.5	\$ 1.6	\$ 41.4	\$ 46.5

**COUNTY OF WARREN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

THE COUNTY AS A WHOLE (Cont.)

Table 2 Changes in Net Assets (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Program revenue:						
Charges for services	\$ 18.2	\$ 20.9	\$ 4.6	\$ 4.3	\$ 22.8	\$ 25.2
Operating grants	25.2	24.4	0.2	0.2	25.4	24.6
Capital grants	4.6	6.3	0	0	4.6	6.3
General revenue:						
Property taxes	25.7	24.9	0	0	25.7	24.9
Other taxes	32.1	28.4	0	0	32.1	28.4
Other general revenue	1.9	1.5	0.3	0.4	2	2
Total revenue	<u>107.7</u>	<u>106.4</u>	<u>5.1</u>	<u>4.9</u>	<u>112.8</u>	<u>111.3</u>
Program expenses:						
General governmental support	15.8	10.5	0	0	15.8	10.5
Education	1.8	2.0	0	0	1.8	2.0
Public safety	20.1	16.7	0	0	20.1	16.7
Health	15.3	14.6	0	0	15.3	14.6
Transportation	12.8	11.7	0	0	12.8	11.7
Economic Assistance and Opportunity	36.9	42.9	0	0	36.9	42.9
Culture and recreation	1.6	1.4	0	0	1.6	1.4
Home and community services	6.3	5.8	0	0	6.3	5.8
Debt service	0.9	1.1	0	0	0.9	1.1
Westmount Health Facility	0	0	6.3	6.1	6	6
Total expenses	<u>111.6</u>	<u>106.7</u>	<u>6.3</u>	<u>6.1</u>	<u>117.9</u>	<u>112.8</u>
Excess (deficiency) before transfers	(3.8)	(0.3)	(1.2)	(1.2)	(5.1)	(1.5)
Transfers	(2.2)	(0.6)	2.2	0.6	0	0
Increase (decrease) in net assets	<u>\$ (6.0)</u>	<u>\$ (0.9)</u>	<u>\$ 0.9</u>	<u>\$ (0.6)</u>	<u>\$ (5.1)</u>	<u>\$ (1.5)</u>

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)**

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Economic Assistance and Opportunity	\$ 36.9	\$ 18.4	\$ 42.9	\$ 23.2
Public safety	20.1	17.6	16.7	13.5
General support	15.8	9.7	10.5	2.3
Transportation	12.8	5.9	11.7	3.9
Health	15.3	2.2	14.6	2.5
All others	10.6	9.9	10.3	9.6
Totals	<u>\$ 111.6</u>	<u>\$ 63.6</u>	<u>\$ 106.7</u>	<u>\$ 55.0</u>

**COUNTY OF WARREN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

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 \$19.1 million, which was \$9.4 million less than last year's total of \$28.5 million. Included in this year's total change in fund balance is a deficit of \$6.9 million in the County's General Fund. The County budgeted for a deficit in the General Fund for 2006. In addition, the Capital Projects fund reported a deficit of \$3.4 million, which is partially the result of expended grant proceeds and a transfer of unspent bond proceeds to the Debt Service Fund for the Public Safety Building. The County expended these proceeds and transfer in 2006, which reduced fund balance.

A comparative overview of the Governmental Funds results for 2006 and 2005 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)**

	2006 Revenue	2006 % of Total	2005 Revenue	2005 % of Total
Real property taxes	\$ 24.2	22.5%	\$ 22.9	21.6%
Real property tax items	1.3	1.2%	1.8	1.7%
Sales and use taxes	32.1	29.8%	28.4	26.7%
Departmental income	12.4	11.5%	13.7	12.9%
Intergovernmental charges	4.0	3.7%	3.2	3.0%
Use of money and property	1.9	1.8%	1.5	1.4%
Licenses and permits	0.2	0.2%	0.2	0.2%
Fines and forfeitures	0.3	0.3%	0.3	0.3%
Sale of property and comp. for loss	0.6	0.6%	2.3	2.2%
Miscellaneous local sources	1.0	0.9%	1.2	1.1%
State aid	15.0	13.9%	15.0	14.1%
Federal aid	14.8	13.7%	15.7	14.8%
Total revenue	<u>\$ 107.7</u>	<u>100.0%</u>	<u>\$ 106.2</u>	<u>100.0%</u>
	2006	2006	2005	2005
	Expenditures	% of Total	Expenditures	% of Total
General governmental support	\$ 12.6	10.9%	\$ 11.0	9.8%
Education	1.8	1.6%	1.8	1.6%
Public safety	15.7	13.6%	14.9	13.3%
Health	14.0	12.1%	13.3	11.9%
Transportation	12.7	11.0%	16.0	14.3%
Economic Assistance and Opportunity	38.8	33.6%	37.1	33.2%
Culture and recreation	1.3	1.2%	1.3	1.2%
Home and community services	6.3	5.4%	5.3	4.7%
Employee benefits	9.4	8.2%	8.5	7.6%
Debt service - Principal and interest	2.8	2.4%	2.6	2.3%
Total expenditures	<u>\$ 115.4</u>	<u>100.0%</u>	<u>\$ 111.8</u>	<u>100.0%</u>

**COUNTY OF WARREN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's original budget was increased by \$5.5 million during the course of the year. This amount consists of \$1.0 million for insufficient appropriations relating to the Medicaid Management Information System (MMIS), \$1.2 million relating to the funding of various capital projects, \$.4 million for encumbrance carryovers, \$.5 million for the appropriation of the reserve for occupancy tax to be used for tourism promotion, \$.5 million for insufficient appropriations relating to the fuel crisis assistance program, \$.4 million for insufficient appropriations relating to the aid to dependent children program, \$.3 million relating to insufficient appropriations relating to overtime at the public safety facility and the balance relating to various appropriations of fund balance and State and Federally-funded programs.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$.8 million below the final budget amounts. None of the variances included in the \$.8 million are considered significant for further discussion.

Resources available for appropriation were \$1.7 million greater than the final budgeted amount. The most significant favorable variances occurred in the County's real property taxes and nonproperty tax items which exceeded budgeted amounts by \$1.6 million and \$2.8 million, respectively. The real property tax amount includes a \$.2 million decrease relating to deferred taxes and a \$1.9 million increase relating to the inclusion of the Enterprise Fund's portion of real property taxes in the General Fund's revenue code. This is an accounting change from the previous year and wasn't included in the 2006 budget. The nonproperty tax items account includes a favorable variance for sales tax in the amount of \$2.7 million. The 2006 actual amount for sales tax was \$1.9 million higher than the prior year amount, and the County historically budgets conservatively for sales tax because of its uncertainty. An unfavorable variance in the amount of \$1.7 million occurred in the County's sale of property and compensation for loss line item which relates to the sale of tobacco security rights which was budgeted in 2006, but recorded as a revenue in 2005.

The final 2006 budget planned on a reduction in the General Fund balance of \$7.4 million; however, the actual operating deficit was only \$6.9 million, resulting in a budget surplus of \$.5 million, which is explained in the above analysis.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2006, the County had \$48.1 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 Net Assets (In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 3.2	\$ 3.2	\$ 0	\$ 0	\$ 3.2	\$ 3.2
Land improvements	0.2	0.2	0.1	0.1	0.3	0.3
Buildings and improvements	29.8	29.5	1.0	1.0	30.8	30.5
Machinery and equipment	4.2	4.1	3.2	3.5	7.4	7.6
Infrastructure	6.0	5.8	0	0	6.0	5.8
Construction work in progress	0.2	0	0.2	0	0.4	0
Totals	<u>\$ 43.6</u>	<u>\$ 42.8</u>	<u>\$ 4.5</u>	<u>\$ 4.6</u>	<u>\$ 48.1</u>	<u>\$ 47.4</u>

**COUNTY OF WARREN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONT.)

This year had one major addition as follows (in millions):

Construction of an airport maintenance hanger, paid for with proceeds of a bond anticipation note	\$1.0
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Debt

At year-end, the County had \$20.6 million in bonds outstanding versus \$22.0 million last year. New bond issuance consisted of a \$160,000 serial bond on behalf of Adirondack Community College to purchase a new financial management and accounting system.

At year-end, the County had \$4.8 million in bond anticipation notes outstanding versus \$1.0 million last year. New debt was issued consisting of \$.8 million on behalf of Adirondack Community College to purchase a new financial management and accounting system, \$3.0 million to pay the budget note for June 2006 flood damage repairs, and \$1.0 million for a new airport maintenance hanger.

At year-end, the County had no budget notes outstanding versus \$3.0 million last year. The budget note was repaid with the issuance of a bond anticipation note (see above).

At year-end, the County had \$3.6 million in capital leases outstanding versus \$3.5 million last year. New debt was issued in the amount of \$.3 million for improvements to the Countryside Adult Home.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. 2006 average unemployment in the County was 4.3 percent versus 4.5 percent a year ago. This compares favorably with the 2006 State's average unemployment rate of 4.5 percent and the national average rate of 4.6 percent.

