

**COUNTY OF WARREN**

**Financial Statements as of  
December 31, 2009  
Together with  
Independent Auditors' Report**

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

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## INDEPENDENT AUDITORS' REPORT

August 31, 2010

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of County of Warren, New York (the County) as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Westmount Health Facility (a proprietary fund) or Warren County Local Development Corporation (a discretely presented component unit). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Westmount Health Facility and Warren County Local Development Corporation, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. In addition, the other auditors conducted the audit of Warren County Local Development Corporation in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Westmount Health Facility were not audited in accordance with *Government Auditing Standards*. 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Warren, New York as of December 31, 2009, 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.

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## **INDEPENDENT AUDITORS' REPORT (Continued)**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 11, and budgetary information on page 16. be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

## **COUNTY OF WARREN**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009**

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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, 2009. This document should be read in conjunction with the County's financial statements which begin on page 12.

#### **FINANCIAL HIGHLIGHTS**

- The County's net assets decreased by \$9.3 million as a result of this year's activity, which is illustrated in the Statement of Activities.
- The County's \$158.2 million in governmental and business-type activity expenses were partially funded with program revenue of \$63.9 million with \$85.2 million funded with general revenue, which is illustrated in the Statement of Activities.
- The modified 2009 budget planned for a reduction in the General Fund balance of \$2.6 million; however, there was an actual operating surplus of \$1.4 million, resulting in a budget surplus of \$4.0 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 surplus this year of \$11.2 million, which is illustrated in the Statement of Revenue, Expenditures, and Changes in Fund Equity – Governmental Funds.

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

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

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

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

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

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

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

- Governmental activities – Most of the County's basic services are reported here, including public safety, public works, economic assistance, health, parks, and general support. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The County's nursing home facility is reported here.
- 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 have 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 decreased from \$55.8 million to \$46.5 million. Net assets may serve over time as one useful indicator of a government’s financial condition. This reflects a \$9.3 million decrease over the 2008 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 2009 for the County’s Governmental Activities increased by \$11.8 million which represents an 8.0% increase. The 8.0% increase is primarily a result of the \$13.7 million of other postemployment benefit expense incurred by the County in 2009.

Current liabilities in 2009 for the County’s Governmental and Business-Type activities decreased by \$10.7 million which, \$7.2 million is the result of the payment of Bond Anticipation Notes for Rail Station Construction, Health and Human Services Building, Point of Care Public Health System, Soil and Water Conservation Building, Purchase of DPW Equipment, Purchase of Gaslight Village Property, June 2005 Flood Damage, Airport Maintenance Hangar and Adirondack Community College Computer System.

Long-term liabilities outstanding in 2009 for the County’s Governmental and Business-Type activities increased by \$32.4 million and \$1.0 million, respectively. The Increase associated with the County’s Governmental activities is the result of the issuance of \$21.5 million in serial bonds and a \$12.4 million increase in the post-employment benefit obligation required by GASB # 45. The increase associated with Business –Type activities is the result of a \$1.3 million increase in the postemployment benefit obligation required by GASB # 45.

Capital assets increased for the County’s Governmental activities by \$14.1 million which is primarily the result of a \$15.1 million increase to Construction in Progress, of which, \$11.4 million relates to the Health and Human Services Building and \$1.5 million relates to the Corinth Road project.

## THE COUNTY AS A WHOLE (Continued)

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 53.8	\$ 54.3	\$ 3.3	\$ 3.1	\$ 57.0	\$ 57.4
Capital assets	94.1	80.0	3.8	4.2	97.9	84.2
<b>Total assets</b>	<b>\$ 147.9</b>	<b>\$ 134.3</b>	<b>\$ 7.1</b>	<b>\$ 7.3</b>	<b>\$ 155.0</b>	<b>\$ 141.6</b>
Long-term debt outstanding	\$ 68.3	\$ 35.9	\$ 4.9	\$ 3.9	\$ 73.3	\$ 39.8
Other liabilities	34.5	44.9	0.8	1.1	35.3	46.0
<b>Total liabilities</b>	<b>\$ 102.8</b>	<b>\$ 80.8</b>	<b>\$ 5.7</b>	<b>\$ 5.0</b>	<b>\$ 108.5</b>	<b>\$ 85.8</b>
Net assets:						
Invested in capital assets, net of debt	\$ 46.2	\$ 46.7	\$ 1.2	\$ 1.3	\$ 47.4	\$ 48.0
Restricted	0.2	-	-	-	0.2	-
Unrestricted	(1.3)	6.9	0.2	1.0	(1.2)	7.8
<b>Total net assets</b>	<b>\$ 45.1</b>	<b>\$ 53.6</b>	<b>\$ 1.4</b>	<b>\$ 2.3</b>	<b>\$ 46.5</b>	<b>\$ 55.8</b>

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Program revenue:						
Charges for services	\$ 19.9	\$ 18.4	\$ 5.7	\$ 6.5	\$ 25.6	\$ 24.9
Operating grants	30.4	27.8	0.3	0.4	30.7	28.2
Capital grants	7.6	7.4	-	-	7.6	7.4
General revenue:						
Property taxes	33.4	32.1	-	-	33.4	32.1
Other taxes	49.4	53.8	-	-	49.4	53.8
Other general revenue	0.8	1.2	1.6	1.7	2.4	2.9
<b>Total revenue</b>	<b>141.6</b>	<b>140.7</b>	<b>7.5</b>	<b>8.6</b>	<b>149.1</b>	<b>149.3</b>
Program expenses:						
General governmental support	37.0	30.0	-	-	37.0	30.0
Education	2.0	2.0	-	-	2.0	2.0
Public safety	27.3	25.9	-	-	27.3	25.9
Health	19.6	19.5	-	-	19.6	19.5
Transportation	11.1	10.6	-	-	11.1	10.6
Economic Assistance and Opportunity	40.5	40.3	-	-	40.5	40.3
Culture and recreation	2.1	2.0	-	-	2.1	2.0
Home and community services	8.8	6.9	-	-	8.8	6.9
Debt service	1.5	0.9	-	-	1.5	0.9
Westmount Health Facility	-	-	8.4	8.4	8.4	8.4
<b>Total expenses</b>	<b>149.8</b>	<b>138.1</b>	<b>8.4</b>	<b>8.4</b>	<b>158.3</b>	<b>146.5</b>
<b>Change in net assets</b>	<b>\$ (8.3)</b>	<b>\$ 2.6</b>	<b>\$ (0.9)</b>	<b>\$ 0.2</b>	<b>\$ (9.1)</b>	<b>\$ 2.8</b>

## THE COUNTY AS A WHOLE (Continued)

General revenue - Other taxes decreased by \$4.4 million from 2008, of which \$3.7 million is attributable to a decline in sales tax revenue which was prevalent in most of New York State.

Program expenses –

General governmental support increased by \$7.0 million from 2008. Notable decreases were in Distribution of Sales Tax which declined by \$1.8 million as a result of the decline in sales tax revenue. Notable increases include a \$.4 million increase in post-employment benefit expense required by GASB #45 and the capitalization of the rail road track restoration for \$8.0 million and reclassification from the Statement of Activities in 2008 although budgeted as a general governmental support expenditure at the fund financial statement level in previous years.

Home and community services increased by \$1.9 million from 2008 of which \$1.4 million is attributable to the Refuse and Garbage fund. The decline of tipping fee income and sale of electricity which are used to offset expenditures had contributed to this increase.

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)**

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Economic Assistance and Opportunity	\$ 40.5	\$ 18.6	\$ 40.3	\$ 21.3
Public safety	27.3	25.1	25.9	23.8
General support	37.0	23.0	30.0	16.1
Transportation	11.1	7.2	10.6	7.5
Health	19.6	5.0	19.5	4.8
All others	14.3	12.9	11.8	10.9
Totals	\$ 149.8	\$ 91.9	\$ 138.1	\$ 84.4

The decrease in the Net Cost of Services for Economic Assistance and Opportunity is attributable to the receipt of \$2.4 million in Medicaid Federal Stimulus money for Social Services.

The \$7.0 million increase in Total Cost of Services and Net Cost of Services is explained above in Table 2 for general governmental support.

## 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 \$15.5 million, which was \$9.2 million more than last year's total of \$6.3 million. Included in this year's total change in fund balance is a current surplus of \$1.4 million in the County's General Fund. The County budgeted for a \$2.6 million deficit in the General Fund resulting in a budget surplus of \$4.0 million for 2009. In addition, the Capital Projects fund reported a surplus of \$11.2 million, of which \$5.4 million was for the Health and Human Services Building, \$1.8 million was for the purchase of DPW equipment, \$.8 million for the purchase of Gaslight Village property, \$.8 million for the June 2005 Flood Damage project and \$.7 million for the Corinth Road project; these are the result of issuance of bond proceeds, expending loan proceeds and receipt of grant money.

