

**COUNTY OF WARREN**

**Financial Statements as of  
December 31, 2008  
Together with  
Independent Auditors' Report**

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

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	1-8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of net assets.....	9
Statement of activities .....	10
Fund Financial Statements:	
Balance sheet - Governmental funds .....	11
Statement of revenue, expenditures, and changes in fund equity - Governmental funds .....	12
Combined statement of revenue, expenditures, encumbrances, and changes in fund equity - Budget and actual - General fund .....	13
Reconciliation of total governmental fund balance to net assets of governmental activities .....	14
Reconciliation of the statement of revenue, expenditures, and changes in fund equity - governmental funds - to the statement of activities.....	15
Proprietary Fund Statements:	
Statement of net assets - Westmount Health Facility .....	16
Statement of revenue, expenses, and changes in net assets - Westmount Health Facility .....	17
Statement of cash flows - Westmount Health Facility.....	18
Fiduciary Fund Statements:	
Statement of fiduciary net assets .....	19

## CONTENTS (Continued)

	<u>Page</u>
Discretely Presented Component Units:	
Statement of net assets .....	20
Statement of revenue, expenditures, and changes in fund equity .....	21
Notes to basic financial statements .....	22-47
REQUIRED REPORTS UNDER OMB CIRCULAR A-133	
Schedule of expenditures of federal awards .....	48-49
Notes to schedule of expenditures of federal awards .....	50
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 .....	51-52
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 .....	53-54
Schedule of findings and questioned costs .....	55-56
Schedule of prior year audit findings .....	57

## INDEPENDENT AUDITORS' REPORT

September 15, 2009

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of County of Warren, New York (the County) as of and for the year ended December 31, 2008, 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). Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Westmount Health Facility, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Westmount Health Facility were not audited in accordance with *Government Auditing Standards*. 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, 2008, 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.

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

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
PERRY • GENEVA

www.bonadio.com

## INDEPENDENT AUDITORS' REPORT (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2009, 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 important in assessing the results of our audit.

The management's discussion and analysis, on pages 1 through 9, 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.

*Bonadio & Co., LLP*

# COUNTY OF WARREN

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

---

Our discussion and analysis of County of Warren, New York's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2008. This document should be read in conjunction with the County's financial statements which begin on page 10.

### FINANCIAL HIGHLIGHTS

- The County's net assets increased by \$3.2 million as a result of this year's activity, which is illustrated in the Statement of Activities.
- The County's \$146.4 million in governmental and business-type activity expenses was partially funded with program revenue of \$60.5 million with \$88.8 million funded with general revenue, which is illustrated in the Statement of Activities.
- The modified 2008 budget planned for a reduction in the General Fund balance of \$4.0 million; however, the actual operating deficit was only \$2.9 million, resulting in a budget surplus of \$1.1 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 \$7.6 million, of which \$3.6 million was for the Health and Human Services Building, \$1.8 million for the purchase of DPW equipment, \$1.2 million for the purchase of Gaslight Village property and \$.8 million for the Municipal Center Rehabilitation project; these are the result of expending loan proceeds.
- December 31, 2008 is the first year the County's financial statements have been prepared in accordance with Government Accounting and Standards Board Statement No. 45 "Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions". The net Other Post-Employment Benefit Plan (OPEB) obligation for the County as of December 31, 2008 is \$12.5 million which is detailed in Note 15 to the financial statements.

### 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.

## REPORTING THE COUNTY AS A WHOLE (Continued)

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.

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 has three types of funds – Governmental, Fiduciary and Proprietary.

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

## THE COUNTY AS TRUSTEE

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

## THE COUNTY AS A WHOLE

The County's combined net assets increased from \$53.0 million to \$55.8 million. Net assets may serve over time as one useful indicator of a government's financial condition. This reflects a \$2.8 million increase over the 2007 net asset amount. The majority of the County's net assets are capital assets (e.g. land, buildings, infrastructure, 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 2008 for the County's Governmental Activities increased by \$4.5 million which represents a 3.4% increase and is reflective of management's attempt to control spending.

Current liabilities in 2008 for the County's Governmental Activities increased by \$13.6 million which is primarily the result of the issuance of two Bond Anticipation Notes totaling \$10.0 million for Rail Station Construction, Health and Human Services Building, Point of Care Public Health System, Soil and Water Conservation Building, Purchase of DPW Equipment and Purchase of Gaslight Village Property.

Long-term debt outstanding in 2008 for the County's Governmental Activities and Business-Type activities increased by \$10.6 million and \$.9 million, respectively, which is primarily the result of the recognition of the net Other Post-employment Benefit Plan (OPEB) obligation required by GASB #45. The net OPEB obligation for the County's Governmental Activities and Business-Type Activities is \$11.3 million and \$1.2 million, respectively.

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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 54.3	\$ 50.1	\$ 3.1	\$ 1.5	\$ 57.4	\$ 51.6
Capital assets	<u>80.0</u>	<u>57.5</u>	<u>4.2</u>	<u>4.4</u>	<u>84.2</u>	<u>61.9</u>
Total assets	<u>\$ 134.3</u>	<u>\$ 107.6</u>	<u>\$ 7.3</u>	<u>\$ 5.9</u>	<u>\$ 141.6</u>	<u>\$ 113.5</u>
Long-term debt outstanding	\$ 35.9	\$ 25.3	\$ 3.9	\$ 3.0	\$ 39.8	\$ 28.3
Other liabilities	<u>44.9</u>	<u>31.3</u>	<u>1.1</u>	<u>0.9</u>	<u>45.9</u>	<u>32.2</u>
Total liabilities	<u>\$ 80.8</u>	<u>\$ 56.6</u>	<u>\$ 5.0</u>	<u>\$ 3.9</u>	<u>\$ 85.8</u>	<u>\$ 60.5</u>
Net assets:						
Invested in capital assets, net of debt	\$ 46.7	\$ 31.3	\$ 1.3	\$ 1.2	\$ 48.0	\$ 32.5
Unrestricted	<u>6.9</u>	<u>19.6</u>	<u>1.0</u>	<u>0.8</u>	<u>7.8</u>	<u>20.4</u>
Total net assets	<u>\$ 53.6</u>	<u>\$ 50.9</u>	<u>\$ 2.2</u>	<u>\$ 2.0</u>	<u>\$ 55.8</u>	<u>\$ 52.9</u>

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Program revenue:						
Charges for services	\$ 18.4	\$ 18.7	\$ 6.5	\$ 4.7	\$ 24.9	\$ 23.4
Operating grants	27.8	26.4	0.4	0.2	28.2	26.6
Capital grants	7.4	3.2	-	-	7.4	3.2
General revenue:						
Property taxes	32.1	30.1	-	-	32.1	30.1
Other taxes	53.8	53.3	-	-	53.8	53.3
Other general revenue	<u>1.2</u>	<u>1.7</u>	<u>1.7</u>	<u>0.1</u>	<u>2.9</u>	<u>1.8</u>
Total revenue	<u>140.7</u>	<u>133.4</u>	<u>8.6</u>	<u>5.0</u>	<u>149.3</u>	<u>138.4</u>
Program expenses:						
General governmental support	30.0	34.4	-	-	30.0	34.4
Education	2.0	2.0	-	-	2.0	2.0
Public safety	25.9	19.8	-	-	25.9	19.8
Health	19.5	16.8	-	-	19.5	16.8
Transportation	10.6	13.8	-	-	10.6	13.8
Economic Assistance and Opportunity	40.3	38.5	-	-	40.3	38.5
Culture and recreation	2.0	1.7	-	-	2.0	1.7
Home and community services	6.9	5.6	-	-	6.9	5.6
Debt service	0.9	1.0	-	-	0.9	1.0
Westmount Health Facility	<u>-</u>	<u>-</u>	<u>8.4</u>	<u>6.8</u>	<u>8.4</u>	<u>6.8</u>
Total expenses	<u>138.1</u>	<u>133.6</u>	<u>8.4</u>	<u>6.8</u>	<u>146.5</u>	<u>140.4</u>
Excess (deficiency) before transfers	2.6	(0.2)	0.2	(1.8)	2.9	(2.0)
Transfers	<u>-</u>	<u>(1.2)</u>	<u>-</u>	<u>1.2</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>\$ 2.6</u>	<u>\$ (1.4)</u>	<u>\$ 0.2</u>	<u>\$ (0.6)</u>	<u>\$ 2.9</u>	<u>\$ (2.0)</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)**

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Economic Assistance and Opportunity	\$ 40.3	\$ 21.3	\$ 38.5	\$ 20.5
Public safety	25.9	23.8	19.8	17.4
General support	30.0	16.1	34.4	27.7
Transportation	10.6	7.5	13.8	7.8
Health	19.5	4.8	16.8	2.6
All others	<u>11.7</u>	<u>10.9</u>	<u>10.2</u>	<u>9.4</u>
Totals	<u>\$ 138.1</u>	<u>\$ 84.4</u>	<u>\$ 133.5</u>	<u>\$ 85.4</u>

## 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 \$6.3 million, which was \$10.7 million less than last year's total of \$17.0 million. Included in this year's total change in fund balance is a current deficit of \$2.9 million in the County's General Fund. The County budgeted for a deficit in the General Fund for 2008. In addition, the Capital Projects fund reported a deficit of \$7.2 million, which is partially the result of spent loan proceeds of \$3.6 million for the Health and Human Services Building, \$1.8 million for the purchase of DPW Equipment, \$1.2 million for the purchase of Gaslight Village Property and \$.8 million for the Municipal Center Rehabilitation Project. This deficit will be eliminated as bond anticipation notes are either redeemed or converted to permanent financing.