This indicator was taken into account when adopting the General Fund budget for 2007. Amounts available for appropriation in the General Fund budget are \$112.5 million, an increase of \$18.7 million over the final 2006 budget of \$93.8 million. This increase is attributable to accounting and budgeting changes for counties who share their own sales tax revenue with other local governments within their boundaries. This change requires counties to recognize sales tax revenue on a gross basis and record expenditures for the amount of sales tax revenue shared. The 2007 budget includes \$18.7 million for sales tax revenue shared which accounts for the significant increase in total appropriations.

If these estimates are realized, the County's General Fund balance is expected to decrease by \$6.6 million by the close of 2007. Even though this would be the fifth consecutive year of deficits and use of the fund balance to balance the budget, the County did not experience cash flow problems in 2006 and management does not anticipate cash flow problems in 2007.

**COUNTY OF WARREN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

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.

INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Board of Supervisors
County of Warren
Lake George, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, certain aggregate discretely presented component units, each major fund and the aggregate remaining fund information of County of Warren as of and for the year ended December 31, 2006, 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) or Warren County Local Development Corp. (a component unit). Those financial statements were audited by other auditors whose reports 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 Corp., 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

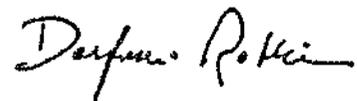
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Warren as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONT.)

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2007, on our consideration of County of Warren's internal control over financial reporting and 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis, on pages 1 through 8, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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



September 24, 2007
Albany, New York

**COUNTY OF WARREN
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	<u>Primary Government</u>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business Type</i>	<i>Total</i>	
ASSETS:				
CURRENT ASSETS:				
Cash	\$ 12,736,718	\$ 237,066	\$ 12,973,784	\$ 451,284
Restricted cash	6,616,494	29,915	6,646,409	0
Investments	0	0	0	552,692
Taxes receivable - Net of an allowance for uncollectible taxes of \$100,000	9,161,519	0	9,161,519	0
Accounts receivable - Net of allowance for uncollectible amounts of \$174,947	2,576,479	436,545	3,013,024	0
Loans receivable - Net of allowance for uncollectible amounts of \$32,164	0	0	0	998,214
Due from third party payers	0	216,000	216,000	0
State and federal receivables	16,060,216	0	16,060,216	0
Due from other governments	1,196,040	955,076	2,152,116	0
Prepaid expenditures	782,976	70,215	853,191	0
Inventories	255,786	24,789	280,575	0
Bond issuance cost - Net	0	0	0	35,761,576
Miscellaneous other assets	42,785	11,025	53,810	137,656
	<u>49,429,013</u>	<u>1,981,631</u>	<u>51,410,644</u>	<u>37,901,422</u>
NONCURRENT ASSETS:				
Due from other governments	0	146,289	146,289	0
Capital assets - Net	43,634,232	4,470,281	48,104,513	0
	<u>43,634,232</u>	<u>4,616,570</u>	<u>48,250,802</u>	<u>0</u>
TOTAL ASSETS	<u>93,063,245</u>	<u>6,598,201</u>	<u>99,661,446</u>	<u>37,901,422</u>
CURRENT LIABILITIES:				
Accounts payable	4,842,652	110,712	4,953,364	0
Accrued expenses	1,025,227	69,105	1,094,332	161,791
Retainages payable	174,173	0	174,173	0
Capital lease obligation	2,919	247,678	250,597	0
Bonds and notes payable	1,640,000	0	1,640,000	130,000
Bond anticipation note	4,750,000	0	4,750,000	0
Other liabilities	18,933	40,607	59,540	0
Due to other funds	122,440	0	122,440	0
Due to other governments	13,731,659	35,776	13,767,435	0
Compensated absences	2,092,761	198,949	2,291,710	0
Deferred revenue	306,057	117,453	423,510	0
	<u>28,706,821</u>	<u>820,280</u>	<u>29,527,101</u>	<u>291,791</u>
LONG-TERM LIABILITIES:				
Bonds and notes payable	18,970,000	0	18,970,000	42,610,000
Capital lease obligation	338,058	3,008,059	3,346,117	0
Compensated absences	3,439,238	247,189	3,686,427	0
Settlements and claims	2,713,177	0	2,713,177	0
Total long-term liabilities	<u>25,460,473</u>	<u>3,255,248</u>	<u>28,715,721</u>	<u>42,610,000</u>
TOTAL LIABILITIES	<u>54,167,294</u>	<u>4,075,528</u>	<u>58,242,822</u>	<u>42,901,791</u>
NET ASSETS:				
Investment in capital assets - Net of related debt	21,488,400	1,214,544	22,702,944	0
Unrestricted	17,407,551	1,308,129	18,715,680	(5,000,369)
TOTAL NET ASSETS	<u>\$ 38,895,951</u>	<u>\$ 2,522,673</u>	<u>\$ 41,418,624</u>	<u>\$ (5,000,369)</u>

See accompanying notes to financial statements.

**COUNTY OF WARREN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006**

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total	Component Units
GOVERNMENTAL ACTIVITIES							
Primary government:							
General governmental support	\$ 15,795,406	\$ 533,671	\$ 0	\$ (9,657,477)	\$ 0	\$ (9,657,477)	\$ 0
Education	1,810,727	0	0	(1,810,727)	0	(1,810,727)	0
Public safety	20,074,236	530,498	354,868	(17,591,580)	0	(17,591,580)	0
Health	15,309,900	6,039,302	0	(2,165,518)	0	(2,165,518)	0
Transportation	12,809,721	1,192,538	4,230,082	(5,860,970)	0	(5,860,970)	0
Economic Assistance and Opportunity	36,942,897	16,735,087	0	(18,399,733)	0	(18,399,733)	0
Culture and recreation	1,641,858	144,048	0	(1,317,242)	0	(1,317,242)	0
Home and community services	6,258,336	416,589	0	(5,841,747)	0	(5,841,747)	0
Debt service	924,755	0	0	(924,755)	0	(924,755)	0
Total governmental activities	111,587,836	18,237,993	4,584,950	(63,569,749)	0	(63,569,749)	0
Business-type activities:							
Westmount Health Facility	6,298,448	4,582,866	0	0	(1,511,969)	(1,511,969)	0
Total primary government	\$ 117,886,284	\$ 22,820,879	\$ 4,584,950	\$ (63,569,749)	\$ (1,511,969)	\$ (65,081,718)	\$ 0
Component units:							
Soil and Water Conservation District	\$ 554,319	\$ 256,761	\$ 323,133				\$ 25,575
Local Development Corp.	497,105	76,789	598,240				187,974
Warren TASC	866,064	895,004	0				78,940
Total component units	\$ 1,917,488	\$ 1,228,554	\$ 921,373				\$ 172,439
GENERAL REVENUE:							
Real property taxes				\$ 24,439,685	\$ 0	\$ 24,439,685	
Real property tax items				1,302,281	0	1,302,281	
Sales and use taxes				37,103,219	0	37,103,219	
Use of money and property				1,894,893	26,763	1,921,656	
Other sources				0	245,285	245,285	
Total general revenue				\$ 59,740,078	\$ 272,048	\$ 60,012,126	
OTHER SOURCES (USES):							
Interfund transfers				\$ (2,177,758)	\$ 2,177,758	\$ 0	
Change in net assets				\$ (6,007,479)	\$ 937,837	\$ (5,069,592)	\$ 237,439
Net assets, beginning of year				44,903,380	1,584,836	46,488,216	(5,737,808)
Net assets, end of year				\$ 38,895,901	\$ 2,522,673	\$ 41,418,574	\$ (5,000,369)