## THE COUNTY'S FUNDS (Continued)

A comparative overview of the Governmental Funds results for 2009 and 2008 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)**

	2009 Revenue	2009 % of Total	2008 Revenue	2008 % of Total
Real property taxes	\$ 30.6	21.8%	\$ 29.5	21.0%
Real property tax items	1.7	1.2%	1.7	1.2%
Sales and use taxes	49.4	35.2%	53.8	38.3%
Departmental income	13.2	9.4%	12.9	9.2%
Intergovernmental charges	4.3	3.1%	3.9	2.8%
Use of money and property	0.8	0.6%	1.2	0.9%
Licenses and permits	0.1	0.1%	0.2	0.1%
Fines and forfeitures	0.4	0.3%	0.4	0.3%
Sale of property and comp for loss	0.8	0.5%	0.7	0.5%
Miscellaneous local sources	1.1	0.8%	0.8	0.6%
State aid	20.5	14.6%	18.3	13.0%
Federal aid	17.5	12.5%	16.9	12.0%
<b>Total revenue</b>	<b>\$ 140.5</b>	<b>100.0%</b>	<b>\$ 140.3</b>	<b>100.0%</b>
	2009 Expenditures	2009 % of Total	2008 Expenditures	2008 % of Total
General governmental support	\$ 43.0	27.9%	\$ 40.9	27.0%
Education	2.0	1.3%	2.0	1.3%
Public safety	15.7	10.2%	16.0	10.5%
Health	16.1	10.4%	16.5	10.9%
Transportation	14.1	9.1%	15.3	10.1%
Economic Assistance and Opportunity	39.1	25.4%	39.2	25.8%
Culture and recreation	1.4	0.9%	1.3	0.9%
Home and community services	8.4	5.4%	6.7	4.4%
Employee benefits	10.0	6.5%	10.1	6.7%
Debt service - principal and interest	4.4	2.9%	3.7	2.4%
<b>Total expenditures</b>	<b>\$ 154.0</b>	<b>100.0%</b>	<b>\$ 151.7</b>	<b>100.0%</b>

Sales and use taxes declined by \$4.4 million from 2008, of which \$3.7 million is attributable to a decline in sales tax which was prevalent in most of New York State.

State aid increased by \$2.2 million from 2008, of which \$2.4 million was related to various capital projects.

General governmental support increased by \$2.1 million from 2008 which includes a \$1.8 decrease in sales tax distributions and a \$4.3 million increase in capital project expenditures (mainly due to the construction of the Health and Human Services Building).

Home and community services increased by \$1.7 million from 2008 of which \$1.4 million is attributable to the Refuse and Garbage fund. The decline of tipping fee income and sale of electricity which are used to offset expenditures had contributed to this increase.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The County's original budget was increased by \$2.3 million during the course of the year. This amount includes \$.4 million for law enforcement salaries relating to a contract settlement and \$.8 million for insufficient appropriations relating to the Home Relief, Aid to Dependent Children, Medical Assistance and Services for Recipient programs in Social Services.

The actual charges to appropriations (expenditures) were \$9.0 million below the final budget amounts. The most significant favorable variances occurred in general government support, economic assistance and opportunity and public safety which were below budgeted amounts by \$3.5 million, \$1.8 million and \$.1.3 million, respectively. The general government support variance consists of a \$2.6 million under expenditure for Sales Tax distributions to towns and village which was caused by a \$3.7 million decline in sales tax revenue due to a poor economy. The economic assistance and opportunity variance consists of a \$.4 million and a \$.3 million under expenditure for the Day Care and Aid to Dependent Children programs, respectively. There were no items of significance to note in the public safety variance. There were no significant unfavorable variances to discuss.

Resources available for appropriation were \$4.5 million less than the final budgeted amount. The most significant unfavorable variance occurred in the County's sales and use tax items which were less than budgeted amounts by \$3.3 million, of which, \$3.0 million is attributable to sales tax. The most significant favorable variance occurred in federal aid which exceeded budgeted amounts by \$1.4 million. This variance consists of favorable variances for Social Services Administration and Medicaid Federal Stimulus in the amount of \$.5 million and \$2.4 million, respectively, and an unfavorable variance for Aid to Dependent Children in the amount of \$.9 million. There were no other significant unfavorable or favorable variances to discuss.

The final 2009 budget planned on a reduction in the General Fund balance of \$2.6 million; however, the actual fund balance was increased by \$1.4 million, resulting in a budget surplus of \$4.0 million, which is explained in the above analysis.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At December 31, 2009, the County had \$94.1 million invested in a broad range of capital assets including equipment, buildings, airport facilities, jail, roads, and bridges (see Table 5 below).

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 4.9	\$ 4.6	\$ -	\$ -	\$ 4.9	\$ 4.6
Land improvements	-	0.2	0.1	0.1	0.1	0.3
Buildings and improvements	30.0	30.9	1.5	0.9	31.5	31.8
Machinery and equipment	5.5	5.6	2.1	3.0	7.6	8.6
Infrastructure	25.6	25.7	-	-	25.6	25.7
Construction work in progress	<u>28.1</u>	<u>13.0</u>	<u>-</u>	<u>-</u>	<u>28.1</u>	<u>13.0</u>
Totals	<u>\$ 94.1</u>	<u>\$ 80.0</u>	<u>\$ 3.7</u>	<u>\$ 4.0</u>	<u>\$ 97.8</u>	<u>\$ 84.0</u>

## **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

### Capital Assets (Continued)

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

Construction of a Health and Human Services building, paid for with proceeds of a bond (cost included in construction in progress with a total estimated cost of \$16.75 million)	<u>\$11.4</u>
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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 \$12.0 million)	<u>\$1.5</u>
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### Debt

At year-end, the County had \$37.6 million in bonds outstanding versus \$17.4 million last year. \$21.5 million in serial bonds relating to the Health and Human Services Building, Point of Care Public Health System, Soil & Water Facility, Railroad Stations, purchase of Gaslight Village, Bridge Rehabilitation and Painting and purchase of DPW Equipment were issued in 2009.

At year-end, the County had \$7.6 million in bond anticipation notes outstanding versus \$14.8 million last year. The debt consists of \$.8 million for Adirondack Community College's computer system, \$1.6 million for the June 2005 flood damage, \$.8 million for an airport hangar, \$4.0 million for the Health and Human Services building and \$.4 million for the purchase of Gaslight Village property.

At year-end, the County had \$1.3 million in a budget note outstanding to fund a deficit in the Waste Management fund.

At year-end, the County had \$5.1 million in capital leases outstanding versus \$5.5 million last year. There were no new capital leases in 2009.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. 2009 average unemployment in the County was 7.9 percent versus 5.7 percent the previous year. This is comparable with the 2009 State's average unemployment rate of 8.4 percent and the national average rate of 9.3 percent.

This indicator was taken into account when adopting the General Fund budget for 2010. Amounts available for appropriation in the General Fund budget are \$118.0 million, a decrease of \$7.0 million over the final 2009 budget of \$125.0 million. This represents a 6% decrease and is indicative of management's attempt to control spending.

If these estimates are realized, the County's General Fund balance is expected to decrease by \$1.7 million by the close of 2010. 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 July 31, 2009, the County borrowed \$1,500,000 from Westmount, which was repaid on November 12, 2009. On September 4, 2009, the County issued a \$1.3 million Budget Note to address a projected deficit in the Waste Management Fund. The County has also experienced cash flow problems in 2010 and needed to issue a \$6.5 million Tax Anticipation Note on January 29, 2010 and repaid \$4.0 million of the note on March 11, 2010.

## **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, 2009

	Primary Government			Component Units
	Governmental Activities	Business Type	Total	
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 8,313,796	\$ 2,048,071	\$ 10,361,867	\$ 754,602
Restricted cash	13,407,903	33,223	13,441,126	-
Investments	-	-	-	434,528
Taxes receivable, net of an allowance for uncollectible taxes of \$100,000	12,987,692	-	12,987,692	-
Accounts receivable, net of allowance for uncollectible amounts of \$209,120	1,911,164	491,103	2,402,267	950,000
Loans receivable, net of allowance for doubtful accounts of \$82,000	-	-	-	1,049,841
Due from third party payers	-	571,801	571,801	-
State and federal receivables	14,499,053	-	14,499,053	-
Due from other funds, net	492,592	-	492,592	-
Due from other governments	1,137,654	28,463	1,166,117	6,104
Prepaid expenses	651,671	58,850	710,521	-
Inventories	337,254	30,963	368,217	-
Other current assets	42,000	6,397	48,397	-
Total current assets	<u>53,780,779</u>	<u>3,268,871</u>	<u>57,049,650</u>	<u>3,195,075</u>
<b>NONCURRENT ASSETS:</b>				
Due from other governments	-	117,805	117,805	-
Bond issuance costs, net	-	-	-	115,825
Capital assets, net	94,112,053	3,680,073	97,792,126	-
Total noncurrent assets	<u>94,112,053</u>	<u>3,797,878</u>	<u>97,909,931</u>	<u>115,825</u>
Total Assets	<u>\$ 147,892,832</u>	<u>\$ 7,066,749</u>	<u>\$ 154,959,581</u>	<u>\$ 3,310,900</u>
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	4,237,434	43,758	4,281,192	-
Accrued expenses	1,678,164	119,962	1,798,126	156,453
Retainages payable	646,962	-	646,962	-
Capital lease obligation	118,559	282,137	400,696	-
Bonds and notes payable	1,715,000	-	1,715,000	160,000
Bond anticipation notes	7,627,333	-	7,627,333	-
Budget note	1,300,000	-	1,300,000	-
Other current liabilities	90,052	67,782	157,834	-
Due to other governments	14,365,950	34,834	14,400,784	-
Compensated absences	2,149,223	217,815	2,367,038	-
Deferred revenue	557,795	-	557,795	324
Total current liabilities	<u>34,486,472</u>	<u>766,288</u>	<u>35,252,760</u>	<u>316,777</u>
<b>LONG-TERM LIABILITIES:</b>				
Bonds and notes payable	35,915,000	-	35,915,000	6,569,993
Capital lease obligation	2,505,357	2,197,105	4,702,462	-
Compensated absences	3,639,937	237,006	3,876,943	-
Other post-employment benefits	23,730,972	2,507,293	26,238,265	-
Settlements and claims	2,520,797	-	2,520,797	-
Total long-term liabilities	<u>68,312,063</u>	<u>4,941,404</u>	<u>73,253,467</u>	<u>6,569,993</u>
Total liabilities	<u>\$ 102,798,535</u>	<u>\$ 5,707,692</u>	<u>\$ 108,506,227</u>	<u>\$ 6,886,770</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related debt	46,230,804	1,200,831	47,431,635	-
Restricted for:				
Capital	120,255	-	120,255	-
Debt service	78,372	-	78,372	-
Unrestricted	(1,335,134)	158,226	(1,176,908)	(3,575,870)
TOTAL NET ASSETS	<u>\$ 45,094,297</u>	<u>\$ 1,359,057</u>	<u>\$ 46,453,354</u>	<u>\$ (3,575,870)</u>

