

**COUNTY OF WARREN,  
NEW YORK**

*Basic Financial Statements, Required Supplementary  
Information, Supplementary Information and Federal  
Awards Information for the Year Ended  
December 31, 2016 and Independent Auditors' Reports*



**COUNTY OF WARREN, NEW YORK**  
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## FINANCIAL SECTION



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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

Honorable Board of Supervisors  
County of Warren, New York:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, New York (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The County's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Warren Tobacco Asset Securitization Corporation ("WTASC"), which represent 0.7% of the assets and revenues, respectively, of the governmental activities. We did not audit the financial statements of the Warren County Local Development Corporation ("LDC"), which is shown as a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the WTASC and the LDC, is based solely 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the governmental activities, the LDC discretely presented component unit, major funds, and aggregate remaining fund information; and (2) qualified audit opinion on the Warren County Soil and Water Conservation District discretely presented component unit.

***Basis for Qualified Opinion on the Warren County Soil and Water Conservation District Discretely Presented Component Unit***

The financial statements of the Warren County Soil and Water Conservation District have not been audited, and we were not engaged to audit the Warren County Soil and Water Conservation District's financial statements as part of our audit of the County's basic financial statements. The Warren County Soil and Water Conservation District's financial activities are included in the County's basic financial statements as a discretely presented component unit.

***Qualified Opinion on the Warren County Soil and Water Conservation District Discretely Presented Component Unit***

In our opinion, based on the reports of other auditors, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on the Warren County Soil and Water Conservation District discretely presented component unit, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component units for the County, as of December 31, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions on the Governmental Activities, Major Funds and Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Supplementary Information, as listed in the table of contents, and Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the Supplementary Information, as listed in the table of contents, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

September 9, 2017



**COUNTY OF WARREN, NEW YORK**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2016**

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As management of the County of Warren, New York (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2016. This document should be read in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of the primary government exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$55,389,263 (*net position*). This consists of \$89,363,364 net investment in capital assets, \$10,916,324 restricted for specific purposes, offset by an unrestricted net deficit of \$44,890,425.
- The County's primary government net position increased \$1,207,329 during the year ended December 31, 2016.
- At the end of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$45,401,109, an increase of \$2,351,928 in comparison with the prior year's fund balance of \$43,049,181.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$18,094,680, or approximately 13.9 percent of General Fund expenditures and transfers out. This total amount is *available for spending* at the County's discretion and constitutes approximately 57.2 percent of the General Fund's total fund balance of \$31,649,716 at December 31, 2016.
- The County's serial bonds payable, excluding its blended component unit's serial bonds payable, decreased \$1,780,000 as a result of scheduled principal payments.

**Overview of the Financial Statements**

This discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the County's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government support, education, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community services. The County reports no business-type activities.

The government-wide financial statements include not only the County and its blended component unit (known as the *primary government*), but also the discretely presented component units for which the County is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 of this report.

**Fund financial statements**—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds**—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the County Road Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

**Proprietary funds**—The County maintains one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for the operation of the workers' compensation and unemployment self-insurance programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 19-21 of this report.

***Fiduciary funds***—Fiduciary funds are used to account for resources held for the benefit of parties outside the County. The fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the County’s own programs. The County maintains two fiduciary funds, the Private Purpose Trust Fund and the Agency Fund.

The Private Purpose Fund is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The County uses this fund to report money donated for specific projects and programs.

The Agency Fund reports resources held by the County in a custodial capacity for individuals, private organizations and other governments.

The fiduciary funds’ financial statements can be found on pages 22-23 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-51 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County’s progress in funding its obligation to provide post-employment benefits to its employees, the County’s net pension liability, and the County’s budgetary comparisons for the General Fund and County Road Fund. Required Supplementary Information and a related note to the Required Supplementary Information can be found on pages 52-57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, along with combining statements for the internal service funds, are presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 58-62.

Finally, the Federal Awards Information can be found on pages 63-73 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the County’s government activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,389,263 at the close of the most recent fiscal year, as compared to \$54,181,934 at the close of the fiscal year ended December 31, 2015.

**Table 1—Condensed Statements of Net Position—Primary Government**

|                                  | Governmental Activities |                      |
|----------------------------------|-------------------------|----------------------|
|                                  | December 31,            |                      |
|                                  | 2016                    | 2015                 |
| Current and other assets         | \$ 86,833,119           | \$ 82,698,612        |
| Capital assets                   | 119,874,956             | 119,915,789          |
| Total assets                     | <u>206,708,075</u>      | <u>202,614,401</u>   |
| Deferred outflows of resources   | 28,955,786              | 5,893,846            |
| Current liabilities              | 29,000,570              | 25,743,070           |
| Noncurrent liabilities           | 145,723,328             | 127,276,589          |
| Total liabilities                | <u>174,723,898</u>      | <u>153,019,659</u>   |
| Deferred inflows of resources    | 5,550,700               | 1,306,654            |
| Net position:                    |                         |                      |
| Net investment in capital assets | 89,363,364              | 84,349,860           |
| Restricted                       | 10,916,324              | 6,992,848            |
| Unrestricted                     | (44,890,425)            | (37,160,774)         |
| Total net position               | <u>\$ 55,389,263</u>    | <u>\$ 54,181,934</u> |

The largest portion of the County's net position, \$89,363,364, reflects its net investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any debt used to acquire those assets. The County uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$10,916,324, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The remaining balance of the County's net position, \$44,890,425, is considered to be an unrestricted deficit.

The following table presents the changes in net position for the years ended December 31, 2016 and December 31, 2015.

**Table 2—Condensed Statements of Changes in Net Position—Primary Government**

|                                       | Governmental activities |                      |
|---------------------------------------|-------------------------|----------------------|
|                                       | Year Ended December 31, |                      |
|                                       | 2016                    | 2015                 |
| Revenues:                             |                         |                      |
| Program revenues                      | \$ 47,720,285           | \$ 45,576,897        |
| General revenues                      | 103,395,926             | 102,718,626          |
| Total revenues                        | <u>151,116,211</u>      | <u>148,295,523</u>   |
| Total expenses                        | 149,908,882             | 146,784,732          |
| Special item-residual equity transfer | -                       | (2,101,596)          |
| Change in net position                | 1,207,329               | (590,805)            |
| Net position—beginning                | 54,181,934              | 54,772,739           |
| Net position—ending                   | <u>\$ 55,389,263</u>    | <u>\$ 54,181,934</u> |

**Governmental activities**—Governmental activities increased the County’s net position by \$1,207,329. A summary of revenues for governmental activities for the years ended December 31, 2016 and 2015 is presented below.

**Table 3—Summary of Sources of Revenues—Governmental Activities**

|  | Year Ended December 31, |                       | Increase/(Decrease) |             |
|--|-------------------------|-----------------------|---------------------|-------------|
|  | 2016                    | 2015                  | Dollars             | Percent (%) |
| Charges for services                       | \$ 16,479,747           | \$ 16,354,401         | \$ 125,346          | 0.8         |
| Operating grants and contributions         | 26,962,443              | 26,028,141            | 934,302             | 3.6         |
| Capital grants and contributions           | 4,278,095               | 3,194,355             | 1,083,740           | 33.9        |
| Property taxes and tax items               | 43,263,536              | 42,332,621            | 930,915             | 2.2         |
| Non-property tax items                     | 57,011,503              | 56,128,976            | 882,527             | 1.6         |
| Use of money and property                  | 864,506                 | 838,793               | 25,713              | 3.1         |
| Miscellaneous                              | 1,059,401               | 1,408,231             | (348,830)           | (24.8)      |
| Sale of property and compensation for loss | 218,669                 | 671,217               | (452,548)           | (67.4)      |
| Tobacco settlement revenue                 | 978,311                 | 1,338,788             | (360,477)           | (26.9)      |
| Total revenues                             | <u>\$ 151,116,211</u>   | <u>\$ 148,295,523</u> | <u>\$ 2,820,688</u> | 1.9         |

The most significant source of revenues for governmental activities are non-property taxes, which account for \$57,011,503, or 37.7 percent of total revenues. The other significant sources of revenue include property taxes and tax items, which comprise \$43,263,536, or 28.6 percent of total revenues, and operating grants and contributions, which comprise \$26,962,443, or 17.8 percent of total revenues. Similarly, for the year ended December 31, 2015, the most significant source of revenues for governmental activities are non-property taxes, which account for \$56,128,976, or 37.8 percent of total revenues. The other significant sources of revenue include property taxes and tax items, which comprise \$42,332,621, or 28.5 percent of total revenues, and operating grants and contributions, which comprise \$26,028,141, or 17.6 percent of total revenues.

During the year ended December 31, 2016, total revenues increased by \$2,820,688, or 1.9 percent. This increase is primarily attributable to marginal increases in capital grants and contributions, operating grants and contributions, property taxes and tax items, and non-property tax items, offset by a \$801,378 decrease within miscellaneous and sale of property and compensation for loss revenues which vary year to year based on the nature of their sources.

A summary of program expenses of governmental activities for the years ended December 31, 2016 and 2015 is presented below in Table 4.

**Table 4—Summary of Program Expenses—Governmental Activities**

|                                     | Year Ended December 31, |                       | Increase/(Decrease) |             |
|-------------------------------------|-------------------------|-----------------------|---------------------|-------------|
|                                     | 2016                    | 2015                  | Dollars             | Percent (%) |
| General government support          | \$ 39,706,327           | \$ 40,066,797         | \$ (360,470)        | (0.9)       |
| Education                           | 2,271,621               | 2,300,274             | (28,653)            | (1.2)       |
| Public safety                       | 28,926,242              | 28,692,591            | 233,651             | 0.8         |
| Health                              | 15,516,040              | 14,431,840            | 1,084,200           | 7.5         |
| Transportation                      | 16,856,398              | 14,901,944            | 1,954,454           | 13.1        |
| Economic assistance and opportunity | 42,144,248              | 42,180,566            | (36,318)            | (0.1)       |
| Culture and recreation              | 1,411,409               | 1,301,515             | 109,894             | 8.4         |
| Home and community services         | 1,153,215               | 1,127,267             | 25,948              | 2.3         |
| Interest and fiscal charges         | 1,923,382               | 1,781,938             | 141,444             | 7.9         |
| Total program expenses              | <u>\$ 149,908,882</u>   | <u>\$ 146,784,732</u> | <u>\$ 3,124,150</u> | 2.1         |

The County's most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$42,144,248, or 28.1 percent of program expenses. The other significant expenses include general government support of \$39,706,327, or 26.5 percent of program expenses, and public safety expenses of \$28,926,242, or 19.3 percent of total expenses. Similarly, for the year ended December 31, 2015, the most significant expense category for governmental activities is economic assistance and opportunity (primarily composed of social service costs) of \$42,180,566, or 28.7 percent of program expenses. The other significant expenses include general government support of \$40,066,797, or 27.3 percent of program expenses, and public safety expenses of \$28,692,591, or 19.5 percent of total expenses.

During the year ended December 31, 2016, total program expenses increased \$3,124,150, or 2.1 percent from the prior year, primarily due to increases in health and transportation for settlement of nursing contracts, retirement buyouts and allocable employee benefits expenses.

### Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds**—The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the County Board of Supervisors.

At December 31, 2016, the County's governmental funds reported combined ending fund balances of \$45,401,109, an increase of \$2,351,928 in comparison with the prior year. The County had fund balances totaling \$20,665,163, which constitutes *unassigned fund balance* and *assigned to specific use* in special revenue funds, which is available for spending at the County's discretion or amounts within special revenue funds that are not restricted or committed. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$2,210,455; (2) restricted for particular purposes, \$19,288,783; or (3) assigned for other purposes, \$3,236,708.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$18,094,680, while total fund balance was \$31,649,716. The General Fund fund balance increased \$2,893,367 from the prior year. The increase was due primarily to favorable sales tax received and budgetary savings experienced within general government support, public safety and economic assistance and opportunity. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures and transfers out. Unassigned fund balance represents approximately 18.4 percent of General Fund expenditures and transfers out, while total fund balance represents 24.4 percent of that same amount.

At December 31, 2016, the County Road Fund reported total ending fund balance of \$2,894,983, of which \$1,773,863 is assigned to specific use for the operations of the County Road Fund. The County Road Fund fund balance increased \$362,212 from the prior year as a result of decreased transportation expenditures in comparison prior year.

The Capital Projects Fund reported *restricted fund balance* of \$7,845,565 to be used for future costs related to capital projects. Fund balance decreased \$1,417,393 from the prior year primarily as a result of capital outlay expenditures exceeding funding sources during the current year.

**Proprietary funds**—The County's Internal Service Fund reports the County's administration of the workers' compensation and unemployment self-insurance plans. The Internal Service Fund reported total net position of \$1,221,870 at December 31, 2016, a decrease of \$404,594 due primarily to heightened workers' compensation claims during the year.

### General Fund Budgetary Highlights

The County's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the County has appropriately assigned an equal amount of fund balance at year-end for this purpose. Furthermore, the budget is allowed to be amended upward (increased) for additional current year appropriations supported by an increase in budgeted revenues. A budgetary comparison schedule within the required supplementary information section of this report has been provided to demonstrate compliance with their budget.

A summary of the General Fund results of operations for the year ended December 31, 2016 is presented in Table 5 below.

**Table 5—Summary of General Fund Results of Operations**

|  | Budgeted Amounts |                | Actual         | Variance with |
|--|------------------|----------------|----------------|---------------|
|  | Original         | Final          |                | Final Budget  |
| Revenues and transfers in  | \$ 130,187,594   | \$ 131,253,635 | \$ 132,640,542 | \$ 1,386,907  |
| Expenditures and transfers out   | 131,016,763      | 133,825,808    | 129,747,175    | 4,078,633     |
| Excess (deficiency) of revenues and transfers in over (under) expenditures and transfers out | \$ (829,169)     | \$ (2,572,173) | \$ 2,893,367   | \$ 5,465,540  |

**Original budget compared to final budget**—The County increased total appropriations \$2,809,045 during the year ended December 31, 2016. The budget was amended upward for various capital projects, debt service funding, sheriff grant funding and vehicles, tourism additional funding, and snowmobile grant funding. These increases were funded with matching revenues of \$1,066,041, while the remaining \$1,743,004 appropriated fund balance.

**Final budget compared to actual results**—The General Fund appropriations had a positive variance from final budgetary appropriations of \$3,559,715. The largest savings was realized within economic assistance and opportunity expenditures, primarily due to less than anticipated spending for contracted services.

## Capital Assets and Debt Administration

**Capital assets**—The County’s investment in capital assets for its governmental activities as of December 31, 2016 amounted to \$119,874,956 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, vehicles and equipment, and infrastructure.

All depreciable capital assets were depreciated from acquisition date to the end of the current year as outlined in the County’s capital asset policy.

Capital assets, net of depreciation for the primary government at the years ended December 31, 2016 and December 31, 2015 are presented in Table 6 below.

**Table 6—Summary of Capital Assets (Net of Depreciation)**

|                            | Governmental Activities |                       |
|----------------------------|-------------------------|-----------------------|
|                            | December 31,            |                       |
|                            | 2016                    | 2015                  |
| Land                       | \$ 5,047,374            | \$ 4,940,874          |
| Construction in progress   | 37,812,693              | 36,164,664            |
| Buildings and improvements | 39,846,465              | 41,222,813            |
| Vehicles and equipment     | 6,247,698               | 6,043,878             |
| Infrastructure             | 30,920,726              | 31,543,560            |
| Total                      | <u>\$ 119,874,956</u>   | <u>\$ 119,915,789</u> |

The County’s infrastructure assets are recorded at historical cost or estimated historical costs in the government-wide financial statements. The County has elected to depreciate its infrastructure assets. Additional information on the County’s capital assets can be found in Note 4 of this report.

**Long-term liabilities**—At December 31, 2016, the County’s governmental activities had long-term liabilities outstanding of \$145,723,328, which was an increase of \$18,446,739 from the prior year.

A summary of the County’s long-term liabilities at December 31, 2016 and December 31, 2015 is presented below in Table 7.

**Table 7—Summary of Long-Term Liabilities**

|                                   | Governmental Activities |                       |
|-----------------------------------|-------------------------|-----------------------|
|                                   | December 31,            |                       |
|                                   | 2016                    | 2015                  |
| Serial bonds                      | \$ 33,270,000           | \$ 35,050,000         |
| WTASC bonds and accreted interest | 6,524,391               | 6,870,046             |
| Compensated absences              | 5,729,742               | 6,164,718             |
| Capital lease                     | 1,766,067               | 2,324,655             |
| Other post-employment benefits    | 68,253,300              | 69,358,037            |
| Judgments and claims              | -                       | 88,252                |
| Workers' compensation             | 1,744,000               | 1,443,768             |
| Net pension liability             | 28,435,828              | 5,977,113             |
| Total                             | <u>\$ 145,723,328</u>   | <u>\$ 127,276,589</u> |

Additional information on the County’s long-term debt can be found in Note 11 to the financial statements.