A comparative overview of the Governmental Funds results for 2008 and 2007 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)**

	2008 Revenue	2008 % of Total	2007 Revenue	2007 % of Total
Real property taxes	\$ 29.5	21.1%	\$ 27.7	20.8%
Real property tax items	1.7	1.2%	1.9	1.4%
Sales and use taxes	53.8	38.4%	53.3	40.0%
Departmental income	12.9	9.2%	12.6	9.5%
Intergovernmental charges	3.9	2.8%	4.3	3.2%
Use of money and property	1.2	0.9%	1.7	1.3%
Licenses and permits	0.2	0.1%	0.2	0.2%
Fines and forfeitures	0.4	0.3%	0.4	0.3%
Sale of property and comp. for loss	0.7	0.5%	0.8	0.6%
Miscellaneous local sources	0.8	0.6%	0.8	0.6%
State aid	18.3	13.1%	16.4	12.3%
Federal aid	16.9	12.1%	13.0	9.8%
<b>Total revenue</b>	<b>\$ 140.1</b>	<b>100.0%</b>	<b>\$ 133.1</b>	<b>100.0%</b>
	2008 Expenditures	2008 % of Total	2007 Expenditures	2007 % of Total
General governmental support	\$ 40.9	27.0%	\$ 34.8	25.5%
Education	2.0	1.3%	2.0	1.5%
Public safety	16.0	10.6%	14.7	10.8%
Health	16.5	10.9%	15.4	11.3%
Transportation	15.3	10.1%	11.8	8.6%
Economic Assistance and Opportunity	39.2	25.9%	38.4	28.1%
Culture and recreation	1.3	0.9%	1.4	1.0%
Home and community services	6.7	4.4%	5.5	4.0%
Employee benefits	10.1	6.7%	10.0	7.3%
Debt service - principal and interest	3.7	2.4%	2.7	2.0%
<b>Total expenditures</b>	<b>\$ 151.7</b>	<b>100.0%</b>	<b>\$ 136.7</b>	<b>100.0%</b>

## GENERAL FUND BUDGETARY HIGHLIGHTS

The County's original budget was increased by \$4.3 million during the course of the year. This amount consists of \$.8 million relating to the funding of various capital projects, \$.4 million for encumbrance carryovers, \$1.0 million for insufficient appropriations relating to the education of physically handicapped children program, \$1.0 million for insufficient appropriations relating to the Medicaid program in Social Services 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 \$.08 million below the final budget amounts. The most significant unfavorable variances occurred in General government support and Debt service principal and interest which exceeded budgeted amounts by \$1.6 million and \$.6 million, respectively. The General government support amount consists of a \$2.2 million overexpenditure for Sales Tax distributions to towns and village. The County budgets conservatively for sales tax revenue and the appropriation to distribute the sales tax to the towns and village was calculated using this conservative amount which resulted in the overexpenditure. The County has revised its method for calculating the sales tax distribution for 2009 to more accurately reflect the actual amounts. There were no significant favorable variances to discuss.

Resources available for appropriation were \$.9 million greater than the final budgeted amount. The most significant favorable variance occurred in the County's sales and use tax items which exceeded budgeted amounts by \$4.8 million. This is the result of the County budgeting conservatively for sales tax. Because the County calculated the town and village distribution amounts based upon the conservative County portion, there was a doubling effect on the variance. The most significant unfavorable variance for revenue occurred in Federal Aid, which was \$1.4 million lower than the final budgeted amount. This amount consists of \$.8 million being underbudget for the Aid to Dependent Children Program. There were no other significant unfavorable variances to discuss.

The final 2008 budget planned on a reduction in the General Fund balance of \$3.9 million; however, the actual operating deficit was only \$2.9 million, resulting in a budget surplus of \$1.1 million, which is explained in the above analysis.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2008, the County had \$84.0 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)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 4.6	\$ 3.4	\$ -	\$ -	\$ 4.6	\$ 3.4
Land improvements	0.2	0.2	0.1	0.1	0.3	0.3
Buildings and improvements	30.9	29.3	0.9	0.9	31.8	30.2
Machinery and equipment	5.6	4.0	3.0	3.0	8.6	7.0
Infrastructure	25.7	19.0	-	-	25.7	19.0
Construction work in progress	<u>13.0</u>	<u>1.6</u>	<u>-</u>	<u>0.2</u>	<u>13.0</u>	<u>1.8</u>
Totals	<u>\$ 80.0</u>	<u>\$ 57.5</u>	<u>\$ 4.0</u>	<u>\$ 4.2</u>	<u>\$ 84.0</u>	<u>\$ 61.7</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

### Capital Assets (Continued)

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

Railroad track restoration, paid for with State and Federal aid	<u>\$7.8</u>
Construction of a Health and Human Services building, paid for with proceeds of a bond anticipation note (cost included in construction in progress with a total estimated cost of \$16.75 million)	<u>\$4.2</u>
Construction of an energy rehabilitation system, paid for with proceeds of a capital lease (\$1.6 million previously reported in construction in progress)	<u>\$2.5</u>
Corinth Road reconstruction, paid for with State and Federal aid and County funds (cost included in construction in progress with a total estimated cost of \$3.3 million)	<u>\$2.1</u>
Rail Road Station improvements, paid for with Federal Aid and County funds (Cost included in Construction in Progress with a total estimated cost of \$2.5 million)	<u>\$2.0</u>
Construction of Airport Runway Safety area, paid for with State and Federal Aid and County funds (cost included in construction in progress with a total estimated cost of \$2.3 million)	<u>\$2.0</u>
Construction of Airport Runway, paid for with State and Federal Aid and County funds (cost included in construction in progress with a total estimated cost of \$1.5 million)	<u>\$1.5</u>
Purchase of Gaslight Village land, paid for with proceeds of a bond anticipation note	<u>\$1.2</u>

### Debt

At year-end, the County had \$17.4 million in bonds outstanding versus \$19.0 million last year. There were no new issuances of long-term debt during 2008.

At year-end, the County had \$14.8 million in bond anticipation notes outstanding versus \$5.6 million last year. New debt was issued consisted of \$2.5 million for the road repairs due to the 2005 flood damage, \$6.5 million for the rail station, Soil and Water building, Point of Care Public Health System and the Health and Human Services building, and \$3.5 million in DPW equipment and the purchase of Gaslight Village.

At year-end, the County had \$5.5 million in capital leases outstanding versus \$5.8 million last year. There were no new capital leases in 2008.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. 2008 average unemployment in the County was 5.7 percent versus 4.4 percent a year ago. This is comparable with the 2008 State's average unemployment rate of 5.4 percent and the national average rate of 5.8 percent.

This indicator was taken into account when adopting the General Fund budget for 2009. Amounts available for appropriation in the General Fund budget are \$123.0 million, an increase of \$2.5 million over the final 2008 budget of \$120.5 million. This represents a 2% increase and is indicative of management's attempt to control spending.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)**

If these estimates are realized, the County's General Fund balance is expected to decrease by \$2.3 million by the close of 2009. Even though this would be the seventh consecutive year of deficits and use of the fund balance to balance the budget, the County did not experience cash flow problems in 2008. The County experienced cash flow problems in 2009 and needed to issue a \$1.7 million Revenue Anticipation Note on February 5, 2009, which was repaid on March 31, 2009 and a \$4.5 million Tax Anticipation Note on February 5, 2009, which was repaid on April 7, 2009. On August 21, 2009, the Board of Supervisors authorized the issuance of a \$1.3 million Budget Note to address a projected deficit in the Waste Management Fund.