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	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	Component Units
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General governmental support	\$ 37,015,361	\$ 5,903,121	\$ 474,059	\$ 7,638,146	\$ (23,000,035)	\$ -	\$ (23,000,035)	\$ -
Education	1,957,577	-	-	-	(1,957,577)	-	(1,957,577)	-
Public safety	27,325,548	1,430,616	745,006	-	(25,149,926)	-	(25,149,926)	-
Health	19,574,771	6,703,718	7,827,586	-	(5,043,467)	-	(5,043,467)	-
Transportation	11,148,908	2,485,542	1,419,270	-	(7,244,096)	-	(7,244,096)	-
Economic Assistance and Opportunity	40,450,630	2,177,435	19,716,044	-	(18,557,151)	-	(18,557,151)	-
Culture and recreation	2,069,330	153,924	185,440	-	(1,729,966)	-	(1,729,966)	-
Home and community services	8,764,135	426,955	-	-	(8,337,180)	-	(8,337,180)	-
Interest	1,527,978	656,363	-	-	(871,615)	-	(871,615)	-
Total governmental activities	149,834,238	19,937,674	30,367,405	7,638,146	(91,891,013)	-	(91,891,013)	-
Business-type activities:								
Westmount Health Facility	8,431,697	5,691,960	284,848	-	-	(2,454,889)	(2,454,889)	-
Total primary government	\$ 158,265,935	\$ 25,629,634	\$ 30,652,253	\$ 7,638,146	\$ (91,891,013)	\$ (2,454,889)	\$ (94,345,902)	\$ -
<b>COMPONENT UNITS:</b>								
Soil and Water Conservation District	\$ 573,664	\$ 281,222	\$ 351,073					\$ 58,631
Local Development Corp.	121,968	61,964	143,454					83,450
Warren TASC	992,858	-	-					(992,858)
Total component units	\$ 1,688,490	\$ 343,186	\$ 494,527					\$ (850,777)
<b>GENERAL REVENUE:</b>								
Real property taxes					\$ 31,691,253	\$ -	\$ 31,691,253	\$ -
Real property tax items					1,665,843	-	1,665,843	-
Sales and use taxes					49,439,436	-	49,439,436	-
Use of money and property					842,497	9,435	851,932	30,083
Other sources					-	1,562,163	1,562,163	950,000
Total general revenue					\$ 83,639,029	\$ 1,571,598	\$ 85,210,627	\$ 980,083
Change in net assets					\$ (8,251,984)	\$ (883,291)	\$ (9,135,275)	\$ 129,306
Net assets - beginning of year as previously stated					53,576,334	2,242,348	55,818,682	(3,705,176)
PRIOR PERIOD ADJUSTMENT					(230,053)	-	(230,053)	-
Net assets - beginning of the year as restated					53,346,281	2,242,348	55,588,629	(3,705,176)
Net assets - end of year					\$ 45,094,297	\$ 1,359,057	\$ 46,453,354	\$ (3,575,870)

The accompanying notes are an integral part of these statements.

COUNTY OF WARREN

BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2009

	General	Special Grant	Refuse and Garbage	County Road	Road Machinery	Workers' Compensation	Capital Projects	Other Governmental	Total
<b>ASSETS:</b>									
Cash	\$ 3,770,335	\$ 36,772	\$ 191,027	\$ 1,980,113	\$ 834,177	\$ -	\$ 1,484,302	\$ 17,070	\$ 8,313,796
Restricted cash	145,264	-	-	-	-	5,079,424	7,995,682	187,533	13,407,903
Taxes receivable, net of an allowance for uncollectible taxes of \$100,000	12,987,692	-	-	-	-	-	-	-	12,987,692
Accounts receivable, net of allowance for uncollectible amounts of \$209,120	1,806,291	-	-	102,500	613	-	-	1,760	1,911,164
Due from other funds	2,057,364	1,261	-	1,620	49,402	420	1,028,379	169,014	3,307,460
State and federal receivables	11,464,545	102,692	-	69,806	-	-	2,862,010	-	14,499,053
Due from other governments	664,050	-	46,764	5,476	168,830	-	252,534	-	1,137,654
Prepaid expenditures	581,894	18,596	-	40,296	9,422	1,463	-	-	651,671
Inventories	129,090	-	-	82,614	125,550	-	-	-	337,254
Miscellaneous other assets	42,000	-	-	-	-	-	-	-	42,000
	<u>\$ 33,648,525</u>	<u>\$ 159,321</u>	<u>\$ 237,791</u>	<u>\$ 2,282,425</u>	<u>\$ 1,187,994</u>	<u>\$ 5,081,307</u>	<u>\$ 13,622,907</u>	<u>\$ 375,377</u>	<u>\$ 56,595,647</u>
<b>LIABILITIES:</b>									
Accounts payable	\$ 1,956,006	\$ 14,425	\$ -	\$ 160,810	\$ 163,901	\$ 532,886	\$ 1,409,406	\$ -	\$ 4,237,434
Accrued expenses	1,071,186	9,421	-	86,907	19,316	3,085	1,118	42,708	1,233,741
Retainages payable	-	-	-	-	-	-	646,962	-	646,962
Other liabilities	90,052	-	-	-	-	-	-	-	90,052
Compensated absences	1,922,033	22,527	-	161,243	36,911	6,509	-	-	2,149,223
Bond anticipation notes	-	-	-	-	-	-	7,627,333	-	7,627,333
Budget note payable	-	-	1,300,000	-	-	-	-	-	1,300,000
Due to other funds	1,152,525	58,101	43,908	-	-	6,354	1,553,980	-	2,814,868
Due to other governments	14,313,233	22,762	-	-	600	-	29,355	-	14,365,950
Deferred revenue	6,219,093	32,085	-	-	-	1,119	377,782	-	6,630,079
	<u>26,724,128</u>	<u>159,321</u>	<u>1,343,908</u>	<u>408,960</u>	<u>220,728</u>	<u>549,953</u>	<u>11,645,936</u>	<u>42,708</u>	<u>41,095,642</u>
<b>EQUITY:</b>									
Fund balances - reserved:									
Encumbrances	210,445	-	-	302,006	46,995	-	1,976,971	-	2,536,417
Inventory	129,090	-	-	82,614	125,550	-	-	-	337,254
Retirement	568,598	-	-	40,296	9,422	1,463	-	-	619,779
Debt service	-	-	-	-	-	-	-	78,372	78,372
Capital	7,068	-	-	113,187	-	-	-	-	120,255
Special	1,026,337	-	-	331,366	-	4,529,891	-	95,467	5,983,061
	<u>1,941,538</u>	<u>-</u>	<u>-</u>	<u>869,469</u>	<u>181,967</u>	<u>4,531,354</u>	<u>1,976,971</u>	<u>173,839</u>	<u>9,675,138</u>
Fund balances - unreserved:									
Designated for subsequent year's expenditures	1,650,000	-	-	250,000	250,000	-	-	140,000	2,290,000
Undesignated	3,332,859	-	(1,106,117)	753,996	535,299	-	-	18,830	3,534,867
	<u>4,982,859</u>	<u>-</u>	<u>(1,106,117)</u>	<u>1,003,996</u>	<u>785,299</u>	<u>-</u>	<u>-</u>	<u>158,830</u>	<u>5,824,867</u>
Total unreserved	<u>4,982,859</u>	<u>-</u>	<u>(1,106,117)</u>	<u>1,003,996</u>	<u>785,299</u>	<u>-</u>	<u>-</u>	<u>158,830</u>	<u>5,824,867</u>
Total equity	<u>6,924,397</u>	<u>-</u>	<u>(1,106,117)</u>	<u>1,873,465</u>	<u>967,266</u>	<u>4,531,354</u>	<u>1,976,971</u>	<u>332,669</u>	<u>15,500,005</u>
	<u>\$ 33,648,525</u>	<u>\$ 159,321</u>	<u>\$ 237,791</u>	<u>\$ 2,282,425</u>	<u>\$ 1,187,994</u>	<u>\$ 5,081,307</u>	<u>\$ 13,622,907</u>	<u>\$ 375,377</u>	<u>\$ 56,595,647</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, 2009