## **Economic Factors**

The unemployment rate, not seasonally adjusted, for the County during December 2016 was 6.0 percent. This is unfavorable to New York State's unemployment rate of 4.7 percent and the national unemployment rate of 4.5 percent.

The County considered current year operational expenses and estimated increases based on economic factors when establishing the 2017 budget. The County's 2017 budget includes the appropriation of \$978,412 of fund balance in the General Fund, and the appropriation of \$972,547 of restricted fund balance. Additional information on the County's budgeted appropriations of fund balance can be found in Note 12 to the financial statements.

## **Request for Information**

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer's Office, Warren County Municipal Center, 1340 State Route 9, Lake George, NY 12845-9803.

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# BASIC FINANCIAL STATEMENTS



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**COUNTY OF WARREN, NEW YORK**  
**Statement of Net Position**  
**December 31, 2016**

|   | <u>Primary<br/>Government</u> | <u>Component Units</u>                             |  |
|---|-------------------------------|--|--|
|   |                               | <u>Local</u>                                       | <u>Soil and Water</u>                            |
|   |                               | <u>Governmental<br/>Development<br/>Activities</u> | <u>Conservation<br/>District<br/>(unaudited)</u> |
| <b>ASSETS</b>                                   |                               |  |  |
| Cash, cash equivalents and investments          | \$ 25,810,721                 | \$ 728,064   | \$ 25,833  |
| Restricted cash and cash equivalents            | 24,284,607                    | -  | 84,387   |
| Restricted investments                          | 434,860                       | -  | -  |
| Receivables, net of allowance                   |                               |  |  |
| Taxes   | 13,063,280                    | -  | -  |
| Other   | 4,423,895                     | 8,845  | -  |
| Intergovernmental receivables                   | 16,031,067                    | -  | -  |
| Due from Agency Fund                            | 348,528                       | -  | -  |
| Inventories                                     | 293,686                       | -  | -  |
| Prepaid items                                   | 1,921,456                     | -  | -  |
| Noncurrent receivables                          | 221,019                       | 987,499  | -  |
| Capital assets not being depreciated            | 42,860,067                    | -  | -  |
| Capital assets, net of accumulated depreciation | 77,014,889                    | -  | -  |
| Total assets                                    | <u>206,708,075</u>            | <u>1,724,408</u>                                   | <u>110,220</u>                                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                               |  |  |
| Deferred outflows—relating to pensions          | 28,955,786                    | -  | -  |
| Total deferred outflows of resources            | <u>28,955,786</u>             | <u>-</u>   | <u>-</u>   |
| <b>LIABILITIES</b>                              |                               |  |  |
| Accounts payable                                | \$ 2,824,085                  | \$ 12,500  | \$ -   |
| Accrued liabilities                             | 3,487,636                     | -  | -  |
| Intergovernmental payables                      | 16,772,879                    | -  | 380  |
| Unearned revenue                                | 2,225,259                     | -  | -  |
| Bond anticipation notes payable                 | 3,690,711                     | -  | -  |
| Noncurrent liabilities:                         |                               |  |  |
| Due within one year                             | 5,627,236                     | -  | -  |
| Due in more than one year                       | 140,096,092                   | -  | -  |
| Total liabilities                               | <u>174,723,898</u>            | <u>12,500</u>                                      | <u>380</u>                                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                               |  |  |
| Deferred inflows—relating to pensions           | 5,550,700                     | -  | -  |
| Deferred inflows—unavailable revenue            | -                             | -  | 35,176   |
| Total deferred inflows of resources             | <u>5,550,700</u>              | <u>-</u>   | <u>35,176</u>                                    |
| <b>NET POSITION</b>                             |                               |  |  |
| Net investment in capital assets                | 89,363,364                    | -  | -  |
| Restricted for:                                 |                               |  |  |
| Westmount legacy costs                          | 5,721,788                     | -  | -  |
| Occupancy tax                                   | 3,014,323                     | -  | -  |
| Debt service                                    | 1,152,640                     | -  | -  |
| Other   | 1,027,573                     | -  | -  |
| Unrestricted                                    | (44,890,425)                  | 1,711,908  | 74,664   |
| Total net position                              | <u>\$ 55,389,263</u>          | <u>\$ 1,711,908</u>                                | <u>\$ 74,664</u>                                 |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Statement of Activities**  
**Year Ended December 31, 2016**

| Functions/Programs                   | Expenses              | Program Revenues        |  |  | Net (Expense) Revenue<br>and Changes in Net Position |                                     |   |
|--------------------------------------|-----------------------|-------------------------|--|--|--|-------------------------------------|---|
|                                      |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Component Units                                      |                                     |   |
|                                      |                       |                         |  |  | Primary<br>Governmental<br>Activities                | Local<br>Development<br>Corporation | Soil and Water<br>Conservation<br>District<br>(unaudited) |
| <b>Primary government:</b>           |                       |                         |  |  |  |                                     |   |
| Governmental activities:             |                       |                         |  |  |  |                                     |   |
| General government support           | \$ 39,706,327         | \$ 4,277,702            | \$ 1,046,614                             | \$ 1,469,538                           | \$ (32,912,473)                                      | \$ -                                | \$ -  |
| Education                            | 2,271,621             | -                       | 1,368,128                                | -                                      | (903,493)  | -                                   | -   |
| Public safety                        | 28,926,242            | 1,446,461               | 920,068                                  | -                                      | (26,559,713)   | -                                   | -   |
| Health                               | 15,516,040            | 6,529,498               | 5,682,928                                | -                                      | (3,303,614)  | -                                   | -   |
| Transportation                       | 16,856,398            | 1,668,212               | 2,025,122                                | 2,267,587                              | (10,895,477)   | -                                   | -   |
| Economic assistance and opportunity  | 42,144,248            | 2,286,905               | 15,757,333                               | -                                      | (24,100,010)   | -                                   | -   |
| Culture and recreation               | 1,411,409             | 119,633                 | 156,462                                  | 540,970                                | (594,344)  | -                                   | -   |
| Home and community services          | 1,153,215             | 151,336                 | 5,788                                    | -                                      | (996,091)  | -                                   | -   |
| Interest and other fiscal charges    | 1,923,382             | -                       | -  | -                                      | (1,923,382)  | -                                   | -   |
| Total primary government             | <u>\$ 149,908,882</u> | <u>\$ 16,479,747</u>    | <u>\$ 26,962,443</u>                     | <u>\$ 4,278,095</u>                    | <u>(102,188,597)</u>                                 | <u>-</u>                            | <u>-</u>  |
| <b>Component units:</b>              |                       |                         |  |  |  |                                     |   |
| Local Development Corporation        | \$ 82,346             | \$ 93,867               | \$ -                                     | \$ -                                   |  | 11,521                              | -   |
| Soil and Water Conservation District | 750,524               | 142,748                 | 639,440                                  | -                                      |  | -                                   | 31,664  |
| Total component units                | <u>\$ 832,870</u>     | <u>\$ 236,615</u>       | <u>\$ 639,440</u>                        | <u>\$ -</u>                            |  | <u>11,521</u>                       | <u>31,664</u>   |
| General revenues:                    |                       |                         |  |  |  |                                     |   |
|                                      |                       |                         |  |  | 40,696,264   | -                                   | -   |
|                                      |                       |                         |  |  | 2,567,272  | -                                   | -   |
|                                      |                       |                         |  |  | 57,011,503   | -                                   | -   |
|                                      |                       |                         |  |  | 864,506  | -                                   | 387   |
|                                      |                       |                         |  |  | 1,059,401  | -                                   | 3,225   |
|                                      |                       |                         |  |  | 218,669  | -                                   | -   |
|                                      |                       |                         |  |  | 978,311  | -                                   | -   |
| Total general revenues               |                       |                         |  |  | <u>103,395,926</u>                                   | <u>-</u>                            | <u>3,612</u>  |
| Change in net position               |                       |                         |  |  | 1,207,329  | 11,521                              | 35,276  |
| Net position—beginning               |                       |                         |  |  | 54,181,934   | 1,700,387                           | 39,388  |
| Net position—ending                  |                       |                         |  |  | <u>\$ 55,389,263</u>                                 | <u>\$ 1,711,908</u>                 | <u>\$ 74,664</u>  |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Balance Sheet—Governmental Funds**  
**December 31, 2016**

|   | <u>General</u>       | <u>County<br/>Road</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|----------------------|------------------------|-----------------------------|-------------------------------------|---|
| <b>ASSETS</b>   |                      |                        |                             |                                     |   |
| Cash and cash equivalents   | \$ 17,689,191        | \$ 3,338,800           | \$ -                        | \$ 1,760,564                        | \$ 22,788,555                           |
| Restricted cash and cash equivalents  | 12,510,446           | -                      | 11,069,587                  | 704,574                             | 24,284,607                              |
| Restricted investments  | -                    | -                      | -                           | 434,860                             | 434,860                                 |
| Receivables (net of allowances):  |                      |                        |                             |                                     |   |
| Taxes   | 13,063,280           | -                      | -                           | -                                   | 13,063,280                              |
| Other   | 3,130,384            | 41,007                 | 310,119                     | 92,385                              | 3,573,895                               |
| Intergovernmental receivables   | 12,594,644           | 393,689                | 2,852,395                   | 190,339                             | 16,031,067                              |
| Due from other funds  | 3,030,845            | 31,438                 | 978,583                     | 21,326                              | 4,062,192                               |
| Inventories   | 115,971              | 49,748                 | -                           | 127,967                             | 293,686                                 |
| Prepaid items   | 1,753,780            | 101,372                | 19,526                      | 42,091                              | 1,916,769                               |
| Total assets  | <u>\$ 63,888,541</u> | <u>\$ 3,956,054</u>    | <u>\$ 15,230,210</u>        | <u>\$ 3,374,106</u>                 | <u>\$ 86,448,911</u>                    |
| <b>LIABILITIES</b>  |                      |                        |                             |                                     |   |
| Accounts payable  | \$ 4,291,328         | \$ 223,922             | \$ 581,550                  | \$ 216,809                          | \$ 5,313,609                            |
| Accrued liabilities   | 2,961,961            | 226,952                | -                           | 76,509                              | 3,265,422                               |
| Intergovernmental payables  | 16,252,726           | 8,000                  | 473,081                     | 13,680                              | 16,747,487                              |
| Due to other funds  | 445,239              | 602,197                | 2,619,777                   | 70,398                              | 3,737,611                               |
| Unearned revenue  | 2,219,868            | -                      | -                           | 5,391                               | 2,225,259                               |
| Bond anticipation notes payable   | -                    | -                      | 3,690,711                   | -                                   | 3,690,711                               |
| Total liabilities   | <u>26,171,122</u>    | <u>1,061,071</u>       | <u>7,365,119</u>            | <u>382,787</u>                      | <u>34,980,099</u>                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                        |                             |                                     |   |
| Unavailable revenue - property taxes  | 6,067,703            | -                      | -                           | -                                   | 6,067,703                               |
| Total deferred inflows of resources   | <u>6,067,703</u>     | <u>-</u>               | <u>-</u>                    | <u>-</u>                            | <u>6,067,703</u>                        |
| <b>FUND BALANCES (DEFICIT)</b>  |                      |                        |                             |                                     |   |
| Nonspendable  | 1,869,751            | 151,120                | 19,526                      | 170,058                             | 2,210,455                               |
| Restricted  | 10,290,578           | -                      | 7,845,565                   | 1,152,640                           | 19,288,783                              |
| Assigned  | 1,394,707            | 2,743,863              | -                           | 1,679,558                           | 5,818,128                               |
| Unassigned  | 18,094,680           | -                      | -                           | (10,937)                            | 18,083,743                              |
| Total fund balances (deficit)   | <u>31,649,716</u>    | <u>2,894,983</u>       | <u>7,865,091</u>            | <u>2,991,319</u>                    | <u>45,401,109</u>                       |
| Total liabilities, deferred inflows of<br>resources and fund balances (deficit) | <u>\$ 63,888,541</u> | <u>\$ 3,956,054</u>    | <u>\$ 15,230,210</u>        | <u>\$ 3,374,106</u>                 | <u>\$ 86,448,911</u>                    |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**December 31, 2016**

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Amounts reported for governmental activities in the statement of net position (page 13) are different because:

|  |                 |               |
|--|-----------------|---------------|
| Fund balances (deficit)—total governmental funds (page 15)   |                 | \$ 45,401,109 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of these assets is \$195,140,602 and the accumulated depreciation is \$75,265,646.  |                 | 119,874,956   |
| Long-term receivables are not available to pay for current period expenditures and, therefore, are not reported in the funds.  |                 | 1,071,019     |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.   |                 |               |
| Deferred outflows related to employer contributions  | \$ 4,341,589    |               |
| Deferred outflows related to experience, changes of assumptions and investment earnings  | 24,614,197      |               |
| Deferred inflows related to pension plans  | (5,550,700)     | 23,405,086    |
| Certain revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.  |                 | 6,067,703     |
| Internal service funds are used by the County to charge the costs of workers' compensation and unemployment to individual funds. The assets in excess of liabilities of the internal service funds are included within governmental activities on the statement of net position. |                 | 1,221,870     |
| Net accrued interest expense for serial bonds is not reported in the funds.  |                 | (219,198)     |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:   |                 |               |
| Serial bonds   | \$ (33,270,000) |               |
| WTASC bonds and accreted interest  | (6,524,391)     |               |
| Noncurrent compensated absences  | (3,183,696)     |               |
| Capital leases   | (1,766,067)     |               |
| Other post-employment benefits obligation  | (68,253,300)    |               |
| Net pension liability  | (28,435,828)    | (141,433,282) |
| Net position of governmental activities  |                 | \$ 55,389,263 |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds**  
**Year Ended December 31, 2016**

|  | <u>General</u>       | <u>County<br/>Road</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|------------------------|-----------------------------|-------------------------------------|---|
| <b>REVENUES</b>                                      |                      |                        |                             |                                     |   |
| Real property taxes                                  | \$ 30,710,534        | \$ 8,862,121           | \$ -                        | \$ 1,378,534                        | \$ 40,951,189                           |
| Real property tax items                              | 2,567,272            | -                      | -                           | -                                   | 2,567,272                               |
| Non-property tax items                               | 57,011,503           | -                      | -                           | -                                   | 57,011,503                              |
| Departmental income                                  | 11,463,497           | -                      | -                           | 7,356                               | 11,470,853                              |
| Intergovernmental charges                            | 1,025,632            | 35,342                 | 65,144                      | -                                   | 1,126,118                               |
| Licenses and permits                                 | 624,852              | -                      | -                           | -                                   | 624,852                                 |
| Fines and forfeitures                                | 362,638              | -                      | -                           | -                                   | 362,638                                 |
| Use of money and property                            | 817,636              | 5,098                  | 1,733                       | 36,462                              | 860,929                                 |
| Sale of property and compensation for loss           | 87,486               | 19,451                 | -                           | 174,938                             | 281,875                                 |
| Miscellaneous  | 1,006,983            | -                      | 1,067,153                   | 84,083                              | 2,158,219                               |
| Interfund revenues                                   | -                    | 121,966                | -                           | 1,365,100                           | 1,487,066                               |
| State aid  | 16,110,423           | 2,025,122              | 1,233,195                   | -                                   | 19,368,740                              |
| Federal aid  | 10,046,598           | 2,169                  | 1,912,603                   | 930,900                             | 12,892,270                              |
| Tobacco settlement revenue                           | -                    | -                      | -                           | 1,549,811                           | 1,549,811                               |
| Total revenues                                       | <u>131,835,054</u>   | <u>11,071,269</u>      | <u>4,279,828</u>            | <u>5,527,184</u>                    | <u>152,713,335</u>                      |
| <b>EXPENDITURES</b>                                  |                      |                        |                             |                                     |   |
| Current:   |                      |                        |                             |                                     |   |
| General government support                           | 38,636,941           | -                      | -                           | 25,374                              | 38,662,315                              |
| Education  | 2,233,804            | -                      | -                           | -                                   | 2,233,804                               |
| Public safety  | 26,449,421           | 636,971                | -                           | -                                   | 27,086,392                              |
| Health   | 15,160,268           | -                      | -                           | -                                   | 15,160,268                              |
| Transportation                                       | 704,605              | 9,427,874              | -                           | 2,581,414                           | 12,713,893                              |
| Economic assistance and opportunity                  | 40,055,347           | -                      | -                           | 914,295                             | 40,969,642                              |
| Culture and recreation                               | 1,325,511            | -                      | -                           | -                                   | 1,325,511                               |
| Home and community services                          | 1,099,857            | -                      | -                           | 18,192                              | 1,118,049                               |
| Employee benefits-unallocated                        | 64,924               | -                      | -                           | -                                   | 64,924                                  |
| Debt service:  |                      |                        |                             |                                     |   |
| Principal  | 558,588              | -                      | -                           | 2,335,000                           | 2,893,588                               |
| Interest and fiscal charges                          | 81,670               | 8,056                  | -                           | 1,637,993                           | 1,727,719                               |
| Capital outlay                                       | -                    | -                      | 6,405,302                   | -                                   | 6,405,302                               |
| Total expenditures                                   | <u>126,370,936</u>   | <u>10,072,901</u>      | <u>6,405,302</u>            | <u>7,512,268</u>                    | <u>150,361,407</u>                      |
| Excess (deficiency) of revenues<br>over expenditures | <u>5,464,118</u>     | <u>998,368</u>         | <u>(2,125,474)</u>          | <u>(1,985,084)</u>                  | <u>2,351,928</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                        |                             |                                     |   |
| Transfers in   | 805,488              | 127,054                | 871,439                     | 3,453,118                           | 5,257,099                               |
| Transfers out  | <u>(3,376,239)</u>   | <u>(763,210)</u>       | <u>(163,358)</u>            | <u>(954,292)</u>                    | <u>(5,257,099)</u>                      |
| Total other financing sources (uses)                 | <u>(2,570,751)</u>   | <u>(636,156)</u>       | <u>708,081</u>              | <u>2,498,826</u>                    | <u>-</u>                                |
| Net change in fund balances                          | 2,893,367            | 362,212                | (1,417,393)                 | 513,742                             | 2,351,928                               |
| Fund balances—beginning                              | <u>28,756,349</u>    | <u>2,532,771</u>       | <u>9,282,484</u>            | <u>2,477,577</u>                    | <u>43,049,181</u>                       |
| Fund balances—ending                                 | <u>\$ 31,649,716</u> | <u>\$ 2,894,983</u>    | <u>\$ 7,865,091</u>         | <u>\$ 2,991,319</u>                 | <u>\$ 45,401,109</u>                    |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended December 31, 2016**