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

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

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

COUNTY OF WARREN

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	Primary Government			Component Units
	Governmental Activities	Business Type	Total	
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 5,290,869	\$ 2,517,072	\$ 7,807,941	\$ 612,216
Restricted cash	10,726,486	29,533	10,756,019	-
Investments	-	-	-	601,014
Taxes receivable, net of an allowance for uncollectible taxes of \$100,000	11,561,734	-	11,561,734	-
Accounts receivable, net of allowance for uncollectible amounts of \$137,961	2,942,345	426,324	3,368,669	51,598
Loans receivable, net of allowance for doubtful accounts of \$82,000	-	-	-	1,102,718
Due from third party payers	-	7,510	7,510	-
State and federal receivables	20,690,729	-	20,690,729	-
Due from (to) other funds, net	335,133	-	335,133	-
Due from other governments	1,716,457	19,552	1,736,009	6,039
Prepaid expenses	768,179	30,733	798,912	-
Inventories	250,836	64,903	315,739	-
Other assets	42,000	9,925	51,925	-
Total current assets	<u>54,324,768</u>	<u>3,105,552</u>	<u>57,430,320</u>	<u>2,373,585</u>
<b>NONCURRENT ASSETS:</b>				
Due from other governments	-	132,201	132,201	-
Bond issuance costs, net	-	-	-	123,102
Capital assets, net	80,017,487	4,028,394	84,045,881	-
Total noncurrent assets	<u>80,017,487</u>	<u>4,160,595</u>	<u>84,178,082</u>	<u>123,102</u>
<b>LIABILITIES:</b>	<u>\$ 134,342,255</u>	<u>\$ 7,266,147</u>	<u>\$ 141,608,402</u>	<u>\$ 2,496,687</u>
<b>CURRENT LIABILITIES:</b>				
Accounts payable	9,446,086	116,303	9,562,389	-
Accrued expenses	1,531,433	112,549	1,643,982	160,183
Retainages payable	310,874	-	310,874	-
Capital lease obligation	89,142	270,148	359,290	-
Bonds and notes payable	1,200,000	-	1,200,000	160,000
Bond anticipation notes	14,812,215	-	14,812,215	-
Other liabilities	34,514	50,587	85,101	-
Due to other governments	14,255,624	308,771	14,564,395	-
Compensated absences	2,273,671	224,597	2,498,268	-
Deferred revenue	906,982	1,933	908,915	56,822
Total current liabilities	<u>44,860,541</u>	<u>1,084,888</u>	<u>45,945,429</u>	<u>377,005</u>
<b>LONG-TERM LIABILITIES:</b>				
Bonds and notes payable	16,150,000	-	16,150,000	6,810,429
Capital lease obligation	2,657,184	2,479,242	5,136,426	-
Compensated absences	3,698,524	250,560	3,949,084	-
Other post-employment benefits	11,313,522	1,209,109	12,522,631	-
Settlements and claims	2,086,150	-	2,086,150	-
Total long-term liabilities	<u>35,905,380</u>	<u>3,938,911</u>	<u>39,844,291</u>	<u>6,810,429</u>
	<u>\$ 80,765,921</u>	<u>\$ 5,023,799</u>	<u>\$ 85,789,720</u>	<u>\$ 7,187,434</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related debt Unrestricted	46,696,090	1,279,004	47,975,094	-
	<u>6,880,244</u>	<u>963,344</u>	<u>7,843,588</u>	<u>(4,690,747)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 53,576,334</u>	<u>\$ 2,242,348</u>	<u>\$ 55,818,682</u>	<u>\$ (4,690,747)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Net (Expense) Revenue and Changes in Net Assets							
	Program Revenue			Primary Government				
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:							Component Units	
General governmental support	\$ 30,049,626	\$ 5,541,402	\$ 953,542	\$ 7,443,311	\$ (16,111,371)	\$ -	\$ (16,111,371)	\$ -
Education	1,957,284	-	-	-	(1,957,284)	-	(1,957,284)	-
Public safety	25,911,385	1,273,642	795,461	-	(23,842,282)	-	(23,842,282)	-
Health	19,483,305	7,041,958	7,595,761	-	(4,845,586)	-	(4,845,586)	-
Transportation	10,551,072	1,626,367	1,444,809	-	(7,479,896)	-	(7,479,896)	-
Economic Assistance and Opportunity	40,338,284	2,242,991	16,835,415	-	(21,259,878)	-	(21,259,878)	-
Culture and recreation	2,000,040	174,341	153,491	-	(1,672,208)	-	(1,672,208)	-
Home and community services	6,871,447	497,455	-	-	(6,373,992)	-	(6,373,992)	-
Interest	903,464	-	-	-	(903,464)	-	(903,464)	-
Total governmental activities	138,065,907	18,398,156	27,778,479	7,443,311	(84,445,961)	-	(84,445,961)	-
Business-type activities:								
Westmount Health Facility	8,396,563	6,514,481	412,954	-	-	(1,469,128)	(1,469,128)	-
Total primary government	\$ 146,462,470	\$ 24,912,637	\$ 28,191,433	\$ 7,443,311	\$ (84,445,961)	\$ (1,469,128)	\$ (85,915,089)	\$ -
<b>COMPONENT UNITS:</b>								
Soil and Water Conservation District	\$ 499,639	\$ 258,412	\$ 239,850					\$ (1,377)
Local Development Corp.	392,012	52,852	591,344					252,184
Warren TASC	882,529	931,358	-					48,829
Total component units	\$ 1,774,180	\$ 1,242,622	\$ 831,194					\$ 299,636
<b>GENERAL REVENUE:</b>								
Real property taxes					\$ 30,447,731	\$ -	\$ 30,447,731	
Real property tax items					1,660,076	-	1,660,076	
Sales and use taxes					53,770,583	-	53,770,583	
Use of money and property					1,198,896	6,733	1,205,629	
Other sources					-	1,690,689	1,690,689	
Total general revenue					\$ 87,077,286	\$ 1,697,422	\$ 88,774,708	
Change in net assets					\$ 2,631,325	\$ 228,294	\$ 2,859,619	\$ 299,636
Net assets - beginning of year					50,945,009	2,014,054	52,959,063	(4,990,383)
Net assets - end of year					\$ 53,576,334	\$ 2,242,348	\$ 55,818,682	\$ (4,690,747)