	General	Special Grant	Refuse and Garbage	County Road	Road Machinery	Workers' Compensation	Capital Projects	Other Governmental	Total
REVENUE:									
Real property taxes	\$ 22,281,063	\$ -	\$ 856,712	\$ 7,062,721	\$ 363,255	\$ -	\$ -	\$ -	\$ 30,563,751
Real property tax items	1,665,843	-	-	-	-	-	-	-	1,665,843
Sales and use taxes	49,439,436	-	-	-	-	-	-	-	49,439,436
Departmental income	13,169,857	-	-	-	-	-	-	10,801	13,180,658
Intergovernmental charges	1,872,358	-	46,951	62,531	1,498,408	770,089	-	57,947	4,308,284
Use of money and property	472,988	-	96,000	-	2,258	113,209	-	158,042	842,497
Licenses and permits	128,429	-	-	-	-	-	-	-	128,429
Fines and forfeitures	444,807	-	-	-	-	-	-	-	444,807
Sale of property and compensation for loss	565,574	-	-	50,142	109,367	-	30,949	-	756,032
Miscellaneous local sources	547,549	-	-	-	-	-	571,915	-	1,119,464
State aid	16,176,409	-	-	1,383,963	-	-	2,958,213	-	20,518,585
Federal aid	11,421,222	1,385,811	-	-	-	-	4,679,933	-	17,486,966
Total revenue	<u>118,185,535</u>	<u>1,385,811</u>	<u>999,663</u>	<u>8,559,357</u>	<u>1,973,288</u>	<u>883,298</u>	<u>8,241,010</u>	<u>226,790</u>	<u>140,454,752</u>
EXPENDITURES:									
General governmental support	28,981,951	-	-	52,169	69,649	1,327,193	12,535,742	-	42,966,704
Education	1,957,577	-	-	-	-	-	-	-	1,957,577
Public safety	15,067,373	-	-	381,570	-	-	210,572	-	15,659,515
Health	15,980,104	-	-	-	-	-	93,867	-	16,073,971
Transportation	656,386	-	-	6,697,918	1,374,742	-	5,347,087	-	14,076,133
Economic assistance and opportunity	38,195,406	866,596	-	-	-	-	-	-	39,062,002
Culture and recreation	1,334,251	-	-	-	-	-	110,936	-	1,445,187
Home and community services	1,121,289	519,215	3,689,324	-	-	-	3,035,043	9,026	8,373,897
Employee benefits	8,841,492	-	-	837,739	185,902	-	-	127,197	9,992,330
Debt service - interest	682,053	-	-	59,952	89,252	-	-	-	831,257
Debt service - principal	891,477	-	-	816,667	-	-	-	1,901,016	3,609,160
Total expenditures	<u>113,709,359</u>	<u>1,385,811</u>	<u>3,689,324</u>	<u>8,846,015</u>	<u>1,719,545</u>	<u>1,327,193</u>	<u>21,333,247</u>	<u>2,037,239</u>	<u>154,047,733</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>4,476,176</u>	<u>-</u>	<u>(2,689,661)</u>	<u>(286,658)</u>	<u>253,743</u>	<u>(443,895)</u>	<u>(13,092,237)</u>	<u>(1,810,449)</u>	<u>(13,592,981)</u>
OTHER SOURCES (USES):									
Interfund transfers in	11,697	-	-	54,300	51,000	-	1,189,190	1,899,016	3,205,203
Interfund transfers (out)	(3,088,206)	-	-	(51,000)	(54,300)	-	(11,697)	-	(3,205,203)
Proceeds from the issuance of bonds	-	-	-	-	-	-	21,480,000	-	21,480,000
BANs redeemed from appropriations	-	-	-	-	-	-	1,585,867	-	1,585,867
Total other sources (uses)	<u>(3,076,509)</u>	<u>-</u>	<u>-</u>	<u>3,300</u>	<u>(3,300)</u>	<u>-</u>	<u>24,243,360</u>	<u>1,899,016</u>	<u>23,065,867</u>
REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>1,399,667</u>	<u>-</u>	<u>(2,689,661)</u>	<u>(283,358)</u>	<u>250,443</u>	<u>(443,895)</u>	<u>11,151,123</u>	<u>88,567</u>	<u>9,472,886</u>
FUND EQUITY - beginning of year as previously stated	5,754,783	-	1,583,544	2,156,823	716,823	4,975,249	(9,174,152)	244,102	6,257,172
PRIOR PERIOD ADJUSTMENT	<u>(230,053)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,053)</u>
FUND BALANCE - beginning of the year as restated	<u>5,524,730</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>6,027,119</u>
FUND EQUITY - end of year	<u>\$ 6,924,397</u>	<u>\$ -</u>	<u>\$ (1,106,117)</u>	<u>\$ 1,873,465</u>	<u>\$ 967,266</u>	<u>\$ 4,531,354</u>	<u>\$ 1,976,971</u>	<u>\$ 332,669</u>	<u>\$ 15,500,005</u>

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, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE:</b>				
Real property taxes	\$ 23,512,315	\$ 23,512,315	\$ 22,281,063	\$ (1,231,252)
Real property tax items	1,615,000	1,615,000	1,665,843	50,843
Sales and use tax	52,774,436	52,752,900	49,439,436	(3,313,464)
Departmental income	14,336,176	14,391,002	13,169,857	(1,221,145)
Intergovernmental charges	1,508,023	1,753,223	1,872,358	119,135
Use of money and property	991,836	991,836	472,988	(518,848)
Licenses and permits	130,000	130,000	128,429	(1,571)
Fines and forfeitures	422,800	429,800	444,807	15,007
Sale of property and compensation for loss	500,100	500,100	565,574	65,474
Miscellaneous local sources	704,158	710,158	547,549	(162,609)
State aid	14,643,979	15,875,529	16,176,409	300,880
Federal aid	<u>9,531,995</u>	<u>9,984,163</u>	<u>11,421,222</u>	<u>1,437,059</u>
Total revenue	<u>120,670,818</u>	<u>122,646,026</u>	<u>118,185,535</u>	<u>(4,460,491)</u>
<b>EXPENDITURES:</b>				
General government support	32,542,611	32,483,640	28,981,951	3,501,689
Education	2,013,827	2,013,827	1,957,577	56,250
Public safety	15,447,212	16,351,440	15,067,373	1,284,067
Health	16,593,734	16,961,219	15,980,104	981,115
Transportation	738,979	747,801	656,386	91,415
Economic assistance and opportunity	39,108,563	39,986,406	38,195,406	1,791,000
Culture and recreation	1,302,862	1,487,879	1,334,251	153,628
Home and community services	1,162,216	1,137,216	1,121,289	15,927
Employee benefits	10,127,416	9,719,916	8,841,492	878,424
Debt service - principal and interest	<u>1,329,382</u>	<u>1,605,702</u>	<u>1,573,530</u>	<u>32,172</u>
Total expenditures	<u>120,366,802</u>	<u>122,495,046</u>	<u>113,709,359</u>	<u>8,785,687</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>304,016</u>	<u>150,980</u>	<u>4,476,176</u>	<u>4,325,196</u>
<b>OTHER SOURCES (USES):</b>				
Interfund transfers in	-	-	11,697	11,697
Interfund transfers (out)	<u>(2,624,016)</u>	<u>(2,779,016)</u>	<u>(3,088,206)</u>	<u>(309,190)</u>
Total other sources (uses)	<u>(2,624,016)</u>	<u>(2,779,016)</u>	<u>(3,076,509)</u>	<u>(297,493)</u>
<b>REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES, ENCUMBRANCES, AND OTHER USES</b>	<u>(2,320,000)</u>	<u>(2,628,036)</u>	<u>1,399,667</u>	<u>4,027,703</u>
FUND EQUITY - beginning of year as previously stated	5,754,783	5,754,783	5,754,783	-
PRIOR PERIOD ADJUSTMENT	<u>(230,053)</u>	<u>(230,053)</u>	<u>(230,053)</u>	<u>-</u>
FUND BALANCES - beginning of the year as restated	<u>5,524,730</u>	<u>5,524,730</u>	<u>5,524,730</u>	<u>-</u>
FUND EQUITY - end of year	<u>\$ 3,204,730</u>	<u>\$ 2,896,694</u>	<u>\$ 6,924,397</u>	<u>\$ 4,027,703</u>

The accompanying notes are an integral part of these statements.