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances—total governmental funds (page 17) \$ 2,351,928

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

|                            |                 |          |
|----------------------------|-----------------|----------|
| Capital asset additions    | \$ 5,168,240    |          |
| Depreciation expense       | (5,189,074)     |          |
| Loss on disposal of assets | <u>(19,999)</u> | (40,833) |

Certain tax and other revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.

|   |                  |             |
|---|------------------|-------------|
| Change in long-term receivables                             | \$ (366,105)     |             |
| Change in deferred inflows - property taxes revenue         | (254,925)        |             |
| Change in long-term receivable - tobacco settlement revenue | <u>(571,500)</u> | (1,192,530) |

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

|   |                    |             |
|---|--------------------|-------------|
| Direct pension contributions                          | \$ 4,341,589       |             |
| Cost of benefits earned net of employee contributions | <u>(7,982,410)</u> | (3,640,821) |

Internal services funds are used by management to charge the costs of workers' compensation and unemployment. The net expense of the internal service funds of \$404,594 is reported within governmental activities.

(404,594)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.

13,682

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similiar items when debt is first issued, whereas these amount are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

|   |               |                  |
|---|---------------|------------------|
| Repayment of serial bonds                 | \$ 1,780,000  |                  |
| Repayment of WTASC bonds                  | 555,000       |                  |
| Accreted interest of WTASC bonds          | (209,345)     |                  |
| Change in noncurrent compensated absences | 243,265       |                  |
| Repayment of capital leases               | 558,588       |                  |
| Change in OPEB obligation                 | 1,104,737     |                  |
| Change in judgments and claims            | <u>88,252</u> | <u>4,120,497</u> |

Change in net position of governmental activities \$ 1,207,329

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Statement of Net Position—**  
**Proprietary Funds**  
**December 31, 2016**

|                                 | <b>Governmental<br/>Activities</b>    |
|---------------------------------|---------------------------------------|
|                                 | <b>Internal<br/>Service<br/>Funds</b> |
| <b>ASSETS</b>                   |                                       |
| Current assets:                 |                                       |
| Cash and cash equivalents       | \$ 3,022,166                          |
| Due from other funds            | 25,392                                |
| Prepaid items                   | 4,687                                 |
| Total current assets            | 3,052,245                             |
| Total assets                    | 3,052,245                             |
| <b>LIABILITIES</b>              |                                       |
| Current liabilities:            |                                       |
| Accounts payable                | 42,753                                |
| Accrued liabilities             | 3,016                                 |
| Intergovernmental payables      | 25,392                                |
| Due to other funds              | 1,445                                 |
| Total current liabilities       | 72,606                                |
| Noncurrent liabilities:         |                                       |
| Due within one year:            |                                       |
| Compensated absences            | 13,769                                |
| Due in more than one year:      |                                       |
| Workers' compensation liability | 1,744,000                             |
| Total noncurrent liabilities    | 1,757,769                             |
| Total liabilities               | 1,830,375                             |
| <b>NET POSITION</b>             |                                       |
| Unrestricted                    | 1,221,870                             |
| Total net position              | \$ 1,221,870                          |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Statement of Revenues, Expenses, and Changes in Net Position—**  
**Proprietary Funds**  
**Year Ended December 31, 2016**

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|                              | <u><b>Governmental<br/>Activities</b></u>    |
|------------------------------|--|
|                              | <u><b>Internal<br/>Service<br/>Funds</b></u> |
| Operating revenues:          |  |
| Charges for services         | \$ 1,503,745                                 |
| Total operating revenues     | <u>1,503,745</u>                             |
| Operating expenses:          |  |
| Contractual services         | 1,804,416                                    |
| Employee benefits            | <u>107,500</u>                               |
| Total operating expenses     | <u>1,911,916</u>                             |
| Operating loss               | <u>(408,171)</u>                             |
| Nonoperating revenues:       |  |
| Interest income              | <u>3,577</u>                                 |
| Total nonoperating revenues  | <u>3,577</u>                                 |
| Change in net position       | (404,594)                                    |
| Total net position—beginning | <u>1,626,464</u>                             |
| Total net position—ending    | <u><u>\$ 1,221,870</u></u>                   |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Statement of Cash Flows—**  
**Proprietary Funds**  
**Year Ended December 31, 2016**

|  | <b>Governmental<br/>Activities</b>    |
|--|---------------------------------------|
|  | <b>Internal<br/>Service<br/>Funds</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                       |
| Receipts from services provided  | \$ 1,519,162                          |
| Payments to suppliers and service providers  | (1,493,633)                           |
| Payments to employees for salaries and benefits  | (92,250)                              |
| Net cash (used for) provided by operating activities   | (66,721)                              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                       |
| Interest earned on bank accounts   | 3,577                                 |
| Net cash provided by investing activities  | 3,577                                 |
| Net (decrease) increase in cash and cash equivalents   | (63,144)                              |
| Cash and cash equivalents—beginning  | 3,085,310                             |
| Cash and cash equivalents—ending   | \$ 3,022,166                          |
| <b>Reconciliation of operating loss to net cash<br/>provided by (used for) operating activities:</b> |                                       |
| Operating loss   | \$ (408,171)                          |
| Adjustments to reconcile operating loss to net<br>cash provided by (used for) operating activities:  |                                       |
| Decrease in receivables  | 19,200                                |
| Decrease in prepaid items  | 570                                   |
| Increase in accounts payable   | 8,126                                 |
| Increase in accrued liabilities and intergovernmental payables                                       | 17,105                                |
| (Decrease) in due to/from other funds  | (3,783)                               |
| Increase in workers' compensation liability  | 300,232                               |
| Total adjustments  | 341,450                               |
| Net cash provided by (used for) operating activities   | \$ (66,721)                           |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Statement of Net Position—Fiduciary Funds**  
**December 31, 2016**

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|                               | <b>Private<br/>Purpose<br/>Trust</b> | <b>Agency</b> |
|-------------------------------|--------------------------------------|---------------|
| <b>ASSETS</b>                 |                                      |               |
| Cash and cash equivalents     | \$ 4,513                             | \$ 7,594,356  |
| Intergovernmental receivables | -                                    | 659,140       |
| Due from other funds          | -                                    | 61,904        |
| Other assets                  | -                                    | 12,559        |
| Total assets                  | \$ 4,513                             | \$ 8,327,959  |
| <b>LIABILITIES</b>            |                                      |               |
| Agency liabilities            | \$ -                                 | \$ 7,917,527  |
| Due to other funds            | -                                    | 410,432       |
| Total liabilities             | -                                    | \$ 8,327,959  |
| <b>NET POSITION</b>           |                                      |               |
| Restricted for other purposes | \$ 4,513                             |               |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Statement of Changes in Net Position—Fiduciary Funds**  
**Year Ended December 31, 2016**

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|                                     | <u>Private<br/>Purpose<br/>Trust</u> |
|-------------------------------------|--------------------------------------|
| <b>ADDITIONS</b>                    |                                      |
| Interest earnings                   | \$ 1                                 |
| Gifts and donations                 | <u>190</u>                           |
| Total additions                     | <u>191</u>                           |
| <b>DEDUCTIONS</b>                   |                                      |
| Economic assistance and opportunity | <u>441</u>                           |
| Change in net position              | (250)                                |
| Net position—beginning              | <u>4,763</u>                         |
| Net position—beginning              | <u>\$ 4,513</u>                      |

The notes to the financial statements are an integral part of this statement.

**COUNTY OF WARREN, NEW YORK**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2016**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the County of Warren, New York (the “County”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting principles are described below.

***Description of Government-wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The County reports no business-type activities. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

***Reporting Entity***

The County was established in 1813 and is governed by County Law and other laws of the State of New York and various local laws. The Board of Supervisors, which is the governing body responsible for the overall operation of the County, consists of twenty Supervisors. The Chairman of the Board of Supervisors serves as Chief Executive Officer and the County Treasurer serves as Chief Fiscal Officer of the County. The County provides the following basic services: general government support, public safety, education, health, social services, highway maintenance, culture and recreation programs, and waste management services.

The County’s financial statements include those entities for which the County has clear oversight responsibility. This responsibility is determined through a review of such factors as the selecting of governing boards, financial interdependency and the ability to influence management and operations on a continuing basis. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

***Discretely Presented Component Units***—The component unit columns in the government-wide financial statements include the financial data of the County’s discretely presented component units.

**Warren County Local Development Corporation**—The Warren County Local Development Corporation (“LDC”) is a public benefit corporation organized under the Not-For-Profit Corporation Law of the State of New York to promote and provide job opportunities for low to moderate income residents of Warren County. The County contracts with the LDC to administer a revolving loan program funded by the repayments of low interest loans issued by the Warren County Community Development Program. The County Board of Supervisors assigned all loans to the LDC for no consideration. The LDC is considered a component unit of the County and is discretely presented. A

copy of the financial statements for the LDC may be obtained from the Warren County Local Development Corporation, 1340 State Route 9, Lake George, New York, 12845.

**Warren County Soil and Water Conservation District**—The Warren County Soil and Water Conservation District (“SWCD”) was established under provisions of Article 3, Section 30, of the General Municipal Law. The SWCD is a nonprofit organization set up to coordinate state and federal conservation programs on a local level. The SWCD provides education and technical assistance on managing soil, water and related natural resources to municipalities, farmers, business owners and homeowners. The Soil and Water Conservation District is considered a component unit of the County and is discretely presented. The SWCD financial statements are not audited.

**Blended Component Unit**—The following blended component unit is a legally separate entity from the County, but is, in substance, part of the County’s operations and therefore data from this unit is combined with data of the primary government.

**Warren Tobacco Asset Securitization Corporation**—(“WTASC”) is a special purpose local development corporation organized under the Not-For-Profit Corporation Law of the State of New York and is an instrumentality of, but separate and apart from the County. WTASC was incorporated for the sole purpose of issuing tobacco settlement asset backed bonds in order to provide funds to purchase from the County all of the County’s right, title, and interest in annual payments to be received in settlement of certain smoking-related litigation. Tobacco settlement bonds are payable only from the assets of WTASC and are not legal obligations of the County. Although legally separate and independent of the County, WTASC is considered an affiliated organization under GASB and reported as a component unit of the County for financial reporting purposes and, accordingly, is included in the County’s financial statements. A copy of the financial statements for WTASC may be obtained from the Treasurer’s Office, 1340 State Route 9, Lake George, New York, 12845.

***Basis of Presentation—Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the County has two discretely presented component units. While the Warren County Soil and Water Conservation District is not considered to be a major component unit, it is nevertheless shown in a separate column, alongside the major component unit, the Warren County Local Development Corporation, in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and various other functions of the County. Elimination of these changes would distort the direct costs and program revenues reported for the various functions concerned.

***Basis of Presentation—Fund Financial Statements***

The fund financial statements provide information about the County’s funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor

funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

- *General Fund*—The General Fund is the primary operating fund of the County and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The principal sources of revenue for the General Fund are sales tax and real property taxes.
- *County Road Fund*—The County Road is used to record all revenues and expenditures related to road maintenance and construction throughout the County.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Additionally, the County reports the following fund types:

- *Internal Service Funds*—The Internal Service Fund is used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The County maintains the following internal service funds:
  - *Workers' Compensation Fund*—The Workers' Compensation Fund is an internal service fund used to account for the County's self-insurance program for workers' compensation claims.
  - *Unemployment Fund*—The Unemployment Fund is an internal service fund used to account for the County's self-insurance program for unemployment claims.
- *Fiduciary Funds*—These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary funds include the *Private Purpose Trust Fund* and the *Agency Fund*. The Private Purpose Trust Fund reports all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The County uses this fund to report money donated for specific grants and programs. The Agency Fund accounts for money received and held by the County in the capacity of trustee, custodian, or agent.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### ***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pensions, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The Internal Services Funds and the Private Purpose Trust Fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

### ***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

***Cash, Cash Equivalents and Investments***—Cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and have a maturity date within 90 days or less from the date of acquisition. State statutes and various resolutions of the County Board of Supervisors govern the County's investment policies. Permissible investments include obligations of the U.S. Treasury and U.S. Government agencies, repurchase agreements and obligations of New York State or its localities. Investments are stated at fair value based on quoted market prices.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represent amounts to support fund balance restrictions, debt proceeds set aside for a specific purpose, as well as cash received from unearned revenues.

**Receivables**—Receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the County to reimburse it for expenditures incurred pursuant to state and federally funded programs.

**Inventories**—Inventories that are comprised of general supplies, sand, and gasoline, are valued at the lower of cost or market (first-in, first-out method).

**Prepaid Items**—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

**Capital Assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets, except for buildings and building improvements, and infrastructure assets, are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of donation.

Land and construction in progress are not depreciated. The capital assets of the primary government are depreciated using a straight line method over the following estimated useful lives:

| Capital assets             | Years |
|----------------------------|-------|
| Land improvements          | 20    |
| Buildings and improvements | 40    |
| Vehicles and equipment     | 5-10  |
| Infrastructure             | 10-40 |

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new police vehicle included as part of *expenditures—public safety*). At times, amounts reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

**Deferred Outflows/Inflows of Resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2016, the County has one item that qualifies for reporting in this category. This item represents the effect of the net change in the County’s proportion of the collective net pension liability, the difference during the measurement period between the County’s contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2016, the primary government has two items that qualify for reporting in this category. The first item arises only under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes that remain uncollected after

60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents the effect of the net change in the County's proportion of the collective net pension liability and the difference during the measurement periods between the County's contributions and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements.

***Net Position Flow Assumption***—Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

***Fund Balance Flow Assumptions***—Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The County Board of Supervisors is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The County Board of Supervisors has by resolution authorized the County Treasurer to assign fund balance. The County Board of Supervisors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenses/Expenditures***

***Program Revenues***—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

**Property Taxes**—County property taxes are levied annually no later than December 31<sup>st</sup> and become a lien on January 1<sup>st</sup>. Accordingly, property taxes are recognized as revenue in the year for which the levy is made, and to the extent that such taxes are received within the reporting period of 60 days thereafter. Delinquent property taxes not collected at year-end (excluding collections in the 60 day subsequent period) are included in deferred inflows of resources in the fund financial statements. At December 31, 2016, the total real property tax receivable is recorded at \$13,063,280, net of an allowance for uncollected taxes of \$125,000.

**Unearned Revenue**—Certain cash receipts have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At December 31, 2016, the County reported unearned revenues within the General Fund and Special Grant Fund in the amounts of \$2,219,868 and \$5,399, respectively. The County recorded grant money in advance but has not performed the services, and therefore recognizes a liability.

**Compensated Absences**—Most County employees earn vacation, which vests annually on January 1<sup>st</sup> of each year for the following year's employment. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation at various rates subject to certain maximum limitations. It is the County's policy to accrue vested vacation time as a current liability in the fund financial statements.

In addition, most employees who retire and have accrued sick leave shall be entitled to payment of half of the accumulated sick leave to their credit, with a maximum of 70 days. These amounts have been accrued in the government-wide financial statements of the County.

Payment of sick time compensated absences recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of compensated absences when such payments become due.

**Proprietary Funds Operating and Nonoperating Revenues and Expenses**—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Funds are charges to other funds for unemployment and workers' compensation costs. Operating expenses for the Internal Service Funds include payments of self-insurance unemployment and workers' compensation claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Pensions**—The County is mandated by New York State law to participate in the New York State Local Employees' Retirement System. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

**Other Post-Employment Benefits**—In addition to providing pension benefits, the County provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 7.