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	General	Special Grant	Refuse and Garbage	County Road	Road Machinery	Workers' Compensation	Capital Projects	Other Governmental	Total
<b>ASSETS:</b>									
Cash	\$ 3,442,256	\$ 53,532	-	\$ 600	\$ 192,146	\$ 5,383,809	\$ 1,587,144	\$ 15,191	\$ 5,290,869
Restricted cash	145,284	-	-	-	-	-	4,972,825	224,588	10,726,486
Taxes receivable, net of an allowance for uncollectible taxes of \$100,000	11,561,734	-	-	-	-	-	-	-	11,561,734
Accounts receivable, net of allowance for uncollectible amounts of \$137,961	2,520,581	-	266,671	152,500	890	-	-	1,703	2,942,345
Due from other funds	2,689,576	-	1,179,177	1,159,890	429,377	-	708,625	19,367	6,156,012
State and federal receivables	13,287,938	170,568	-	1,380,984	-	-	5,841,239	-	20,690,729
Due from other governments	1,099,541	-	190,269	-	174,112	-	252,535	-	1,716,457
Prepaid expenditures	691,817	19,540	-	46,160	9,056	1,606	-	-	788,179
Inventories	88,944	-	-	34,471	127,421	-	-	-	250,836
Miscellaneous other assets	42,000	-	-	-	-	-	-	-	42,000
	<u>\$ 35,549,651</u>	<u>\$ 243,640</u>	<u>\$ 1,636,117</u>	<u>\$ 2,774,605</u>	<u>\$ 933,002</u>	<u>\$ 5,385,415</u>	<u>\$ 13,362,368</u>	<u>\$ 260,849</u>	<u>\$ 60,145,647</u>
<b>LIABILITIES:</b>									
Accounts payable	\$ 3,446,226	\$ 90,404	\$ 216	\$ 193,759	\$ 157,914	\$ 393,352	\$ 5,164,215	\$ -	\$ 9,446,086
Accrued expenses	943,875	8,864	-	90,756	19,000	2,612	994	16,747	1,082,848
Retainages payable	-	-	-	-	-	-	310,874	-	310,874
Other liabilities	2,054,947	22,511	-	184,828	39,285	6,634	-	-	2,308,185
Bond anticipation notes	-	-	-	-	-	-	14,812,215	-	14,812,215
Due to other funds	3,283,144	110,653	52,357	148,439	-	7,418	2,218,868	-	5,820,879
Due to other governments	14,223,785	2,335	-	-	-	150	29,354	-	14,255,624
Deferred revenue	5,842,891	8,873	-	-	-	-	-	-	5,851,764
	<u>29,794,868</u>	<u>243,640</u>	<u>52,573</u>	<u>617,782</u>	<u>216,179</u>	<u>410,166</u>	<u>22,536,520</u>	<u>16,747</u>	<u>53,888,475</u>
<b>EQUITY:</b>									
Fund balances - reserved:									
Encumbrances	113,730	-	10,829	120,800	2,033	-	5,286,552	-	5,533,944
Inventory	88,944	-	-	34,471	127,421	-	-	-	250,836
Retirement	644,322	-	-	46,160	9,056	1,606	-	-	701,144
Capital	7,068	-	-	56,468	-	-	-	-	63,536
Debt service	-	-	-	-	-	-	(14,460,704)	-	(14,460,704)
Special	543,879	-	-	584,475	-	4,973,643	-	69,531	6,151,528
	<u>1,397,943</u>	<u>-</u>	<u>10,829</u>	<u>822,374</u>	<u>136,510</u>	<u>4,975,249</u>	<u>(9,174,152)</u>	<u>69,531</u>	<u>(1,759,716)</u>
Fund balances - unreserved:									
Designated for subsequent year's expenditures	2,320,000	-	1,600,000	750,000	100,000	-	-	97,000	4,867,000
Undesignated	2,036,840	-	(27,285)	584,449	478,313	-	-	77,571	3,149,888
	<u>4,356,840</u>	<u>-</u>	<u>1,572,715</u>	<u>1,334,449</u>	<u>578,313</u>	<u>-</u>	<u>-</u>	<u>174,571</u>	<u>8,016,888</u>
Total unreserved	<u>5,754,783</u>	<u>-</u>	<u>1,583,544</u>	<u>2,156,823</u>	<u>716,823</u>	<u>4,975,249</u>	<u>(9,174,152)</u>	<u>244,102</u>	<u>6,257,172</u>
Total equity	<u>\$ 35,549,651</u>	<u>\$ 243,640</u>	<u>\$ 1,636,117</u>	<u>\$ 2,774,605</u>	<u>\$ 933,002</u>	<u>\$ 5,385,415</u>	<u>\$ 13,362,368</u>	<u>\$ 260,849</u>	<u>\$ 60,145,647</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Special Grant	Refuse and Garbage	County Road	Road Machinery	Workers' Compensation	Capital Projects	Other Governmental	Total
<b>REVENUE:</b>									
Real property taxes	\$ 19,345,391	\$ -	\$ 2,553,500	\$ 7,252,388	\$ 374,309	\$ -	\$ -	\$ -	\$ 29,525,588
Real property tax items	1,660,076	-	-	-	-	-	-	-	1,660,076
Sales and use taxes	53,770,583	-	-	-	-	-	-	-	53,770,583
Departmental income	12,868,761	-	-	-	-	-	-	9,127	12,877,888
Intergovernmental charges	1,502,544	21,100	75,441	51,249	1,336,386	906,285	-	24,484	3,917,489
Use of money and property	737,104	-	96,000	3	-	155,072	122,443	88,274	1,198,896
Licenses and permits	152,236	-	-	-	-	-	-	-	152,236
Fines and forfeitures	380,274	-	-	-	-	-	-	-	380,274
Sale of property and compensation for loss	564,349	-	-	300	66,559	-	23,593	-	654,801
Miscellaneous local sources	779,057	-	-	17	-	250	-	-	779,324
State aid	16,401,839	-	-	1,380,983	-	-	515,078	-	18,297,900
Federal aid	8,990,995	1,004,645	-	-	-	-	6,928,233	-	16,923,873
<b>Total revenue</b>	<b>117,153,209</b>	<b>1,025,745</b>	<b>2,724,941</b>	<b>8,684,940</b>	<b>1,777,254</b>	<b>1,061,607</b>	<b>7,589,347</b>	<b>121,885</b>	<b>140,138,928</b>
<b>EXPENDITURES:</b>									
General governmental support	31,570,065	-	-	58,966	51,284	986,174	8,229,658	-	40,896,147
Education	1,957,284	-	-	-	-	-	-	-	1,957,284
Public safety	15,368,737	-	-	475,418	-	-	189,808	-	16,033,963
Health	16,115,074	-	-	-	-	-	359,064	-	16,474,138
Transportation	701,532	-	-	7,208,281	1,865,091	-	5,491,797	-	15,266,701
Economic assistance and opportunity	38,654,690	575,216	-	-	-	-	-	-	39,229,906
Culture and recreation	1,337,598	-	-	-	-	-	-	-	1,337,598
Home and community services	1,134,998	450,529	2,301,788	-	-	-	2,768,188	8,796	6,664,299
Employee benefits	9,075,313	-	-	844,344	173,272	-	-	38,965	10,131,894
Debt service - principal and interest	1,249,700	-	-	-	-	-	-	2,418,827	3,668,527
<b>Total expenditures</b>	<b>117,164,991</b>	<b>1,025,745</b>	<b>2,301,788</b>	<b>8,587,009</b>	<b>2,089,647</b>	<b>986,174</b>	<b>17,038,515</b>	<b>2,466,588</b>	<b>151,660,457</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>(11,782)</b>	<b>-</b>	<b>423,153</b>	<b>97,931</b>	<b>(312,393)</b>	<b>75,433</b>	<b>(9,449,168)</b>	<b>(2,344,703)</b>	<b>(11,521,529)</b>
<b>OTHER SOURCES (USES):</b>									
Interfund transfers in	484,825	-	-	-	100,000	-	1,991,998	2,034,397	4,611,220
Interfund transfers (out)	(3,356,926)	-	-	(264,148)	-	-	(950,146)	-	(4,611,220)
BANs redeemed from appropriations	-	-	-	-	-	-	806,800	-	806,800
<b>Total other sources (uses)</b>	<b>(2,872,101)</b>	<b>-</b>	<b>(264,148)</b>	<b>(264,148)</b>	<b>100,000</b>	<b>-</b>	<b>1,808,652</b>	<b>2,034,397</b>	<b>806,800</b>
<b>REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(2,883,883)</b>	<b>-</b>	<b>423,153</b>	<b>(166,217)</b>	<b>(212,393)</b>	<b>75,433</b>	<b>(7,640,516)</b>	<b>(310,306)</b>	<b>(10,714,729)</b>
<b>FUND EQUITY - beginning of year</b>	<b>8,638,666</b>	<b>-</b>	<b>1,160,391</b>	<b>2,323,040</b>	<b>929,216</b>	<b>4,899,816</b>	<b>(1,533,636)</b>	<b>554,408</b>	<b>16,971,901</b>
<b>FUND EQUITY - end of year</b>	<b>\$ 5,754,783</b>	<b>\$ -</b>	<b>\$ 1,583,544</b>	<b>\$ 2,156,823</b>	<b>\$ 716,823</b>	<b>\$ 4,975,249</b>	<b>\$ (9,174,152)</b>	<b>\$ 244,102</b>	<b>\$ 6,257,172</b>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

COMBINED STATEMENT OF REVENUE, EXPENDITURES, ENCUMBRANCES, AND CHANGES IN FUND EQUITY -  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>REVENUE:</b>				
Real property taxes	\$ 20,220,053	\$ 20,220,053	\$ 19,345,391	\$ (874,662)
Real property tax items	1,705,000	1,705,000	1,660,076	(44,924)
Sales and use tax	49,000,498	49,000,498	53,770,583	4,770,085
Departmental income	14,081,997	14,227,162	12,868,761	(1,358,401)
Intergovernmental charges	2,134,413	2,137,669	1,502,544	(635,125)
Use of money and property	1,268,718	1,268,718	737,104	(531,614)
Licenses and permits	140,000	140,000	152,236	12,236
Fines and forfeitures	334,750	334,750	380,274	45,524
Sale of property and compensation for loss	494,900	550,508	564,349	13,841
Miscellaneous local sources	757,683	759,483	779,057	19,574
State aid	13,748,731	15,492,104	16,401,839	909,735
Federal aid	10,168,323	10,409,360	8,990,995	(1,418,365)
<b>Total revenue</b>	<b>114,055,066</b>	<b>116,245,305</b>	<b>117,153,209</b>	<b>907,904</b>
<b>EXPENDITURES:</b>				
General government support	29,674,032	29,952,768	31,570,065	(1,617,297)
Education	1,965,366	1,965,366	1,957,284	8,082
Public safety	14,680,563	15,520,684	15,368,737	151,947
Health	15,177,110	16,452,798	16,115,074	337,724
Transportation	664,991	751,207	701,532	49,675
Economic assistance and opportunity	37,538,525	39,305,667	38,654,690	650,977
Culture and recreation	1,372,430	1,437,656	1,337,598	100,058
Home and community services	1,198,284	1,179,372	1,134,998	44,374
Employee benefits	9,743,408	9,825,185	9,075,313	749,872
Debt service - principal and interest	695,511	695,511	1,249,700	(554,189)
<b>Total expenditures</b>	<b>112,710,220</b>	<b>117,086,214</b>	<b>117,164,991</b>	<b>(78,777)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>1,344,846</b>	<b>(840,909)</b>	<b>(11,782)</b>	<b>829,127</b>
<b>OTHER SOURCES (USES):</b>				
Interfund transfers in	-	246,123	484,825	238,702
Interfund transfers (out)	(3,494,846)	(3,393,678)	(3,356,926)	36,752
<b>Total other sources (uses)</b>	<b>(3,494,846)</b>	<b>(3,147,555)</b>	<b>(2,872,101)</b>	<b>275,454</b>
<b>REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES, ENCUMBRANCES, AND OTHER USES</b>	<b>(2,150,000)</b>	<b>(3,988,464)</b>	<b>(2,883,883)</b>	<b>1,104,581</b>
<b>FUND EQUITY - beginning of year</b>	<b>8,638,666</b>	<b>8,638,666</b>	<b>8,638,666</b>	<b>-</b>
<b>FUND EQUITY (DEFICIT) - end of year</b>	<b>\$ 6,488,666</b>	<b>\$ 4,650,202</b>	<b>\$ 5,754,783</b>	<b>\$ 1,104,581</b>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

---

Fund balance - All governmental funds	\$ 6,257,172
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.	80,017,487
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.	(37,194,522)
Deferral of income earned in the current year is recognized as revenue under the accrual basis of accounting.	4,944,782
Certain expenditures are recorded on cash basis in the funds but on the accrual basis of accounting for government activities.	<u>(448,585)</u>
Net assets of governmental activities	<u>\$ 53,576,334</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