## COUNTY OF WARREN

### RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009

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Fund balance - All governmental funds	\$ 15,500,005
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.	94,112,053
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.	(46,414,650)
Other post-employment benefits liability	(23,730,972)
Deferral of income earned in the current year is recognized as revenue under the accrual basis of accounting.	6,072,284
Interest payable at December 31, 2009, in the government-wide statements under full accrual accounting	<u>(444,423)</u>
Net assets of governmental activities	<u>\$ 45,094,297</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, 2009

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Net changes in fund equity - Total governmental funds	\$ 9,472,886
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	18,124,300
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(4,011,974)
Loss on disposal of capital assets is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(17,760)
Proceeds from long-term debt are recorded as revenue in the governmental funds, but are recorded as liabilities in the statement of net assets	(21,480,000)
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	1,200,000
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	1,127,502
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	(12,671,100)
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>4,162</u>
Change in net assets - Governmental activities	<u>\$ (8,251,984)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**WESTMOUNT HEALTH FACILITY  
STATEMENT OF NET ASSETS - PROPRIETARY FUND  
DECEMBER 31, 2009**

---

**ASSETS:**

Current assets:	
Cash	\$ 2,048,071
Restricted cash	33,223
Assets limited as to use	6,397
Patient accounts receivable, net	491,103
Due from third party payers	571,801
Prepaid expenditures	58,850
Inventories	30,963
Due from County	<u>28,463</u>
Total current assets	<u>3,268,871</u>
Long-term assets:	
Due from County	117,805
Property, plant, and equipment, net	<u>3,680,073</u>
Total long-term assets	<u>3,797,878</u>
	<u>\$ 7,066,749</u>

**LIABILITIES:**

Current liabilities:	
Current portion of capital lease payable	\$ 282,137
Accounts payable	43,758
Accrued payroll and related benefits	119,962
Vacation leave and related benefits	217,815
Due to County	34,834
Due to third party payers	34,090
Patient funds	33,223
Other current liabilities	<u>469</u>
Total current liabilities	<u>766,288</u>
Long-term liabilities:	
Long-term portion of capital lease payable	2,197,105
Postemployment health benefits	2,507,293
Sick leave and related benefits	<u>237,006</u>
Total long-term liabilities	<u>4,941,404</u>
Total liabilities	<u>5,707,692</u>

**NET ASSETS:**

Invested in property and equipment, net of debt	1,200,831
Restricted	5,928
Unrestricted	<u>152,298</u>
Total net assets	<u>1,359,057</u>
	<u>\$ 7,066,749</u>

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, 2009

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Operating revenue:	
Net patient service revenue	\$ 5,690,334
Other operating revenue	<u>1,626</u>
Total operating revenue	<u>5,691,960</u>
Operating expenses:	
Nursing services	2,460,470
Ancillary services	354,188
Dietary services	604,526
Housekeeping	240,904
Laundry service	91,336
Maintenance	381,092
Administrative and fiscal services	685,859
Employee benefits	2,775,710
New York State tax assessment	266,301
Depreciation	352,837
Provision for bad debts	<u>110,000</u>
Total operating expenses	<u>8,323,223</u>
Loss from operations	<u>(2,631,263)</u>
Non-operating revenue (expense):	
Indirect costs and operating transfers from County	284,848
Intergovernmental transfers	1,561,423
Interest income	9,435
Interest expense	(108,474)
Other	<u>740</u>
Total non-operating revenue	<u>1,747,972</u>
Change in net assets	(883,291)
Net assets - beginning of year	<u>2,242,348</u>
Net assets - end of year	<u>\$ 1,359,057</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, 2009

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CASH FLOW FROM OPERATING ACTIVITIES:	
Cash receive from patient services	\$ 4,964,769
Cash payments to suppliers for goods and services	(1,625,637)
Cash payments to employees for services	(5,006,228)
Other operating revenue	<u>1,626</u>
Net cash flow from operating activities:	<u>(1,665,470)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from County	980
Intergovernmental transfers	1,561,423
Other	<u>1,110</u>
Net cash flow from noncapital financing activities	<u>1,563,513</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on capital lease	(270,148)
Payments of interest	(108,474)
Capital expenditures	<u>(38,885)</u>
Net cash flow from capital and related financing activities	<u>(417,507)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest income	9,435
Net change in assets whose use is limited	<u>3,528</u>
Net cash flow from investing activities	<u>12,963</u>
CHANGE IN CASH	(506,501)
CASH - beginning of year	<u>2,554,572</u>
CASH - end of year	<u>\$ 2,048,071</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	\$ (2,631,263)
Adjustments to reconcile income (loss) from operations to net cash flow (used in) from operating activities:	
Depreciation	352,837
Provisions for bad debts	110,000
Indirect services from County	283,867
Change in:	
Accounts receivable	(174,779)
Supplies	(230)
Prepaid expenses	6,053
Accounts payable	(76,045)
Due to/from third party payers	(550,786)
Accrued items	(12,923)
Due to/from County	(268,452)
Postemployment health benefits	1,298,184
Deferred revenue	<u>(1,933)</u>
Net cash flow from operating activities	<u>\$ (1,665,470)</u>

The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2009**

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**ASSETS:**

Cash	\$ 5,874,066
Due from other funds	1,589
Due from other governments	43,164
Other assets	<u>40,645</u>
Total assets	<u>5,959,464</u>

**LIABILITIES:**

Due to other funds	477,898
Agency liabilities	<u>5,477,188</u>
Total liabilities	<u>5,955,086</u>

<b>NET ASSETS</b>	<b><u>\$ 4,378</u></b>
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The accompanying notes are an integral part of these statements.

**COUNTY OF WARREN**

**STATEMENT OF NET ASSETS - COMPONENT UNITS  
DECEMBER 31, 2009**

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	Soil and Water Conservation <u>District</u>	Local Development <u>Corp.</u>	Warren <u>TASC</u>	<u>Total</u>
<b>ASSETS:</b>				
Cash	\$ 60,645	\$ 649,063	\$ 44,894	\$ 754,602
Investments	-	-	434,528	434,528
Loans receivable, net of allowance for doubtful accounts of \$82,000	-	1,049,841	-	1,049,841
Due from County	-	6,104	-	6,104
Accounts receivable	-	-	950,000	950,000
Bond issuance costs, net	-	-	<u>115,825</u>	<u>115,825</u>
Total assets	<u>60,645</u>	<u>1,705,008</u>	<u>1,545,247</u>	<u>3,310,900</u>
<b>LIABILITIES:</b>				
Accounts payable	-	324	-	324
Accrued expenses	-	8,531	147,922	156,453
Bonds and notes payable	-	-	<u>6,729,993</u>	<u>6,729,993</u>
Total liabilities	<u>-</u>	<u>8,855</u>	<u>6,877,915</u>	<u>6,886,770</u>
<b>NET ASSETS</b>	<u>\$ 60,645</u>	<u>\$ 1,696,153</u>	<u>\$ (5,332,668)</u>	<u>\$ (3,575,870)</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, 2009**

	Soil and Water Conservation <u>District</u>	Local Development <u>Corp.</u>	Warren <u>TASC</u>	<u>Total</u>
Revenue:				
Departmental income	\$ 24,735	\$ 825	\$ -	\$ 25,560
Intergovernmental charges	-	-	-	-
Use of money and property	309	40,139	30,083	70,531
Sale of property and compensation for loss	263	-	950,000	950,263
Miscellaneous local sources	255,915	21,000	-	276,915
State aid	351,073	-	-	351,073
Federal aid	<u>-</u>	<u>143,454</u>	<u>-</u>	<u>143,454</u>
 Total revenue	 <u>632,295</u>	 <u>205,418</u>	 <u>980,083</u>	 <u>1,817,796</u>
Expenditures:				
General governmental support	573,664	121,968	688,926	1,384,558
Home and community services	-	-	-	-
Debt service - interest	<u>-</u>	<u>-</u>	<u>303,932</u>	<u>303,932</u>
 Total expenditures	 <u>573,664</u>	 <u>121,968</u>	 <u>992,858</u>	 <u>1,688,490</u>
 Excess of revenue over expenditures	 58,631	 83,450	 (12,775)	 129,306
 FUND EQUITY - beginning of year	 <u>2,014</u>	 <u>1,612,703</u>	 <u>(5,319,893)</u>	 <u>(3,705,176)</u>
 FUND EQUITY - end of year	 <u>\$ 60,645</u>	 <u>\$ 1,696,153</u>	 <u>\$ (5,332,668)</u>	 <u>\$ (3,575,870)</u>

The accompanying notes are an integral part of these statements.

## COUNTY OF WARREN

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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#### 1. NATURE OF OPERATIONS

County of Warren, New York (the County) was established in 1813 and is governed by County law and other general laws of the State of New York. The governing body consists of 20 supervisors. The Chairman of the board of supervisors, elected by the board each year, is the Chief Executive Officer of the County. The County Treasurer, elected for a four-year term, is the Chief Fiscal Officer of the County. The County Clerk, Sheriff, and District Attorney are constitutional officials and are elected in accordance with constitutional provisions.

The County provides the following principal services: police and law enforcement, educational assistance, economic assistance, health and nursing services, maintenance of County roads, and waste management services.

#### Reporting Entity

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

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

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

Component units of the County include the following:

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

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

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

## 1. NATURE OF OPERATIONS (Continued)

### Reporting Entity (Continued)

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

Various jointly governed organizations entered into between the County and other state and local governmental entities (see Note 16) are excluded from the reporting entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the acceptable standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

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

#### *Government-Wide Financial Statements*

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

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

#### *Fund Financial Statements*

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

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

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

### *Fund Financial Statements (Continued)*

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

#### Governmental Fund Types

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

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

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

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

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

The County-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the County gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

### Budgetary Data

#### *General Budget Process*

Prior to November 15, the Budget Officer submits to the board of supervisors a proposed tentative operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the means of financing them. Public hearings are conducted to obtain taxpayers' comments. Prior to December 20, the budget is adopted by the board of supervisors. The County Administrator/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 2009 budgets, as follows:

	General <u>Fund</u>	Special <u>Revenue Funds</u>
Original adopted budget	\$ 122,990,818	\$ 13,846,093
Encumbrances carried forward	113,730	133,662
Appropriation adjustments	<u>2,169,514</u>	<u>2,228,300</u>
Amended budget	<u>\$ 125,274,062</u>	<u>\$ 16,208,055</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.