**Interfund Revenues**—The County allocates County Road Fund and Road Machinery Fund costs incurred in the road maintenance of the County to other funds based on their proportionate benefit of the total costs allocated. In 2016, the County has reported interfund revenues of \$121,966 and \$1,365,100 in the County

Road Fund and Road Machinery Fund, respectively. The amounts are reported as transportation expenditures in the County Road Fund and Road Machinery Fund, as well as in the benefitting funds.

### ***Other***

***Estimates***—The preparation of the financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reported period. Actual results could differ from those estimates.

***Adoption of New Accounting Pronouncements***—During the year ended December 31, 2016, the County implemented GASB Statements No. 72, *Fair Value Measurement and Application*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 79, *Certain External Investment Pools and Pool Participants*. The purpose of GASB Statement No. 72 is to enhance comparability of financial statements among governments by requiring measurements of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB Statement No. 73 establishes a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB Statement No. 77 improves financial reporting by state and local governments that enter into tax abatement agreements by requiring the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users. GASB Statement No. 78 addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB Statements No. 72, 73, 76, 77, 78 and 79 did not have a material impact on the County's financial position or results from operations.

***Future Impacts of Accounting Pronouncements***—The County has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*; No. 81, *Irrevocable Split-Interest Agreements*; and No. 82, *Pension Issues; an Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending December 31, 2017, No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*, effective for the fiscal year ending December 31, 2018, No. 83, *Certain Asset Retirement Obligations*; and No. 84, *Fiduciary Activities*, effective for the fiscal year ending December 31, 2019, and No. 87, *Leases*, effective for the fiscal year ending December 31, 2020. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 74, 75, 80, 81, 82, 83, 84, 85, 86 and 87 will have on its financial position and results of operations when such statements are adopted.

**Stewardship, Compliance and Accountability**

**Legal Compliance—Budgets**—The County’s annual procedures in establishing the budgetary data reflected in the basic financial statements are as follows:

- No later than November 15<sup>th</sup>, the Budget Officer submits a tentative operating budget to the County Board of Supervisors for the fiscal year commencing the following January 1<sup>st</sup>. The tentative budget includes proposed expenditures and the proposed means of financing them for all funds, except the Capital Projects Fund, Special Grant Fund, WTASC Fund, and Workers’ Compensation Fund.
- A public hearing is conducted by the County to obtain public comment on the preliminary budget.
- After public hearings are conducted to obtain taxpayer comments, no later than December 20<sup>th</sup>, the County Board of Supervisors adopts the budget.
- The budgets are adopted on a generally accepted accounting principles (“GAAP”) basis under the modified accrual basis of accounting except that encumbrances, if any, are reported as a budgetary expenditure in the year of incurrence of the commitment for the purchase, as well when the actual expenditure occurs in the subsequent fiscal year. All unencumbered appropriations lapse at the end of the fiscal year. At January 1<sup>st</sup>, encumbrances carried forward from the prior year are re-established as budgeted appropriations and expenditures.
- Budgetary controls are also established for the Capital Projects Fund and Special Grants Fund through resolutions authorizing individual projects and grants, and remain in effect for the life of the project or grant. Budgetary controls for the Workers’ Compensation Fund are established through separate annual resolutions.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The County’s investment policies are governed by State statutes. 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. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The County has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents and investments at December 31, 2016 are as follows:

|                               | Governmental<br>Funds | Proprietary<br>Fund | Fiduciary<br>Funds  | Total                |
|-------------------------------|-----------------------|---------------------|---------------------|----------------------|
| Petty cash (uncollateralized) | \$ 5,800              | \$ -                | \$ -                | \$ 5,800             |
| Deposits                      | 47,067,362            | 3,022,166           | 7,598,869           | 57,688,397           |
| Investments                   | 434,860               | -                   | -                   | 434,860              |
| Total                         | <u>\$ 47,508,022</u>  | <u>\$ 3,022,166</u> | <u>\$ 7,598,869</u> | <u>\$ 58,129,057</u> |

**Deposits**—All deposits are carried at fair value, and are classified by custodial credit risk at December 31, 2016 as follows:

|  | Bank<br>Balance      | Carrying<br>Amount   |
|--|----------------------|----------------------|
| FDIC insured   | \$ 875,801           | \$ 875,801           |
| Uninsured:   |                      |                      |
| Collateral held by pledging bank's<br>agent in the County's name | 58,303,135           | 56,812,596           |
| Uncollateralized   | 356,353              | -                    |
| Total deposits   | <u>\$ 59,535,289</u> | <u>\$ 57,688,397</u> |

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. As noted above, by State Statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2016, with the exception of \$356,353, the County’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the County’s name.

**Restricted Cash and Cash Equivalents**—The County reports restricted cash, totaling \$24,284,607, within the General Fund, Capital Projects Fund, Debt Service Fund, and WTASC Fund. These funds are set aside for future payments toward approved capital project spending, fund balance restrictions, unearned revenues and debt service in the amounts of \$12,510,446, \$11,069,587, \$5,391, \$629,015 and \$70,168 in the General Fund, Capital Projects Fund, Special Grant Fund, Debt Service Fund, and WTASC Fund, respectively. These deposits were fully covered by FDIC insurance or collateral held by escrow agents in the name of the County.

**Investments**—Investments are carried at fair value, as determined by quoted market prices. At December 31, 2016, the County has restricted investments in commercial paper and money market funds of \$415,086 and \$19,774, respectively, in WTASC investments measured at fair value.

**Custodial Credit Risk—Investments**—For investments, this is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Underlying securities must have a market value of at least the cost of the repurchase agreement.

**Credit Risk**—In compliance with the State law, County investments are limited to obligations of the Federal government, obligations guaranteed by the Federal government where the payment of principal and interest are guaranteed by the Federal government, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

**Concentration of Credit Risk**—To promote competition in rates and service cost, and to limit the risk of institutional failure, County deposits and investments are placed with multiple institutions.

**Interest Rate Risk**—The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### 3. RECEIVABLES

Major revenues accrued by the governmental funds of the County at December 31, 2016 consisted of the following:

**Taxes Receivable**—Represents unpaid county, school and village taxes. At December 31, 2016, the General Fund reported taxes receivable of \$13,063,280. These amounts are reported net of an allowance for uncollectible taxes provision of \$125,000.

**Other Receivables**—Represent amounts due from various sources. The County's accounts receivable at December 31, 2016 are as shown below:

|                             |                     |
|-----------------------------|---------------------|
| Governmental Funds:         |                     |
| General Fund                | \$ 3,130,384        |
| County Road Fund            | 41,007              |
| Capital Projects Fund       | 310,119             |
| Nonmajor governmental funds | <u>92,385</u>       |
| Total governmental funds    | <u>\$ 3,573,895</u> |

**Intergovernmental Receivables**—Represents amounts due from other units of government, such as Federal, New York, State, or other local governments. Amounts are net of related advances from New York State. Intergovernmental receivables at December 31, 2016 are as shown below:

|  |                               |
|--|-------------------------------|
| Governmental Funds:                                |                               |
| General Fund:                                      |                               |
| Due from New York State<br>and Federal governments | \$ 12,217,373                 |
| Due from towns and cities                          | <u>377,271</u> \$ 12,594,644  |
| County Road Fund:                                  |                               |
| Due from New York State<br>and Federal governments | \$ 376,349                    |
| Due from towns and cities                          | <u>17,340</u> 393,689         |
| Capital Projects Fund:                             |                               |
| Due from New York State<br>and Federal governments | \$ 2,727,395                  |
| Due from towns and cities                          | <u>125,000</u> 2,852,395      |
| Nonmajor governmental funds:                       |                               |
| Due from New York State<br>and Federal governments | \$ 60,969                     |
| Due from towns and cities                          | <u>129,370</u> <u>190,339</u> |
| Total governmental funds                           | <u>\$ 16,031,067</u>          |
| Agency Fund:                                       |                               |
| Due from towns and cities                          | <u>\$ 659,140</u>             |

#### Local Development Corporation

**Receivables**—The LDC reported \$8,845 of miscellaneous receivables due from various sources. Additionally, the LDC maintains loan program. The loans have varying interest rates ranging from 3.0% to 8.0% and have repayment terms ranging from 3 to 7 years. The loans are collateralized by a priority security

interest in any equipment, machinery, furnishings, or fixtures refinanced or purchased from loan proceeds. An allowance for doubtful accounts of \$167,500 has been established as of December 31, 2016.

Loans receivable are stated at principal plus accrued interest, if any. Such receivables are placed on non-accrual status when management believes, after considering economic conditions and collection efforts, that the loan is impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on non-accrual loans is recognized on 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. Expected repayment on the loans receivable is as follows:

| Year Ending December 31,                 |                 |    |                  |
|--|-----------------|----|------------------|
|  | 2017            | \$ | 321,826          |
|  | 2018            |    | 145,776          |
|  | 2019            |    | 204,237          |
|  | 2020            |    | 98,056           |
|  | 2021            |    | 18,870           |
|  | 2022-thereafter |    | <u>366,234</u>   |
| Total                                    |                 |    | 1,154,999        |
| Less: allowance for doubtful accounts    |                 |    | <u>(167,500)</u> |
| Loans receivable, net of current portion |                 | \$ | <u>987,499</u>   |

#### 4. CAPITAL ASSETS

**Governmental activities**—Capital asset activity for the primary government’s governmental activities for the year ended December 31, 2016 was as follows:

|  | Balance<br>1/1/2016   | Increases          | Decreases        | Balance<br>12/31/2016 |
|--|-----------------------|--------------------|------------------|-----------------------|
| Capital assets not being depreciated:        |                       |                    |                  |                       |
| Land   | \$ 4,940,874          | \$ 106,500         | \$ -             | \$ 5,047,374          |
| Construction in progress                     | <u>36,164,664</u>     | <u>1,648,029</u>   | <u>-</u>         | <u>37,812,693</u>     |
| Total capital assets, not being depreciated  | <u>41,105,538</u>     | <u>1,754,529</u>   | <u>-</u>         | <u>42,860,067</u>     |
| Capital assets being depreciated:            |                       |                    |                  |                       |
| Land improvements                            | 362,210               | -                  | -                | 362,210               |
| Buildings and improvements                   | 62,273,995            | -                  | -                | 62,273,995            |
| Vehicles and equipment                       | 22,341,263            | 1,786,591          | 1,881,986        | 22,245,868            |
| Infrastructure                               | <u>65,771,342</u>     | <u>1,627,120</u>   | <u>-</u>         | <u>67,398,462</u>     |
| Total capital assets, being depreciated      | <u>150,748,810</u>    | <u>3,413,711</u>   | <u>1,881,986</u> | <u>152,280,535</u>    |
| Less accumulated depreciation:               |                       |                    |                  |                       |
| Land improvements                            | 362,210               | -                  | -                | 362,210               |
| Buildings and improvements                   | 21,051,182            | 1,376,348          | -                | 22,427,530            |
| Vehicles and equipment                       | 16,297,385            | 1,562,772          | 1,861,987        | 15,998,170            |
| Infrastructure                               | <u>34,227,782</u>     | <u>2,249,954</u>   | <u>-</u>         | <u>36,477,736</u>     |
| Total accumulated depreciation               | <u>71,938,559</u>     | <u>5,189,074</u>   | <u>1,861,987</u> | <u>75,265,646</u>     |
| Total capital assets, being depreciated, net | <u>78,810,251</u>     | <u>(1,775,363)</u> | <u>19,999</u>    | <u>77,014,889</u>     |
| Governmental activities capital assets, net  | <u>\$ 119,915,789</u> | <u>\$ (20,834)</u> | <u>\$ 19,999</u> | <u>\$ 119,874,956</u> |

Depreciation expense was charged to the functions and programs of the primary government as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| Governmental activities:            |                     |
| General government support          | \$ 242,489          |
| Public safety                       | 1,179,626           |
| Health                              | 88,056              |
| Transportation                      | 3,180,254           |
| Economic assistance and opportunity | 468,724             |
| Culture and recreation              | 13,686              |
| Home and community services         | 16,239              |
| Total governmental activities       | <u>\$ 5,189,074</u> |

## 5. ACCRUED LIABILITIES

Accrued liabilities reported by the County's governmental funds at December 31, 2016 were as follows:

|                                | General Fund        | County Road Fund  | Nonmajor Funds   | Total Governmental Funds |
|--------------------------------|---------------------|-------------------|------------------|--------------------------|
| Salaries and employee benefits | \$ 611,421          | \$ 62,450         | \$ 17,658        | \$ 691,529               |
| Current compensated absences   | 2,308,924           | 164,502           | 58,851           | 2,532,277                |
| Overpayments                   | 41,616              | -                 | -                | 41,616                   |
| Total                          | <u>\$ 2,961,961</u> | <u>\$ 226,952</u> | <u>\$ 76,509</u> | <u>\$ 3,265,422</u>      |

## 6. PENSION OBLIGATIONS

**Employees' Retirement System**—The County participates in the New York State and Local Employees' Retirement System ("ERS"), a cost-sharing multiple-employer retirement system (the "System"). The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System is included in the State's financial report as a pension trust fund. That report, including information with regards to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The System is noncontributory, except for employees who joined the ERS after July 27, 1976 who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 10, 2010, who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31.

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***—At December 31, 2016, the County reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2016. The total pension liability used to calculate the net pension liability was determined by actuarial valuations as of April 1, 2015, with update procedures used to roll forward the total net pension liability to the measurement date. The County’s proportion of the net pension liability was based on projections of the County’s long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the System in reports provided to the County.

|   | <u>ERS</u>            |
|---|-----------------------|
| Measurement date  | <u>March 31, 2016</u> |
| Net pension liability   | \$ 28,435,828         |
| County's portion of the Plan's<br>total net pension liability | 0.1771672%            |

For the year ended December 31, 2016, the County recognized pension expense of \$9,536,644. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>ERS</u>                                    |  |
|---|---|--|
|   | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
| Differences between expected and<br>actual experiences  | \$ 143,693                                    | \$ 3,370,593                                 |
| Changes in assumptions  | 7,582,978                                     | -  |
| Net difference between projected and<br>actual earnings on pension plan investments                                     | 16,869,693                                    | -  |
| Changes in proportion and differences<br>between the County's contributions and<br>proportionate share of contributions | 17,833  | 2,180,107                                    |
| County contributions subsequent<br>to the measurement date  | <u>4,341,589</u>                              | <u>-</u>                                     |
| Total   | <u>\$ 28,955,786</u>                          | <u>\$ 5,550,700</u>                          |

The County’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | <u>ERS</u>   |
|---------------------------------|--------------|
| 2017                            | \$ 4,761,428 |
| 2018                            | 4,761,428    |
| 2019                            | 4,761,428    |
| 2020                            | 4,779,213    |

**Actuarial Assumptions**—The total pension liabilities as of the measurement date were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities to the measurement date. The actuarial valuations used the following actuarial assumptions:

|                          | <u>ERS</u>                       |
|--------------------------|----------------------------------|
| Measurement date         | March 31, 2016                   |
| Actuarial valuation date | April 1, 2015                    |
| Interest rate            | 7.00%                            |
| Salary scale             | 3.80%                            |
| Decrement tables         | April 1, 2005-<br>March 31, 2010 |
| Inflation rate           | 2.5%                             |

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2014. The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

| Measurement date           | <u>ERS</u>               |   |
|----------------------------|--------------------------|---|
|                            | <u>March 31, 2016</u>    |   |
|                            | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
| Asset class:               |                          |   |
| Domestic equities          | 38.0 %                   | 7.3 %   |
| International equities     | 13.0                     | 8.6   |
| Private equity             | 10.0                     | 11.0  |
| Real estate                | 8.0                      | 8.3   |
| Absolute return strategies | 3.0                      | 6.8   |
| Opportunistic portfolio    | 3.0                      | 8.6   |
| Real assets                | 3.0                      | 8.7   |
| Bonds and mortgages        | 18.0                     | 4.0   |
| Cash                       | 2.0                      | 2.3   |
| Inflation-indexed bonds    | 2.0                      | 4.0   |
| Total                      | <u>100.0 %</u>           |   |

**Discount Rate**—The discount rate used to calculate the total pension liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**—The chart below presents the County’s proportionate share of the net pension liabilities calculated using the discount rate of 7.0%, as well as what the County’s proportionate share of the net pension liabilities would be if they were calculated using a discount rate that is one percentage-point lower (6.0%) or one percentage-point higher (8.0%) than the current assumption.

|   | 1%<br>Decrease<br>(6.0%) | Current<br>Assumption<br>(7.0%) | 1%<br>Increase<br>(8.0%) |
|---|--------------------------|---------------------------------|--------------------------|
| Employer's proportionate share of the net pension liability/(asset) - ERS | \$ 64,120,727            | \$ 28,435,828                   | \$ (1,716,386)           |

**Pension Plan Fiduciary Net Position**—The components of the current-year net pension liabilities of the employers as of the valuation dates, were as follows:

|  | (Dollars in Thousands) |
|--|------------------------|
|  | ERS                    |
| Valuation date   | March 31, 2016         |
| Employers' total pension liability                                       | \$ 172,303,544         |
| Plan fiduciary net position  | <u>156,253,265</u>     |
| Employers' net pension liability   | <u>\$ 16,050,279</u>   |
| System fiduciary net position as a percentage of total pension liability | 90.7%                  |

## 7. OTHER POST-EMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

**Plan Description**—The County provides certain healthcare benefits for retired employees of the County through a Retirement Benefits Plan (the “Plan”). The Plan is a single-employer defined benefit healthcare Plan administered by the County. The Plan provides medical, dental, and life insurance benefits to eligible retirees and their spouses. Substantially all of the County’s employees may become eligible for this benefit if they retire with twenty-five years of service to the County. The Plan does not issue a standalone financial report.