RECONCILIATION OF THE STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

---

Net changes in fund equity - Total governmental funds	\$ (10,714,729)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	25,995,665
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(3,480,132)
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	1,741,260
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	922,143
Accrued post employment benefits, long-term portion of compensated absences, and settlements and claims do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(11,777,306)
Interest is accrued on the outstanding bonds on the statement of net assets but is not recorded as an expenditure in the government funds	<u>(55,576)</u>
Change in net assets - Governmental activities	<u>\$ 2,631,325</u>

**COUNTY OF WARREN**

**WESTMOUNT HEALTH FACILITY  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
DECEMBER 31, 2008**

---

**ASSETS:**

Current assets:

Cash	\$ 2,517,072
Restricted cash	29,533
Assets limited to use	9,925
Patient accounts receivable, net	426,324
Due from third party payers	7,510
Prepaid expenditures	30,733
Inventories	64,903
Due from County	<u>19,552</u>

Total current assets 3,105,552

Long-term assets:

Due from County	132,201
Property, plant, and equipment, net	<u>4,028,394</u>

Total long-term assets 4,160,595

\$ 7,266,147

**LIABILITIES:**

Current liabilities:

Current portion of capital lease payable	\$ 270,148
Accounts payable	116,303
Accrued payroll and related benefits	112,549
Vacation leave and related benefits	224,597
Due to County	308,771
Due to third party payers	20,585
Patient funds	29,533
Other current liabilities	469
Deferred revenue	<u>1,933</u>

Total current liabilities 1,084,888

Long-term liabilities:

Long-term portion of capital lease payable	2,479,242
Postemployment health benefits	1,209,109
Sick leave and related benefits	<u>250,560</u>

Total long-term liabilities 3,938,911

Total liabilities 5,023,799

**NET ASSETS:**

Invested in property and equipment, net of debt	1,279,004
Restricted	9,456
Unrestricted	<u>953,888</u>

Total net assets 2,242,348

\$ 7,266,147

The accompanying notes are an integral part of these statements.

## COUNTY OF WARREN

### WESTMOUNT HEALTH FACILITY STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND FOR THE YEAR ENDED DECEMBER 31, 2008

---

Operating revenue:	
Net patient service revenue	\$ 6,511,634
Other operating revenue	<u>2,847</u>
Total operating revenue	<u>6,514,481</u>
Operating expenses:	
Nursing services	2,379,392
Ancillary services	418,809
Dietary services	600,915
Housekeeping	256,465
Laundry service	88,790
Maintenance	454,623
Administrative and fiscal services	622,533
Employee benefits	2,697,825
New York State tax assessment	343,854
Depreciation	345,789
Provision for bad debts	<u>52,098</u>
Total operating expenses	<u>8,261,093</u>
(Loss) from operations	<u>(1,746,612)</u>
Non-operating revenue (expense):	
Indirect costs and operating transfers from County	412,954
Intergovernmental transfers	1,688,974
Interest income	6,733
Interest expense	(119,550)
Other	1,715
Abandoned project costs	<u>(15,920)</u>
Total non-operating revenue	<u>1,974,906</u>
Excess of revenue over expenses	228,294
Net assets - beginning of year	<u>2,014,054</u>
Net assets - end of year	<u>\$ 2,242,348</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

WESTMOUNT HEALTH FACILITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008

---

CASH FLOW FROM OPERATING ACTIVITIES:

Income (loss) from operations	\$ (1,746,612)
Adjustments to reconcile income (loss) from operations to net cash flow from operating activities:	
Depreciation	345,789
Provisions for bad debts	52,098
Indirect services from County	288,935
Change in:	
Accounts receivable	55,560
Supplies	(2,048)
Prepaid expenses	900
Accounts payable	58,221
Due to/from third party payers	239,638
Accrued items	63,661
Due to/from County	252,550
Postemployment health benefits	1,209,109
Deferred revenue	<u>(168,003)</u>
Net cash flow from operating activities	<u>649,798</u>

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:

Transfer from County	124,019
Intergovernmental transfers	1,688,974
Other	<u>1,715</u>
Net cash flow from noncapital financing activities	<u>1,814,708</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal payments on capital lease	(258,669)
Payments of interest	(119,550)
Capital expenditures	<u>(172,705)</u>
Net cash flow from capital and related financing activities	<u>(550,924)</u>

CASH FLOW FROM INVESTING ACTIVITIES:

Investment and other income	6,733
Net change in assets whose use is limited	<u>402</u>
Net cash flow from investing activities	<u>7,135</u>

CHANGE IN CASH 1,920,717

CASH - beginning of year 596,355

CASH - end of year \$ 2,517,072

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2008**

---

**ASSETS:**

Cash	\$ 3,090,348
Due from other funds	23,770
Due from other governments	54,017
Other assets	<u>9,206</u>
Total assets	<u>3,177,341</u>

**LIABILITIES:**

Due to other funds	64,682
Agency liabilities	<u>3,108,286</u>
Total liabilities	<u>3,172,968</u>

<b>NET ASSETS</b>	<b><u>\$ 4,373</u></b>
-------------------	------------------------

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

STATEMENT OF NET ASSETS - COMPONENT UNITS  
DECEMBER 31, 2008

---

	Soil and Water Conservation District	Local Development Corp.	Warren TASC	Total
<b>ASSETS:</b>				
Cash	\$ 2,014	\$ 516,374	\$ 93,828	\$ 612,216
Investments	-	-	601,014	601,014
Loans receivable, net of allowance for doubtful accounts of \$82,000	-	1,102,718	-	1,102,718
Due from County	-	6,039	-	6,039
Grants receivable	-	51,598	-	51,598
Bond issuance costs, net	-	-	<u>123,102</u>	<u>123,102</u>
Total assets	<u>2,014</u>	<u>1,676,729</u>	<u>817,944</u>	<u>2,496,687</u>
<b>LIABILITIES:</b>				
Accrued expenses	-	7,204	152,979	160,183
Deferred revenue	-	56,822	-	56,822
Bonds and notes payable	-	-	<u>6,970,429</u>	<u>6,970,429</u>
Total liabilities	<u>-</u>	<u>64,026</u>	<u>7,123,408</u>	<u>7,187,434</u>
<b>NET ASSETS</b>	<u>\$ 2,014</u>	<u>\$ 1,612,703</u>	<u>\$ (6,305,464)</u>	<u>\$ (4,690,747)</u>

The accompanying notes are an integral part of these statements

COUNTY OF WARREN

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND EQUITY - COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Soil and Water Conservation <u>District</u>	Local Development <u>Corp.</u>	Warren <u>TASC</u>	<u>Total</u>
Revenue:				
Departmental income	\$ 8,789	\$ -	\$ -	\$ 8,789
Intergovernmental charges	-	-	-	-
Use of money and property	401	-	32,587	32,988
Sale of property and compensation for loss	456	-	898,771	899,227
Miscellaneous local sources	248,766	52,852	-	301,618
State aid	239,850	-	-	239,850
Federal aid	-	591,344	-	591,344
	<u>498,262</u>	<u>644,196</u>	<u>931,358</u>	<u>2,073,816</u>
Total revenue				
Expenditures:				
General governmental support	-	392,012	616,972	1,008,984
Home and community services	499,639	-	-	499,639
Debt service - interest	-	-	265,557	265,557
	<u>499,639</u>	<u>392,012</u>	<u>882,529</u>	<u>1,774,180</u>
Total expenditures				
Excess of revenue over expenditures	(1,377)	252,184	48,829	299,636
FUND EQUITY - beginning of year	<u>3,391</u>	<u>1,360,519</u>	<u>(6,354,293)</u>	<u>(4,990,383)</u>
FUND EQUITY - end of year	<u>\$ 2,014</u>	<u>\$ 1,612,703</u>	<u>\$ (6,305,464)</u>	<u>\$ (4,690,747)</u>

The accompanying notes are an integral part of these statements.

## COUNTY OF WARREN

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

---

#### 1. NATURE OF OPERATIONS

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 generally accepted accounting principles, including legal standing, fiscal dependency, financial accountability, selection of governing authority, ability to significantly influence operations, and the primary government's economic benefit from resources of the affiliated entity.

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

Component units of the County include the following:

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

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

## 1. NATURE OF OPERATIONS (Continued)

### Reporting Entity (Continued)

*Warren Tobacco Asset Securitization Corp. (WTASC)* - This component unit is a non-profit corporation created solely for the purpose of acquiring from Warren County certain rights under the Master Settlement Agreement with respect to tobacco litigation. 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 16) are excluded from the reporting entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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:

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

### 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.

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

### 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.

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

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

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

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.

#### *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 2008 budgets, as follows:

	General Fund	Special Revenue Funds
Original adopted budget	\$ 116,205,066	\$ 13,581,602
Encumbrances carried forward	368,076	333,331
Appropriation adjustments	<u>3,906,750</u>	<u>1,259,462</u>
Amended budget	<u>\$ 120,479,892</u>	<u>\$ 15,174,395</u>

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

### 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.

### Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to January 1, 2003. For assets acquired prior to January 1, 2003, estimated historical costs were used. Donated assets are reported at estimated fair market value at the time received. In accordance with generally accepted accounting principles, the County has retroactively capitalized pre-2003 infrastructure and related depreciation effective for the year ended December 31, 2007.