See accompanying notes to financial statements

**COUNTY OF WARREN
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Special Grant	Refuse and Garbage	County Road	Road Machinery	Workers' Compensation	Capital Projects	Other Governmental	Total
ASSETS:									
Cash	\$ 8,951,909	\$ 4,188	\$ 13,583	\$ 753	\$ 611,410	\$ 0	\$ 9,555,145	\$ 994,735	\$ 12,735,715
Restricted cash	259,237	0	0	0	0	0	759,388	91,886	1,050,509
Accounts receivable - Not of an account	9,161,519	0	0	0	0	0	0	0	9,161,519
Accounts receivable - State of Michigan	2,773,223	2,215	0	0	780	29	0	780	2,776,947
Due from other funds	4,781,767	0	1,107,500	944,472	77,370	90	9,976	48,178	6,909,342
State and federal receivables	10,938,830	137,270	0	1,192,453	0	0	7,794,654	0	19,925,917
Due from other government entities	442,870	0	5,598	3,579	520,974	0	373,000	0	1,345,441
Prepaid expenditures	636,647	14,163	0	97,965	9,945	2,256	0	0	756,916
Investments	60,555	0	0	48,151	147,986	0	0	0	256,732
Miscellaneous other assets	47,785	0	0	0	0	0	0	0	47,785
TOTAL ASSETS	\$ 37,306,337	\$ 157,845	\$ 1,121,678	\$ 2,243,373	\$ 967,475	\$ 5,548,666	\$ 8,412,229	\$ 643,919	\$ 60,303,576
LIABILITIES:									
Accounts payable	\$ 3,350,278	\$ 31,235	\$ 227	\$ 43,290	\$ 142,915	\$ 136,322	\$ 898,436	\$ 0	\$ 4,862,663
Accrued expenses	553,303	6,259	0	53,316	12,046	1,761	621	6,406	633,612
Retiree's payable	0	0	0	0	0	0	14,173	0	14,173
Other liabilities	18,933	0	0	0	0	0	0	0	18,933
Road intergovernmental notes	0	0	0	0	0	0	0	0	0
Due to other funds	2,960,757	92,152	48,034	22,206	0	461,810	4,250,000	0	7,734,959
Due to other governments	13,587,941	0	0	20	279	3,492,868	3,416,599	9,976	17,500,683
Compensated absences	1,895,988	70,184	0	139,150	29,788	8,042	4,165,999	0	6,489,151
Deferred revenue	382,649	8,006	0	0	0	5,810	48,175	0	424,640
TOTAL LIABILITIES	26,277,799	157,845	48,261	257,982	184,888	613,941	6,627,582	10,442	33,744,345
EQUITY:									
Fund balances - Assigned:									
- Unclassified	441,783	0	0	236,695	308,676	0	1,198,644	0	2,175,808
- Security	80,555	0	0	48,151	147,080	0	0	0	275,786
- Risk control	686,648	0	0	59,965	9,945	2,796	0	0	759,354
- Capital	255,032	0	0	606,310	0	0	(1,794,007)	0	(1,332,665)
- Special	307,985	0	0	46,671	0	4,222,666	0	97,891	5,275,213
- Total assigned	1,892,003	0	0	1,078,769	366,651	4,227,922	(1,795,357)	97,891	5,729,372
Fund balances - Unassigned:									
- Designated for subsequent years' operations	6,575,000	0	0	100,000	0	0	0	0	6,675,000
- Undesignated	2,655,535	0	1,073,417	\$13,072	416,940	0	0	526,668	4,685,632
- Total unassigned	9,230,535	0	1,073,417	913,072	416,940	0	0	526,668	11,260,632
TOTAL EQUITY	11,028,538	0	1,073,417	1,991,341	882,591	4,221,922	(1,806,353)	97,337	16,559,146
TOTAL LIABILITIES AND EQUITY	\$ 37,306,337	\$ 157,845	\$ 1,121,678	\$ 2,243,373	\$ 967,475	\$ 5,548,666	\$ 8,412,229	\$ 643,919	\$ 60,303,576

See accompanying notes to financial statements

COUNTY OF WARREN
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2006

	General	Special Grant	Refuse and Garbage	County Road	Road Machinery	Workers' Compensation	Capital Projects	Other Governmental	Total
REVENUE:									
Real property taxes	\$ 14,877,197	\$ 0	\$ 1,302,500	\$ 7,303,679	\$ 721,883	\$ 0	\$ 0	\$ 11,810	\$ 24,915,069
Real property tax inns	1,302,261	0	0	0	0	0	0	0	1,302,261
Sales and use taxes	37,103,219	0	0	0	0	0	0	0	37,103,219
Departmental income	12,363,719	0	0	0	0	0	0	0	12,363,719
Intergovernmental charges	4,282,055	0	14,524	117,185	1,785,231	1,605,558	0	4,034	7,990,558
Use of money and property	1,412,186	5	96,044	7	48,551	758,004	34,173	48,543	1,894,413
Grants and permits	178,681	0	0	0	0	0	0	178,681	178,681
Fees and forfeitures	228,746	0	0	0	0	0	0	0	228,746
Sale of property and transportation licenses	908,030	0	0	8,630	55,334	41,723	12,042	0	1,025,727
Miscellaneous local sources	947,668	0	11,068	95	1,577	0	36,664	0	1,096,305
State aid	12,870,555	0	0	1,192,493	0	0	964,240	0	14,967,288
Federal aid	9,515,943	1,596,108	0	0	0	0	2,680,710	0	13,792,761
Total revenue	88,035,770	1,596,113	1,414,136	8,632,659	2,013,981	1,363,765	3,468,708	27,667	117,241,013
EXPENDITURES:									
General governmental support	9,389,493	0	0	86,152	43,645	964,196	2,125,182	0	12,610,566
Education	1,610,727	0	0	0	0	0	0	0	1,610,727
Public safety	13,630,626	0	0	479,519	0	0	1,343,517	0	15,453,662
Health	13,997,352	0	0	0	0	0	0	0	13,997,352
Transportation	646,438	0	0	6,647,041	1,526,898	0	3,892,317	0	12,012,694
Economic Assistance and Opportunity	38,176,706	603,666	0	0	0	0	0	0	38,780,372
Culture and recreation	1,335,544	0	0	0	0	0	3,818	0	1,339,362
Home and community services	1,088,632	932,683	2,276,980	0	0	0	1,043,154	11,605	5,341,354
Employee benefits	8,387,251	0	0	865,942	157,530	0	21,059	21,059	9,431,791
Debt service - Principal and interest	313,176	0	0	0	0	0	0	0	313,176
Total expenditures	88,035,770	1,596,113	2,276,980	8,632,659	1,728,062	964,196	3,468,708	27,667	117,241,013
CHANGES IN FUND EQUITY:									
Beginning fund equity	(9,401,825)	(275)	(852,844)	546,372	285,869	341,089	(1,632,480)	(7,425,482)	(7,851,315)
Change in fund equity due to:									
- transfers in	166,301	0	0	47,735	22,206	0	1,897,666	2,991,110	3,127,912
- transfers out	(3,885,319)	0	0	(75,210)	(15,600)	0	(1,195,759)	0	(5,171,888)
- fund transfers (to) conference fund	(2,177,748)	0	0	0	0	0	0	0	(2,177,748)
- proceeds from issuance of long-term debt	0	0	0	0	0	0	537,339	0	537,339
- total other sources (uses)	(5,894,566)	0	0	(27,475)	5,546	0	(3,871,136)	2,991,110	(1,696,415)
Change in fund equity	(6,017,561)	(275)	(852,844)	518,897	291,445	341,089	(5,382,144)	567,621	(6,335,213)
EXPENDITURES AND OTHER USES	17,896,999	236	1,926,201	1,472,444	(90,146)	4,383,833	2,486,791	55,064	29,852,768
FUND EQUITY - BEGINNING OF YEAR	\$ 11,078,138	\$ 0	\$ 1,074,417	\$ 1,991,311	\$ 782,591	\$ 4,725,922	\$ (1,195,333)	\$ (73,877)	\$ 19,109,073
FUND EQUITY - END OF YEAR	\$ 5,060,577	\$ (275)	\$ 221,573	\$ 2,510,208	\$ 491,146	\$ 5,107,011	\$ (2,732,124)	\$ 511,755	\$ 12,873,862

See accompanying notes to financial statements.

**COUNTY OF WARREN
COMBINED STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2006**

	General Fund			Variance
	Original	Final	Actual	Favorable
	Budget	Budget		(Unfavorable)
REVENUE:				
Real property taxes	\$ 13,244,571	\$ 13,244,571	\$ 14,877,197	\$ 1,632,626
Real property tax items	1,210,000	1,210,000	1,302,281	92,281
Nonproperty tax items	28,839,304	29,489,304	32,103,219	2,813,915
Departmental income	13,134,318	13,261,874	12,463,219	(898,655)
Intergovernmental charges	1,710,313	1,775,601	1,628,065	(147,536)
Use of money and property	952,114	952,114	1,412,166	460,052
Licenses and permits	150,000	150,000	178,681	28,681
Fines and forfeitures	296,000	296,000	328,746	32,746
Sale of property and compensation for loss	2,217,368	2,229,260	508,030	(1,721,230)
Miscellaneous local sources	797,701	938,627	947,668	9,041
State aid	11,967,197	13,119,192	12,870,555	(248,637)
Federal aid	9,092,913	9,812,358	9,515,943	(296,415)
Total revenue	<u>83,611,799</u>	<u>86,278,901</u>	<u>88,035,779</u>	<u>1,756,869</u>
EXPENDITURES:				
General government support	9,358,906	9,597,620	9,389,493	208,127
Education	1,772,418	1,812,418	1,810,727	1,691
Public safety	13,923,056	14,173,597	13,830,876	342,721
Health	13,489,487	13,935,510	13,997,352	(61,842)
Transportation	650,252	709,377	646,428	62,895
Economic Assistance and Opportunity	35,530,326	38,529,178	38,176,706	352,472
Culture and recreation	1,299,094	1,656,707	1,335,574	321,133
Home and community services	1,137,919	1,119,507	1,088,612	30,895
Employee benefits	8,299,233	8,244,076	8,387,251	(143,175)
Debt service	0	0	313,576	(313,576)
Total expenditures	<u>85,460,691</u>	<u>89,777,940</u>	<u>88,976,595</u>	<u>80,345</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(1,848,892)</u>	<u>(3,499,039)</u>	<u>(940,825)</u>	<u>2,558,214</u>
OTHER SOURCES (USES):				
Interfund transfers in	0	40,000	166,341	126,341
Interfund transfers (out)	(2,801,108)	(3,988,814)	(6,043,077)	(2,054,263)
Interfund transfers (to) enterprise fund	0	0	0	0
Total other sources (uses)	<u>(2,801,108)</u>	<u>(3,948,814)</u>	<u>(5,876,736)</u>	<u>(1,927,322)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES, ENCUMBRANCES, AND OTHER USES	<u>(4,650,000)</u>	<u>(7,447,853)</u>	<u>(6,817,561)</u>	<u>630,292</u>
FUND EQUITY - BEGINNING OF YEAR	<u>17,896,099</u>	<u>17,896,099</u>	<u>17,896,099</u>	<u>0</u>
FUND EQUITY (DEFICIT) - END OF YEAR	<u>\$ 13,246,099</u>	<u>\$ 10,448,246</u>	<u>\$ 11,078,538</u>	<u>\$ 630,292</u>

See accompanying notes to financial statements.