**Funding Policy**—The contribution requirements of Plan are established by action of the County pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates if retirees range from 0.0% to 20.0%, depending on when the employee was hired. The County’s required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2016, the County governmental activities contributed \$3,657,640 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The County’s annual OPEB cost is calculated based on the annual required contributions (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years.

The table below shows the components of the County's annual OPEB cost for the past three years, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation.

|  | Year Ended December 31, |                      |                      |
|--|-------------------------|----------------------|----------------------|
|  | Governmental Activities |                      |                      |
|  | 2016                    | 2015                 | 2014                 |
| Annual required contribution ("ARC")       | \$ 9,594,498            | \$ 10,791,827        | \$ 10,270,986        |
| Interest on net OPEB obligation            | 2,532,175               | 2,245,092            | 1,973,951            |
| Adjustment to ARC                          | <u>(5,780,878)</u>      | <u>(2,736,010)</u>   | <u>(2,744,082)</u>   |
| Annual OPEB cost (expense)                 | 6,345,795               | 10,300,909           | 9,500,855            |
| Contributions made                         | <u>(3,657,640)</u>      | <u>(2,738,857)</u>   | <u>(3,107,331)</u>   |
| Increase (decrease) in net OPEB obligation | 2,688,155               | 7,562,052            | 6,393,524            |
| Adjustment to net OPEB obligation          | (3,792,892)             | 6,053,676            | -                    |
| Net OPEB obligation—beginning              | <u>69,358,037</u>       | <u>55,742,309</u>    | <u>49,348,785</u>    |
| Net OPEB obligation—ending                 | <u>\$ 68,253,300</u>    | <u>\$ 69,358,037</u> | <u>\$ 55,742,309</u> |
| Percentage of ARC contributed              | 38.1%                   | 25.4%                | 30.3%                |

**Funding Status and Funding Progress**—As of December 31, 2016, calculations were based on plan data as of January 1, 2016 and financial data as of December 31, 2016. The annual required contribution for 2016 was determined based on an actuarial valuation performed for the year ended December 31, 2016. The actuarial accrued liability for benefits was \$108,303,993, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$31,484,871 and the ratio of the unfunded actuarial accrued liability (“UAAL”) to the covered payroll was 3.44.

Actuarial valuations of an ongoing plan involve 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 trends. Amounts determined regarding funded status of the Plan and 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 County's primary government schedule of contributions for the most recent three years is shown below:

| Year<br>Ended<br>December 31, | Annual<br>OPEB<br>Cost | Contributions<br>Made | Percentage<br>Contributed | Net<br>OPEB<br>Obligation |
|-------------------------------|------------------------|-----------------------|---------------------------|---------------------------|
| 2016                          | \$ 6,345,795           | \$ 3,657,640          | 57.6%                     | \$ 68,253,300             |
| 2015                          | 10,300,909             | 2,738,857             | 26.6%                     | 69,358,037                |
| 2014                          | 9,500,855              | 3,107,331             | 32.7%                     | 55,742,309                |

**Actuarial Methods and Assumptions**—Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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, 2016 actuarial valuation, the Projected Unit Credit cost method was used. The actuarial assumptions included a valuation date of January 1, 2016 and measurement date of December 31, 2016. The expected investment rate of return on employer's assets is 4.0%. The RP-2020 headcount weighted mortality projection table was used for mortality rates. The unfunded actuarial accrued liability is being amortized over 30 years, therefore the remaining amortization period at December 31, 2016, was twenty-two years.

During the year ended December 31, 2015, the County's net OPEB obligation included active employees of the Westmount Health Facility. As of January 1, 2016, those active employees were no longer eligible participants in the plan due to employment termination; as such, the liability related to those past participants has been removed during the year ended December 31, 2016 as an adjustment to the net OPEB obligation. The adjustment for the year ended December 31, 2015 represents the transfer of the Westmount Health Facility net OPEB obligation to the County's governmental activities.

## 8. RISK MANAGEMENT

The County is exposed to various risks of loss related to property damage and destruction of assets, vehicle liability, and injuries to employees. The County purchases commercial insurance to cover such potential risks. The County purchases insurance for general liability, property, automobile, building, law enforcement, crime, earthquake, flood and miscellaneous liability. The general liability insurance is limited to \$1 million per occurrence and an aggregate \$3 million limit. All other policies have limits ranging from \$1 million to \$20 million. The County has not incurred claims over the respective coverage limits in any of the last three fiscal years.

The County assumes the liability for most risk for workers' compensation and unemployment losses associated with the self-insurance plans. Asserted and incurred but not reported claims and judgments are recorded, when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonable estimated. Such recording is consistent with the requirements of GASB.

The County sponsors and participates in a Workers' Compensation Fund pursuant to Workers' Compensation Law to finance the liability and risks related to workers' compensation claims. The workers' compensation plan is a municipal risk sharing pool, which is administered by the County and insures workers' compensation for all employees of the participants. In addition to the County, participation in the plan includes 42 entities. The County is responsible for the 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.

The changes since January 1, 2015 in risk financing activities for workers' compensation claims are presented below.

| Year<br>Ended<br>December 31, | Liability,<br>Beginning<br>of Year | Claims<br>and<br>Adjustments | Claim<br>Payments and<br>Adjustments | Liability,<br>End<br>of Year |
|-------------------------------|------------------------------------|------------------------------|--------------------------------------|------------------------------|
| 2016                          | \$ 1,443,768                       | 1,107,830                    | 807,598                              | \$ 1,744,000                 |
| 2015                          | 1,799,289                          | 1,095,871                    | 1,451,392                            | 1,443,768                    |

## 9. LEASE OBLIGATIONS

**Capital Lease**—During the years ended December 31, 2006 and 2007, the County entered into long-term capital leases for various capital improvements to the County Countryside adult home and County municipal center. Additionally, on December 31, 2015 the sale of Westmount Health Facility resulted in the transfer of a co-generational capital lease to the County’s governmental activities. The new owner of the Westmount Health Facility has entered into an agreement under which they will reimburse the County all future lease payments. Accordingly, the County records a \$221,019 long-term receivable within its governmental activities to offset the associated outstanding capital lease liability. Total minimum lease payments at December 31, 2016 is \$1,973,979, of which \$207,912 represents imputed interest costs. A \$1,766,067 long-term liability has been recorded within the County’s governmental activities. The assets acquired through the capital leases are presented below:

|                                | <u>Governmental<br/>Activities</u> |
|--------------------------------|------------------------------------|
| Assets:                        |                                    |
| Buildings and improvements     | \$ 2,824,099                       |
| Less: accumulated depreciation | <u>(606,911)</u>                   |
| Total                          | <u>\$ 2,217,188</u>                |

Payments on the leases commenced in 2005, 2006 and 2007 and are due monthly, quarterly, and annually, respectively. Total payments range between \$6,886 and \$290,236, with the final payment due December 1, 2022. The interest rates range from 2.85% to 4.35%. The obligation under the lease can be summarized as follows:

| <u>Year Ending December 31,</u>            | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| 2017                                       | \$ 493,501                         |
| 2018                                       | 280,340                            |
| 2019                                       | 290,739                            |
| 2020                                       | 300,739                            |
| 2021                                       | 310,739                            |
| 2022                                       | <u>297,921</u>                     |
| Total minimum lease payments               | 1,973,979                          |
| Less: amount representing imputed interest | <u>(207,912)</u>                   |
| Present value of minimum lease payments    | <u>\$ 1,766,067</u>                |

## 10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the life of permanent financing, provided that annual reductions of principal are made. The following is a summary of the County’s short-term debt as of, and for the year ending, December 31, 2016:

| Description           | Interest Rate | Balance 1/1/2016  | Increases           | Decreases         | Balance 12/31/2016  |
|-----------------------|---------------|-------------------|---------------------|-------------------|---------------------|
| DPW construction      | 1.06%         | \$ 825,421        | \$ -                | \$ 825,421        | \$ -                |
| DPW construction      | 1.43%         | -                 | 412,711             | -                 | 412,711             |
| SUNY science building | 1.14%         | -                 | 3,278,000           | -                 | 3,278,000           |
| Total                 |               | <u>\$ 825,421</u> | <u>\$ 3,690,711</u> | <u>\$ 825,421</u> | <u>\$ 3,690,711</u> |

## 11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriations and expenditure of governmental fund financial resources.

The County’s outstanding long-term liabilities include serial bonds, WTASC bonds payable and accreted interest, compensated absences, capital leases, other post-employment benefits (“OPEB”) obligation, judgments and claims, workers’ compensation, and net pension liability. The serial bonds of the County are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the County's long-term debt for the year ended December 31, 2016 is presented below:

|                                   | Balance<br>1/1/2016   | Additions            | Reductions           | Balance<br>12/31/2016 | Due Within<br>One Year |
|-----------------------------------|-----------------------|----------------------|----------------------|-----------------------|------------------------|
| Governmental activities:          |                       |                      |                      |                       |                        |
| Serial bonds                      | \$ 35,050,000         | \$ -                 | \$ 1,780,000         | \$ 33,270,000         | \$ 2,115,000           |
| WTASC bonds and accreted interest | 6,870,046             | 209,345              | 555,000              | 6,524,391             | 245,000                |
| Compensated absences              | 6,164,718             | 1,617                | 436,593              | 5,729,742             | 2,832,579              |
| Capital leases                    | 2,324,655             | -                    | 558,588              | 1,766,067             | 434,657                |
| OPEB obligation                   | 69,358,037            | 6,345,795            | 7,450,532            | 68,253,300            | -                      |
| Judgments and claims              | 88,252                | -                    | 88,252               | -                     | -                      |
| Workers' compensation             | 1,443,768             | 1,107,830            | 807,598              | 1,744,000             | -                      |
| Net pension liability*            | 5,977,113             | 22,458,715           | -                    | 28,435,828            | -                      |
| Total governmental activities     | <u>\$ 127,276,589</u> | <u>\$ 30,123,302</u> | <u>\$ 11,676,563</u> | <u>\$ 145,723,328</u> | <u>\$ 5,627,236</u>    |

\*(Additions to the net pension liability are shown net of reductions.)

**Serial Bonds**—The County issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County.

Principal is paid annually, interest is paid semi-annually and are recorded in the Debt Service Fund and WTASC Debt Service Fund. A summary of additions and reductions for the year ended December 31, 2016 is shown below:

| Description                            | Original<br>Issue | Issue/<br>Maturity | Interest<br>Rate | Balance<br>1/1/2016  | Increases   | Decreases           | Balance<br>12/31/2016 | Within<br>One Year  |
|--|-------------------|--------------------|------------------|----------------------|-------------|---------------------|-----------------------|---------------------|
| Governmental activities - County:      |                   |                    |                  |                      |             |                     |                       |                     |
| Public improvement bonds               | \$ 21,480,000     | 2009/2034          | 2.61%            | \$ 18,190,000        | \$ -        | \$ 615,000          | \$ 17,575,000         | \$ 640,000          |
| Public improvement refunding bonds     | 11,340,000        | 2012/2023          | 2.0-5.0%         | 8,860,000            | -           | 1,165,000           | 7,695,000             | 1,140,000           |
| Court expansion bonds                  | 8,000,000         | 2015/2035          | 2.0-3.3%         | 8,000,000            | -           | -                   | 8,000,000             | 335,000             |
| Total governmental activities - County |                   |                    |                  | <u>\$ 35,050,000</u> | <u>\$ -</u> | <u>\$ 1,780,000</u> | <u>\$ 33,270,000</u>  | <u>\$ 2,115,000</u> |

**Warren Tobacco Asset Securitization Corporation ("WTASC")**—Changes in WTASC's long-term debt for the year ended December 31, 2016 are as follows:

| Description               | Beginning<br>Balance<br>1/1/2016 | Additions   | Deletions         | Ending<br>Balance<br>12/31/2016 |
|---------------------------|----------------------------------|-------------|-------------------|---------------------------------|
| Tobacco Settlement Bonds: |                                  |             |                   |                                 |
| Series 2001               | <u>\$ 3,685,000</u>              | <u>\$ -</u> | <u>\$ 555,000</u> | <u>\$ 3,130,000</u>             |

**Subordinate Turbo CABs**—Interest on the subordinate turbo CABs is compounded semiannually on June 1 and December 1, but is not payable until bond maturity. Interest accretes until both principal and accreted interest are paid. Future interest accretion has been recorded as bond discount and amortized as the current interest accretes. The accrued interest on the subordinate turbo CABs is reflected within the subordinate turbo CABs liability.

|                           | Interest<br>Rate | Original<br>Principal | Beginning<br>Balance<br>1/1/2016 | Annual Net<br>Interest<br>Accretion | Reductions  | Ending<br>Balance<br>12/31/2016 |
|---------------------------|------------------|-----------------------|----------------------------------|-------------------------------------|-------------|---------------------------------|
| Subordinate<br>Turbo CABs | 6.00% -<br>7.15% | \$ 1,852,507          | <u>\$ 3,185,046</u>              | <u>\$ 209,345</u>                   | <u>\$ -</u> | <u>\$ 3,394,391</u>             |

Redemption of the subordinate turbo CABs as outlined in the original official statement totals \$199,375,348 with interest ranging from 6.00% to 7.15% and is scheduled to be paid from 2016 through 2060, while early payment is allowed. During the year ended December 31, 2016, WTASC did not make any redemption payments. Any debt service amounts not paid in accordance with the Subordinated Turbo CAB's redemption payments schedule will be due and payable on the maturity dates shown within the table below:

|                |              |
|----------------|--------------|
| Series 2005 S1 | June 1, 2038 |
| Series 2005 S2 | June 1, 2050 |
| Series 2005 S3 | June 1, 2055 |
| Series 2005 4A | June 1, 2060 |

**Compensated Absences**—As explained in Note 1, the County records the value of compensated absences (primarily accrued vacation and sick time benefits) in long-term liabilities of the governmental activities. The annual budget of the operating funds provides funding for the current portion of these benefits. The value recorded at December 31, 2016 for governmental activities is \$5,729,742 for accrued sick and vacation time. Management estimates that \$2,532,277 and \$13,769 of vacation time is due within one year and is included within governmental funds' accrued liabilities and internal service funds' noncurrent liabilities due within one year, respectively. Additionally, management estimates \$286,533 of long-term sick time benefits to be due within one year.

**Capital Lease**—The County entered into long-term capital leases for various capital improvements. The outstanding balance at December 31, 2016 was \$1,766,067. Refer to Note 9 for additional information related to the County's leases.

**OPEB Obligation**—As explained in Note 7, the County provides medical, dental, and life insurance benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. The County's annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with GASB. The County's long-term OPEB obligation is estimated to be \$68,253,300 at December 31, 2016.

**Judgments and Claims**—The County is a defendant in various cases which are at differing stages of the litigation process. During the year ended December 31, 2016, the County settled all known existing liabilities and reports \$0 for its outstanding potential liabilities at year-end.

**Workers' Compensation**—As explained in Note 8, the County reports a workers' compensation liability from administering their self-insurance plan within its governmental activities. The total workers' compensation liability outstanding at December 31, 2016 is \$1,744,000.

**Net Pension Liability**—The County reports a liability for its proportionate share of the net pension liability for the Employee Retirement System. The County's net pension liability is estimated to be \$28,435,828. Refer to Note 6 for additional information related to the County's net pension liability.