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 Postemployment Benefits

In addition to providing retirement benefits, the County provides certain health benefits for retired employees. Substantially all of the County's employees have the option of receiving these benefits that are provided by an insurance company upon retirement. At the fund level, the County recognizes the cost of providing these benefits as the premiums are paid. The costs recognized in 2009 approximated \$2,100,000 for 411 employees and survivors.

In accordance with generally accepted accounting principles, the County has recorded in the government-wide statement of net assets other postemployment benefits totaling \$26,238,265 as of December 31, 2009.

### Property Taxes

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

### Deferred Revenue

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

### Fund Equity

Reservations and designations portions of fund equity are segregated for future use and are, therefore, not available for appropriation or expenditure. Designation of unreserved fund balances in governmental funds indicates the use of these resources in the ensuing year's budget or tentative plans for future use.

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

### Equity Classifications – Government Wide Statements

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

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

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

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

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

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. As of December 31, 2009, 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:

Insured by Federal Deposit Insurance Corporation (FDIC)	\$ 16,182,218
Uncollateralized	\$ -
Collateralized with securities held by pledging financial institution in the County's name	\$ 13,501,236
Collateralized with securities held by the pledging financial institutions' trust department or agent, but not 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 consist solely of commercial paper. Substantially all investments are restricted for debt service as of December 31, 2009.

**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, 2009, 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	\$ 1,739,749
Special revenue fund	3,021,830
Capital projects fund	1,589,302
Agency fund	<u>830,627</u>
	<u>\$ 7,181,508</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	\$ 32,672 <u>5,079,424</u>	Unemployment insurance Workers' compensation insurance
Total special revenue	\$ <u>5,112,096</u>	
Capital Projects	\$ <u>7,995,682</u>	Reserve for capital project acquisitions, construction, and reconstruction.
Enterprise	\$ <u>33,223</u>	Patient funds
Debt Service	\$ <u>154,861</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, village, and town taxes are re-levied on a warrant to collect taxes by December 31, based on the full assessed value of real property within the County. The towns are responsible for collection of the tax warrant until March 31. At that time, settlement proceedings take place wherein the County becomes the tax collecting agent and the towns receive full credit for their entire levy. The County becomes the enforcement agent for tax liens on all County real property except property within the City of Glens Falls. This municipality assesses and collects all city and County taxes on property within the municipality and serves as 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 (\$10,046,224) that represents taxes re-levied for the city, the village, and school districts and taxes levied for the special assessment district is included in due to other governments. Another portion of the receivable (\$6,072,284) 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, 2009 were \$1,131,841 less an allowance for doubtful accounts of \$82,000. These loans interest rates ranging from 3% to 8% and are amortized over periods ranging from 3 to 7 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>\$ 11,464,545</u>	Claims for reimbursement of expenditures in administering various health and social service programs net of related advances.
Special grant	<u>\$ 102,692</u>	Claims for reimbursement of expenditures for job training programs.
County road	<u>\$ 69,806</u>	Claims for reimbursement of expenditures for various road projects.
Capital projects	<u>\$ 2,862,010</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, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance at December 31, <u>2009</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 4,725,865	\$ 215,009	\$ -	\$ 4,940,874
Construction in progress	<u>12,992,431</u>	<u>15,118,604</u>	-	<u>28,111,035</u>
Total nondepreciable assets	<u>17,718,296</u>	<u>15,333,613</u>	-	<u>33,051,909</u>
Capital assets that are depreciated:				
Land improvements	362,210	-	-	362,210
Buildings and improvements	43,207,322	-	-	43,207,322
Vehicles and equipment	15,052,036	1,201,713	925,517	15,328,232
Infrastructure	<u>45,694,562</u>	<u>1,588,974</u>	-	<u>47,283,536</u>
Total depreciated assets	<u>104,316,130</u>	<u>2,790,687</u>	<u>925,517</u>	<u>106,181,300</u>
Less: Accumulated depreciation				
Land improvements	297,319	18,111	-	315,430
Buildings and improvements	12,330,928	901,628	-	13,232,556
Vehicles and equipment	9,433,663	1,325,286	907,757	9,851,192
Infrastructure	<u>19,955,029</u>	<u>1,766,949</u>	-	<u>21,721,978</u>
Total accumulated depreciation	<u>42,016,939</u>	<u>4,011,974</u>	<u>907,757</u>	<u>45,121,156</u>
Total capital assets, net	<u>\$ 80,017,487</u>	<u>\$ 14,112,326</u>	<u>\$ 17,760</u>	<u>\$ 94,112,053</u>
Proprietary fund:				
Capital assets that are not depreciated:				
Land	\$ 25,100	\$ -	\$ -	\$ 25,100
Construction in progress	-	<u>3,500</u>	-	<u>3,500</u>
Total nondepreciable assets	<u>25,100</u>	<u>3,500</u>	-	<u>28,600</u>
Capital assets that are depreciated:				
Land improvements	222,335	2,395	-	224,730
Buildings and improvements	2,984,063	-	-	2,984,063
Vehicles and equipment	<u>4,963,732</u>	<u>36,505</u>	<u>4,056</u>	<u>4,996,181</u>
Total depreciated assets	<u>8,170,130</u>	<u>38,900</u>	<u>4,056</u>	<u>8,204,974</u>
Less: Accumulated depreciation				
Land improvements	57,910	9,606	-	67,516
Buildings and improvements	1,518,949	86,274	-	1,605,223
Vehicles and equipment	<u>2,627,477</u>	<u>256,957</u>	<u>3,672</u>	<u>2,880,762</u>
Total accumulated depreciation	<u>4,204,336</u>	<u>352,837</u>	<u>3,672</u>	<u>4,553,501</u>
Total capital assets, net	<u>\$ 3,990,894</u>	<u>\$ (310,437)</u>	<u>\$ 384</u>	<u>\$ 3,680,073</u>

## 10. CAPITAL ASSETS (Continued)

Depreciation expense of \$4,011,974 is allocated to specific functions as follows:

General government support	\$ 191,265
Public safety	1,017,890
Health	38,489
Transportation	2,620,660
Economic Assistance and Opportunity	80,775
Culture and recreation	19,079
Home and community	<u>43,816</u>
	<u>\$ 4,011,974</u>

## 11. DEFERRED REVENUE

Deferred revenue consists of the following at December 31, 2009:

General fund:	
Property tax revenue	\$ 6,072,284
Miscellaneous grant revenue	101,551
Mental health programs	38,710
Tourism program revenue	<u>6,548</u>
Total	<u>\$ 6,219,093</u>
Special revenue funds:	
Workers' Compensation	1,119
Grant revenue	<u>32,085</u>
Total	<u>\$ 33,204</u>
Capital Projects:	
Grant revenue	<u>\$ 377,782</u>

## 12. DEBT

### 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.

## 12. DEBT (Continued)

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The following BANs were outstanding at December 31, 2009:

### Bond Anticipation Notes (Continued)

Adirondack Community College Computer-Assisted Integrated Financial Management and Accounting System dated August 29, 2009, due August 28, 2010, with interest at 1.62%.	\$ 794,000
June 2005 Flood Damage dated July 17, 2009, due July 16, 2010 with interest at 1.85%.	1,633,333
Airport Aircraft Maintenance Hanger dated April 13, 2009, due April 12, 2010, with interest at 1.95%.	800,000
Purchase of Gaslight Village Property dated December 21, 2009, due December 31, 2010 with interest at 1.95%.	400,000
Human Services Building dated February 26, 2009, due February 26, 2010 with interest at 3.125%.	<u>4,000,000</u>
Total BANs outstanding at County of Warren as of December 31, 2009.	<u>\$7,627,333</u>

### Budget Notes

The County may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued:

Budget Note, issued to fund a deficit in the Waste Management fund, dated September 4, 2009, due September 3, 2010 with interest at 1.65%.	<u>\$1,300,000</u>
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## 12. DEBT (Continued)

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

	Balance at January 1, <u>2009</u>	<u>Increase</u>	<u>Decrease</u>	Balance at December 31, <u>2009</u>
<u>Governmental activity short-term financing</u>				
Bond anticipation notes:				
ACC BAN	\$ 631,875	\$ 385,000	\$ 631,875	\$ 385,000
ACC BAN	731,325	409,000	731,325	409,000
Airport BAN	1,000,000	800,000	1,000,000	800,000
Flood BAN	2,450,000	1,633,333	2,450,000	1,633,333
DPW Construction BAN	6,498,790	-	6,498,790	-
DPW Equipment BAN	3,500,225	-	3,500,225	-
Gaslight Village BAN	-	400,000	-	400,000
HHS Building BAN	-	4,000,000	-	4,000,000
Total bond anticipation notes	<u>14,812,215</u>	<u>7,627,333</u>	<u>14,812,215</u>	<u>7,627,333</u>
Revenue anticipation note	-	1,700,000	1,700,000	-
Tax anticipation note	-	4,500,000	4,500,000	-
Budget note - refuse fund	-	1,300,000	-	1,300,000
Total short-term financing	<u>\$ 14,812,215</u>	<u>\$ 15,127,333</u>	<u>\$ 21,012,215</u>	<u>\$ 8,927,333</u>