COUNTY OF WARREN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

Fund balance - All governmental funds	\$ 19,179,033
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.	43,634,232
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.	(77,103,392)
Deferral of income earned in the current year is recognized as revenue under the accrual basis of accounting.	3,577,533
Certain expenditures are recorded on cash basis in the funds but on the accrual basis of accounting for government activities.	<u>(391,455)</u>
Net assets of governmental activities	<u>\$ 38,895,951</u>

See accompanying notes to financial statements.

COUNTY OF WARREN
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

Net changes in fund balance - Total governmental funds	\$ (9,333,731)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	2,670,150
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(1,807,261)
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	1,603,239
Proceeds from the issuance of long-term debt are not recognized as revenue in the statement of activities	(527,339)
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	219,921
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	<u>1,167,592</u>
Change in net assets - Governmental activities	<u>\$ (6,007,429)</u>

See accompanying notes to financial statements.

**COUNTY OF WARREN
WESTMOUNT HEALTH FACILITY
STATEMENT OF NET ASSETS - PROPRIETARY FUND
DECEMBER 31, 2006**

ASSETS:

Current assets:

Cash	\$ 237,066
Restricted cash	29,915
Assets limited to use	11,025
Patient accounts receivable - Net	436,545
Due from third party payers	216,000
Prepaid expenditures	70,215
Inventories	24,789
Due from County	956,076
Total current assets	<u>1,981,631</u>

Long-term assets:

Due from County	146,289
Property, plant, and equipment	4,470,281
Total long-term assets	<u>4,616,570</u>

TOTAL ASSETS

\$6,598,201

LIABILITIES:

Current liabilities:

Current portion of capital lease payable	\$ 247,678
Accounts payable	110,712
Accrued payroll and related benefits	69,105
Vacation leave and related benefits	198,949
Due to County	35,776
Due to third party payers	10,223
Patient funds	29,915
Other current liabilities	469
Deferred revenue	117,453
Total current liabilities	<u>820,280</u>

Long-term liabilities:

Long-term portion of capital lease payable	3,008,059
Sick leave and related benefits	247,189
Total long-term liabilities	<u>3,255,248</u>

TOTAL LIABILITIES

4,075,528

NET ASSETS:

Invested in property and equipment - Net of debt	1,214,544
Restricted	10,557
Unrestricted	1,297,572
Total	<u>2,522,673</u>

TOTAL LIABILITIES AND NET ASSETS

\$6,598,201

See accompanying notes to financial statements and independent auditors' report.

**COUNTY OF WARREN
WESTMOUNT HEALTH FACILITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2006**

Operating revenue:	
Net patient service revenue	\$ 4,575,678
Other operating revenue	7,208
Total operating revenue	<u>4,582,886</u>
Operating expenses:	
Nursing services	1,995,710
Ancillary services	381,165
Dietary services	585,965
Housekeeping	231,543
Laundry service	85,290
Maintenance	392,860
Administrative and fiscal services	525,011
Employee benefits	1,377,449
New York State tax assessment	238,701
Depreciation	310,958
(Recovery of) provision for bad debts	33,486
Total operating expenses	<u>6,158,138</u>
(Loss) from operations	<u>(1,575,252)</u>
Non-operating revenue (expense):	
Indirect costs and operating transfers from County	2,381,351
Intergovernment transfers	188,506
Interest income	26,763
Interest expense	(140,310)
Other	57,004
Loss on disposal of equipment	(225)
Total non-operating revenue	<u>2,513,089</u>
Excess of revenue over expenses	937,837
Net assets, beginning of year	<u>1,584,836</u>
Net assets, end of year	<u><u>\$ 2,522,673</u></u>

See accompanying notes to financial statements and independent auditors' report.

COUNTY OF WARREN
WESTMOUNT HEALTH FACILITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Income (loss) from operations	<u>\$(1,575,252)</u>
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	310,958
Bad debts	33,486
Indirect services from County	203,593
Change in:	
Accounts receivable	52,785
Supplies	(5,510)
Prepaid expenses	695
Accounts payable	(37,932)
Due to/from third party payers	168,880
Accrued items	41,224
Due to/from County	<u>(1,005,845)</u>
Total adjustments	<u>(237,666)</u>
Net cash provided (used) by operating activities	<u>(1,812,918)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from County	2,177,758
Intergovernmental transfers	145,006
Other	<u>57,004</u>
Net cash provided by noncapital financing activities	<u>2,379,768</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on capital lease	(237,153)
Payments of interest	(140,310)
Capital expenditures	<u>(207,656)</u>
Net cash provided (used) in capital and related financing activities	<u>(585,119)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment and other income	26,763
Net change in assets whose use is limited	<u>222</u>
Net cash provided by investing activities	<u>26,985</u>
NET INCREASE (DECREASE) IN CASH	8,716
CASH - BEGINNING OF YEAR	<u>228,350</u>
CASH - END OF YEAR	<u>\$ 237,066</u>

See accompanying notes to financial statements and independent auditors' report.

**COUNTY OF WARREN
STATEMENT OF FIDUCIARY NET ASSETS
YEAR ENDED DECEMBER 31, 2006**

ASSETS:

Cash	\$ 4,173,740
Due from other funds	33,465
Other assets	<u>7,669</u>
TOTAL ASSETS	<u>4,214,874</u>

LIABILITIES:

Due to other funds	822,625
Agency liabilities	<u>3,388,218</u>
TOTAL LIABILITIES	<u>4,210,843</u>
TOTAL NET ASSETS	<u>\$ 4,031</u>

See accompanying notes to financial statements.

**COUNTY OF WARREN
STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2006**

	<i>Soil and Water Conservation District</i>	<i>Local Development Corp.</i>	<i>Warren TASC</i>	<i>Total</i>
ASSETS:				
Cash	\$ 32,638	\$ 311,388	\$ 107,258	\$ 451,284
Investments	0	0	552,692	552,692
Loans receivable - Net of allowance for doubtful accounts of \$32,164	0	998,214	0	998,214
Bond discount - Net	0	0	35,761,576	35,761,576
Bond issuance costs - Net	0	0	137,656	137,656
	<u>32,638</u>	<u>1,309,602</u>	<u>36,559,182</u>	<u>37,901,422</u>
TOTAL ASSETS				
LIABILITIES:				
Accrued liabilities	0	0	161,791	161,791
Bonds and notes payable	0	0	42,740,000	42,740,000
	<u>0</u>	<u>0</u>	<u>42,901,791</u>	<u>42,901,791</u>
TOTAL LIABILITIES				
NET ASSETS	<u>\$ 32,638</u>	<u>\$ 1,309,602</u>	<u>\$ (6,342,609)</u>	<u>\$ (5,000,369)</u>

See accompanying notes to financial statements.

COUNTY OF WARREN
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY -
COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2006

	<i>Soil and Water Conservation District</i>	<i>Local Development Corp.</i>	<i>Warren TASC</i>	<i>Total</i>
Revenue:				
Departmental income	\$ 15,167	\$ 0	\$ 0	\$ 15,167
Intergovernmental charges	0	0	0	0
Use of money and property	711	37,829	61,606	100,146
Sale of property and compensation for loss	1,580	0	833,398	834,978
Miscellaneous local sources	239,303	38,960	0	278,263
State aid	323,133	0	0	323,133
Federal aid	0	598,240	0	598,240
Total revenue	<u>579,894</u>	<u>675,029</u>	<u>895,004</u>	<u>2,149,927</u>
Expenditures:				
General governmental support	0	492,105	595,871	1,087,976
Home and community services	554,319	0	0	554,319
Debt service - Interest	0	0	270,193	270,193
Total expenditures	<u>554,319</u>	<u>492,105</u>	<u>866,064</u>	<u>1,912,488</u>
Excess of revenue over expenditures	25,575	182,924	28,940	237,439
FUND EQUITY - BEGINNING OF YEAR	<u>7,063</u>	<u>1,126,678</u>	<u>(6,371,549)</u>	<u>(5,237,808)</u>
FUND EQUITY - END OF YEAR	<u>\$ 32,638</u>	<u>\$ 1,309,602</u>	<u>\$(6,342,609)</u>	<u>\$(5,000,369)</u>

See accompanying notes to financial statements.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 1. Nature of Operations and Summary of Significant Accounting Policies

County of Warren, New York (the "County") was established in 1813. The County 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.