The following is a maturity schedule of the County's indebtedness:

| Year ending<br>December 31, | Serial<br>Bonds      | WTASC<br>Bonds      | Compensated<br>Absences | Capital<br>Lease    | OPEB<br>Obligation   | Workers'<br>Compensation | Net<br>Pension<br>Liability | Total                 |
|-----------------------------|----------------------|---------------------|-------------------------|---------------------|----------------------|--------------------------|-----------------------------|-----------------------|
| 2017                        | \$ 2,115,000         | \$ 245,000          | \$ 2,832,579            | \$ 434,657          | \$ -                 | \$ -                     | \$ -                        | \$ 5,627,236          |
| 2018                        | 2,135,000            | 305,000             | -                       | 232,419             | -                    | -                        | -                           | 2,672,419             |
| 2019                        | 2,145,000            | 325,000             | -                       | 251,200             | -                    | -                        | -                           | 2,721,200             |
| 2020                        | 2,165,000            | 340,000             | -                       | 270,259             | -                    | -                        | -                           | 2,775,259             |
| 2021                        | 2,205,000            | 360,000             | -                       | 290,016             | -                    | -                        | -                           | 2,855,016             |
| 2022-2026                   | 8,565,000            | 1,555,000           | -                       | 287,516             | -                    | -                        | -                           | 10,407,516            |
| 2027-2031                   | 7,865,000            | -                   | -                       | -                   | -                    | -                        | -                           | 7,865,000             |
| 2032-thereafter             | 6,075,000            | 3,394,391           | 2,897,163               | -                   | 68,253,300           | 1,744,000                | 28,435,828                  | 110,799,682           |
| Total                       | <u>\$ 33,270,000</u> | <u>\$ 6,524,391</u> | <u>\$ 5,729,742</u>     | <u>\$ 1,766,067</u> | <u>\$ 68,253,300</u> | <u>\$ 1,744,000</u>      | <u>\$ 28,435,828</u>        | <u>\$ 145,723,328</u> |

Interest requirements on governmental activities serial bonds are as follows:

| Year ending<br>December 31, | County<br>Interest   | WTASC<br>Interest | Total                |
|-----------------------------|----------------------|-------------------|----------------------|
| 2017                        | \$ 1,387,708         | \$ 171,821        | \$ 1,559,529         |
| 2018                        | 1,322,854            | 156,352           | 1,479,206            |
| 2019                        | 1,262,842            | 138,633           | 1,401,475            |
| 2020                        | 1,200,984            | 119,802           | 1,320,786            |
| 2021                        | 1,123,574            | 275,278           | 1,398,852            |
| 2022-2026                   | 4,230,802            | -                 | 4,230,802            |
| 2027-2031                   | 2,607,030            | -                 | 2,607,030            |
| 2032-2035                   | 617,987              | -                 | 617,987              |
| Total                       | <u>\$ 13,753,781</u> | <u>\$ 861,886</u> | <u>\$ 14,615,667</u> |

## 12. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. A reconciliation of the County's governmental activities net investment in capital assets is presented below:

|   |                 |                      |
|---|-----------------|----------------------|
| Capital assets, net of accumulated depreciation |                 | \$ 119,874,956       |
| Related debt:                                   |                 |                      |
| Serial bonds—County                             | \$ (33,270,000) |                      |
| Bonds payable—WTASC                             | (4,982,507)     |                      |
| Bond anticipation notes                         | (412,711)       |                      |
| Capital leases                                  | (1,545,048)     |                      |
| Unspent proceeds of debt                        | 9,698,674       | (30,511,592)         |
| Net investment in capital assets                |                 | <u>\$ 89,363,364</u> |

- **Restricted Net Position**—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The total restricted component of net position of \$10,916,324 is restricted for Westmount legacy costs, occupancy tax, debt service, and other purposes

(forfeitures crime, probation, environmental testing, and STOP DWI) in the amounts of \$5,721,788, \$3,014,323, \$1,152,640 and \$1,027,573, respectively.

- **Unrestricted Net Position**—This category represents net position of the County not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the County at December 31, 2015 includes prepaid items.

- **Prepaid Items**—Represents amounts prepaid to the retirement system that are applicable to future accounting periods. The General Fund, County Road Fund, Capital Projects, Special Grant, and Road Machinery Fund reported amounts of \$1,753,780, \$101,372, \$19,526, \$10,937, and \$31,154, respectively, at December 31, 2016.
- **Inventory**—Represents inventory held by the County that are not in spendable form. The General Fund, County Road Fund, and Road Machinery Fund reported amounts of \$115,971, \$49,748, and \$127,967, respectively, at December 31, 2016.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. As of December 31, 2016, the County reported the following restricted fund balances:

|                       | Westmount           |                    | Occupancy<br>Tax   | Debt<br>Service    | Other                |                 |                          | Total<br>Restricted |                     |
|-----------------------|---------------------|--------------------|--------------------|--------------------|----------------------|-----------------|--------------------------|---------------------|---------------------|
|                       | Legacy Costs        | Capital            |                    |                    | Forfeitures<br>Crime | Probation       | Environmental<br>Testing |                     | STOP<br>DWI         |
| General Fund          | \$ 5,721,788        | \$ 526,894         | \$3,014,323        | \$ -               | \$ 709,844           | \$ 3,302        | \$ 230,219               | \$ 84,208           | \$ 10,290,578       |
| Capital Projects Fund | -                   | 7,845,565          | -                  | -                  | -                    | -               | -                        | -                   | 7,845,565           |
| Nonmajor funds:       |                     |                    |                    |                    |                      |                 |                          |                     |                     |
| Debt Service Fund     | -                   | -                  | -                  | 647,612            | -                    | -               | -                        | -                   | 647,612             |
| WTASC Fund            | -                   | -                  | -                  | 505,028            | -                    | -               | -                        | -                   | 505,028             |
| <b>Total</b>          | <u>\$ 5,721,788</u> | <u>\$8,372,459</u> | <u>\$3,014,323</u> | <u>\$1,152,640</u> | <u>\$ 709,844</u>    | <u>\$ 3,302</u> | <u>\$ 230,219</u>        | <u>\$ 84,208</u>    | <u>\$19,288,783</u> |

- **Restricted for Westmount Legacy Costs**—Represents amounts which will be used to pay future costs associated with the County’s former nursing home facility.
- **Restricted for Capital**—Represents amounts which will be used to pay for the costs of capital expenditures.
- **Restricted for Occupancy Tax**—Represents amounts which will be used to fund future costs related to tourism.
- **Restricted for Debt Service**—Represents amounts that are restricted for the reduction of future debt service requirements.
- **Restricted for Other**—Represents amounts restricted for future costs related to forfeitures crime, probation, environmental testing, and STOP DWI programs.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the County’s highest level of decision-making authority. As of December 31, 2016, the County had no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the County Board of Supervisors, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

As of December 31, 2016, the County reported the following fund balance assignments:

|                     | Encumbrances      | Subsequent          |                     | Total Assigned      |
|---------------------|-------------------|---------------------|---------------------|---------------------|
|                     |                   | Year's Expenditures | Specific Use        |                     |
| General Fund        | \$ 416,295        | \$ 978,412          | \$ -                | \$ 1,394,707        |
| County Road Fund    | -                 | 970,000             | 1,773,863           | 2,743,863           |
| Nonmajor funds:     |                   |                     |                     |                     |
| Road Machinery Fund | 360,246           | 511,755             | 783,020             | 1,655,021           |
| Sewer Fund          | -                 | -                   | 24,537              | 24,537              |
| Total               | <u>\$ 776,541</u> | <u>\$ 2,460,167</u> | <u>\$ 2,581,420</u> | <u>\$ 5,818,128</u> |

- **Assigned to Encumbrances**—Represents commitments related to unperformed contracts or purchase orders for goods or services.
- **Assigned to Subsequent Year's Expenditures**—Represents available fund balance being appropriated to meet expenditure requirements in the 2017 fiscal year.
- **Assigned to Specific Use**—Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignments' purpose relates to each fund's operations and represents the remaining amounts within funds that are not restricted or committed.

It is the County's policy to expend fund balances in the following order: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year.

### 13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. All interfund balances are expected to be collected/paid within the subsequent year. The composition of interfund balances as of December 31, 2016 is as follows:

| Fund                     | Interfund           |                     |
|--------------------------|---------------------|---------------------|
|                          | Receivable          | Payable             |
| General                  | \$ 3,030,845        | \$ 445,239          |
| County Road              | 31,438              | 602,197             |
| Capital Projects         | 978,583             | 2,619,777           |
| Nonmajor funds:          |                     |                     |
| Special Grant            | -                   | 64,952              |
| Road Machinery           | 2,729               | 5,446               |
| Debt Service             | 18,597              | -                   |
| Total governmental funds | 4,062,192           | 3,737,611           |
| Workers' Compensation    | -                   | 1,445               |
| Unemployment             | 25,392              | -                   |
| Total proprietary funds  | 25,392              | 1,445               |
| Agency                   | 61,904              | 410,432             |
| Total                    | <u>\$ 4,149,488</u> | <u>\$ 4,149,488</u> |

The County made the following transfers during the year ended December 31, 2016:

| Fund                     | Transfers<br>In     | Transfers<br>Out    |
|--------------------------|---------------------|---------------------|
| General                  | \$ 805,488          | \$ 3,376,239        |
| County Road              | 127,054             | 763,210             |
| Capital Projects         | 871,439             | 163,358             |
| Nonmajor funds:          |                     |                     |
| Road Machinery           | -                   | 179,386             |
| Debt Service             | 3,453,118           | -                   |
| WTASC                    | -                   | 774,906             |
| Total governmental funds | <u>\$ 5,257,099</u> | <u>\$ 5,257,099</u> |

Transfers are used primarily to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget required to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the fund making payments when due, and (3) move residual cash from closed projects.

#### 14. AGENCY FUNDS

The Agency Fund exists for employee withholding and temporary deposit funds. A summary of changes in the assets and liabilities for the year ended December 31, 2016 is presented below:

|                               | Balance<br>1/1/2016 | Additions             | Deletions             | Balance<br>12/31/2016 |
|-------------------------------|---------------------|-----------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                 |                     |                       |                       |                       |
| Cash and cash equivalents     | \$ 7,452,344        | \$ 84,923,963         | \$ 84,781,951         | \$ 7,594,356          |
| Intergovernmental receivables | 808,508             | 743,863               | 893,231               | 659,140               |
| Due from other funds          | 59,619              | 57,387,870            | 57,385,585            | 61,904                |
| Other assets                  | 18,160              | 107,396               | 112,997               | 12,559                |
| Total assets                  | <u>\$ 8,338,631</u> | <u>\$ 143,163,092</u> | <u>\$ 143,173,764</u> | <u>\$ 8,327,959</u>   |
| <b>LIABILITIES</b>            |                     |                       |                       |                       |
| Agency liabilities            | \$ 7,718,779        | \$ 108,332,474        | \$ 108,133,726        | \$ 7,917,527          |
| Intergovernmental payables    | 101,131             | -                     | 101,131               | -                     |
| Due to other funds            | 518,721             | 593,734               | 702,023               | 410,432               |
| Total liabilities             | <u>\$ 8,338,631</u> | <u>\$ 108,926,208</u> | <u>\$ 108,936,880</u> | <u>\$ 8,327,959</u>   |

#### 15. JOINTLY GOVERNED ORGANIZATIONS

**SUNY Adirondack**—The operation of SUNY Adirondack is undertaken jointly with Washington County, under the provisions of Article 126 of 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, 2016 was \$1,891,793.

**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, 2016 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 Laws 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, 2016 was \$0.

**Counties of Warren and Washington Industrial Development Agency**—The Agency was created in 1971 by the Warren and Washington 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 County’s financial statements. The County’s share of the operating costs for the year ended December 31, 2016 was \$0.

## 16. LABOR RELATIONS

The County’s employees operate under five collective bargaining units, with the balance governed by County rules and regulations. The contracts of the following were all settled as of December 31, 2016: the CSEA Unit 857, the Warren County Police Benevolent Association, The Warren County Sheriff’s Employees Alliance, and the Warren County Correctional Supervisors Association. The County’s contract with the Warren County PSBA expired December 31, 2015; however, a memorandum of understanding is in place through December 31, 2017.

## 17. TAX ABATEMENTS

The County is subject to tax abatements granted by the Town of Queensbury (the “Town”) and the Counties of Warren and Washington Industrial Development Agency (the “IDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the Town and IDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the County, the abatements have resulted in reductions of property taxes, which the County administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the Town and IDA, the County collected \$101,744 during 2016 in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$186,454 in property taxes.

## 18. CONTINGENCIES

**Grants**—In the normal course of operations, the County receives significant financial assistance from various federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit. Any disallowed expenditure resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

**Sales Tax**—The State of New York periodically audits its distribution of sales tax revenues to counties throughout the state. Thus, revenues recorded at the fiscal year end are subject to revision should such an audit take place.

**Litigation**—The County is involved in litigation in the ordinary course of its operations. The County believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the County’s financial condition or results of operations.

## 19. COMMITMENTS

*Encumbrances*—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations. The County considers encumbrances to be significant for amounts that are encumbered in excess of \$200,000. As of December 31, 2016, the County reported the following significant encumbrances:

| Purpose                       | Capital<br>Projects<br>Fund |
|-------------------------------|-----------------------------|
| Middleton bridge              | \$ 217,574                  |
| Court expansion               | 9,862,968                   |
| Runway 30 obstruction removal | 569,128                     |
| Total                         | <u>\$ 10,649,670</u>        |

## 20. SUBSEQUENT EVENTS

On June 1, 2017, the County issued \$14,263,765 in public improvement serial bonds with a 3.0 percent interest rate. The serial bonds were issued for capital purposes under authorization per County resolutions dated December 18, 2015 and May 15, 2015. The Series A bonds mature on February 1, 2037.

Management has evaluated subsequent events through September 9, 2017, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

\* \* \* \* \*

## REQUIRED SUPPLEMENTARY INFORMATION



**COUNTY OF WARREN, NEW YORK**  
**Schedule of Funding Progress—Other Post-Employment Benefits Plan**  
**Year Ended December 31, 2016**

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| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>("AAL")</b> | <b>Unfunded<br/>AAL<br/>("UAAL")</b> | <b>Funded<br/>Ratio</b> | <b>Covered<br/>Payroll</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll</b> |
|---|--|--|--------------------------------------|-------------------------|----------------------------|--|
| As of January 1, 2016                   | \$ -                                     | \$ 108,303,993   | \$ 108,303,993                       | -                       | \$ 31,484,871              | 344.0%   |
| As of January 1, 2015                   | -  | 118,731,097  | 118,731,097                          | -                       | 38,915,617                 | 305.1%   |
| As of January 1, 2014                   | -  | 112,601,635  | 112,601,635                          | -                       | 37,544,083                 | 299.9%   |

**COUNTY OF WARREN, NEW YORK**  
**Schedule of the Local Government's Proportionate Share of the**  
**Net Pension Liability—Employees' Retirement System**  
**Last Three Fiscal Years\***

|  | <b>Year Ended December 31,</b> |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | <b>2016</b>                    | <b>2015</b>         | <b>2014</b>         |
| Measurement date   | March 31, 2016                 | March 31, 2015      | March 31, 2014      |
| Plan fiduciary net position as a percentage<br>of the total pension liability                                | 90.7%                          | 97.9%               | 97.2%               |
| County's proportion of the net pension liability   | 0.1771672%                     | 0.1769295%          | 0.1769295%          |
| County's proportionate share of the net pension liability  | <u>\$ 28,435,828</u>           | <u>\$ 5,977,113</u> | <u>\$ 7,995,198</u> |
| County's covered-employee payroll  | \$ 34,958,438                  | \$ 36,422,592       | \$ 36,783,105       |
| County's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 81.3%                          | 16.4%               | 21.7%               |

\*Information prior to the year ended December 31, 2014 is not available.

**COUNTY OF WARREN, NEW YORK**  
**Schedule of the Local Government's Contributions—**  
**Employees' Retirement System**  
**Last Three Fiscal Years\***

|   | <b>Year Ended December 31,</b> |                    |                    |
|---|--------------------------------|--------------------|--------------------|
|   | <b>2016</b>                    | <b>2015</b>        | <b>2014</b>        |
| Contractually required contributions                                    | \$ 5,896,377                   | \$ 6,420,262       | \$ 6,973,699       |
| Contributions in relation to the<br>contractually required contribution | <u>(5,896,377)</u>             | <u>(6,420,262)</u> | <u>(6,973,699)</u> |
| Contribution deficiency (excess)  | <u>\$ -</u>                    | <u>\$ -</u>        | <u>\$ -</u>        |
| County's covered-employee payroll                                       | \$ 33,829,391                  | \$ 37,965,481      | \$ 35,733,201      |
| Contributions as a percentage of<br>covered-employee payroll            | 17.4%                          | 16.9%              | 19.5%              |

\*Information prior to the year ended December 31, 2014 is not available.