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

	Balance at January 1, <u>2009</u>	<u>Increase</u>	<u>Decrease</u>	Balance at December 31, <u>2009</u>
Governmental activity:				
Serial bonds	\$ 17,350,000	\$ 21,480,000	\$ 1,200,000	\$ 37,630,000
Capital lease obligations	2,746,326	-	122,410	2,623,916
Compensated absences	3,698,524	-	58,587	3,639,937
Self-insurance claims payable	<u>2,086,150</u>	<u>434,647</u>	<u>-</u>	<u>2,520,797</u>
Total governmental long-term debt	<u>\$ 25,881,000</u>	<u>\$ 21,914,647</u>	<u>\$ 1,380,997</u>	<u>\$ 46,414,650</u>
Enterprise fund:				
Capital lease obligations	<u>\$ 2,749,391</u>	<u>\$ -</u>	<u>\$ 270,149</u>	<u>\$ 2,479,242</u>
Component unit (WTASC):				
Serial bonds - Net of bond discount	<u>\$ 6,970,429</u>	<u>* \$ 94,464</u>	<u>\$ 334,900</u>	<u>\$ 6,729,993</u>

\* Increase in present value of bonds

Interest on debt for the year was composed of:

Interest paid	\$ 1,532,140
Add: Current year accrued interest	444,423
Less: Prior year accrued interest	<u>(448,585)</u>
Total expense	<u>\$ 1,527,978</u>

## 12. 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 12/31/09</u>
Governmental activity:					
Public Improvement Serial Bonds 2003	07/15/03	23,000,000	3.25%	2003-2023	16,100,000
ACC Computer Software Serial Bonds 2006	8/31/2006	160,000	4.05%	2007-2010	40,000
ACC Computer Software Serial Bonds 2007	6/8/2007	30,000	3.82%	2008-2010	10,000
Public Improvement Serial Bonds 2009	12/30/2009	<u>21,480,000</u>	2.11%	2010-2034	<u>21,480,000</u>
Total general long-term debt		<u>\$ 44,670,000</u>			<u>\$ 37,630,000</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 12/31/09</u>
Governmental activity:					
Tobacco Settlement Bonds - 2001 Series	2001	\$ 5,540,000	5.0%-6.0%	2002-2025	\$ 4,555,000
Tobacco Settlement Bonds - 2005 Series	2005*	<u>1,852,507</u>	6.0%-7.15%	2011-2031	<u>2,174,993</u>
Total general long-term debt account group		<u>\$ 7,392,507</u>			<u>\$ 6,729,993</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>
2010	\$ 1,715,000	\$ 1,553,858	\$ 3,268,858
2011	1,675,000	1,534,349	3,209,349
2012	1,685,000	1,474,646	3,159,646
2013	1,700,000	1,412,008	3,112,008
2014	1,720,000	1,348,903	3,068,903
2015-2019	8,965,000	5,683,589	14,648,589
2020-2024	8,625,000	3,723,357	12,348,357
2025-2029	5,140,000	2,112,391	7,252,391
2030-2034	<u>6,405,000</u>	<u>846,290</u>	<u>7,251,290</u>
Total	<u>\$ 37,630,000</u>	<u>\$ 19,689,391</u>	<u>\$ 57,319,391</u>

## 12. DEBT (Continued)

### Bonds (Continued)

WTASC:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	\$ 35,000	\$ 250,440	\$ 285,440
2011	40,000	248,074	288,074
2012	45,000	245,500	290,500
2013	45,000	242,808	287,808
2014	50,000	239,775	289,775
2015-2019	425,000	1,134,308	1,559,308
2020-2024	765,000	953,981	1,718,981
2025-2029	865,000	725,156	1,590,156
2030-2034	875,000	478,775	1,353,775
2035-2039	1,808,792	3,394,984	5,203,776
2040-2043	275,000	243	275,243
2050	595,983	6,164,017	6,760,000
2055	383,944	7,796,056	8,180,000
2060	521,274	17,478,726	18,000,000
Total	<u>\$ 6,729,993</u>	<u>\$ 39,352,843</u>	<u>\$ 46,082,836</u>

Capital leases are comprised of the following at December 31, 2009:

<u>Description</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Balance at 12/31/09</u>
<u>Governmental:</u>					
Copier	4/24/2005	\$ 16,877	8.10%	4/24/2010	\$ 2,192
Countryside capital improv.	10/27/2006	327,339	2.85%	1/1/2022	294,152
Mun. Center capital improv.	7/20/2007	<u>2,496,750</u>	3.70%	12/1/2022	<u>2,327,572</u>
		2,840,966			2,623,916
<u>Enterprise Fund:</u>					
Co-generation plant	5/20/2005	<u>3,626,548</u>	4.35%	4/20/2018	<u>2,479,242</u>
Total capital leases		<u>\$ 6,467,514</u>			<u>\$ 5,103,158</u>

## 12. DEBT (Continued)

### Bonds (Continued)

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

2010	\$	597,413
2011		601,169
2012		609,169
2013		618,069
2014		626,369
2015-2019		2,345,316
2020-2023		<u>909,400</u>
Total minimum lease payments		6,306,905
Less: Amounts representing interest costs		<u>1,203,747</u>
Present value of minimum lease		<u>\$ 5,103,158</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.
- 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, 2009 is \$6,482.
- 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, 2009 is \$42,811 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, 2009 is \$225,428.

### 13. RESERVES (Continued)

#### General Fund (Continued)

- Special:

Reserve for Occupancy Tax – Established in 2004 to finance future costs relating to tourism. Reserve balance at December 31, 2009 is \$2,408,098 of which \$1,650,000 has been appropriated for the 2010 budget leaving an unappropriated balance of \$758,098.

#### 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 \$ 444,553
- Workers' Compensation Fund – Contributed reserve \$4,529,891
- Risk Retention Fund – Unemployment reserve \$ 95,467

#### Capital Projects Fund

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

Capital projects – Fund balance designated for specific projects \$1,976,971

### 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 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.

#### 14. RETIREMENT BENEFITS (Continued)

##### Plan Description (Continued)

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>
2009	<u>\$2,878,928</u>
2008	<u>\$3,109,157</u>
2007	<u>\$3,319,241</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. POSTEMPLOYMENT HEALTH CARE BENEFITS

##### Plan Description

The County provides certain health care benefits for retired employees of the County. The County administers the Retirement Benefits Plan (the "Retirement Plan") as a single-employer defined benefit Other Postemployment Benefit 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, 2009, 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.

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

Funding Policy

The obligations of the Retirement Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 20%, depending on when the employee was hired. The County will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the Retirement Plan are paid by the County. The County currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2009 by the County was \$2,088,525.

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	\$ 16,053,363
Interest on net OPEB obligation	499,849
Adjustment to ARC	<u>(722,659)</u>
Annual OPEB cost (expense)	15,830,553
Contributions made	<u>(2,088,525)</u>
Increase in net OPEB obligation	13,742,028
Net OPEB obligation - beginning of year	<u>12,496,237</u>
Net OPEB obligation - end of year	<u>\$ 26,238,265</u>
Percentage of annual OPEB cost contributed	13.2%

## 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

Actuarial Accrued Liability (AAL)	\$ 149,893,082
Actuarial Value of Assets	-
Unfunded Actuarial Accrued Liability	<u>\$ 149,893,082</u>
Funded Ratio (Assets as a percentage of AAL)	0.00%
Annual Covered Payroll	\$ 36,796,657
UAAL as a Percentage of Covered Payroll	407.36%

### Actuarial Methods and Assumptions

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

In the 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 ORGANIZATIONS

### Adirondack Community College

The operation of Adirondack Community College is undertaken jointly with Washington County, under the provisions of Article 126 of the Education Law, and is excluded from the County's financial statements. Separate financial statements are issued for the college. The County's share of the operating costs for the year ended December 31, 2009 was \$17,354,945.

### Lake Champlain-Lake George Regional Planning Board

The operation of the Lake Champlain-Lake George Regional Planning Board is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Article 12-6, Section 239-b of the General Municipal Law and is excluded from the County's financial statements. Separate financial statements are issued for the board. The County's share of the operating costs for the year ended December 31, 2009 was \$7,000.

### Lake Champlain-Lake George Regional Development Corporation

The operation of the Lake Champlain-Lake George Regional Development Corporation is undertaken jointly with the Counties of Essex, Clinton, Hamilton, and Washington under Section 402 and 1411 of the Not-for-Profit Corporation Law of New York State and is excluded from the County's financial statements. Separate financial statements are issued for the corporation. The County's share of the operating costs for the year ended December 31, 2009 was \$0.

### Counties of Warren and Washington Industrial Development Agency

The agency was created in 1971 by the Warren and Washington County Boards of Supervisors under the provisions of Chapter 862 of 1971 Laws of New York State for the purpose of encouraging economic growth in the Counties of Warren and Washington and is excluded from the financial statements. The County's share of the operating costs for the year ended December 31, 2009 was \$0.