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

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

### Compensated Absences

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

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

### Other Post-Employment Benefits

In addition to providing retirement benefits, the County provides certain health benefits for retired employees. Substantially all of the County's employees have the option of receiving these benefits that are provided by an insurance company upon retirement. At the fund level, the County recognizes the cost of providing these benefits as the premiums are paid. The costs recognized in 2008 approximated \$2,600,000 for 350 employees and survivors.

In accordance with the provisions of Governmental Accounting Standards Board Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the County has recorded the government-wide statement of net assets the required other post employment benefits totaling \$12,522,631 as of December 31, 2008.

## 3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND COUNTY-WIDE STATEMENTS

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

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

Total fund balances of the County's governmental funds 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:

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

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.

Long-Term Debt Transaction Differences

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

**4. CASH AND INVESTMENTS**

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

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Generally accepted accounting principles directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

As of December 31, 2008, all of the County's cash and investment balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the County's name.

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.

**4. CASH AND INVESTMENTS (Continued)**

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

Investments are stated at fair value, which approximates cost and cost solely of commercial paper. Substantially all investments are restricted for debt service as of December 31, 2008.

**5. 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, 2008, 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	\$ 61,579
Special revenue fund	207,403
Capital projects fund	1,625,625
Agency fund	<u>695,759</u>
	<u>\$ 2,590,366</u>

**6. RESTRICTED ASSETS - CASH AND CASH IN TIME DEPOSITS**

Restricted cash consisted of the following:

<u>Fund</u>	<u>Restricted Balance</u>	<u>Restriction</u>
General	<u>\$ 145,264</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Special revenue	\$ 75,884	Unemployment insurance
	<u>5,383,809</u>	Workers' compensation insurance
Total special revenue	<u>\$ 5,459,693</u>	
Capital Projects	<u>\$ 4,972,825</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Enterprise	<u>\$ 29,533</u>	Patient funds
Debt Service	<u>\$ 148,703</u>	Reserve for debt service

## **7. 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. This municipality assesses and collects all city and County taxes on property within the municipality and serves as enforcement agent for tax liens on such property. County taxes collected by this municipality are remitted to the County periodically.

Uncollected property taxes assumed by the County as a result of the settlement proceedings are reported as receivables in the general fund to maintain central control and provide for tax settlement and enforcement proceedings. The portion of the receivable (\$10,000,007) 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 (\$4,944,782) is not considered available under the modified accrual basis of accounting and is included in liabilities as deferred revenue.

## **8. 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 is recognized over the term of the loan and is calculated using the compounded-interest method on principal amounts outstanding.

The LDC maintains a micro-enterprise loan program. Loans receivable as of December 31, 2008 were \$1,184,718 less an allowance for doubtful accounts of \$82,000. These loans interest rates ranging from 3% to 5% and are amortized over periods ranging from 3 to 7 1/2 years.

**9. STATE AND FEDERAL RECEIVABLES**

State and federal receivables are comprised of the following:

<u>Fund</u>	<u>Balance</u>	<u>Description</u>
General	<u>\$ 13,297,938</u>	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
Special revenue	<u>\$ 170,568</u>	Claims for reimbursement of expenditures for job training and highway improvements.
County road	<u>\$ 1,380,984</u>	Claims for reimbursement of expenditures for various road projects.
Capital projects	<u>\$ 5,841,239</u>	Claims for reimbursement of expenditures for various capital projects.

**10. CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance at January 1, 2008	Additions	Deletions	Balance at December 31, 2008
General fixed asset account group:				
Land and land improvements	\$ 3,888,075	\$ 1,200,000	\$ -	\$ 5,088,075
Buildings	40,710,572	2,496,750	-	43,207,322
Vehicle and equipment	12,683,808	2,900,103	531,875	15,052,036
Infrastructure	37,408,537	8,286,025	-	45,694,562
Construction work in progress	<u>1,623,788</u>	<u>12,992,431</u>	<u>1,623,788</u>	<u>12,992,431</u>
	96,314,780	27,875,309	2,155,663	122,034,426
Less: Accumulated depreciation	<u>38,812,826</u>	<u>3,480,132</u>	<u>276,019</u>	<u>42,016,939</u>
Total general fixed assets	<u>\$ 57,501,954</u>	<u>\$ 24,395,177</u>	<u>\$ 1,879,644</u>	<u>\$ 80,017,487</u>
Proprietary fund:				
Land and land improvements	247,435	-	-	247,435
Buildings	2,977,177	6,886	-	2,984,063
Machinery and equipment	4,689,288	290,819	16,375	4,963,732
Construction work in progress	<u>178,418</u>	<u>-</u>	<u>140,918</u>	<u>37,500</u>
	8,092,318	297,705	157,293	8,232,730
Less: Accumulated depreciation	<u>3,874,921</u>	<u>345,790</u>	<u>16,375</u>	<u>4,204,336</u>
Total enterprise fund	<u>\$ 4,217,397</u>	<u>\$ (48,085)</u>	<u>\$ 140,918</u>	<u>\$ 4,028,394</u>

## 10. CAPITAL ASSETS (Continued)

Depreciation expense of \$3,480,132 is allocated to specific functions as follows:

General government support	\$ 126,378
Public safety	973,547
Health	40,631
Transportation	2,202,138
Economic Assistance and Opportunity	76,496
Culture and recreation	19,079
Home and community	41,863
	<u>\$ 3,480,132</u>

## 11. DEBT

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

	Balance at January 1, 2008	Increase	Decrease	Balance at December 31, 2008
Governmental activity short-term financing:				
ACC BAN	\$ 750,000	\$ 631,875	\$ 750,000	\$ 631,875
ACC BAN	870,000	731,325	870,000	731,325
Airport BAN	1,000,000	1,000,000	1,000,000	1,000,000
Flood BAN	3,000,000	2,450,000	3,000,000	2,450,000
DPW Construction BAN	-	6,498,790	-	6,498,790
DPW Equipment BAN	<u>-</u>	<u>3,500,225</u>	<u>-</u>	<u>3,500,225</u>
 Total short-term financing	 <u>\$ 5,620,000</u>	 <u>\$ 14,812,215</u>	 <u>\$ 5,620,000</u>	 <u>\$ 14,812,215</u>

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

	Balance at January 1, 2008	Increase	Decrease	Balance at December 31, 2008
Governmental activity:				
Serial bonds	\$ 19,000,000	\$ -	\$ 1,650,000	\$ 17,350,000
Capital lease obligations	2,837,586	-	91,260	2,746,326
Compensated absences	3,489,012	209,512	-	3,698,524
Self-insurance claims payable	<u>1,831,878</u>	<u>254,272</u>	<u>-</u>	<u>2,086,150</u>
 Total governmental long-term debt	 <u>\$ 27,158,476</u>	 <u>\$ 463,784</u>	 <u>\$ 1,741,260</u>	 <u>\$ 25,881,000</u>
Enterprise fund:				
Capital lease obligations	<u>\$ 3,008,059</u>	<u>\$ -</u>	<u>\$ 258,668</u>	<u>\$ 2,749,391</u>
Component unit (WTASC):				
Serial bonds - Net of bond discount	<u>\$ 6,977,700</u>	<u>* \$ 137,729</u>	<u>\$ 145,000</u>	<u>\$ 6,970,429</u>

\* Increase in present value of bonds

**11. DEBT (Continued)**

Interest on debt for the year was composed of:

Interest paid	\$ 847,888
Add: Current year accrued interest	448,585
Less: Prior year accrued interest	<u>(393,009)</u>
 Total expense	 <u>\$ 903,464</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.

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, 2008:

Adirondack Community College Computer-Assisted Integrated Financial Management and Accounting System dated August 29, 2008, due August 28, 2009, with interest at 2.60%.	\$ 631,875
Adirondack Community College Computer-Assisted Integrated Financial Management and Accounting System dated August 29, 2008, due August 28, 2009, with interest at 2.60%.	731,325
Airport Aircraft Maintenance Hanger dated April 11, 2008, due April 10, 2009, with interest at 1.90%.	1,000,000
June 2005 Flood Damage dated July 17, 2008, due July 17, 2009, with interest at 2.21%.	2,450,000
Rail Station Construction, Health & Human Services Building, Point of Care, Soil & Water Conservation Building, Purchase of DPW Equipment dated August 5, 2008, due August 5, 2009 with interest at 2.48%.	6,498,790
Purchase of DPW Equipment and Purchase of Gaslight Village Property dated February 28, 2008, due February 27, 2009 with interest at 1.95%.	<u>3,500,225</u>
 Total BANs outstanding at County of Warren as of December 31, 2008	 <u>\$14,812,215</u>

## 11. DEBT (Continued)

### Bonds

The County's bonds are comprised of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/08</u>
Governmental activity:					
Public Improvement Serial Bonds 1993A	11/15/93	\$ 6,500,000	4.40%	1999-2008	\$ -
Public Improvement Serial Bonds 2003	07/15/03	23,000,000	3.25%	2003-2023	17,250,000
ACC Computer Software Serial Bonds 2006	8/31/2006	160,000	4.05%	2007-2010	80,000
ACC Computer Software Serial Bonds 2007	6/8/2007	<u>30,000</u>	3.82%	2008-2010	<u>20,000</u>
Total general long-term debt account group		<u>\$ 29,690,000</u>			<u>\$ 17,350,000</u>