**COUNTY OF WARREN, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances—Budget and Actual—General Fund**  
**Year Ended December 31, 2016**

|   | <u>Budgeted Amounts</u> |                      | <u>Actual</u>        | <u>Variance with</u> |
|---|-------------------------|----------------------|----------------------|----------------------|
|   | <u>Original</u>         | <u>Final</u>         |                      | <u>Final Budget</u>  |
| <b>REVENUES</b>                                   |                         |                      |                      |                      |
| Real property taxes                               | \$ 30,495,060           | \$ 30,495,060        | \$ 30,710,534        | \$ 215,474           |
| Real property tax items                           | 2,144,900               | 2,144,900            | 2,567,272            | 422,372              |
| Non-property tax items                            | 56,093,787              | 56,093,787           | 57,011,503           | 917,716              |
| Departmental income                               | 10,950,273              | 10,954,773           | 11,463,497           | 508,724              |
| Intergovernmental charges                         | 998,142                 | 1,046,841            | 1,025,632            | (21,209)             |
| Use of money and property                         | 819,863                 | 819,863              | 817,636              | (2,227)              |
| Licenses and permits                              | 583,500                 | 583,500              | 624,852              | 41,352               |
| Fines and forfeitures                             | 328,820                 | 284,621              | 362,638              | 78,017               |
| Sale of property and compensation for loss        | 10,300                  | 57,697               | 87,486               | 29,789               |
| Miscellaneous                                     | 539,975                 | 1,003,959            | 1,006,983            | 3,024                |
| State aid   | 15,602,809              | 15,775,571           | 16,110,423           | 334,852              |
| Federal aid                                       | 11,240,165              | 11,598,063           | 10,046,598           | (1,551,465)          |
| Total revenues                                    | <u>129,807,594</u>      | <u>130,858,635</u>   | <u>131,835,054</u>   | <u>976,419</u>       |
| <b>EXPENDITURES</b>                               |                         |                      |                      |                      |
| Current:  |                         |                      |                      |                      |
| General government support                        | 39,273,578              | 39,368,896           | 38,636,941           | 731,955              |
| Education   | 2,291,793               | 2,291,793            | 2,233,804            | 57,989               |
| Public safety                                     | 26,265,803              | 27,126,593           | 26,449,421           | 677,172              |
| Health  | 15,493,502              | 15,673,487           | 15,160,268           | 513,219              |
| Transportation                                    | 768,259                 | 768,259              | 704,605              | 63,654               |
| Economic assistance and opportunity               | 40,865,114              | 41,507,483           | 40,055,347           | 1,452,136            |
| Culture and recreation                            | 1,277,054               | 1,382,135            | 1,325,511            | 56,624               |
| Home and community services                       | 1,086,160               | 1,102,299            | 1,099,857            | 2,442                |
| Employee benefits                                 | 60,000                  | 63,663               | 64,924               | (1,261)              |
| Debt service:                                     |                         |                      |                      |                      |
| Principal   | 197,239                 | 563,641              | 558,588              | 5,053                |
| Interest and fiscal charges                       | 64,104                  | 82,402               | 81,670               | 732                  |
| Total expenditures                                | <u>127,642,606</u>      | <u>129,930,651</u>   | <u>126,370,936</u>   | <u>3,559,715</u>     |
| Excess (deficiency) of revenues over expenditures | <u>2,164,988</u>        | <u>927,984</u>       | <u>5,464,118</u>     | <u>4,536,134</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                         |                      |                      |                      |
| Transfers in                                      | 380,000                 | 395,000              | 805,488              | 410,488              |
| Transfers out                                     | (3,374,157)             | (3,895,157)          | (3,376,239)          | 518,918              |
| Total other financing sources (uses)              | <u>(2,994,157)</u>      | <u>(3,500,157)</u>   | <u>(2,570,751)</u>   | <u>929,406</u>       |
| Net change in fund balances *                     | (829,169)               | (2,572,173)          | 2,893,367            | 5,465,540            |
| Fund balances—beginning                           | <u>28,756,349</u>       | <u>28,756,349</u>    | <u>28,756,349</u>    | <u>-</u>             |
| Fund balances—ending                              | <u>\$ 27,927,180</u>    | <u>\$ 26,184,176</u> | <u>\$ 31,649,716</u> | <u>\$ 5,465,540</u>  |

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance, planned use of reserves and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

**COUNTY OF WARREN, NEW YORK**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances—Budget and Actual—County Road Fund**  
**Year Ended December 31, 2016**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                     |                                       |
| <b>REVENUES</b>                                      |                         |                     |                     |                                       |
| Real property taxes                                  | \$ 8,862,121            | \$ 8,862,121        | \$ 8,862,121        | \$ -                                  |
| Intergovernmental charges                            | 111,097                 | 111,097             | 35,342              | (75,755)                              |
| Use of money and property                            | 8,600                   | 8,600               | 5,098               | (3,502)                               |
| Sale of property and compensation for loss           | -                       | -                   | 19,451              | 19,451                                |
| Interfund revenues                                   | 120,000                 | 120,000             | 121,966             | 1,966                                 |
| State aid  | 1,649,779               | 2,026,128           | 2,025,122           | (1,006)                               |
| Federal aid  | 2,224                   | 2,224               | 2,169               | (55)                                  |
| Total revenues                                       | <u>10,753,821</u>       | <u>11,130,170</u>   | <u>11,071,269</u>   | <u>(58,901)</u>                       |
| <b>EXPENDITURES</b>                                  |                         |                     |                     |                                       |
| Current:   |                         |                     |                     |                                       |
| Public safety  | 667,892                 | 671,257             | 636,971             | 34,286                                |
| Transportation                                       | 9,894,555               | 10,532,406          | 9,427,874           | 1,104,532                             |
| Debt service:  |                         |                     |                     |                                       |
| Interest and fiscal charges                          | 11,464                  | 11,464              | 8,056               | 3,408                                 |
| Total expenditures                                   | <u>10,573,911</u>       | <u>11,215,127</u>   | <u>10,072,901</u>   | <u>1,142,226</u>                      |
| Excess (deficiency) of revenues<br>over expenditures | <u>179,910</u>          | <u>(84,957)</u>     | <u>998,368</u>      | <u>1,083,325</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                         |                     |                     |                                       |
| Transfers in   | -                       | 120,954             | 127,054             | 6,100                                 |
| Transfers out  | (760,996)               | (881,950)           | (763,210)           | 118,740                               |
| Total other financing sources (uses)                 | <u>(760,996)</u>        | <u>(760,996)</u>    | <u>(636,156)</u>    | <u>124,840</u>                        |
| Net change in fund balances*                         | (581,086)               | (845,953)           | 362,212             | 1,208,165                             |
| Fund balances—beginning                              | <u>2,532,771</u>        | <u>2,532,771</u>    | <u>2,532,771</u>    | <u>-</u>                              |
| Fund balances—ending                                 | <u>\$ 1,951,685</u>     | <u>\$ 1,686,818</u> | <u>\$ 2,894,983</u> | <u>\$ 1,208,165</u>                   |

\* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The note to the required supplementary information is an integral part of this schedule.

**COUNTY OF WARREN, NEW YORK**  
**Note to the Required Supplementary Information**  
**Year Ended December 31, 2016**

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**1. BUDGETARY INFORMATION**

***Budgetary Basis of Accounting***—Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Capital Projects Fund, Special Grant Fund, WTASC Fund, and Workers' Compensation Fund. These funds are appropriated on a project-length basis; appropriations are approved through a County resolution at the project's inception and lapse upon completion/termination of the project.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations require the approval of the County Board of Supervisors, with certain exceptions that can be approved by the County Administrator. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the year except if they have related encumbrances that will be carried over to the subsequent year.

Actual results of operations presented in accordance with GAAP and the County's accounting policies do not recognize encumbrances and restricted fund balance as expenditures until the period in which the actual goods or services are received and a liability is incurred. Encumbrances are only reported on the balance sheet of the governmental funds included within restricted, committed or assigned fund balance. Significant encumbrances are disclosed in the notes to the financial statements.

***Excess of Expenditures over Appropriations***—For the year ended December 31, 2016, an unfavorable variance of \$1,261 existed within General Fund employee benefits. This variance related to disability payments made in excess of the anticipated annual costs, but not adjusted for in the current year budget.

## SUPPLEMENTARY INFORMATION



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**COUNTY OF WARREN, NEW YORK**  
**Combining Balance Sheet—Nonmajor Governmental Funds**  
**December 31, 2016**

|  | <u>Special Revenue</u>   |                           |                  | <u>Debt<br/>Service</u> | <u>WTASC</u>      | <u>Total<br/>Nonmajor<br/>Funds</u> |
|--|--------------------------|---------------------------|------------------|-------------------------|-------------------|-------------------------------------|
|  | <u>Special<br/>Grant</u> | <u>Road<br/>Machinery</u> | <u>Sewer</u>     |                         |                   |                                     |
| <b>ASSETS</b>                                    |                          |                           |                  |                         |                   |                                     |
| Cash and cash equivalents                        | \$ 27,800                | \$ 1,708,813              | \$ 23,951        | \$ -                    | \$ -              | \$ 1,760,564                        |
| Restricted cash and cash equivalents             | 5,391                    | -                         | -                | 629,015                 | 70,168            | 704,574                             |
| Restricted investments                           | -                        | -                         | -                | -                       | 434,860           | 434,860                             |
| Receivables (net of allowances):                 |                          |                           |                  |                         |                   |                                     |
| Other  | 7,340                    | 84,459                    | 586              | -                       | -                 | 92,385                              |
| Intergovernmental receivables                    | 60,969                   | 129,370                   | -                | -                       | -                 | 190,339                             |
| Due from other funds                             | -                        | 2,729                     | -                | 18,597                  | -                 | 21,326                              |
| Inventory  | -                        | 127,967                   | -                | -                       | -                 | 127,967                             |
| Prepaid items                                    | 10,937                   | 31,154                    | -                | -                       | -                 | 42,091                              |
| Total assets                                     | <u>\$ 112,437</u>        | <u>\$ 2,084,492</u>       | <u>\$ 24,537</u> | <u>\$ 647,612</u>       | <u>\$ 505,028</u> | <u>\$ 3,374,106</u>                 |
| <b>LIABILITIES</b>                               |                          |                           |                  |                         |                   |                                     |
| Accounts payable                                 | \$ 2,509                 | \$ 214,300                | \$ -             | \$ -                    | \$ -              | \$ 216,809                          |
| Accrued liabilities                              | 26,637                   | 49,872                    | -                | -                       | -                 | 76,509                              |
| Intergovernmental payables                       | 12,948                   | 732                       | -                | -                       | -                 | 13,680                              |
| Due to other funds                               | 64,952                   | 5,446                     | -                | -                       | -                 | 70,398                              |
| Unearned revenue                                 | 5,391                    | -                         | -                | -                       | -                 | 5,391                               |
| Total liabilities                                | <u>112,437</u>           | <u>270,350</u>            | <u>-</u>         | <u>-</u>                | <u>-</u>          | <u>382,787</u>                      |
| <b>FUND BALANCES (DEFICIT)</b>                   |                          |                           |                  |                         |                   |                                     |
| Nonspendable                                     | 10,937                   | 159,121                   | -                | -                       | -                 | 170,058                             |
| Restricted                                       | -                        | -                         | -                | 647,612                 | 505,028           | 1,152,640                           |
| Assigned   | -                        | 1,655,021                 | 24,537           | -                       | -                 | 1,679,558                           |
| Unassigned                                       | (10,937)                 | -                         | -                | -                       | -                 | (10,937)                            |
| Total fund balances (deficit)                    | <u>-</u>                 | <u>1,814,142</u>          | <u>24,537</u>    | <u>647,612</u>          | <u>505,028</u>    | <u>2,991,319</u>                    |
| Total liabilities and<br>fund balances (deficit) | <u>\$ 112,437</u>        | <u>\$ 2,084,492</u>       | <u>\$ 24,537</u> | <u>\$ 647,612</u>       | <u>\$ 505,028</u> | <u>\$ 3,374,106</u>                 |

**COUNTY OF WARREN, NEW YORK**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

|  | <u>Special Revenue</u>   |                           |                  |                         |                   | <b>Total<br/>Nonmajor<br/>Funds</b> |
|--|--------------------------|---------------------------|------------------|-------------------------|-------------------|-------------------------------------|
|  | <u>Special<br/>Grant</u> | <u>Road<br/>Machinery</u> | <u>Sewer</u>     | <u>Debt<br/>Service</u> | <u>WTASC</u>      |                                     |
| <b>REVENUES</b>                                      |                          |                           |                  |                         |                   |                                     |
| Real property taxes                                  | \$ -                     | \$ 1,374,270              | \$ 4,264         | \$ -                    | \$ -              | \$ 1,378,534                        |
| Departmental income                                  | -                        | -                         | 7,356            | -                       | -                 | 7,356                               |
| Use of money and property                            | -                        | 2,275                     | 28               | 8,008                   | 26,151            | 36,462                              |
| Sale of property and compensation<br>for loss        | -                        | 174,938                   | -                | -                       | -                 | 174,938                             |
| Miscellaneous  | -                        | 84,083                    | -                | -                       | -                 | 84,083                              |
| Interfund revenues                                   | -                        | 1,365,100                 | -                | -                       | -                 | 1,365,100                           |
| Federal aid  | 920,083                  | 10,817                    | -                | -                       | -                 | 930,900                             |
| Tobacco settlement revenue                           | -                        | -                         | -                | -                       | 1,549,811         | 1,549,811                           |
| Total revenues                                       | <u>920,083</u>           | <u>3,011,483</u>          | <u>11,648</u>    | <u>8,008</u>            | <u>1,575,962</u>  | <u>5,527,184</u>                    |
| <b>EXPENDITURES</b>                                  |                          |                           |                  |                         |                   |                                     |
| Current:   |                          |                           |                  |                         |                   |                                     |
| General government support                           | -                        | -                         | -                | -                       | 25,374            | 25,374                              |
| Transportation                                       | -                        | 2,581,414                 | -                | -                       | -                 | 2,581,414                           |
| Economic Assistance                                  | 914,295                  | -                         | -                | -                       | -                 | 914,295                             |
| Home and community services                          | 5,788                    | -                         | 12,404           | -                       | -                 | 18,192                              |
| Debt service:  |                          |                           |                  |                         |                   |                                     |
| Principal  | -                        | -                         | -                | 1,780,000               | 555,000           | 2,335,000                           |
| Interest and fiscal charges                          | -                        | -                         | -                | 1,443,559               | 194,434           | 1,637,993                           |
| Total expenditures                                   | <u>920,083</u>           | <u>2,581,414</u>          | <u>12,404</u>    | <u>3,223,559</u>        | <u>774,808</u>    | <u>7,512,268</u>                    |
| Excess (deficiency) of revenues<br>over expenditures | <u>-</u>                 | <u>430,069</u>            | <u>(756)</u>     | <u>(3,215,551)</u>      | <u>801,154</u>    | <u>(1,985,084)</u>                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                          |                           |                  |                         |                   |                                     |
| Transfers in   | -                        | -                         | -                | 3,453,118               | -                 | 3,453,118                           |
| Transfer out   | -                        | (179,386)                 | -                | -                       | (774,906)         | (954,292)                           |
| Total other financing sources (uses)                 | <u>-</u>                 | <u>(179,386)</u>          | <u>-</u>         | <u>3,453,118</u>        | <u>(774,906)</u>  | <u>2,498,826</u>                    |
| Net change in fund balances                          | -                        | 250,683                   | (756)            | 237,567                 | 26,248            | 513,742                             |
| Fund balances—beginning                              | <u>-</u>                 | <u>1,563,459</u>          | <u>25,293</u>    | <u>410,045</u>          | <u>478,780</u>    | <u>2,477,577</u>                    |
| Fund balances—ending                                 | <u>\$ -</u>              | <u>\$ 1,814,142</u>       | <u>\$ 24,537</u> | <u>\$ 647,612</u>       | <u>\$ 505,028</u> | <u>\$ 2,991,319</u>                 |

**COUNTY OF WARREN, NEW YORK**  
**Combining Statement of Net Position—Internal Service Funds**  
**December 31, 2016**

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|                                 | <u>Workers'</u><br><u>Compensation</u> | <u>Unemployment</u> | <u>Total</u><br><u>Internal</u><br><u>Service</u><br><u>Funds</u> |
|---------------------------------|--|---------------------|---|
| <b>ASSETS</b>                   |  |                     |   |
| Current assets:                 |  |                     |   |
| Cash and cash equivalents       | \$ 2,925,241                           | \$ 96,925           | \$ 3,022,166  |
| Due from other funds            | -                                      | 25,392              | 25,392  |
| Prepaid items                   | 4,687                                  | -                   | 4,687   |
| Total current assets            | <u>2,929,928</u>                       | <u>122,317</u>      | <u>3,052,245</u>  |
| Total assets                    | <u>2,929,928</u>                       | <u>122,317</u>      | <u>3,052,245</u>  |
| <b>LIABILITIES</b>              |  |                     |   |
| Current liabilities:            |  |                     |   |
| Accounts payable                | 42,753                                 | -                   | 42,753  |
| Accrued liabilities             | 3,016                                  | -                   | 3,016   |
| Intergovernmental payables      | -                                      | 25,392              | 25,392  |
| Due to other funds              | 1,445                                  | -                   | 1,445   |
| Total current liabilities       | <u>47,214</u>                          | <u>25,392</u>       | <u>72,606</u>   |
| Noncurrent liabilities:         |  |                     |   |
| Due within one year:            |  |                     |   |
| Compensated absences            | 13,769                                 | -                   | 13,769  |
| Due in more than one year:      |  |                     |   |
| Workers' compensation liability | 1,744,000                              | -                   | 1,744,000   |
| Total noncurrent liabilities    | <u>1,757,769</u>                       | <u>-</u>            | <u>1,757,769</u>  |
| Total liabilities               | <u>1,804,983</u>                       | <u>25,392</u>       | <u>1,830,375</u>  |
| <b>NET POSITION</b>             |  |                     |   |
| Unrestricted                    | <u>1,124,945</u>                       | <u>96,925</u>       | <u>1,221,870</u>  |
| Total net position              | <u>\$ 1,124,945</u>                    | <u>\$ 96,925</u>    | <u>\$ 1,221,870</u>   |