## 17. OPERATING TRANSFERS AND INTERFUND RECEIVABLES AND PAYABLES

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

Individual interfund receivable and payable balances arising from these transactions as of December 31, 2009, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General fund	\$ 2,057,364	\$ 1,152,525
Special revenue funds	158,204	108,363
Capital projects fund	1,028,379	1,553,980
Debt service fund	63,511	-
Enterprise fund	18,553	34,834
Fiduciary funds	<u>1,589</u>	<u>477,898</u>
Total	<u>\$ 3,327,600</u>	<u>\$ 3,327,600</u>

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

Interfund balances are used:

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

Interfund transfers throughout the year ended December 31, 2009, were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General fund	\$ 11,697	\$ 3,088,206
County road fund	54,300	51,000
Road machinery fund	51,000	54,300
Capital projects fund	1,189,190	11,697
Debt service fund	1,804,016	-
Non major funds	<u>95,000</u>	<u>-</u>
Total	<u>\$ 3,205,203</u>	<u>\$ 3,205,203</u>

Interfund Transfers are used:

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

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

Information on Community Development - Small Cities Program grants for the year ended December 31, 2009 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	\$ 183,503	\$ -	\$ -	\$ 183,503	\$ 183,503
CD65	Warren County	77,576	-	-	77,576	77,576
CD66	Warren County	99,022	-	-	99,022	99,022
CD67	Warren County	151,506	-	-	151,506	151,506
CD69	Warren County	<u>7,608</u>	<u>-</u>	<u>-</u>	<u>7,608</u>	<u>7,608</u>
Total		<u>\$ 519,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,215</u>	<u>\$ 519,215</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.

### Waste Disposal Agreement

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, 2009 through December 31, 2009, the County incurred disposal costs of \$3,626,180.

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.

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.

### Hudson River-Black River Regulating District

The County has received a notice of an apportionment of operation and maintenance costs from the Hudson River-Black River Regulating District which states that an amount of \$297,217 is required to be paid by Warren County no later than June 30, 2010. Based on information received, it is understood that four other Counties (Albany, Rensselaer, Saratoga, Washington) have also been identified and requested to pay differing proportioned amounts. This notice of apportionment and request was unexpected and not planned for in the County's 2010 budget. Warren County has not authorized payment of the apportionment. Rather, the apportionment and request was challenged by Warren County and the other four Counties administratively, but the apportionment was not set aside, just slightly modified and adopted by the District. Warren County and the other four Counties are presently preparing a legal challenge which will be submitted to the Supreme Court for the State of New York seeking to set aside the apportionment, on a number of grounds.

## 19. COMMITMENTS AND CONTINGENCIES (Continued)

### 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, 2009, there were 42 participants, including the County. The County is responsible for administration of the plan and its reserves. Participant contributions 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 \$2,520,797 in the County-wide statement of net assets and \$405,130 in the special revenue fund, which represents the portion to be liquidated with expendable and available financial resources as of December 31, 2009. Benefits and awards expenditures for the year ended December 31, 2009, were \$866,148.

### 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.

### 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.

## **19. COMMITMENTS AND CONTINGENCIES (Continued)**

### 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 2009 totaled \$22,763,753.

### 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, 2009, the County has approximately \$3,795,120 of remaining work on construction projects for which contracts have been entered into.

## **20. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to decrease net assets and general fund balance by \$230,053 due to an accounting change mandated by NYS in the recording of Indigent Legal Services Fund revenue. The County had previously accrued the revenue and per the request of NYS has changed its policy to record the revenue in the year that it is received.

## **21. SUBSEQUENT EVENTS**

On April 12, 2010, the County issued an \$800,000 Serial Bond for an Airport Hanger, maturing April 12, 2015 with an interest rate of 3.75%.

On April 28, 2010, the County issued a \$577,148 Bond Anticipation Note for the Abatement and Demolition of the Social Services Building, maturing April 28, 2011 with an interest rate of 1.52%.

On July 29, 2010, the County renewed a Tax Anticipation Note in the amount of \$2,500,000, maturing on July 29, 2011 with an interest rate of 1.85%.

Also on July 29, 2010, the County issued a Bond Anticipation Note in the amount of \$3,000,000, maturing on July 29, 2011 with an interest rate of 1.32%.

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

COUNTY OF WARREN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:		
Passed through State Office of Children and Family Services:		
Temporary Aid For Needy Families (TANF)	~93.558	\$ 1,829,001
ARRA - Emergency Contingency Fund for Temporary Aid for Needy Families (TANF) State Program	~93.714	285,564
Foster Care (Title IV-E)	93.658	1,340,796
ARRA - Foster Care (Title IV-E)	93.658	46,868
Social Services Block Grant	93.667	681,064
Promoting Safe and Stable Families	93.556	53,730
Child Welfare Services (State Grants)	93.645	11,118
Passed through State Office of Temporary and Disability Assistance:		
Low-Income Home Energy Assistance	93.568	4,201,843
Child Support Enforcement (Title IV-D)	93.563	443,370
ARRA Child Support Enforcement (Title IV-D)	93.563	35,998
Medical Assistance Program (Medicaid, Title XIX)	93.778	1,259,518
ARRA Medical Assistance Program (Medicaid, Title XIX)	93.778	2,441,906
Passed through State Office of Alcoholism and Substance Abuse Services:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	245,809
Passed through State Office for Aging:		
Special Programs for Aging, Title III, Part C - Nutrition service	^93.045	235,405
Special Programs for Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	^93.044	124,129
Nutrition Services Incentive Program	^93.053	134,535
National Family Caregiver Support, Title III, Part E	93.052	57,496
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	57,952
Special Programs for the Aging, Title III, Part D - Disease prevention and health promotion services	93.043	5,383
Special Programs for the Aging, Title VII, Chapter 3 - Programs for prevention of elder abuse, neglect, and exploitation	93.041	15,526
Passed through State Department of Health:		
Temporary Assistance for Needy Families - Summer Centers for disease control and prevention - Investigation and technical assistance	~93.558	87,288
Maternal and Child Health Services Block Grant to the States	93.283	71,695
Preventive Health and Health Services Block Grant	93.994	17,730
	93.991	<u>25,771</u>
Total U.S. Department of Health and Human Services		<u>13,709,495</u>
U.S. Department of Education:		
Passed through State Department of Education:		
Special Education - Grants for Infants and Families	84.181	39,566
U.S. Department of Energy		
Passed through State Office for Aging		
Weatherization Assistance for Low-Income Persons	81.042	25,946
U.S. Election Assistance Commission:		
Passed through State Board of Elections:		
Help America Vote Act - Requirements Payments	90.401	236

(continued)

The accompanying notes are an integral part of this schedule.

**COUNTY OF WARREN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2009**

U.S. Department of Labor:		
Passed through Saratoga County, New York:		
Workforce Investment Act Adult Programs	*17.258	338,669
Workforce Investment Act Youth Activities	*17.259	109,303
Workforce Investment Act Dislocated Workers	*17.260	218,944
ARRA Workforce Investment Act Youth Activities	*17.259	<u>112,392</u>
Total U.S. Department of Labor		<u>779,308</u>
U.S. Department of Agriculture:		
Passed through State Office of Temporary and Disability Assistance:		
Supplemental Nutrition Assistance Cluster:		
Supplemental Nutrition Assistance Program	+10.551	4,965,708
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	+10.561	539,639
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	+10.561	32,220
Passed through State Health Department:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<u>1,192,190</u>
Total U.S. Department of Agriculture		<u>6,729,757</u>
U.S. Department of Homeland Security:		
Passed through State Emergency Management Office:		
Emergency Management Performance Grant	97.042	<u>34,150</u>
Environmental Protection Agency:		
Direct Program:		
Special Purpose Grant	66.606	<u>839,515</u>
U.S. Department of Transportation:		
Direct Program:		
Airport Improvement Program	20.106	813,381
Passed through State Department of Transportation:		
ARRA - Highway Planning and Construction	20.205	1,102,656
Highway Planning and Construction	20.205	<u>2,006,800</u>
Total U.S. Department of Transportation		<u>3,922,837</u>
U.S. Department of Housing and Urban Development:		
Passed through State Division of Housing and Community Renewal:		
CDBG - HOME Investment Partnerships Program	14.239	<u>182,351</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><b>\$ 26,263,161</b></u>

- ^ Temporary aid for needy families (TANF) cluster
- ~ Special programs for the aging cluster
- \* Workforce investment act cluster
- + Supplemental nutrition assistance cluster

## COUNTY OF WARREN

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2009

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#### 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	\$ 4,965,708
Special Supplemental Food Program for Women, Infants and Children Value of Food Instruments	10.557	\$ 744,676
U.S. Department of Health and Human Services Low Income Home Energy Assistance Value of NYS Comptroller expenditures	93.568	\$ 3,838,625

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

August 31, 2010

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Warren as of and for the year ended December 31, 2009, which collectively comprise County of Warren's basic financial statements and have issued our report thereon dated August 31, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Westmount Health Facility (a proprietary fund) and Warren County Local Development Corp. (a discretely presented component unit) as described in our report on the County's financial statements. This report does not include the results of the other 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

(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)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 management of County of Warren in a separate letter dated August 31, 2010.

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

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

August 31, 2010

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, 2009. County of Warren's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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, 2009.

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

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

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

# COUNTY OF WARREN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2009

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### 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  no

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.558; 93.714	Temporary Aid for Needy Families (TANF) Cluster
93.658	Foster Care (Title IV-E)
93.658	ARRA – Foster Care (Title IV-E)
93.568	Low Income Home Energy Assistance (HEAP)
93.778	Medical Assistance Program (Medicaid, Title XIX)
93.778	ARRA - Medical Assistance Program
17.258,17.259,17.260	Workforce Investment Act Cluster
10.551; 10.561	Supplemental Nutrition Assistance Cluster
20.205	Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction

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

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

\$787,895

Auditee qualified as low-risk auditee?

  x   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, 2009**

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**SECTION 1. FINANCIAL STATEMENT FINDINGS**

None reported.

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

None reported.