The WTASC bonds are comprised of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/08</u>
Governmental activity:					
Tobacco Settlement Bonds - 2001 Series	2001	\$ 5,540,000	5.0%-6.0%	2002-2025	\$ 4,715,000
Tobacco Settlement Bonds - 2005 Series	2005*	<u>1,852,507</u>	6.0%-7.15%	2011-2031	<u>2,255,429</u>
Total general long-term debt account group		<u>\$ 5,540,000</u>			<u>\$ 6,970,429</u>

\* Net of bond discount

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 1,200,000	\$ 701,000	\$ 1,901,000
2010	1,200,000	652,999	1,852,999
2011	1,150,000	605,188	1,755,188
2012	1,150,000	559,188	1,709,188
2013-2017	5,750,000	2,105,940	7,855,940
2018-2022	5,750,000	954,502	6,704,502
2023	<u>1,150,000</u>	<u>48,869</u>	<u>1,198,869</u>
Total	<u>\$ 17,350,000</u>	<u>\$ 5,627,686</u>	<u>\$ 22,977,686</u>

11. DEBT (Continued)

Bonds (Continued)

WTASC:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 160,000	\$ 262,250	\$ 422,250
2110	170,000	253,581	423,581
2011	190,000	244,038	434,038
2012	200,000	233,459	433,459
2013	200,000	222,266	422,266
2014-2018	1,563,943	1,159,721	2,723,664
2019-2023	2,394,375	1,139,276	3,533,651
2024-2028	1,687,764	1,986,563	3,674,327
2029-2031	<u>404,347</u>	<u>1,307,034</u>	<u>1,711,381</u>
Total	<u>\$ 6,970,429</u>	<u>\$ 6,808,188</u>	<u>\$ 13,778,617</u>

Capital leases are comprised of the following at December 31, 2008:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/08</u>
<u>Governmental:</u>					
Copier	4/24/2005	\$ 16,877	8.10%	4/24/2010	\$ 6,319
Countryside capital improv.	10/27/2006	327,339	2.85%	1/1/2022	312,979
Mun. Center capital improv.	7/20/2007	<u>2,496,750</u>	3.70%	12/1/2022	<u>2,427,028</u>
		2,840,966			2,746,326
<u>Enterprise Fund</u>					
Co-generation plant	5/20/2005	<u>3,626,548</u>	4.35%	4/20/2018	<u>2,749,391</u>
Total capital leases		<u>\$ 6,467,514</u>			<u>\$ 5,495,717</u>

## 11. DEBT (Continued)

### Bonds (Continued)

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

2009	\$	598,770
2010		597,413
2011		601,169
2012		609,169
2013		618,069
2014-2018		2,680,945
2019-2022		<u>1,200,138</u>
Total minimum lease payments		6,905,673
Less: Amounts representing Interest costs		<u>1,409,957</u>
Present value of minimum lease		<u>\$ 5,495,716</u>

## 12. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2008:

### General fund:

Property tax revenue	\$	4,944,782
Miscellaneous grant revenue		105,634
Mental health programs		789,275
Tourism program revenue		<u>3,200</u>
Total	\$	<u>5,842,891</u>

### Special revenue fund:

Grant revenue	\$	<u>8,873</u>
---------------	----	--------------

### Enterprise fund:

Grant revenue	\$	<u>1,933</u>
---------------	----	--------------

## 13. 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.

### 13. RESERVES (Continued)

#### General Fund (Continued)

- Capital reserve - 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, 2008 is \$7,068.
- 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, 2008 is \$184,055 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, 2008 is \$137,051.

Reserve for Occupancy Tax – Established in 2004 to finance future costs relating to tourism. Reserve balance at December 31, 2008 is \$2,542,772 of which \$2,320,000 has been appropriated for the 2009 budget leaving an unappropriated balance of \$222,773.

- Capital Reserve

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, 2008 is \$0.

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, 2008 is \$0.

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, 2008 is \$0.

#### 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.
- County Road Fund – Fund balance designated for specific projects \$ 564,475
- Workers' Compensation Fund – Contributed reserve \$4,973,643
- Risk Retention Fund – Unemployment reserve \$ 69,531

**13. RESERVES (Continued)**

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 \$5,286,552

**14. 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.

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 preceding years were:

	<u>ERS</u>
2008	<u>\$3,109,157</u>
2007	<u>\$3,319,241</u>
2006	<u>\$3,752,432</u>

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

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

## 15. POST-EMPLOYMENT HEALTH CARE BENEFITS

### Plan Description

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

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

The Retirement Plan can be amended by action of the County subject to applicable collective bargaining and employment agreements. The number of retired employees currently eligible to receive benefits at December 31, 2008, was 137. The Retirement Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

### Funding Policy

The obligations of the Retirement Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 20%, depending on when the employee was hired. The County will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the Retirement Plan are paid by the County. The County currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2008 by the County was \$2,600,434.

### Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 15,123,065
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	15,123,065
Contributions made	<u>(2,600,434)</u>
Increase in net OPEB obligation	12,522,631
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 12,522,631</u>
Percentage of annual OPEB cost contributed	17.2%

**15. POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

Funded Status and Funding Progress

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

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

Schedule of Funding Progress for the County's Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2008	\$ _____ -	\$ 128,034,048	\$ 128,034,048	0.0%	N/A	N/A

Actuarial Methods and Assumptions

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

In the January 1, 2008 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	4.0%
Medical care cost trend rate	10% or 12.5% initially, based on age of retirees. The rate is reduced by decrements to an ultimate rate of 5.0% after seven years, depending on age of retirees.
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

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

## **16. JOINTLY GOVERNED ORGANIZATION**

### Adirondack Community College

The operation of Adirondack Community College is undertaken jointly with Washington County, under the provisions of Article 126 of the Education Law, and is excluded from the County's financial statements. Separate financial statements are issued for the college. The County's share of the operating costs for the year ended December 31, 2008 was \$13,523,552.

### Lake Champlain-Lake George Regional Planning Board

The operation of the Lake Champlain-Lake George Regional Planning Board is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Article 12-6, Section 239-b of the General Municipal Law and is excluded from the County's financial statements. Separate financial statements are issued for the board. County's share of the operating costs for the year ended December 31, 2008 was \$7,809.

### Lake Champlain-Lake George Regional Development Corporation

The operation of the Lake Champlain-Lake George Regional Development Corporation is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Section 402 and 1411 of the Not-for-Profit Corporation Law of New York State and is excluded from the County's financial statements. Separate financial statements are issued for the corporation.

### 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.

## **17. 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.

**17. OPERATING TRANSFERS (Continued)**

Individual interfund receivable and payable balances arising from these transactions as of December 31, 2008, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 2,659,576	\$ 3,283,144
Special revenue funds	2,778,838	318,867
Capital projects fund	708,625	2,218,868
Debt service fund	8,973	-
Enterprise fund	387	294,608
Fiduciary funds	<u>23,770</u>	<u>64,682</u>
Total	<u>\$ 6,180,169</u>	<u>\$ 6,180,169</u>

Interfund transfers throughout the year ended December 31, 2008, were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General fund	\$ 484,825	\$ 3,356,926
County road fund	-	264,148
Road machinery fund	100,000	-
Capital projects fund	1,991,998	990,146
Debt service fund	<u>2,034,398</u>	<u>-</u>
Total	<u>\$ 4,611,221</u>	<u>\$ 4,611,220</u>

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

Information on Community Development - Small Cities Program grants for the year ended December 31, 2008 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>
CD60	Warren County	\$ 63,337	\$ -	\$ -	\$ 63,337	\$ 63,337
CD65	Warren County	17,123	-	-	17,123	17,123
CD66	Warren County	316,487	-	-	316,487	316,487
CD67	Warren County	47,424	-	-	47,424	47,424
CD69	Warren County	<u>6,158</u>	<u>-</u>	<u>-</u>	<u>6,158</u>	<u>6,158</u>
Total		<u>\$ 450,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,529</u>	<u>\$ 450,529</u>

## 19. 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.

In accordance with the Intermunicipal Waste Disposal Agreement between the County of Warren and Washington County, the 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, 2008 through December 31, 2008, the County incurred disposal costs of \$2,193,053.

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.

## 19. COMMITMENTS AND CONTINGENCIES (Continued)

### Resource Recovery Facility (Continued)

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.

### 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, 2008, 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 \$2,086,150 in the County-wide statement of net assets and \$298,925 in the special revenue fund, which represents the portion to be liquidated with expendable and available financial resources as of December 31, 2008. Benefits and awards expenditures for the year ended December 31, 2008, were \$586,444.

### Grant Programs

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

The County has entered into cooperation agreements with towns within the County and compliance audits by the grantors or their representatives. The County believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the County's financial position or results of operations.