**COUNTY OF WARREN, NEW YORK**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position—**  
**Internal Service Funds**  
**Year Ended December 31, 2016**

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|                              | <u>Workers'</u><br><u>Compensation</u> | <u>Unemployment</u> | <u>Total</u><br><u>Internal</u><br><u>Service</u><br><u>Funds</u> |
|------------------------------|--|---------------------|---|
| Operating revenues:          |  |                     |   |
| Charges for services         | \$ 1,396,245                           | \$ 107,500          | \$ 1,503,745  |
| Total operating revenues     | <u>1,396,245</u>                       | <u>107,500</u>      | <u>1,503,745</u>  |
| Operating expenses:          |  |                     |   |
| Contractual services         | 1,804,416                              | -                   | 1,804,416   |
| Employee benefits            | -                                      | 107,500             | 107,500   |
| Total operating expenses     | <u>1,804,416</u>                       | <u>107,500</u>      | <u>1,911,916</u>  |
| Operating loss               | <u>(408,171)</u>                       | <u>-</u>            | <u>(408,171)</u>  |
| Nonoperating revenues:       |  |                     |   |
| Interest income              | 3,488                                  | 89                  | 3,577   |
| Total nonoperating revenues  | <u>3,488</u>                           | <u>89</u>           | <u>3,577</u>  |
| Change in net position       | (404,683)                              | 89                  | (404,594)   |
| Total net position—beginning | <u>1,529,628</u>                       | <u>96,836</u>       | <u>1,626,464</u>  |
| Total net position—ending    | <u>\$ 1,124,945</u>                    | <u>\$ 96,925</u>    | <u>\$ 1,221,870</u>   |

**COUNTY OF WARREN, NEW YORK**  
**Combining Statement of Cash Flows—Internal Service Funds**  
**Year Ended December 31, 2016**

|  | <u>Workers'</u><br><u>Compensation</u> | <u>Unemployment</u> | <u>Total</u><br><u>Internal</u><br><u>Service</u><br><u>Funds</u> |
|--|--|---------------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |                     |   |
| Receipts from services provided  | \$ 1,415,445                           | \$ 103,717          | \$ 1,519,162  |
| Payments to suppliers and service providers  | (1,493,633)                            | -                   | (1,493,633)   |
| Payments to employees for salaries and benefits  | -                                      | (92,250)            | (92,250)  |
| Net cash (used for) provided by operating activities   | <u>(78,188)</u>                        | <u>11,467</u>       | <u>(66,721)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |                     |   |
| Interest earned on bank accounts   | <u>3,488</u>                           | <u>89</u>           | <u>3,577</u>  |
| Net cash provided by investing activities  | <u>3,488</u>                           | <u>89</u>           | <u>3,577</u>  |
| Net (decrease) increase in cash and cash equivalents   | (74,700)                               | 11,556              | (63,144)  |
| Cash and cash equivalents—beginning  | <u>2,999,941</u>                       | <u>85,369</u>       | <u>3,085,310</u>  |
| Cash and cash equivalents—ending   | <u>\$ 2,925,241</u>                    | <u>\$ 96,925</u>    | <u>\$ 3,022,166</u>   |
| <b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b> |  |                     |   |
| Operating loss   | \$ (408,171)                           | \$ -                | \$ (408,171)  |
| Adjustments to reconcile operating loss to net cash provided by (used for) operating activities: |  |                     |   |
| Decrease in receivables  | 19,200                                 | -                   | 19,200  |
| Decrease in prepaid items  | 570                                    | -                   | 570   |
| Increase in accounts payable   | 8,126                                  | -                   | 8,126   |
| Increase in accrued liabilities and intergovernmental payables                                   | 1,855                                  | 15,250              | 17,105  |
| (Decrease) in due to/from other funds  | -                                      | (3,783)             | (3,783)   |
| Increase in workers' compensation liability  | <u>300,232</u>                         | <u>-</u>            | <u>300,232</u>  |
| Total adjustments  | <u>329,983</u>                         | <u>11,467</u>       | <u>341,450</u>  |
| Net cash provided by (used for) operating activities   | <u>\$ (78,188)</u>                     | <u>\$ 11,467</u>    | <u>\$ (66,721)</u>  |

# FEDERAL AWARDS INFORMATION



**COUNTY OF WARREN, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2016**

| <b>Federal Grantor/Pass-Through<br/>Grantor Program Title (1a)</b>                        | <b>Federal<br/>CFDA<br/>Number (1b)</b> | <b>Pass-Through<br/>Identifying<br/>Number</b> | <b>Passed-<br/>Through to<br/>Subrecipients</b> | <b>Total<br/>Federal<br/>Expenditures (1c)</b> |
|---|---|--|---|--|
| <b>U.S. Department of Agriculture:</b>  |   |  |   |  |
| Passed through NYS Department of Health:  |   |  |   |  |
| Special Supplemental Nutrition Program for<br>Women, Infants, and Children                | 10.557                                  | C025807  | \$ -  | \$ 1,152,152                                   |
| Passed through NYS Office of Temporary and<br>Disability Assistance:                      |   |  |   |  |
| <i>SNAP Cluster:</i>  |   |  |   |  |
| State Administrative Matching Grants for<br>the Supplemental Nutrition Assistance Program | 10.561                                  | N/A  | -   | 648,672  |
| <i>Total SNAP Cluster</i>   |   |  | -   | 648,672  |
| <b>Total U.S. Department of Agriculture</b>   |   |  | -   | 1,800,824                                      |
| <b>U.S. Department of Housing and Urban Development:</b>                                  |   |  |   |  |
| Passed through NYS Housing Trust Fund:  |   |  |   |  |
| Community Development Block Grants/State's<br>Program and Non-Entitlement Grants          | 14.228                                  | 1197PF42-12                                    | -   | 5,788  |
| <b>Total U.S. Department of Housing and Urban Development</b>                             |   |  | -   | 5,788  |
| <b>U.S. Department of Justice:</b>  |   |  |   |  |
| Passed through NYS Division of Criminal Justice Services:                                 |   |  |   |  |
| Law Enforcement Assistance_Narcotics and<br>Dangerous Drugs Training                      | 16.004                                  | N/A  | -   | 10,344   |
| State Criminal Alien Assistance Program   | 16.606                                  | N/A  | -   | 2,344  |
| <b>Total U.S. Department of Justice</b>   |   |  | -   | 12,688   |
| <b>U.S. Department of Labor:</b>  |   |  |   |  |
| Direct Programs:  |   |  |   |  |
| <i>WIA Cluster:</i>   |   |  |   |  |
| WIA/WIOA Adult Program  | 17.258                                  | N/A  | -   | 416,276  |
| WIA/WIOA Youth Activities   | 17.259                                  | N/A  | -   | 176,476  |
| WIA/WIOA Dislocated Workers Formula Grants  | 17.278                                  | N/A  | -   | 243,193  |
| <i>Total WIA Cluster</i>  |   |  | -   | 835,945  |
| <b>Total U.S. Department of Labor</b>   |   |  | -   | 835,945  |
| <b>U.S. Department of Transportation:</b>   |   |  |   |  |
| Direct Programs:  |   |  |   |  |
| Airport Improvement Program   | 20.106                                  | N/A  | -   | 495,274  |
| Passed through NYS Department of Transportation:  |   |  |   |  |
| <i>Highway Planning and Construction Cluster:</i>   |   |  |   |  |
| Highway Planning and Construction   | 20.205                                  | See Note 5                                     | -   | 1,387,434                                      |
| <i>Total Highway Planning and Construction Cluster</i>                                    |   |  | -   | 1,387,434                                      |
| <b>Total U.S. Department of Transportation</b>  |   |  | -   | 1,882,708                                      |
| <b>U.S. Department of Education:</b>  |   |  |   |  |
| Passed through NYS Department of Health:  |   |  |   |  |
| Special Education—Grants for Infants and Families   | 84.181                                  | C027516  | -   | 24,780   |
| <b>Total U.S. Department of Education</b>   |   |  | -   | 24,780   |

(continued)

**COUNTY OF WARREN, NEW YORK**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2016**

(concluded)

| <b>Federal Grantor/Pass-Through<br/>Grantor Program Title (1a)</b>                  | <b>Federal<br/>CFDA<br/>Number (1b)</b> | <b>Pass-Through<br/>Identifying<br/>Number</b> | <b>Passed-<br/>Through to<br/>Subrecipients</b> | <b>Total<br/>Federal<br/>Expenditures (1c)</b> |
|---|---|--|---|--|
| <b>U.S. Department of Health and Human Services:</b>                                |   |  |   |  |
| Direct Programs:  |   |  |   |  |
| Special Programs for the Aging, Title VII, Chapter 3                                | 93.041                                  | N/A  | -   | 6,976  |
| National Family Caregiver Support, Title III, Part E                                | 93.052                                  | N/A  | -   | 45,765   |
| <i>Aging Cluster:</i>   |   |  |   |  |
| Special Programs for the Aging, Title III, Part B                                   | 93.044                                  | N/A  | -   | 98,477   |
| Special Programs for the Aging, Title III, Part C                                   | 93.045                                  | N/A  | -   | 231,512  |
| Nutrition Services Incentive Program  | 93.053                                  | N/A  | -   | 112,564  |
| <i>Total Aging Cluster</i>  |   |  | -   | 442,553  |
| Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) |   |  |   |  |
| Aligned Cooperative Agreements  | 93.074                                  | N/A  | -   | 15,699   |
| Temporary Assistance for Needy Families   | 93.558                                  | N/A  | -   | 2,823,163                                      |
| Child Support Enforcement   | 93.563                                  | N/A  | -   | 421,352  |
| Low-Income Home Energy Assistance   | 93.568                                  | N/A  | -   | 2,402,462                                      |
| Stephanie Tubbs Jones Child Welfare Services Program                                | 93.645                                  | N/A  | -   | 23,463   |
| Foster Care, Title IV-E   | 93.658                                  | N/A  | -   | 915,238  |
| Adoption Assistance   | 93.659                                  | N/A  | -   | 668,021  |
| Social Services Block Grant   | 93.667                                  | N/A  | -   | 363,990  |
| Medical Assistance Program  | 93.778                                  | N/A  | -   | 1,373,407                                      |
| Centers for Medicare and Medicaid Services (CMS)                                    |   |  |   |  |
| Research, Demonstrations and Evaluations  | 93.779                                  | N/A  | -   | 65,677   |
| Passed through Health Research Inc.:  |   |  |   |  |
| Public Health Emergency Preparedness  | 93.069                                  | 1628-10  | -   | 51,036   |
| Passed through NYS Department of Health:  |   |  |   |  |
| Preventive Health and Health Services Block Grant                                   | 93.991                                  | C026544  | -   | 40,749   |
| Passed through NYS Office of Children and Family Services:                          |   |  |   |  |
| Promoting Safe and Stable Families  | 93.556                                  | 581-A-030                                      | -   | 78,328   |
| Passed through NYS Office of Alcoholism and Substance Abuse Services:               |   |  |   |  |
| Block Grants for Prevention and Treatment of Substance Abuse                        | 93.959                                  | N/A  | -   | 228,670  |
| <b>Total U.S. Department of Health and Human Services</b>                           |   |  | -   | 9,966,549                                      |
| <b>U.S. Department of Homeland Security:</b>  |   |  |   |  |
| Passed through NYS Division of Homeland Security and Emergency Services:            |   |  |   |  |
| Hazardous Materials Emergency Planning Grant  | 97.039                                  | C000724  | -   | 29,897   |
| State Homeland Security Program (SHSP)  | 97.067                                  | See Note 5                                     | -   | 251,216  |
| <b>Total U.S. Department of Homeland Security</b>                                   |   |  | -   | 281,113  |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE (1d)</b>                                      |   |  | \$ -  | \$ 14,810,395                                  |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**COUNTY OF WARREN, NEW YORK**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2016**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Warren, New York (the "County") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County. The following notes were identified on the schedule of expenditures of federal awards:

- a) Includes all federal award programs of the County. The federal expenditures of the Warren County Local Development Corporation and the Warren County Soil and Water District have not been included.
- b) Source: Catalog of Federal Domestic Assistance.
- c) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- d) A reconciliation to the County's financial statements is available.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**3. MATCHING COSTS**

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

**4. NON-MONETARY FEDERAL PROGRAM**

The County is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements, termed "nonmonetary programs." New York State makes payments of benefits directly to vendors, primarily utility companies on behalf of eligible persons participating in the Low-Income Home Energy Assistance Program (CFDA Number 93.568).

## 5. DETAIL OF CFDA 20.205 AND CFDA 97.067 FEDERAL PROGRAMS

Detail of the Highway Planning and Construction and State Homeland Security Program (SHSP) pass-through identifying numbers for the year ended December 31, 2016 are as follows:

|                  | <u>Pass-Through<br/>Identifying Number</u> |         |
|------------------|--|---------|
| CFDA No. 20.205: |  |         |
|                  | D013789                                    | T034199 |
|                  | D030237                                    | T034214 |
|                  | D030378                                    | D034950 |
|                  | D031989                                    | D034951 |
|                  | D033375                                    | D035256 |
|                  | D033799                                    | D035270 |
|                  | D033862                                    | D035355 |
|                  | D034176                                    |         |
| CFDA No. 97.067: |  |         |
|                  | T837355                                    | T974256 |
|                  | T974242                                    | C974259 |
|                  | C974249                                    | C974260 |
|                  | C974250                                    |         |

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Certified Public Accountants

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

Honorable Board of Supervisors  
County of Warren, New York:

We have audited, 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, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Warren, New York (the "County") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 9, 2017. Our report is qualified on the Warren County Soil and Water Conservation District discretely presented component unit and includes a reference to other auditors who audited the financial statements of the Warren Tobacco Asset Securitization Corporation and the Warren County Local Development Corporation, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

September 9, 2017

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*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Honorable Board of Supervisors  
County of Warren, New York:

**Report on Compliance for Each Major Federal Program**

We have audited the County of Warren, New York's (the "County") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget* ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Warren Tobacco Asset Securitization Corporation ("WTASC"), the Warren County Local Development Corporation ("LDC"), and the Warren County Soil and Water District (the "District"), which received \$0, \$1,257,042 and \$322 in federal awards, respectively, which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2016. Our compliance audit, described below, did not include the operations of WTASC, LDC, or the District. Other auditors were engaged to perform such audits on WTASC and LDC in accordance with Uniform Guidance, as applicable, while the District was unaudited during the year ended December 31, 2016.

***Management's Responsibility***

The County's management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Drescher & Malecki LLP*

September 9, 2017

**COUNTY OF WARREN, NEW YORK**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2016**

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**Section I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of auditors' report issued: Unmodified\*  
 (\*which report is qualified on the Warren County Soil and Water Conservation District discretely presented component unit and includes a reference to other auditors)

Internal control over financial reporting:

|   |           |   |  |
|---|-----------|---|--|
| Material weakness(es) identified?                         | _____ Yes | _____ <input checked="" type="checkbox"/> No            |  |
| Significant deficiency(ies) identified?                   | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |  |
| Noncompliance material to the financial statements noted? | _____ Yes | _____ <input checked="" type="checkbox"/> No            |  |

**Federal Awards:**

Internal control over major federal programs:

|   |           |   |  |
|---|-----------|---|--|
| Material weakness(es) identified?       | _____ Yes | _____ <input checked="" type="checkbox"/> No            |  |
| Significant deficiency(ies) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |  |

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes  No

Identification of major federal programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>                              |
|-----------------------|--|
| 10.557                | Special Supplemental Nutrition Program for Woman, Infants and Children |
| 20.205                | Highway Planning and Construction Cluster                              |
| 93.659                | Adoption Assistance  |

|  |   |
|--|---|
| Dollar threshold used to distinguish between Type A and Type B programs? | \$ <u>750,000</u>   |
| Auditee qualified as low-risk auditee?                                   | _____ <input checked="" type="checkbox"/> Yes <span style="margin-left: 100px;">_____ No</span> |

**Section II. FINANCIAL STATEMENT FINDINGS**

No findings noted.

**Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings noted.

**COUNTY OF WARREN, NEW YORK**  
**Summary Schedule of Prior Audit Findings and Corrective Action Plan**  
**Year Ended December 31, 2016**  
**(Follow Up on December 31, 2015 Findings)**

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No findings were noted.

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