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 following is a summary of the more significant policies:

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 GASB 14, *The Financial Reporting Entity*, and GASB 39, *Determining Whether Certain Organizations are Component Units*, 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 to promote the economic development of the County.

Warren County Soil and Water Conservation 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.

COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Reporting Entity (Cont.)

Warren Tobacco Asset Securitization Corp. - This component unit (WTASC) 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. 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 joint ventures entered into between the County and other state and local governmental entities (see Note 14) are excluded from the reporting entity.

Basis of Presentation

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.

Fund Financial Statements

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:

COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Basis of Presentation (Cont.)

Fund Financial Statements (Cont.)

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. The County has elected not to account for this fund as an enterprise fund.
- 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.
- 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.

COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Basis of Presentation (Cont.)

Fund Financial Statements (Cont.)

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

The modified accrual basis of accounting 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.

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.

COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Basis of Accounting and Measurement Focus (Cont.)

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 5), is recorded when received in cash because they are generally not measurable until actually received.

The accrual basis of accounting 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/Clerk 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 with modified budget classifications and reflect year-end encumbrances.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Budgetary Data (Cont.)

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 2006 budgets, as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Original adopted budget	\$88,261,799	\$ 13,599,760
Encumbrances carried forward	419,008	260,286
Appropriation adjustments	5,085,947	877,914
Amended budget	<u>\$93,766,754</u>	<u>\$ 14,737,960</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

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 (road fund), and gasoline (road machinery fund) are valued at the lower of cost (first-in, first-out method) or market.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Cont.)

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. The pre-2003 infrastructure and related depreciation has not been reported on the County's financial statements.

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 in the general long-term debt account group 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 GASB 16.

Post-Retirement 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. The County recognizes the cost of providing these benefits as the premiums are paid. The costs recognized in 2006 approximated \$1,553,594 for 310 employees and survivors. The amount of the County's obligation for future post-retirement premiums has not been quantified.

COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Cont.)

Nonmonetary Transactions

According to the policies and procedures established by the United States Department of Agriculture, the County has recorded revenue and expenditures relating to property in lieu of money received during the year, primarily food.

Note 2. 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 differs from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets versus the solely current financial resources focus of the governmental fund balance 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. The amounts shown below represent:

Long-Term Revenue 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.

COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 2. Explanation of Certain Differences Between Governmental Fund Statements and County-Wide Statements (Cont.)

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.

Note 3. Cash and Custodial Risk

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. Governmental Accounting Standards Board Statement #40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A) Insured or collateralized with securities held by the County or by its agent in the County's name, or
- B) Collateralized with securities held by the pledging financial institution's trust department or agency in the County name, or
- C) Uncollateralized.

As of December 31, 2006, all of the County's cash balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the County's name.

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.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 4. Pooled Bank Account

The County has deposited cash in a pooled checking account and maintains accounting records to identify the portion of the balance attributable to each fund. At December 31, 2006, the County's funds had the cash balances shown in the following schedule in the pooled bank account.

<u>Fund</u>	<u>Cash Balance</u>
General fund	\$ 50,385
Special revenue fund	640,155
Capital projects fund	1,994,424
Agency fund	483,779
	<u>\$ 3,168,743</u>

Note 5. Restricted Assets - Cash and Cash in Time Deposits

Restricted cash consist of the following:

<u>Fund</u>	<u>Restricted Balance</u>	<u>Restriction</u>
General	<u>\$ 259,232</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Special revenue	\$ 91,586	Unemployment insurance
	5,536,291	Workers' compensation insurance
Total special revenue	<u>\$ 5,627,877</u>	
Capital Projects	<u>\$ 729,385</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Enterprise	<u>\$ 29,915</u>	Patient funds

Note 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 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 and Village of Lake George. These municipalities assess and collect all city and County taxes on property within the municipalities and serve as enforcement agent for tax liens on such property. County taxes collected by these municipalities are remitted to the County periodically.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 6. Property Taxes (Cont.)

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 (\$9,050,239) 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 (\$3,577,534) is not considered available under the modified accrual basis of accounting and is included in liabilities as deferred revenue.

Note 7. Loans Receivable

Loans receivable are stated at principal plus accrued interest, if any. Such receivables are placed on non-accrual 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 are recognized over the term of the loan and are calculated using the compounded-interest method on principal amounts outstanding.

The LDC maintains a micro-enterprise loan program. Loans receivable as of December 31, 2006 were \$1,030,378 less an allowance for doubtful accounts of \$32,164. These loans interest rates ranging from 3% to 8% and are amortized over periods ranging from 3 to 7 1/2 years.

As of December 31, 2006 a loan in the amount of \$240,733 was more than 90 days past due. The loan is not considered impaired as the entire amount plus accrued interest is expected to be satisfied.

Note 8. State and Federal Receivables

State and federal receivables are comprised of the following:

<u>Fund</u>	<u>Balance</u>	<u>Description</u>
General	\$10,935,830	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
Special revenue	\$ 1,329,732	Claims for reimbursement of expenditures for job training and highway improvements.
Capital projects	\$ 3,794,654	Claims for reimbursement of expenditures for Various capital projects.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 9. Capital Assets

A summary of changes in capital assets is as follows:

	Balance at January 1, 2006	Additions	Deletions	Balance at December 31, 2006
General fixed asset account group:				
Land and land improvements	\$ 3,605,901	\$ 67,335	\$ 0	\$ 3,673,236
Buildings	39,405,503	977,720	0	40,383,223
Vehicle and equipment	11,949,132	1,042,737	587,708	12,404,161
Infrastructure	6,035,694	419,440	0	6,455,134
Construction work in progress	0	191,133	0	191,133
	<u>60,996,230</u>	<u>2,698,365</u>	<u>587,708</u>	<u>63,106,887</u>
Less: Accumulated depreciation	<u>18,224,887</u>	<u>1,807,261</u>	<u>559,493</u>	<u>19,472,655</u>
Total general fixed assets	<u>\$ 42,771,343</u>	<u>\$ 891,104</u>	<u>\$ 28,215</u>	<u>\$ 43,634,232</u>
Enterprise fund:				
Land and land improvements	\$ 247,435	\$ 0	\$ 0	\$ 247,435
Buildings	2,970,993	4,642	0	2,975,635
Machinery and equipment	4,599,222	36,300	21,064	4,614,458
Construction work in progress	15,919	166,713	0	182,632
	<u>7,833,569</u>	<u>207,655</u>	<u>21,064</u>	<u>8,020,160</u>
Less: Accumulated depreciation	<u>3,259,760</u>	<u>311,183</u>	<u>21,064</u>	<u>3,549,879</u>
Total enterprise fund	<u>\$ 4,573,809</u>	<u>\$ (103,528)</u>	<u>\$ 0</u>	<u>\$ 4,470,281</u>

Depreciation expense of \$1,807,261 is allocated to specific functions as follows:

General government support	\$ 70,747
Public safety	928,412
Health	66,001
Transportation	623,713
Economic Assistance and Opportunity	52,852
Culture and recreation	19,512
Home and community	46,024
	<u>\$ 1,807,261</u>

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 10. Debt

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

	Balance at January 1, 2006	Increase	Decrease	Balance at December 31, 2006
Governmental activity short-term financing:				
ACC BAN	\$ 750,000	\$ 0	\$ 0	\$ 750,000
ACC BAN	200,000	0	200,000	0
Airport BAN	0	1,000,000	0	1,000,000
Flood BAN	0	3,000,000	0	3,000,000
Total short-term financing	<u>\$ 950,000</u>	<u>\$ 4,000,000</u>	<u>\$ 200,000</u>	<u>\$ 4,750,000</u>

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

	Balance at January 1, 2006	Increase	Decrease	Balance at December 31, 2006
Governmental activity:				
Serial bonds	\$ 22,050,000	\$ 160,000	\$ 1,600,000	\$ 20,610,000
Capital lease obligations	16,877	327,339	3,239	340,977
Compensated absences	3,253,716	185,522	0	3,439,238
Self-insurance claims payable	1,843,062	870,114	0	2,713,176
Total governmental long-term debt	<u>\$ 27,163,655</u>	<u>\$ 1,542,975</u>	<u>\$ 1,603,239</u>	<u>\$ 27,103,391</u>
Enterprise fund:				
Capital lease obligations	\$ 3,492,890	\$ 0	\$ 237,153	\$ 3,255,737
Compensated absences	253,466	0	6,277	247,189
Total Enterprise fund long-term debt	<u>\$ 3,746,356</u>	<u>\$ 0</u>	<u>\$ 243,430</u>	<u>\$ 3,502,926</u>
Component unit (WTASC):				
Serial bonds - Net of bond discount	<u>\$ 6,962,507</u>	<u>* \$ 135,917</u>	<u>\$ 120,000</u>	<u>\$ 6,978,424</u>

* Increase in present value of bonds

Interest on debt for the year was composed of:

Interest paid	\$ 916,531
Add: Current year accrued interest	391,455
Less: Prior year accrued interest	(383,231)
Total expense	<u>\$ 924,755</u>

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.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 10. Debt (Cont.)