## 19. COMMITMENTS AND CONTINGENCIES (Continued)

### Westmount Medicaid Reimbursement

As stated in Note 2, Medicaid revenue is recognized when earned based upon tentative rates which are subject to audit and retroactive adjustment. An audit of the Medicaid cost report for 2002 has not been commenced. It has been the position of the State of New York to audit each rate year, although these audits are usually performed several years after the fact. The final outcome of these audit settlements cannot be determined at this time.

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

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

### Public Health Reimbursement

The County Public Health Department recognizes revenue when earned based upon tentative rates that are subject to audit and retroactive adjustment by third-party payers. There has been no provision made in these general-purpose financial statements for future audit settlements or rate adjustments.

### EPA Grant

In April 1995, the County received notification of grant approval in the amount of \$20 million from the United States Environmental Protection Agency. The grant funds are to be used to upgrade sanitary sewer systems in the Lake George Basin area. The grant agreement requires the County to contribute \$2 million to the project, or 10% of project costs. Total County expenditures for the project through 2008 totaled \$19,728,710.

### 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, 2008, the County has approximately \$5,287,000 of remaining work on construction projects for which contracts have been entered into.

## 20. SUBSEQUENT EVENTS

On February 27, 2009, the \$3,500,225 BAN for the purchase of the Gaslight Village and Waxlife USA property (\$1,200,000) and for the purchase of various items of equipment for the department of public works (\$2,300,225) was converted to another \$3,500,225 BAN, maturing February 26, 2010, with an interest rate of 1.95%.

On April 10, 2009, the \$1,000,000 BAN for an Airport Hanger was converted to an \$800,000 BAN, maturing April 12, 2010 with an interest rate of 1.95%.

On February 26, 2009, the County issued a \$3,000,000 BAN with an interest rate of 1.95%; a \$2,000,000 BAN with an interest rate of 2.52%; a \$2,000,000 BAN with an interest rate of 2.67%; and a \$4,000,000 BAN with an interest rate of 3.125%. These BANs are all for the construction of the Health and Human Services building and mature on February 26, 2010.

On February 5, 2009, the County issued a \$1,700,000 Revenue Anticipation Note (RAN) in anticipation of Federal aid relating to a Lake George basin sewer project, maturing on February 5, 2010, with an interest rate of 3.49%. The RAN was callable and the County paid the entire note on March 31, 2009 after receiving the Federal aid.

On February 5, 2009, the County issued a \$4,500,000 Tax Anticipation Note (TAN) anticipation of the collection of real property taxes levied for the current fiscal year of the County, maturing on February 5, 2010, with an interest rate of 3.49%. The TAN was callable and the County paid \$2,500,000 of the note on April 7, 2009.

On May 14, 2009, the County issued a \$500,000 BAN, maturing on May 14, 2010, with an interest rate of 1.85% for a bridge rehabilitation project.

On August 21, 2009, the Board of Supervisors authorized the issuance of a \$1.3 million Budget Note to address a projected deficit in the Waste Management Fund. On September 4, 2009, the County issued a \$1.3 million Budget Note, maturing September 3, 2010 with an interest rate of 1.65%.

On August 28, 2009, the \$631,875 and \$731,325 BANs for the Adirondack Community College Computer Assisted Integrated Financial Management and Accounting System were converted to a \$794,000 BAN, maturing August 27, 2010, with an interest rate of 1.62%.

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

**COUNTY OF WARREN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:		
Passed through State Office of Children and Family Services:		
Temporary Aid For Needy Families (TANF)	93.558	\$ 2,373,216
Foster Care (Title IV-E)	93.658	1,263,312
Promoting Safe and Stable Families	93.556	58,275
Child Welfare Services	93.645	12,904
Passed through State Office of Temporary and Disability Assistance:		
Low-Income Home Energy Assistance	93.568	3,534,663
Child Support Enforcement (Title IV-D)	93.563	268,604
Medical Assistance Program (Medicaid, Title XIX)	93.778	1,321,876
Passed through State Office of Alcoholism and Substance Abuse Services:		
Prevention and Treatment of Substance Abuse Block Grant	93.959	263,735
Passed through State Office for Aging:		
Special Programs for Aging, Title III, Part C - Nutrition service	^93.045	177,606
Special Programs for Aging, Title III, Part B - Grants		
for Supportive Services for Senior Centers	^93.044	79,378
Special Programs for the Aging, Title III, Part E - National		
Family Caregiver Support	93.052	83,094
Centers for Medicare and Medicaid Services (CMS) Research,		
Demonstrations and Evaluations	93.779	49,558
Special Programs for the Aging, Title III, Part F - Disease		
prevention and health promotion services	93.043	5,512
Special Programs for the Aging, Title VII, Chapter 3 - Programs		
for prevention of elder abuse, neglect, and exploitation	93.041	15,829
Weatherization through State Department of Health	93.568	14,656
Passed through State Department of Health:		
Summer TANF	93.558	87,557
Voting Access for Individuals with Disabilities	93.617	2,620
Centers for disease control and prevention -		
Investigation and technical assistance	93.283	52,400
Preventive Health Services Block Grant	93.991	<u>24,317</u>
Total U.S. Department of Health and Human Services		<u>9,689,112</u>
U.S. Department of Education:		
Passed through State Department of Education:		
Early Intervention	84.181	55,160
U.S. Election Assistance Commission:		
Passed through State Board of Elections:		
Help America Vote Act - Requirements Payments	90.401	368,517
Help America Vote Act - Voter Education	39.011	1,320
Help America Vote Act - Voting Access For Individuals with Disabilities	93.617	<u>11,801</u>
Total U.S. Election Assistance Commission		<u>381,638</u>

(continued)

**COUNTY OF WARREN****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2008**

## U.S. Department of Labor:

## Passed through Saratoga County, New York:

Workforce Investment Act Adult Programs	*17.258	183,662
Workforce Investment Act Youth Activities	*17.259	115,594
Workforce Investment Act Dislocated Workers	*17.260	<u>167,301</u>

## Total U.S. Department of Labor

466,557

## U.S. Department of Agriculture:

## Passed through State Office of Temporary and Disability Assistance:

Supplemental Nutrition Assistance Program	10.551	5,187,686
State Administrative Matching Grant for Supplemental Nutrition Assistance Program	10.561	653,221

## Passed through State Health Department:

Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	1,405,273
---	--------	-----------

## Passed through State Office for the Aging:

Nutrition Program for the Elderly	10.570	<u>141,403</u>
-----------------------------------	--------	----------------

## Total U.S. Department of Agriculture

7,387,583

## U.S. Department of Homeland Security:

## Passed through State Emergency Management Office:

Emergency Management Performance Grant	97.042	<u>34,904</u>
--	--------	---------------

## Environmental Protection Agency:

## Direct Program:

Special Purpose Grant	66.606	<u>2,304,401</u>
-----------------------	--------	------------------

## U.S. Department of Transportation:

## Direct Program:

Airport Improvement Program	20.106	3,211,326
-----------------------------	--------	-----------

## Passed through State Department of Transportation:

Highway Planning and Construction	20.205	<u>1,474,679</u>
-----------------------------------	--------	------------------

## Total U.S. Department of Transportation

4,686,005

## U.S. Department of Housing and Urban Development:

## Passed through State Division of Housing and Community Renewal:

CDBG - HOME Investment Partnerships Program	14.239	<u>450,529</u>
---	--------	----------------

## TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ 25,455,889

\* Workforce investment act cluster

## COUNTY OF WARREN

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2008

---

#### 1. GENERAL

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

#### 2. BASIS OF ACCOUNTING

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

#### 3. INDIRECT COSTS

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

#### 4. MATCHING COSTS

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

#### 5. SUB-RECIPIENTS

No amounts were provided to sub-recipients.

#### 6. NONCASH AWARDS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
U.S. Department of Agriculture:		
Food Stamp Coupons		
Value of Benefits	10.551	\$ 5,187,686
Special Supplemental Food Program for Women, Infants and Children		
Value of Food Instruments	10.557	\$ 1,030,771
U.S. Department of Health and Human Services		
Low Income Home Energy Assistance		
Value of NYS Comptroller expenditures	93.568	\$ 3,275,724

**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**

September 15, 2009

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

We have audited the financial statements of the governmental activities, the 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, 2008, which collectively comprise County of Warren's basic financial statements and have issued our report thereon dated September 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Westmount Health Facility (a proprietary fund) as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Westmount Health Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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.

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

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
PERRY • GENEVA

www.bonadio.com

(Continued)

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

Internal Control Over Financial Reporting (Continued)

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.

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 15, 2009.

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.

*Bonadio & Co., LLP*

**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**

September 15, 2009

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

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, 2008. 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.

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, 2008.

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

ROCHESTER • BUFFALO  
ALBANY • SYRACUSE  
PERRY • GENEVA

www.bonadio.com

(Continued)

**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 (Continued)**

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.

*Bonadio & Co., LLP*

**COUNTY OF WARREN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

---

**SECTION 1. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Aid for Needy Families
66.606	Special Purpose Grant
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$763,677

Auditee qualified as low-risk auditee?  yes  no

**SECTION 2. FINANCIAL STATEMENT FINDINGS**

None reported.

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

None reported.

**COUNTY OF WARREN**

**STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

---

**SECTION 1. FINANCIAL STATEMENT FINDINGS**

None reported.

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

None reported.