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 periods 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, 2006:

Bond Anticipation Notes (Cont.)

Adirondack Community College Computer-Assisted Integrated Financial Management and Accounting System dated August 31, 2006, due August 30, 2007 with interest at 3.86%	\$ 750,000
June 2005 Flood Damage dated July 17, 2006, due July 17, 2007, with interest at 4.09%	3,000,000
Airport Aircraft Maintenance Hanger dated April 14, 2006, due April 13, 2007 with interest at 3.94%	<u>1,000,000</u>
Total BANs outstanding at December 31, 2006	<u>\$ 4,750,000</u>

Bonds

The County's bonds are comprised of the following:

Description	Date Issued	Original Amount	Interest Rate	Maturity	Balance at 12/31/06
Governmental activity:					
Public Improvement Serial Bonds 1993A	11/15/93	\$ 6,500,000	4.40%	1999-2008	\$ 900,000
Public Improvement Serial Bonds 2003	07/15/03	23,000,000	3.25%	2003-2023	19,550,000
ACC Computer Software Serial Bonds 2006	8/31/2006	160,000	4.05%	2007-2010	160,000
Total general long-term debt account group		<u>\$ 29,660,000</u>			<u>\$ 20,610,000</u>

The WTASC bonds are comprised of the following:

Description	Date Issued	Original Amount	Interest Rate	Maturity	Balance at 12/31/06
Governmental activity:					
Tobacco Settlement Bonds - 2001 Series	2001	\$ 5,540,000	5.0%-6.0%	2002-2025	\$ 4,990,000
Tobacco Settlement Bonds - 2005 Series	2005*	1,852,507	6.0%-7.15%	2011-2031	1,988,424
Total general long-term debt account group		<u>\$ 5,540,000</u>			<u>\$ 6,978,424</u>

* Net of bond discount

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 10. Debt (Cont.)

Bonds (Cont.)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2007	\$ 1,640,000	\$ 829,518	\$ 2,469,518
2008	1,640,000	767,847	2,407,847
2009	1,190,000	700,428	1,890,428
2010	1,190,000	652,807	1,842,807
2011	1,150,000	605,188	1,755,188
2012-2016	5,750,000	1,960,752	7,710,752
2017-2021	5,750,000	1,415,940	7,165,940
2022-2023	2,300,000	291,808	2,591,808
Total	<u>\$ 20,610,000</u>	<u>\$ 7,224,288</u>	<u>\$ 27,834,288</u>

WTASC:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2007	\$ 130,000	\$ 277,356	\$ 407,356
2008	145,000	270,188	415,188
2009	160,000	262,250	422,250
2110	170,000	253,581	423,581
2011	190,000	244,038	434,038
2012-2016	1,168,510	1,129,949	2,298,459
2017-2021	2,100,604	1,274,603	3,375,207
2022-2026	2,270,144	1,608,934	3,879,078
2027-2031	644,166	2,301,837	2,946,003
Total	<u>\$ 6,978,424</u>	<u>\$ 7,622,736</u>	<u>\$ 14,601,160</u>

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 10. Debt (Cont.)

Capital leases are comprised of the following at December 31, 2006:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/06</u>
<u>General Long-Term Debt Account Group (GLTDAG):</u>					
Copier	4/24/2005	\$ 18,401	8.10%	4/24/2010	\$ 13,637
Countryside capital improv.	10/27/2006	327,339	2.85%	1/1/2022	327,339
		<u>345,740</u>			<u>340,976</u>
<u>Enterprise Fund:</u>					
Co-generation plant	5/20/2005	3,626,548	4.35%	40/20/2018	3,255,737
Total capital leases		<u>\$ 3,972,288</u>			<u>\$ 3,596,713</u>

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

2007	\$ 405,384
2008	406,829
2009	411,929
2010	411,929
2011	411,930
2012-2016	2,064,148
2017-2021	504,862
2022	<u>14,497</u>
Total minimum lease payments	4,631,508
Less: Amounts representing Interest costs	<u>1,034,795</u>
Present value of minimum lease payments	<u>\$ 3,596,713</u>

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 11. Deferred Revenue

Deferred revenue consists of the following at December 31, 2006:

General fund:	
Property tax revenue	\$ 3,577,533
Miscellaneous grant revenue	219,781
ACC master plan modification (Note 17)	15,790
Tourism program revenue	4,465
Other	4,080
Total	<u>\$ 3,821,649</u>
Special revenue fund:	
Grant revenue	<u>\$ 8,006</u>
Enterprise fund:	
Grant revenue	<u>\$ 117,453</u>

Note 12. Reserves

General Fund

- Encumbrances - An amount reserved to satisfy purchase orders and other commitments for which goods and/or services will be received in the following year.
- Inventories - An amount reserved against the value of inventory, which is not an available financial resource.
- Prepaid Retirement - An amount reserved against the value of prepaid retirement, which is not an available financial resource.
- Special:

STOP DWI - Used to account for excess revenue over expenditures as a result of the Special Traffic Options Program for Driving While Intoxicated. The balance of this account at December 31, 2006 is \$186,507 and will be used for future expenditures of the Special Traffic Program.

Miscellaneous - Used to account for excess revenue over expenditures for various programs and prepaid, long-term contracts. The balance of this account at December 31, 2006 is \$114,078.

Equipment Reserve - Established July 15, 1983, pursuant to Section 6-c of the General Municipal Law, for the purchase of DPW equipment and other County vehicles. Reserve balance at December 31, 2006 is \$159,371.

Reserve for Rehabilitation of County Buildings - Established in 1981 pursuant to Section 6-c of the General Municipal Law and later redefined as a "Capital Reserve" in 1984. The balance at December 31, 2006 is \$45,674.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 12. Reserves (Cont.)

- Special: (Cont.)

Airport Planning/Improvement Reserve - Established December 15, 1989, pursuant to Section 6-c of the General Municipal Law, to finance planning and improvement of the airport. Reserve balance at December 31, 2006 is \$9,887.

Reserve for Snow and Ice Control and Fuel Storage Facilities - Established December 15, 1989, pursuant to Section 6-c of the General Municipal Law, to finance snow and ice control and fuel storage facilities. Reserve balance at December 31, 2006 is \$40,100.

Reserve for Occupancy Tax - Established in 2004 to finance future costs relating to tourism. Reserve balance at December 31, 2006 is \$97,400.

Special Revenue Funds

- Encumbrances - An amount reserved to satisfy purchase orders and other commitments for which goods and/or services will be received in the following year.
- Inventories - An amount reserved against the value of inventory, which is not an available financial resource.
- Prepaid Retirement - An amount reserved against the value of prepaid retirement, which is not an available financial resource.

Special Revenue Funds (Cont.)

• County Road Fund – Fund balance designated for specific projects	<u>\$ 743,287</u>
Workers' Compensation Fund – Contributed reserve	<u>\$4,722,666</u>
Risk Retention Fund – Unemployment reserve	<u>\$ 97,009</u>

Capital Projects Fund

- Encumbrances - An amount reserved to satisfy purchase orders and other commitments for which goods and/or services will be received in the following year.

Capital projects – Fund balance designated for specific projects \$1,198,654

Note 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 and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 13. Retirement Benefits (Cont.)

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.

Funding Policy

The Systems are non-contributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of service. 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 proceeding years were:

	<u>ERS</u>
2006	\$3,752,432
2005	\$3,479,780
2004	\$3,130,922

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. County of Warren elected to make the full payment on December 15, 1989.

Note 14. Joint Ventures

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 financial statements. As a joint venture, separate financial statements are issued by the college. The financial participation of the two counties in the college is as follows:

	<u>Washington County</u>	<u>Warren County</u>
Operating costs	\$9,710,096	\$12,393,468

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 14. Joint Ventures (Cont.)

The following is a summary of financial information included in audited financial statements issued for the joint venture for the year ended August 31, 2006.

Total assets		<u>\$ 30,306,390</u>
Total liabilities		<u>\$ 16,066,662</u>
Joint venture equity		<u>\$ 14,239,728</u>
Total revenue		<u>\$ 24,365,108</u>
Total expenditures		<u>\$ 23,623,133</u>
Joint venture equity consists of the following:		
Warren County's equity	9.81%	\$ 1,397,000
Washington County's equity	1.53%	217,459
Reserved or restricted	88.66%	<u>12,625,269</u>
Total	<u>100.00%</u>	<u>\$ 14,239,728</u>

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 general purpose financial statements. As a joint venture, separate financial statements are issued by the board.

The following is a summary of financial information included in the compiled financial statements issued for the joint venture for the year ended December 31, 2006:

Total assets	<u>\$2,236,607</u>
Total liabilities	<u>\$ 266,743</u>
Joint venture equity	<u>\$1,969,864</u>
Total revenue	<u>\$ 685,259</u>
Total expenditures	<u>\$ 704,939</u>

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 general purpose financial statements. As a joint venture, separate financial statements are issued for the corporation.

The following is a summary of financial information included in the audited financial statements issued for the joint venture for the year ended December 31, 2006:

Total assets	<u>\$ 690,258</u>
Total liabilities	<u>\$ 798,808</u>
Joint venture equity	<u>\$(108,550)</u>
Total revenue	<u>\$ 50,787</u>
Total expenditures	<u>\$ 53,970</u>

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 14. Joint Ventures (Cont.)

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 following is a summary of financial information included in the audited financial statements issued for the joint venture for the year ended December 31, 2006:

Total assets	\$1,002,155
Total liabilities	\$ 24,508
Net assets	\$ 977,647
Total revenue	\$ 439,302
Total expenses	\$ 440,043

Note 15. Operating Transfers

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, 2006, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 4,781,767	\$ 2,960,257
Special revenue funds	2,136,271	624,202
Capital projects fund	9,976	3,492,568
Debt service fund	36,549	9,976
Enterprise fund	947,376	35,776
Fiduciary funds	33,465	822,625
Total	<u>\$ 7,945,404</u>	<u>\$ 7,945,404</u>

Interfund transfers throughout the year ended December 31, 2006, were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General fund	\$ 166,341	\$ 6,043,077
County road fund	47,735	75,210
Road machinery fund	22,206	16,660
Enterprise fund	2,177,758	0
Capital projects fund	1,925,556	1,195,759
Debt service fund	2,991,110	0
Total	<u>\$ 7,330,706</u>	<u>\$ 7,330,706</u>

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 16. Community Development - Small Cities Program

Information on Community Development - Small Cities Program grants for the year ended December 31, 2006 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>
CD07	Warren County	\$ 241	\$ 5	\$ 0	\$ 0	\$ 5
CD54	Warren County	351	0	0	351	351
CD57	Warren County	16,087	0	0	16,087	16,087
CD58	Warren County	0	0	0	0	0
CD59	Warren County	206,224	0	0	206,224	206,224
CD60	Warren County	281,413	0	0	281,413	281,413
CD62	Warren County	148,057	0	0	148,057	148,057
CD63	Warren County	277,149	0	0	277,149	277,149
CD65	Warren County	3,162	0	0	3,162	3,162
	Total	<u>\$ 932,684</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 932,443</u>	<u>\$ 932,448</u>

Note 17. 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.

Resource Recovery Facility

A number of years ago, the Counties of Warren and Washington Industrial Development Agency (the "IDA") entered into an agreement with Adirondack Resource Recovery Associates ("ARRA") to construct a solid waste to energy facility (the "Facility") in the Village of Hudson Falls, Washington County, New York.

The County of Warren entered into an Intermunicipal Waste Disposal Agreement with Washington County whereby the County agreed to deliver all of the processible solid waste generated in the County to the Facility upon completion of construction. Simultaneously, Washington County entered into an agreement with the IDA whereby Washington County agreed to deliver to the Facility, upon completion of construction, all of the processible solid waste generated in Warren and Washington Counties. The Facility was completed and commenced commercial operation on February 15, 1992.

Upon achieving commercial operation of the Facility, the waste disposal contract between the IDA and Washington County required that Washington County pay monthly disposal payments to a project trustee pursuant to a formula that includes, among other things, operation and maintenance costs, debt service costs, and revenue earned from electrical power generation and from processible solid waste from outside the Counties.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 17. Commitments and Contingencies (Cont.)

Resource Recovery Facility (Cont.)

In accordance with the Intermunicipal Waste Disposal Agreement between County of Warren and Washington County, County of Warren is obligated to reimburse Washington County for its pro-rata share of the disposal payments based on the ratio of waste tonnage delivered by each county to the Facility in the preceding year. For the period January 1, 2006 through December 31, 2006, the County incurred disposal costs of \$2,166,968.

In late 2003 a new operator replaced ARRA and at the same time Facility ownership was restructured with improved contract terms (some with financial implications, but not significantly lowering disposal costs) between the IDA and the new operator of the Facility. This, in turn, resulted in improved contract terms between the IDA and Washington County and subsequently between Washington County and Warren County.

On May 1, 2004, the bonds issued for the Facility were refinanced by the IDA to obtain lower interest rates on the bonds. Since the Counties' disposal costs are determined by a formula that includes debt service costs, this, in turn, lowers disposal costs. As part of the refinancing, Warren and Washington Counties entered into a Sales Tax Agreement and pledged sales tax net collections for the payment of the portion of service fees measured by debt service costs and payments to reserve funds with respect to indebtedness on bonds, notes, or other obligations of the Issuer with respect to the Facility. There were also be some related amendments to service and disposal agreements between the various parties including a modification to make the Counties' obligation to deliver processible solid waste equal to that generated in the Counties rather than all processible solid waste generated in the Counties.

Authorization for the aforesaid pledging of sales tax net collections is provided by Chapter 501 of the 1999 Laws of New York and Chapter 306 of the 2000 Laws of New York (collectively, the "Sales Tax Pledge Legislation"). Pursuant to this legislation, Warren County has authority to pledge its net sales tax collections at the rate of one and one-half percent (1.50%), and Washington County at the rate of three percent (3.00%) (the "Pledged Sales Tax") to the payment of the portion of service fees measured by any debt service costs and payments to reserve funds with respect to indebtedness on bonds, notes, or other obligations of the Issuer with respect to the Project.

Under authority of the Sales Tax Pledge Legislation, sales tax is paid by the Comptroller of the State of New York to the Trustee for the refinanced bonds, for deposit into the Sales Tax Fund established under an indenture and applied to the payment of, among other things, the new bonds issued to refinance the existing bonds currently outstanding for the Facility. Balances, after application, are remitted to the respective Counties.

Finally, it is noted that the Facility has been the subject of a number of legal actions in the New York State Courts which have been successfully resolved in favor of the IDA as of this date. One additional suit, however, remains pending. The following is a brief description of such litigation and its present status:

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 17. Commitments and Contingencies (Cont.)

Schultz, et al. v. Andrew Williamson et al. (Includes Warren County Treasurer's office and Other County Officials)

This action was commenced in November 2004 seeking declaratory and injunctive relief with respect to the plaintiffs' refusal to pay certain real property taxes because of their opposition to the financing, development, and operation of the Warren-Washington Resource Recovery Plant located in Hudson Falls, New York. Having repeatedly failed in their attempts to overturn the enabling and financing for the Resource Recovery Plant in the New York State Court's, plaintiffs have turned to the Federal Courts, claiming that the defendants have failed to satisfactorily entertain a petition for re-dress and have taken retaliatory actions against them for publicly expressing their grievances in violation of the First Amendment. The defendant Counties of Washington and Warren and their named Public Officials have opposed this action contending that the District Court lacks subject matter jurisdiction over the matter pursuant to the Tax Injunction Act, 28USC Section 1341 and that a preliminary injunction must be denied because the plaintiffs failed to establish irrevocable harm and a likelihood of success on the merits. The Federal District Court dismissed the complaint for lack of subject matter jurisdiction and the United States Court of Appeals for the Second Circuit affirmed the Federal District Court's decision. On June of 2006, the plaintiffs petitioned for certiorari to the United States Supreme Court and were denied.

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, 2006, there were 42 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 \$2,713,177 in the general long-term debt account group and \$221,520 in the special revenue fund, which represents the portion to be liquidated with expendable and available financial resources as of December 31, 2006. Benefits and awards expenditures for the year ended December 31, 2006, were \$492,913.

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.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 17. Commitments and Contingencies (Cont.)

Grant Programs (cont.)

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 be significant to the County's financial position or results of operations.

Westmount Medicaid Reimbursement

As stated in Note 1, 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.

Joint Venture

In July 1992, the board of trustees of Adirondack Community College approved a major five-year expansion project at an estimated cost of \$12 million. The State of New York (the "State") is expected to finance half the cost of the project. In 1995, the Warren County board of supervisors passed a resolution to establish a capital project to support 29% of the expansion costs, not to exceed \$3,480,000. In 1998, the Washington County board of supervisors passed a resolution reducing Warren County's commitment to \$2,291,000. As of December 31, 2006, all but \$15,790 has been received, which is included in due from other governments. Total County expenditures for the project through 2006 totaled \$3,437,790. The project was closed in 2004.

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 \$2 million to the project, or 10% of project costs. Total County expenditures for the project through 2006 totaled \$16,080,348.

COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 17. Commitments and Contingencies (Cont.)

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.

Construction Commitments

As of December 31, 2006, the County has approximately \$1,198,654 of remaining work on construction projects for which contracts have been entered into.

Impact of Future Accounting Pronouncement

During June 2004, the GASB issued Statement 45 pertaining to post-employment benefits. This statement establishes new reporting requirements for state and local governments throughout the United States. When implemented, it will require the reporting of liabilities pertaining to post-employment benefits earned by employees on a current basis. The County is required to implement this standard for the year ending December 31, 2008. The implementation of this standard is expected to have a substantial impact on the County's financial position.

Intermunicipal Agreement

On November 2, 2006, the County authorized the execution of an intermunicipal agreement with the Town and Village of Lake George regarding the purchase of the Gaslight Village and Waxlife USA property with all parties having a one-third interest in the property. The property will be used for parks, recreation areas, parking lots, open space and environmental initiatives benefiting Lake George. The proposed purchase price is \$4.1 million and it had been proposed that the County contribute \$1.3 million and that the Town and Village contribute \$1.4 million toward the purchase price, subject to their ability to reach an agreement with certain interested environmental groups for a contribution towards the purchase price. On December 14, 2006, the County contributed \$100,000 toward the purchase price. On April 19, 2007, an extension of time was granted to the County and Town and Village of Lake George to investigate, review and complete procedures regarding the purchase of the property through December 31, 2007. On June 19, 2007, the County authorized an amendment to the original intermunicipal agreement to remove the Town of Lake George from the agreement without changing the amount of the County's contribution. The County will contribute \$1.3 million and the Village of Lake George will contribute \$.7 million with the balance of \$2.1 million coming from certain environmental groups in return for an easement. The source of funding for the County's remaining \$1.2 million balance has not yet been determined.

**COUNTY OF WARREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

Note 18. Subsequent Events

On March 15, 2007, the County issued a \$570,000 BAN for Adirondack Community College, maturing August 30, 2007, with an interest rate of 3.73%. This BAN was converted into an \$870,000 BAN on August 30, 2007, maturing August 29, 2008, with an interest rate of 3.62%.

On April 13, 2007, the \$1,000,000 BAN for an Airport Hanger was converted to another \$1,000,000 BAN, maturing April 11, 2008, with an interest rate of 3.77%.

In April 2006, the County established two capital projects for major building additions. The projects currently have a total budget of \$873,000 for design and planning costs. The total cost for both projects is not yet known and is expected to be financed through the issuance of a bond.

On April 20, 2007, the County signed an Energy Performance Agreement to provide a new heating and cooling system and various energy improvements to the municipal center with a total project cost of \$2,496,750 which is financed with a 15-year lease with an interest rate of 4.31%. The County anticipates that the amount of energy savings generated by this project will eventually cover the project cost.

On July 17, 2007, the \$3,000,000 BAN for the June 2005 Flood Damage was converted to another \$3,000,000 BAN, maturing on July 17, 2008, with an interest rate of 4.09%.

On August 30, 2007, the \$750,000 BAN for Adirondack Community College was converted to another \$750,000 BAN, maturing on August 29, 2008, with an interest rate of 3.62%.

REQUIRED REPORTS UNDER OMB CIRCULAR A-133

COUNTY OF WARREN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Health and Human Services:</i>		
Passed through State Department of Social Services:		
Temporary Aid For Needy Families (TANF)	93.558	\$ 1,636,820
Low-Income Home Energy Assistance	93.568	2,258,141
Medical Assistance Program (Medicaid, Title XIX)	93.778	1,093,030
Social Services Block Grant	93.667	187,526
Foster Care (Title IV-E)	93.658	1,322,017
Child Support Enforcement (Title IV-D)	93.563	361,938
Adoption Assistance	93.659	7,725
Children's Justice Grant	93.643	61,849
State Children's Insurance Program (SCHIP)	93.767	14,825
Child Welfare Services	93.645	20,742
Passed through State Office of Mental Health:		
Medicare Administrative Salary Sharing	93.778	174,011
Passed through State Office for Aging:		
Special Programs for Aging, Title III, Part C - Nutrition service	^93.045	180,438
Special Programs for Aging, Title III, Part B - Grants for Supportive Services for Senior Centers	^93.044	103,202
Special Programs for the Aging, Title III, Part D - In-home services for frail older individuals	93.046	83,442
Special Programs for the Aging, Title III, Part F - Disease prevention and health promotion services	93.043	9,606
Special Programs for the Aging, Title VII, Chapter 3 - Programs for prevention of elder abuse, neglect, and exploitation	93.041	5,572
Weatherization through State Department of Health	93.568	26,296
Passed through State Department of Health:		
Summer TANF	93.558	81,567
Centers for disease control and prevention - Investigation and technical assistance	93.283	89,830
Preventive Health Services Block Grant	93.991	24,825
Early Intervention	84.181	34,483
Total U.S. Department of Health and Human Services		<u>7,777,885</u>
<i>U.S. Department of Labor:</i>		
Passed through State Office for Aging:		
Senior Community Service Employment Program	17.235	12,539
Passed through State Department of Labor		
Trade Adjustment Assistance - Workers	17.245	54,258
Passed through Saratoga County, New York:		
Workforce Investment Act Adult Programs	*17.258	266,550
Workforce Investment Act Youth Activities	*17.259	168,572
Workforce Investment Act Dislocated Workers	*17.260	92,718
Total U.S. Department of Labor		<u>594,637</u>
<i>U.S. Department of Agriculture:</i>		
Passed through State Department of Social Services:		
Food Stamps	10.551	537,981
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	248,158
Passed through State Office for the Aging:		
Nutrition Program for the Elderly	10.570	116,689
Total U.S. Department of Agriculture		<u>902,828</u>
<i>U.S. Department of Homeland Security:</i>		
Passed through State Emergency Management Office:		
Emergency Management Performance Grant	97.042	18,272
<i>Environmental Protection Agency:</i>		
Direct Program:		
Special Purpose Grant	66.606	<u>1,457,481</u>

See independent auditors' report.
See notes to schedule of expenditures of federal awards.

**COUNTY OF WARREN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.)
YEAR ENDED DECEMBER 31, 2006**

<i>U.S. Department of Justice</i>		
Direct Program:		
Juvenile Accountability Incentive Block Grant	16.523	4,189
Edward Byrne Memorial Formula Grant	16.579	7,107
Total U.S. Department of Justice		<u>11,296</u>
 <i>U.S. Department of Transportation:</i>		
Direct Program:		
Airport Improvement Program	20.106	220,422
Passed through State Department of Transportation:		
Highway Planning and Construction	20.205	2,003,009
Total U.S. Department of Transportation		<u>2,223,231</u>
 <i>U.S. Department of Housing and Urban Development:</i>		
Direct Program:		
Community Development Block Grant (CDBG) - Small Cities	14.219	651,030
Passed through Component Unit:		
Community Development Block Grant (CDBG) - State's Program	14.228	594,553
Passed through State Division of Housing and Community Renewal:		
CDBG - HOME Investment Partnerships Program	14.239	281,413
Passed through Component Unit:		
CDBG - HOME Investment Partnerships Program	14.239	121,805
Total U.S. Department of Housing and Urban Development		<u>1,648,801</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS		 <u>\$ 14,634,431</u>

* Workforce investment act cluster
^ Aging cluster

*See independent auditors' report.
See notes to schedule of expenditures of federal awards.*

COUNTY OF WARREN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2006

Note 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.

Note 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.

Note 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.

Note 4. Matching Costs

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

Note 5. Subrecipients

No amounts were provided to subrecipients.

**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***

To the Chairman and Members of the Board of Supervisors
County of Warren
Lake George, New York

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Warren as of and for the year ended December 31, 2006, which collectively comprise County of Warren's basic financial statements and have issued our report thereon dated September 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 County of Warren's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of County of Warren's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We noted no matters involving the internal controls over financial reporting and its operation that we consider to be a material weakness.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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.

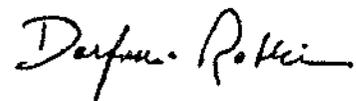
**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONT.)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We noted certain matters that we reported to the management of County of Warren in a separate letter dated September 24, 2007.

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.



September 24, 2007
Albany, New York

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

To the Chairman and Members of the Board of Supervisors
County of Warren
Lake George, New York

Compliance

We have audited the compliance of County of Warren with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. County of Warren's major federal programs are identified in the summary of auditor's 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 County of Warren's management. Our responsibility is to express an opinion on County of Warren's compliance based on our audit.

County of Warren's financial statements include federal aid and expenditures relative to redeemed food instruments of \$874,391 relative to its Special Supplementary Food Program for Women, Infants, and Children (WIC), which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2006. Our audit did not include redeemed WIC instruments because the detail comprising the amounts is maintained at the state level and is, therefore, impossible to test at the County level.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 County of Warren's compliance with those requirements.

In our opinion, County of Warren complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONT.)**

Internal Control Over Compliance

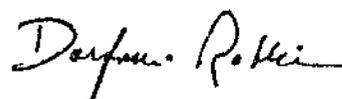
The management of County of Warren is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered County of Warren's internal control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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the finance committee, management, 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.



September 24, 2007
Albany, New York

**COUNTY OF WARREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006**

Section 1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes x none reported

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 x no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.568	Low Income Home Energy Assistance
93.778	Medical Assistance Program
93.658	Foster Care
17.258; 17.259; 17.260	Workforce Investment Act Cluster
14.228	Community Development Block Grant(CDBG) - State's Program
14.219	Community Development Block Grant (CDBG) - Small Cities

Dollar threshold used to distinguish between type A and type B programs: \$439,033

Auditee qualified as low-risk auditee? X yes _____ no

**COUNTY OF WARREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006**

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
YEAR ENDED DECEMBER 31, 2006**

Section 1. Financial Statement Findings

None reported.

Section 2. Federal Award Findings and Questioned Costs

None reported.